

## First Capital Mutual Fund Limited

### Annual Report 2001

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#### COMPANY INFORMATION

<b>Board of Directors</b>	Mr. Salmaan Taseer Chairman
	Mr. Mumtaz H Syed Chief Executive
	Lt. Gen. (R) Humayun Khan Bangash Mr. Muhammad Ashraf Ali Mr. Muhammad Shuaib Yousaf Mr. Aamer Nasim Chishti Mr. Usman Haider
<b>Company Secretary</b>	Mr. Sardar Ali Wattoo
<b>Investment Committee</b>	Mr. Salmaan Taseer (Chairman) Mr. Mumtaz H Syed Mr. Sardar Ali Wattoo
<b>Auditors</b>	Messrs. Taseer Hadi Khalid & Co. Chartered Accountants
<b>Legal Advisers</b>	Chima & Ibrahim Advocates, Lahore
<b>Custodian</b>	Crescent Investment Bank Limited
<b>Registered Office / Head Office</b>	103-C/II, Gulberg-III Lahore, Pakistan Tel: (042) 5757591-4 Fax: (042) 5757590, 5877920
<b>Investment Advisers</b>	First Capital Investments (Pvt.) Limited 103-C/II, Gulberg-III, Lahore

**Registrar and Shares Transfer O** THK Associates (Pvt.) Limited  
Ground Floor  
Sheikh Sultan Trust Building No.2  
Beaumont Road  
Karachi  
Tel: (021) 5689021

## Notice of Annual General Meeting

Notice is hereby given that the 7th Annual General Meeting of the shareholders of First Capital Mutual Fund Limited will be held on 29 December 2001 at 10:30 a.m. at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, to transact the following business:

1. To confirm the minutes of the last Annual General Meeting;
2. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2001 together with the Directors' and Auditors' reports thereon;
3. To appoint auditors for the year ending 30 June 2002 and fix their remuneration;
4. To transact any other business with the permission of the Chair.

**By order of the Board**

Lahore  
08 December 2001

**(SARDAR ALI WATTOO)**  
**Company Secretary**

### Notes:

The Members Register will remain closed from 22 December 2001 to 29 December 2001 (both days inclusive). Transfers received at THK Associates (Pvt.) Limited, Ground Floor, Sheikh Sultan Trust Building No.2, Beaumont Road, Karachi, the Registrar and Share Transfer Office of the Company, by the close of business on 21 December 2001 will be treated in time.

2) A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time for holding the meeting.

3) In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the registered office of the company, 103-C/II, Gulberg-III, Lahore, not less than 48 hours before the time of the meeting.

4) a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original NIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen of nominees shall be produced (unless provided earlier) at the time of meeting.

b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with attested copy of their NIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and NIC numbers. The proxy shall produce his/her original NIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Directors/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.

5. Members are requested to notify any change in their registered address immediately.

## DIRECTORS' REPORT TO THE SHAREHOLDERS

It gives us great pleasure to present the seventh annual audited financial statements of First Capital Mutual Fund Ltd. ("FCMF") for the period ending June 30,2001.

In the year under review FCMF outperformed the KSE-100 index by 5%. Whereas the KSE-100 index lost 10% of its value as it fell from 1520 to 1366, FCMF lost 5% of its Net Asset Value (NAV). The operating results of the company for the year are as follows:

	<b>2001</b>
	<b>Rupees</b>
Capital gain on sale of marketable securities	(4,961,106)
Dividend income	2,497,820
Mark-up on bank deposits	
Provision for diminution in value of securities	
Excess provision written back	(272,745)
Net profit/(Loss) for the period	(4,641,038)
Accumulated loss brought forward	57,554,434
Accumulated loss carried forward	62,337,228

The Fund is well diversified and has been constructed keeping in mind the relative correlation between different sectors and stocks. In line with our sector forecasts, more allocation has been made to sectors that are likely to perform well. The Fund's top five sectors are (in terms of market value):

<b>Sector</b>	<b>Allocation as a % of Market Value of Fund</b>
Telecommunications	42.3%
Engineering	16.4%
Fuel & Energy	10.5%
Chemical & Pharmaceuticals	8.1%
Vanaspati & Allied	3.9%

A number of macro economic factors affected the market in this period. As a result the entire equity market showed a dismal performance. Economic growth remained slack caused both by weak domestic indicators as well as the international recessionary environment. The agricultural sector, which is the mainstay of the Pakistan economy, was adversely affected by the severe drought.

Other factors that impacted the downward movement at KSE were the hike in interest rates that made institutional investors shy away from equity investments, lackluster interest from foreign investors, and new trading procedures announced by the Securities and Exchange Commission of Pakistan (SECP).

The recent events followed by the lifting of international sanctions and resumption of relations with the industrialized world augur well for the stock market in Pakistan. Given the enhanced support from international donor agencies as well as direct support from international governments, Pakistan's economic prospects are likely to improve over the next period. In this backdrop we expect more interest in equity investments, and the KSE- 1 00 index should perform well.

### Pattern of Shareholding

The pattern of shareholding is annexed to this report.

### Auditors

The Present auditors Messers: Taseer Hadi Khalid and Co., Chartered Accountants shall retire and may be considered for re-appointment for the year 2001-2002.

**Board of Directors:**

Mr. Shaan Taseer, Mr. Sadiq Y Yalmaz resigned and were replaced by Mr. Usman Haider and Mr. Humayun Khan Bangash. The Directors wish to place on record well wishes for outgoing directors and welcome the new Directors.

**For and on behalf of the Board**

**Aamer Nasim Chishti**  
**Director**

Lahore, December 01, 2001

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of First Capital Mutual Fund Limited as at 30 June 2001 and the related profit and loss account, cash flow statement, distribution statement and statement of changes in equity and reserves together with the notes forming part thereof (here-in-after referred to as the " financial statements"), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the financial statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984 and rule 16 of the Investment Companies and Investment Adviser's Rules, 1971. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the International Standards on Auditing as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining, on a test check basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984 and Rule 16 of the Investment Companies and Investment Adviser's Rules, 1971;

(b) in our opinion:

(i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and in accordance with the provisions of the second schedule to the Investment Companies and Investment Adviser's Rules, 1971, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied

(ii) the expenditure incurred during the year was for the purpose of the company's business; and

(iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;

(c) in our opinion and to the best of our information and according to the explanation given to us, the balance sheet, profit and loss account, cash flow statement, distribution statement and statement of changes in equity and reserves together with the notes forming part thereof

conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 and the Investment Companies and Investment Adviser's Rules, 1971 in the manner so required and respectively give a true and fair view of the state of the company's affairs as at 30 June 2001 and of the loss, its cash flows, its distributions and changes in equity and reserves for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

ISLAMABAD  
December 01,2001

**TASEER HADI KHALID & CO.**  
**CHARTERED ACCOUNTANTS**

## BALANCE SHEET AS AT 30 JUNE 2001

	<i>NOTE</i>	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
<b>ASSETS</b>			
Marketable securities	3	82,525,659	87,470,794
<b>OTHER ASSETS</b>			
Accounts receivable	4	950,941	1,792,563
Security deposits		300,000	300,000
Bank balances	5	6,591,617	7,494,606
		-----	-----
		7,842,558	9,587,169
		-----	-----
<b>TOTAL ASSETS</b>		90,368,217	97,057,963
<b>CURRENT LIABILITIES</b>			
Due to Investment Adviser - an associated compan	6	1,788,914	1,458,291
Accounts payable	7	557,307	2,775,191
Provision for taxation		359,224	378,915
		-----	-----
		2,705,445	4,612,397
		-----	-----
<b>NET ASSETS</b>		87,662,772	92,445,566
		=====	=====
<b>SHAREHOLDERS' EQUITY</b>			
SHARE CAPITAL	8	150,000,000	150,000,000
ACCUMULATED LOSS		(62,337,228)	(57,554,434)
		-----	-----
		87,662,772	92,445,566
		=====	=====

The annexed notes form an integral part of these accounts.

LAHORE

**DIRECTOR**

**DIRECTOR**

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2001

<i>NOTE</i>	<i>2001</i>	<i>2000</i>
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		<i>Rupees</i>	<i>Rupees</i>
<b>INCOME</b>			
CAPITAL (LOSS) / GAIN ON MARKETABLE SECURITIES	9	(4,961,106)	15,134,570
OTHER INCOME	10	2,497,820	5,388,660
		-----	-----
		(2,463,286)	20,523,230
<b>OPERATING EXPENSES</b>			
Administrative expenses	11	670,247	2,845,220
Financial expenses		--	236,460
Remuneration of investment adviser	6.1	1,753,250	924,460
		-----	-----
		2,423,497	4,006,140
<b>OPERATING (LOSS) / PROFIT</b>			
		4,886,783)	16,517,090
<b>PROVISION FOR DIMINUTION IN VALUE OF MARKETABLE SECURITIES</b>			
	3	--	(287,503)
<b>EXCESS OF PROVISION FOR DIMINUTION IN VALUE OF MARKETABLE SECURITIES WRITTEN BACK</b>			
	3	272,745	--
		-----	-----
<b>(Loss) / PROFIT BEFORE TAXATION</b>		4,614,038)	16,229,587
<b>PROVISION FOR TAXATION</b>			
		(168,756)	(181,811)
<b>LOSS FOR THE YEAR</b>			
		4,782,794)	16,047,776
		=====	=====
<b>(LOSS) / EARNINGS PER SHARE- BASIC</b>		(0.32)	1.07
		=====	=====

The annexed notes form an integral part of these accounts.

LAHORE **DIRECTOR** **DIRECTOR**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2001**

	<i>2001 Rupees</i>	<i>2000 Rupees</i>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
(Loss) / profit before taxation	(4,614,038)	16,229,587
<b>Adjustment for:</b>		
Amortization of deferred expenditure	--	1,629,325
Provision for diminution in value of shares/ (excess provision written back)	(272,745)	287,503
	-----	-----
Operating (loss)/profit before working	(272,745)	1,916,828
	-----	-----

capital changes	(4,886,783)	18,146,415
<b>(Increase)/decrease in:</b>		
Marketable securities	5,217,880	(8,352,945)
Accounts receivable	841,622	2,771,104
	-----	-----
	6,059,502	(5,581,841)
<b>Increase/(decrease) in current liabilities</b>		
Due to investment adviser	330,623	(577,923)
Accounts payable	(4,623)	296
	-----	-----
	326,000	(577,627)
<b>Net cash generated from operating activities</b>	1,498,719	11,986,947
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Deferred expenditure paid	--	(1,659,372)
Dividends paid	(2,213,261)	(4,896,477)
Tax paid	(188,447)	--
	-----	-----
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	(2,401,708)	(6,555,849)
	-----	-----
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	(902,989)	5,431,098
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	7,494,606	2,063,508
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	-----	-----
	6,591,617	7,494,606
	=====	=====

The annexed notes form an integral part of these accounts.

LAHORE **DIRECTOR** **DIRECTOR**

**DISTRIBUTION STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2001**

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>ACCUMULATED LOSS BROUGHT FORWARD (LOSS) / PROFIT FOR THE YEAR</b>	(57,554,434)	(66,102,210)
	(4,782,794)	16,047,776
	-----	-----
<b>DIVIDEND - NIL (2000: 5%)</b>	(62,337,228)	(50,054,434)
	--	(7,500,000)
	-----	-----
<b>ACCUMULATED LOSS CARRIED FORWARD</b>	62,337,228	(57,554,434)
	=====	=====

The annexed notes form an integral part of these accounts.

LAHORE **DIRECTOR** **DIRECTOR**

**STATEMENT OF MOVEMENT IN EQUITY AND RESERVES  
FOR THE YEAR ENDED 30 JUNE 2001**

	<i>2001</i> <i>Rupees</i>	<i>2000</i> <i>Rupees</i>
NET ASSETS PER SHARE AS AT 01 JULY 2000	6.16	5.59
(LOSS) / GAIN ON SALE OF MARKETABLE SECURITIES - PER SHARE	(0.33)	1.01
REVERSAL OF PROVISION / (PROVISION) FOR DIMINUTION IN VALUE OF MARKETABLE SECURITIES - PER SHARE	0.01	(0.02)
NET INCOME/(LOSS) FOR THE YEAR EXCLUDING CAPITAL (LOSS)/GAIN - PER SHARE	0.01	0.08
PROFIT FOR THE YEAR - PER SHARE	(0.31)	1.07
DIVIDEND FOR THE YEAR - PER SHARE	--	(0.50)
NET ASSETS PER SHARE AS AT 30 JUNE 2001	5.85	6.16

The annexed notes form an integral part of these accounts.

LAHORE **DIRECTOR** **DIRECTOR**

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2001**

**1. STATUS AND NATURE OF BUSINESS**

First Capital Mutual Fund Limited (the company) was incorporated on January 8, 1995 as a public limited company under the Companies Ordinance, 1984 and commenced its operations on March 14, 1995. It has been registered as an Investment Company under the Investment Companies and Investment Advisers Rules, 1971. The company is listed on Karachi and Lahore Stock Exchanges. The object of the company is to carry on the business of a close-end mutual fund and to invest its assets in securities, which are listed or proposed to be listed on the Stock Exchanges.

The company has entered into an agreement with an associated company, First Capital Investment (Private) Limited to act as its "Investment Adviser". Crescent Investment Bank Limited is the approved custodian of the company.

**2. SIGNIFICANT ACCOUNTING POLICIES**

**2.1 Accounting convention**

These accounts have been prepared under the historical cost convention.

**2.2 Statement of compliance**

These accounts have been prepared in accordance with Accounting Standards issued by the International Accounting Standards Committee ("IASC"), interpretations issued by the Standing

Interpretations Committee ("SIC") of the IASC and the requirements of the Investment Companies and Investment Advisers Rules, 1971. and Companies Ordinance, 1984.

### 2.3 Marketable securities

#### Listed

Investments in quoted securities are valued at lower of cost and market value. Cost is determined on moving average basis and market value is determined on an aggregate portfolio basis. Middle market price has been used for calculating market value and it means the average of the highest and the lowest quotation prevailing on the balance sheet date.

#### Pre-IPOs

These are companies for which application has been made but which have not been listed at the balance sheet date. These pre-initial public offerings are stated at the lower of average cost and break-up value determined on the basis of latest available financial statements.

### 2.4 Taxation

Provision for current taxation is based on taxable income at current rates of taxation after taking into account tax credits and rebates available, if any. The company provides for deferred taxation, if any, on liability method for all major timing differences.

### 2.5 Revenue recognition

(i) Dividend income is recognized at the time of closure of share transfer books of the company declaring dividend.

(ii) Sale and purchase of securities are recorded on the date of execution of contract. Capital gain or loss on sale of investment is taken to income of the period in which it arises.

(iii) Return on bank deposits are recognized on accrual basis.

### 2.6 Receivables

Receivables considered doubtful of recovery are fully provided for.

## 3. INVESTMENT IN MARKETABLE SECURITIES

Name of Company	NUMBER OF SHARES/ CERTIFICATES				BALANCE AS AT JUNE 30, 2001			PERCENTAGE IN RELATION TO		
	Operating	Purchase	Bonus	Sales	No. of Shares/ Certificates	At cost (Rupee)	At Market (Rupee)	Own net assets with cost of Investment	Paid-up capital of investee Company	Total cost of the Assets
<b>Mutual Fund</b>										
I.C.P.S.E.M.F	25,000	--	--	25,000	--	--	--	--	--	--
						-----	-----			
						--	--			
<b>Investment Companies / Banks</b>										
First Capital Securities Corp. Ltd.	110,440	--	19,879	--	130,319	825,280	922,007	0.94	0.24	0.94
Crescent Investment Bank	--	46,000	--	16,000	30,000	604,410	359,250	0.69	0.12	0.69
Muslim Commercial Bank Ltd.	18,000	97,000	3,780	87,000	31,780	915,237	775,432	1.05	0.04	1.04
Askari Commercial Bank Ltd.	--	55,000	--	30,000	25,000	335,417	325,625	0.38	0.03	0.38
Islamic Investment Bank Ltd.	--	12,000	--	--	12,000	18,575	16,800	0.02	0.01	0.02
Faysal Bank Ltd.	75,400	--	--	--	75,400	1,111,833	574,925	1.27	0.07	1.27
Bank of Punjab	200	--	--	200	--	--	--	--	--	--
Metropolitan Bank Ltd.	207	80	--	287	--	--	--	--	--	--

Gulf Commercial Bank Ltd.	5,500	--	--	5,500	--	--	--	--	--	--
Bank Al Habib	300	--	--	300	--	--	--	--	--	--
						3,810,752	2,974,039			
<b>Insurance Companies</b>										
IGI Insurance company	20,194	--	--	--	20,194	1,469,507	1,413,580	1.68	1.51	1.68
Shaheen Insurance company	376,500	1,500	--	--	378,000	4,190,400	1,512,000	4.79	6.98	4.78
Adamjee Insurance company	46,328	118,302	--	164,550	80	5,646	4,482	0.01	0.00	0.01
E.F.U. Life Insurance company	200	--	--	200	--	--	--	--	--	--
						5,665,553	2,930,062			
<b>Textile</b>										
Nishat Mills Ltd.	57,500	25,000	--	25,900	56,600	1,857,190	991,915	2.12	0.17	2.12
Samin Textile Mills Ltd.	--	5,000	--	--	5,000	53,250	29,000	0.06	0.04	0.06
						1,910,440	1,020,915			
<b>Textile Composite</b>										
Crescent Textile Mills Ltd.	20	60,000	--	60,020	--	--	--	--	--	--
						--	--			
<b>Synthetic &amp; Rayon</b>										
Dewan Salman Fibers Ltd.	5,071	277,500	--	277,514	5,057	243,051	91,279	0.28	0.01	0.28
Ibrahim Fibers Ltd.	31,500	72,500	--	104,000	--	--	--	--	--	--
						243,051	91,279			
<b>Cement</b>										
D. G Khan Cement Ltd.	75,000	--	--	--	75,000	1,143,873	431,250	1.31	0.08	1.30
Pak Land Cement Ltd.	41,500	12	--	--	41,512	343,284	228,316	0.39	0.04	0.39
						1,487,157	659,566			
<b>Fuel &amp; Energy</b>										
Southern Electric Go. Ltd.	45,000	--	--	--	45,000	493,421	316,125	0.56	0.05	0.56
Sui Southern Gas Co. Ltd.	--	--	--	--	--	--	--	--	--	--
Hub Power Ltd.	197,000	1,169,500	--	1,301,500	65,000	1,314,941	1,248,000	1.50	0.01	1.50
Japan Power Generation Ltd.	110,000	--	--	63,000	47,000	443,719	178,600	0.51	0.03	0.51
Kohinoor Energy Ltd.	67,500	--	20,250	9,000	78,750	986,262	899,719	1.13	0.06	1.13
Pakistan State Oil	35,150	17,500	--	17,650	35,000	7,456,863	4,639,250	8.53	0.52	8.51
Sui Northern Gas Co. Ltd.	117,757	100,000	17,663	100,000	135,420	1,966,127	1,364,357	2.25	0.05	2.24
Shell Pakistan Ltd.	1,900	38,200	--	40,100	--	--	--	--	--	--
						12,661,333	8,646,050			
<b>Engineering</b>										
Sazgar Engineering Works Ltd.	500,500	2,500	--	1,500	501,500	4,577,313	13,540,500	5.23	6.39	5.22
						4,577,313	13,540,500			
<b>Auto &amp; Allied</b>										
Agriauto Industries	82,000	--	--	50,000	32,000	233,725	108,000	0.27	0.19	0.27
						233,725	108,000			

**Transport & Communication**

Pakistan Telecommunication Co. L	102,700	715,000	--	690,000	127,700	2,424,304	2,304,985	2.77	0.07	2.77
Tele Card Ltd.	34,600	--	--	--	34,600	1,316,200	434,230	1.50	0.53	1.50
WorldCALL Payphones Ltd.	990,000	394,000	217,000	529,000	1,072,000	14,489,591	17,205,600	16.57	2.90	16.53
WorldCALL Multimedia Ltd.	--	1,500,000	--	--	1,500,000	15,000,000	15,000,000	17.15	1.24	17.11

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33,230,095      34,944,815

**Chemical & Pharmaceutical**

Searle Pak Ltd. (T)	19,778	--	--	--	19,778	921,858	286,781	1.05	0.48	1.05
Searle Pak Ltd. (2)	21,000	--	4,605	--	25,605	621,991	371,273	0.71	--	0.71
Engro Chemicals Ltd.	25,260	--	3,789	--	29,049	2,600,223	1,668,139	2.97	0.19	2.97
Fauji Fertilizer company Ltd.	164,700	--	--	85,000	79,700	4,487,390	2,863,223	5.13	0.17	5.12
F.F.C. Jordan Co. Ltd.	100,000	--	--	--	100,000	1,492,026	572,500	1.71	0.04	1.70
ICI Pakistan Ltd.	100,000	346,000	--	346,000	100,000	1,077,375	915,000	1.23	0.01	1.23

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11,200,863      6,676,915

**Vanaspati & Allied**

Wazir Ali Industries Ltd	544,513	18,500	--	348,500	214,513	3,601,113	3,217,695	4.12	6.93	4.11
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3,601,113      3,217,695

**Food & Allied**

Lever Brothers Pak. Ltd.	376	1,480	--	820	1,036	899,880	781,662	1.03	0.14	1.03
Nestle Milkpak company Ltd.	7,478	--	--	--	7,478	1,310,519	1,024,486	1.50	0.29	1.49

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2,210,399      1,806,148

**Paper & Board**

Packages Ltd.	57,853	57,698	15	115,396	170	10,989	9,690	0.01	0.00	0.01
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10,989      9,690

**Miscellaneous**

Treet Corporation Ltd.	8,477	--	--	--	8,477	255,158	254,310	0.29	0.61	0.29
Diamond Industries Ltd.	43,500	--	--	--	43,500	1,290,649	393,675	1.48	1.43	1.47
Tri Pack Films Ltd.	7,000	177,000	--	184,000	--	--	--	--	--	--

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1,545,807      647,985

**Term Finance Certificates**

Dewan Salman Fibre Ltd. (Rs. 5,00	--	1,010	--	--	1,010	5,066,741	5,252,000	5.79	0.17	5.78
-----------------------------------	----	-------	----	----	-------	-----------	-----------	------	------	------

-----  
5,066,741      5,252,000

-----  
87,455,331      82,525,659

Less: Provision for diminution in value of shares.

-----  
4,929,672

-----  
82,525,659

Provision for diminution in value of shares

For the year ended June 30, 1995

16,824,309

For the year ended June 30, 1996

16,332,073

For the year ended June 30, 1997	(12,769,680)
For the year ended June 30, 1998	29,999,853
For the year ended June 30, 1999	(45,471,641)
For the year ended June 30, 2000	287,503
For the year ended June 30, 2001	(272,745)
	-----
	4,929,672
	=====

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>4. ACCOUNTS RECEIVABLE</b>		
On account of sale of shares	34,271	202,736
Dividends	493,913	1,338,884
Profit on bank deposits	--	9,400
Advance tax	244,127	241,543
Accrued mark-up	178,630	--
	-----	-----
	950,941	1,792,563
	=====	=====

**5. BANK BALANCES**

Cash at bank:		
- on current accounts	33,911	2,666
- on PLS accounts	6,557,706	7,491,940
	-----	-----
	6,591,617	7,494,606
	=====	=====

**6. DUE TO INVESTMENT ADVISER - FIRST CAPITAL INVESTMENTS (PVT.) LIMITED**

Opening balance	1,458,291	2,036,214
2% of net assets (2000: 1% of net assets)	1,753,250	924,460
Deferred expenditure	--	1,659,372
Mark-up on deferred expenditure	--	236,460
	-----	-----
	1,753,250	2,820,292
Less: Payments made during the year	(1,422,627)	(3,398,215)
	-----	-----
	330,623	(577,923)
	-----	-----
	1,788,914	1,458,291
	=====	=====

6.1 The remuneration of the Investment Adviser, @ 2% of the net assets of the company, at the end of its year of accounts in terms of rule 11 (a) of the Investment Companies and Investment Advisers Rules, 1971, has been determined as follows:

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>REMUNERATION OF INVESTMENT ADVISER</b>		

**ASSETS**

Marketable securities at lower of cost and market value	82,525,659	87,470,794
Accounts receivable	950,941	1,792,563
Security deposit	300,000	300,000
Cash and bank balances	6,591,617	7,494,606
	-----	-----
	90,368,217	97,057,963

**LIABILITIES**

Due to Investment Adviser	1,788,914	1,458,291
Accounts payable	557,307	2,775,191
Provision for taxation	359,224	378,915
	-----	-----
	2,705,445	4,612,397

**NET ASSETS**

	87,662,772	92,445,566
	=====	=====
2% of net assets (2000: 1% of net assets)	1,753,250	924,460
	=====	=====

**7. ACCOUNTS PAYABLE**

Accrued custodian fee	87,045	91,668
Audit fee	80,000	80,000
Unpaid dividend	390,262	2,603,523
	-----	-----
	557,307	2,775,191
	=====	=====

**8. SHARE CAPITAL**

Authorised		
20,000,000 ordinary shares of Rs. 10 each	200,000,000	200,000,000
	=====	=====
Issued, subscribed and paid up:		
15,000,000 ordinary shares of Rs. 10 each fully paid in cash	150,000,000	150,000,000
	=====	=====

**9. CAPITAL (LOSS)/GAIN ON MARKETABLE SECURITIES**

Sales	125,056,144	305,965,804
Less: Cost of sales:		
Opening stock	926,732,111	84,320,265
Add: Purchases	124,799,370	299,184,179
	-----	-----
	217,472,581	383,504,444
Less: Closing stock	(87,455,331)	(92,673,210)
	-----	-----
	130,017,250	290,831,234
	-----	-----
	(4,961,106)	15,134,570
	=====	=====

**10. OTHER INCOME**

Dividend income	2,327,517	4,830,386
Mark-up on bank accounts	16,443	517,550
Mark-up On TFCs	132,696	--

Miscellaneous income	21,164	40,724
	-----	-----
	2,497,820	5,388,660
	=====	=====

**11. ADMINISTRATIVE EXPENSES**

Custodian fee and CDC charges	499,252	936,809
Amortization of deferred expenditure	--	1,629,325
Auditors' remuneration (11.1)	80,000	80,000
Other expenses	90,995	199,086
	-----	-----
	670,247	2,845,220
	=====	=====

**11.1 Auditors' remuneration includes the following:**

Audit fee	65,000	65,000
Out of pocket expenses	15,000	15,000
	-----	-----
	80,000	80,000
	=====	=====

**12. TRANSACTIONS WITH ASSOCIATED COMPANY**

Transactions of shares through stock brokerage  
- an associated company:

Purchases	10,741,277	190,443,725
Sales	11,895,127	167,470,916
Investment advisory fee	1,753,250	924,460
Deferred expenditure	--	1,659,372
Interest on deferred expenditure	--	223,460

**13. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURE**

13.1 The company's exposure to interest rate risk and the effective rates of its financial assets and liabilities are summarised as Follows:

2001	<i>Interest bearing</i>		<i>(Amount in Rupees)</i>	
	<i>One month to three months</i>	<i>Less than one year</i>	<i>Non interest bearing</i>	<i>Total</i>
<b>Financial assets</b>				
Accounts receivable	--	--	950,941	950,941
Security deposits	--	--	300,000	300,000
Bank balances	--	447,412	6,144,205	6,591,617
Marketable securities - net	--	5,252,000	77,412,984	82,664,984
	-----	-----	-----	-----
	--	5,699,412	84,808,130	90,507,542
	=====	=====	=====	=====
Effective interest rates		11%-19%		
<b>Financial liabilities</b>				
Due to Investment Adviser	--	--	1,788,914	1,788,914
Accounts payable	--	--	557,307	557,207
Provision for taxation	--	--	359,224	359,224

--	--	2,705,445	2,705,445
=====	=====	=====	=====

2000

	<i>Interest bearing</i>		<i>(Amount in Rupees)</i>	
	<i>One month to three months</i>	<i>Less than one year</i>	<i>Non interest bearing</i>	<i>Total</i>
<b>Financial assets</b>				
Accounts receivable	--	--	1,792,563	1,792,563
Security deposits	--	--	300,000	300,000
Bank balances	--	7,491,940	2,666	7,494,606
Marketable securities - net	--	--	87,470,794	87,470,794
	--	7,491,940	89,566,023	97,057,963
	=====	=====	=====	=====
Effective interest rates		11%		
<b>Financial liabilities</b>				
Due to Investment Adviser	--	--	3,695,586	3,695,586
Accounts payable	--	--	171,372	171,372
Provision for taxation	--	--	197,105	197,105
	--	--	4,064,063	4,064,063
	=====	=====	=====	=====

**13.2 Concentration of credit risk and credit exposure of financial instruments.**

The company believes it is not exposed to major concentration of credit risk as its debt securities are traded on stock exchanges and other receivables are not material.

**13.3 Fair value**

The fair value of the financial assets and liabilities is estimated to approximate their carrying values;

**14. PERFORMANCE TABLE**

	<i>2001</i>	<i>2000</i>	<i>1999</i>	<i>1998</i>	<i>1997</i>	<i>1996</i>
Net assets (rupees)	87,662,772	92,445,566	83,897,790	77,767,270	105,410,446	104,183,868
Net assets value per share (Rupees)	5.84	6.16	5.59	5.18	7.03	6.95
Earnings per share (Rupees)	(0.32)	1.07	0.41	(1.84)	0.08	(1.97)
Dividend distributed (%)	Nil	5%	Nil	Nil	Nil	Nil

**15. TAXATION**

The company's tax assessments have been finalized upto the DCIT level upto and including the assessment year 1999-2000. The DCIT has raised a demand of Rs.542,151/- for the assessment year 1999-2000, which the company plans to contest at the appellate level.

Provision for additional tax liability has not been made in these accounts, as the company is hopeful of a favourable outcome of the appeal.

**16. GENERAL**

16.1 Figures have been rounded off to the nearest rupee.

16.2 Corresponding figures have been rearranged, wherever necessary, for the purposes of comparison.

LAHORE

**DIRECTOR****DIRECTOR**

**STATEMENT OF INCOME AND EXPENDITURE  
IN RELATION TO THE INVESTMENT COMPANY  
FOR THE YEAR ENDED 30 JUNE 2001**

	<i>2001</i>	<i>2000</i>
	<i>Rupees</i>	<i>Rupees</i>
<b>REVENUE</b>		
Investment advisory fee from FCMF	1,753,250	924,460
Consultancy Fee	--	1,200,000
Dividend Income	--	750,000
Other income	--	238,353
	1,753,250	3,112,813
<b>EXPENSES</b>		
Salaries, wages and benefits	404,915	603,963
Telephone, fax, etc.	58,750	142,856
Utilities	132,885	35,324
Insurance	140,567	42,131
Printing and stationery	273,716	348,754
Traveling and conveyance	50,135	64,095
Postage, courier, etc.	19,244	19,805
Rent office building	18,227	19,706
Entertainment	24,928	17,801
Legal and professional charges	484,210	370,500
Office expenses	90,383	107,483
Professional Tax	20,000	132,800
Advertisement	--	72,000
Auditors' Remuneration	40,000	40,000
Depreciation (Note - 4)	657,664	680,810
	-----	-----
	2,415,624	2,698,028
	-----	-----
<b>OPERATING PROFIT / (LOSS)</b>	(662,374)	414,785
Financial charges	97,918	409,403
	-----	-----
<b>NET OPERATING LOSS</b>	(760,292)	5,383
	-----	-----
<b>TAXATION-Current</b>	9,205	161,814
	-----	-----
<b>LOSS AFTER TAXATION</b>	(769,497)	(1 56,431)
Unappropriated loss brought forward	(2,168,479)	(2,012,048)
	-----	-----
Unappropriated loss carried forward	(2,937,976)	(2,168,479)
	=====	=====

LAHORE

CHIEF EXECUTIVE

DIRECTOR

**STATEMENT UNDER SECTION 241(2) OF THE COMPANIES  
ORDINANCE, 1984  
AUTHENTICATION OF FINANCIAL STATEMENTS**

The accounts of the company have been signed by Mr. Aamer Nasim Chishti and Mr. Muhammad Shuaib Yousaf, Directors of the company in the absence of the Chief Executive, who is currently abroad.

LAHORE **AAMER NASIM CHISHTI** **MUHAMMAD SHUAIB YOUSAF**  
**DIRECTOR** **DIRECTOR**

**PATTERN OF SHAREHOLDING**  
**AS AT 30 JUNE 2001**

<i>No. of Shareholders</i>	<i>Shareholdings</i>		<i>Total Shares Held</i>	
	<i>From</i>	<i>To</i>		
2430	1	--	100	234,960
221	101	--	500	84,460
37	501	--	1000	31,100
50	1001	--	5000	138,340
16	5001	--	10000	137,340
4	10001	--	15000	46,700
5	15001	--	20000	98,160
2	45001	--	50000	97,100
1	55001	--	60000	55,500
1	70001	--	75000	71,000
2	95001	--	100000	198,000
1	105001	--	110000	107,600
1	105001	--	200000	196,000
1	225001	--	230000	226,000
1	290001	--	295000	290,500
1	365001	--	370000	367,000
1	830001	--	835000	834,300
1	1035001	--	1040000	1,038,300
1	1310001	--	1315000	1,310,440
1	1475001	--	1480000	1,477,000
1	1495001	--	1500000	1,500,000
1	1710001	--	1715000	1,712,100
1	4745001	--	4750000	4,748,100
-----				
2781				15,000,000
=====				

<i>Categories of Shareholders</i>	<i>No. of Shareholders</i>	<i>Shares Held</i>	<i>Percentage Held</i>
INDIVIDUALS	2738	1,730,560	11.53707
INVESTMENT COMPANIES	1	300	0.00200
JOINT STOCK COMPANIES	22	2,115,900	14.10600
FINANCIAL INSTITUTIONS	10	6,025,440	40.16960
MODARABA COMPANIES	5	79,900	0.53267
FOREIGN COMPANIES	1	71,000	0.47333
LEASING COMPANIES	2	226,800	1.51200
NON-RESIDENT	1	4,748,100	31.65400
OTHERS	1	2,000	0.01333
-----			
	2781	15,000,000	100.00000

=====