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## MISSION

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At First Capital Mutual Fund Limited we would focus on creating wealth for shareholders, to conduct ourselves with dignity and the highest ethical standards, to contribute as a good corporate citizen to the society and also to provide a good working environment that will surely stimulate talent and reward hard work.

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## VISION

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To be a leader among Mutual Funds of the country through prudent investments in diversified portfolio for sustained best financial results and continuing achieving maximum yield for the shareholders of First Capital Mutual Fund Limited.



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## COMPANY INFORMATION

Board of Directors	Salmaan Taseer (Chairman) Syed Kashan Hussain Kazmi (CEO) Omer Subhan Salamat Muhammad Naveed Tariq Ahmad Bilal Suhail Ahmad Mahmood Ali Athar
Chief Financial Officer	Usman Sheikh
Audit Committee	Ahmed Bilal (Chairman) Muhammad Naveed Tariq Suhail Ahmad
Company Secretary	Shahzad Jawahar
Investment Committee	Syed Kashan Hussain Kazmi Omer Subhan Salamat Pardeep Kumar
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants
Legal Adviser	Mazhar Law Associates Advocates & Solicitors
Custodian	Central Depository Company of Pakistan Limited ("CDC")
Management Company	First Capital Investments Limited 103-C/II, Gulberg-III, Lahore
Registered Office / Head Office	103-C/II, Gulberg-III Lahore, Pakistan Tel: +92 42 35757591-4 Fax: +92 42 35757590, 35877920
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor, State Life Building No.3, Dr. Ziauddin Ahmed Road, Karachi Tel: + 92 21 111-000-322



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 16<sup>th</sup> Annual General Meeting of the Shareholders of First Capital Mutual Fund Limited (“the Company”) will be held on Saturday, 30 October 2010 at 1:00 p.m. at 103-C/II, Gulberg-III, Lahore, the Registered Office of the Company, to transact the following business:

1. To confirm the minutes of last Annual General Meeting held on 31 October 2009;
2. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2010 together with the Directors' and Auditors' reports thereon;
3. To appoint the Auditors of the Company for the year ending 30 June 2011 and to fix their remuneration;

By order of the Board

Lahore  
08 October 2010

**Shahzad Jawahar**  
Company Secretary

### Notes:

- 1) The Members Register will remain closed from 23 October 2010 to 30 October 2010 (both days inclusive). Transfer received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmad Road, Karachi the Registrar and Shares Transfer Office of the Company, by the close of business on 22 October 2010 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 signatures 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 Director/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.



## FINANCIAL HIGHLIGHTS - LAST TEN YEARS

	<b>Rupees in thousands</b>									
	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>
<b>Income Statement</b>										
Capital gain/(loss)	37,839	(98,205)	23,516	52,949	35,997	25,734	9,674	34,472	2,939	(4,964)
Dividend income	10,125	13,090	13,650	10,738	6,557	4,749	4,699	7,596	7,163	2,328
Unrealized gain/(loss) on listed securities	(9,752)	(43,001)	(71,012)	58,493	13,476	(0,566)	11,925	11,241	(8,189)	(273)
Operating expenses	13,257	7,070	10,847	11,183	7,196	6,018	5,019	4,166	3,564	2,423
Net gain/(loss) before taxation	28,945	(133,821)	(41,590)	114,400	48,872	24,094	21,377	49,186	(1,544)	(4,614)
Taxation	1,013	478	1,086	-	603	-	234	-	430	169
Net gain/(loss) after taxation	27,923	(134,299)	(42,676)	114,400	48,269	24,094	21,142	49,186	(1,974)	(4,783)
Earning per share	0.93	(4.48)	(1.42)	3.95	3.22	1.61	1.41	3.28	(0.13)	0.32
<b>Balance Sheet</b>										
Net assets	231,229	203,306	337,605	380,281	176,043	142,611	118,517	97,375	85,689	87,663
Net assets per share (Rupees)	7.71	6.78	11.25	12.68	11.74	9.51	7.91	6.94	5.71	5.85
<b>Payouts</b>										
Dividend distribution (%)	Nil	Nil	Nil	10%	10%	10%	Nil	25%	Nil	Nil
<b>Stock Exchange</b>										
KSE 100 Index	9,722	7162	12,289	13,772	9,989	7,450	5,279	3,402	1,770	1,366

## DIRECTORS' REPORT

The Board of Directors of First Capital Mutual Fund Limited ("FCMF" or "the Fund" or "the Company") is pleased to present the Annual Report 2010 together with the audited financial statements for the year ended June 30, 2010.

### Company Objective

The objective of the company is to augment the wealth of shareholders through investments geared towards securing maximum returns while simultaneously offsetting resultant risks through efficient diversification across sectors with low correlation amongst them.

### Profile

FCMF is a closed end equity fund. The Company takes along term value investing approach and the portfolio is diversified across all major sectors with stocks having long term positive fundamentals.

### Company's Performance During 2010

The summary of accounts is as follows:

	2010 Rupees	2009 Rupees
Net gain /(loss) on sale of investments	37,838,512	(98,205,065)
Dividend income	10,125,103	13,089,542
Profit on bank deposits	3,980,543	1,364,905
Unrealized diminution in value of investments		
Operating expenses	13,256,677	7,069,729
Net profit/ (loss) after tax	27,923,438	(134,298,872)
Net Assets	231,229,219	203,305,781
NAV per share	7.71	6.78
Earnings per share Basic	0.93	(4.48)
Dividend	NIL	NIL

The Net Asset Value per share of the Fund as on June 30, 2010 stands at Rs. 7.71 representing increase of 13.72% over the NAV of the last year. The Benchmark KSE 100 showed a stellar improvement of 35.7% against a negative return of 41.72% in FY09. The fund has adopted the cautious approach during the period under review, wherein we achieve the consolidation of the assets under management combined with fair return for our shareholders. Nevertheless, the fund has underperformed the benchmark by 2800 basis amid the risk avert strategy of the fund.

After showing a dismal performance during FY09, the fund has showed a strong rebound during the FY-10 with a net profit of Rs 27.93 million against a net loss of Rs. 134.3 million in the same period last year. EPS for the period under review was recorded at Rs. 0.93 as compared to loss per share of Rs. 4.48 during the same period last year. This significant improvement is mainly attributed to capital gain on listed securities of Rs. 37.84 million as compared to a capital loss of Rs. 98.2 million during FY09. Another reason for a turnaround in the company's earnings is the unrealized loss of Rs. 9.75 million in FY10 as compared to a huge loss of Rs. 43 million during same period last year.

### Earnings per Share

Fund's earning per share has increased from Rs. (-4.48) in FY09 to Rs. (0.93) in Fy10.

### Income Distribution

Since sufficient reserves are not available to the fund, therefore no payout was declared by the Board of Directors during FY10.

## Outlook

The market has started the year with low volumes as capital gain tax has been finally introduced on short term gains (less than one year holding period) on stocks and mutual funds. However, efforts are in place for the introduction of leverage product, which should enable the market to attract some domestic inflows, which have largely shrunk during the past year. Overall, the market is expected to witness lower trading volumes earlier during the year.

Given the severity of economic damage due to these massive floods, the market has responded by retreating almost 10% in early August. On the basis of earnings multiple and dividend yields, Pakistan remains one of the cheapest emerging market and which has been the major reason for continuous inflows of foreign investment. However, equity risk premium will continue to be high for the country given the broader weak macroeconomic picture especially after the recent floods. Not surprisingly, overall, domestic demand is expected to shrink in the coming year, which is likely to impact the top line growth and earnings across various sectors.

What the market will be hoping for is effective earlier response of the government to the rehabilitation and rebuilding of country's infrastructure. Delays in international support and weak response of the government to the crises will have far reaching negative consequences on the economy.

## Performance Rating

The Fund has been assigned a MFR of 3- Star ranking (short term) and 2- Star ranking (long term) for the year ended June 30, 2010 by Pakistan Credit Rating Agency Limited (PACRA) in the category of closed end equity funds.

## Changes in the Board of Directors

During the year Mr. Suhail Ahmed has been appointed as director in place of Mr. Muhammad Musharraf Khan.

## Trading of Directors

During the year no trading in the Fund's share was carried out by any of the directors, CEO, CFO, Company Secretary and their spouses including minor children.

## Board Meetings

Four meetings of the Board of directors were held during the year. Attendance by each director is as follows;

Directors	Meetings Attended
Mr. Salmaan Taseer (Chairman)	4
Syed Kashan Hussain Kazmi CEO	4
Mr. Omer Subhan Salamat	4
Mr. Muhammad Naveed Tariq	3
Mr. Ahmad Bilal	4
Mr. Suhail Ahmed	4
Mr. Mahmood Ali Athar	-

The directors who could not attend were granted leave by the Board.

## Audit Committee

The Board of Directors in compliance with the Code of Corporate Governance has established an Audit Committee consisting of the following directors:

Mr. Ahmad Bilal	Chairman
Mr. Muhammad Naveed Tariq	Member
Mr. Suhail Ahmed	Member

### **Investment Committee**

The fund has an investment committee comprises of truly qualified & professional people who always make a decision by analyzing the capital market & economic conditions in depth.

Syed Kashan Hussain Kazmi  
Mr. Omer Subhan Salamat  
Mr. Pardeep Kumar, CFA

### **Pattern of Shareholding**

Pattern of shareholdings as required under section 236 of the Companies Ordinance, 1984, and Listing regulations is enclosed.

### **Auditors**

The present Auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, shall retire and being eligible to offer themselves for re-appointment. The Board of Directors endorses the recommendation of the Audit Committee for the re-appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants as the auditors of the Fund for the financial year ending June 30, 2011.

### **Good Governance and Best Business Practices**

Practicing Governance means bringing and ensuring that we have a comprehensive set of ethical principles plus a team that is committed to ensure that all our business activities are conducted according to those principles.

The Board of Directors of the Fund is responsible to its shareholders for managing the business of the Fund in strict compliance with the regulatory requirements and sound internal controls. In other words we have to live up to high standards that are independently verifiable. It acknowledges the responsibility for the sound internal controls and is committed to upholding the highest standards of Code of Corporate Governance.

### **Related Party Transactions**

The Fund has fully complied with the requirements on Related Party Transactions to the extent as contained in the listing regulations of stock exchanges.

### **Statement of Compliance in accordance with the Code of Corporate Governance**

The Fund for the year ended 30 June 2010 has duly complied with the provisions of the relevant code for good governance. The Board of Directors has reviewed the Codes and hereby confirms that:

- 1) The financial statements, prepared by the management, present fairly, its state of affairs, the results of its operations, cash flows, changes in equity, statement of movement in reserves and distribution statement of the Fund.
- 2) Proper Books of accounts of the Fund have been maintained.
- 3) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- 4) International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements
- 5) The system of internal control is sound in design and has been effectively implemented and monitored.
- 6) There are no significant doubts upon the Fund's ability to continue as a going concern.
- 7) There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.

- 8) The key financial data of last ten years is attached to this report.
- 9) There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding and have not been disclosed in the accounts.
- 10) The Fund has followed the best practices of corporate governance, as detailed in Listing Regulations of Karachi Stock Exchange wherever possible, and is in the process of complying with all the remaining regulations.

**Acknowledgment**

The Board would like to take this opportunity to express its admiration to the employees of the Company for their commitment, hard work and co-operation throughout the year. The Board would also like to thank and appreciate all the shareholders for their continued support. The board also wishes to place on record its appreciation for the guidance and support extended by the Securities and Exchange Commission of Pakistan as well as Karachi Stock Exchange (Guarantee) Limited.

**For and on behalf of the Board**

Lahore:  
**20th September 2010**

**Syed Kashan Hussain Kazmi**  
Chief Executive Officer

## FUND MANAGER REPORT FOR THE YEAR ENDED JUNE 30, 2009

### Profile

<b>Fund Type</b>	Closed End
<b>Category</b>	Equity Fund
<b>Net Assets (PKR mn)</b>	231.23
<b>NAV (June 30, 2010)</b>	7.71
<b>Custodian</b>	Central Depository Company of Pakistan Ltd.
<b>Name of Auditor of the fund</b>	KPMG Taseer Hadi & Co
<b>Management fee</b>	2%
<b>Date of Launch:</b>	January 8, 1995
<b>Benchmark</b>	KSE-100 Index
<b>AMC Rating</b>	AM4+ By PACRA
<b>Risk Profile</b>	High

### Objective

The objective of the fund is to augment the wealth of shareholders through investments geared towards securing maximum returns while simultaneously offsetting resultant risks through efficient diversification across sectors with low correlation amongst them.

### Investment Policy

The investment policy of FCMF is based on valuation driven portfolio building rather than momentum chasing. FCMF focuses on outperforming the market, but does not conceptualize upon aggressive high risk strategies to give the best return in the short run, aiming instead for consistent higher returns in the long run.

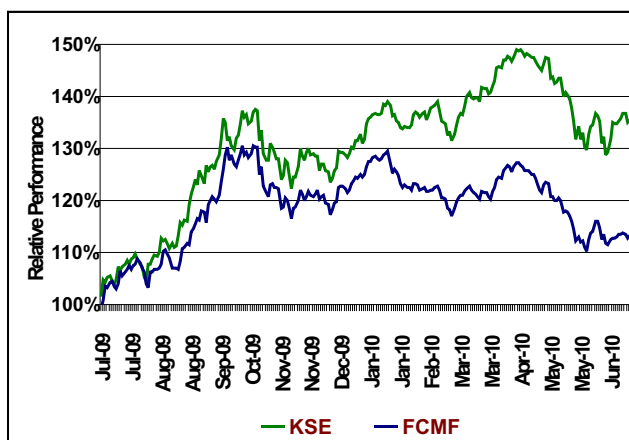
The investment portfolio of the fund is comprised of highly liquid, high dividend yield and growth stocks with upward potential. Earnings consist of capital gain, dividend income, and profit on deposits. Our investment philosophy is to capitalize the growth opportunities in different sectors of market by using a cautious approach and not to expose ourselves in highly volatile and illiquid stocks.

The proportion of investment in various securities of different companies and across different sectors is based upon expected return & inherent risks while proportion of investment in stocks or fixed income securities is according to the guidelines of Investment Committee / Asset management company within the limits of applicable NBFC's laws.

### Asset Allocation and Performance Review during Fiscal Year

The Net Asset Value per share of the Fund as on June 30, 2010 stands at Rs. 7.71 representing an increase of 13.3% over the NAV of the last year. Lower comparable return of the Fund is primarily due to absence and out performance of index heavyweight stocks including OGDC, MCB Bank, Nestle Pakistan Ltd and Unilever Pakistan Ltd. These stocks contributed more than 60% of Index gain in Fy10.

	FY2007-2008	FY2008-2009	FY2009-2010
Beginning net assets	351,405,778	337,569,535	203,491,845
Beginning NAV	11.71	11.25	6.78
Ending net assets	337,604,653	203,305,781	231,229,219
Ending NAV	11.25	6.78	7.71
Cash distribution			
Final	-	-	-
Income distribution (%)			
Capital growth (%)	(3.94)	(39.72)	13.73
Total return (%)	(3.94)	(39.72)	13.73
	<b>Total Return</b>	<b>Annualised return (CAGR)</b>	
One Year	0.14%	13.73%	
Two Year	-31.44%	-17.20%	
Three Year	-34.14%	-12.87%	



### Summary of Key Investment Decisions during the Year

Consistent with its objectives of long term value investing, the Fund mostly adopted buy and hold strategy except for those sectors/stocks which became overvalued or where fundamentals became negative.

Major portfolio activity during the year was as follows:

**Oil and Gas:** Our exposure in this sector averaged around 13-15% throughout the year (lower than 20% in FY09). OGDC became overvalued because it was yielding a high PE range of 10.0x ~ 11.5x against the average market multiple of 7.0x~8.0x so we reduced the exposure in the stock. However, POL and PPL have shown some bright prospects on the back of volumetric growth from new development wells coupled with attractive gas pricing during 2HFY11. The exposure in APL is also increased on the basis of potential growth in its earnings. As for PSO, there are concerns for regarding the implementation of increased turnover tax as proposed in FY11 Budget.

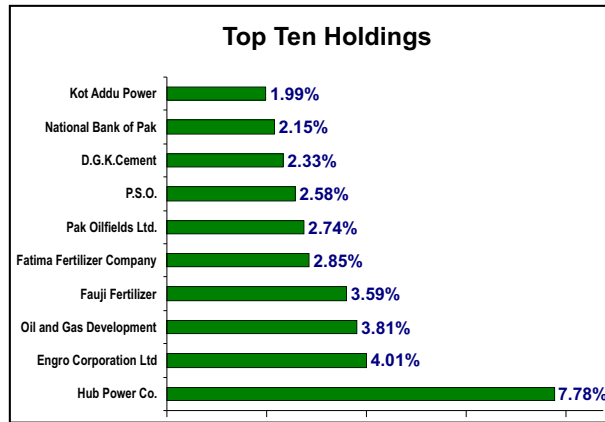
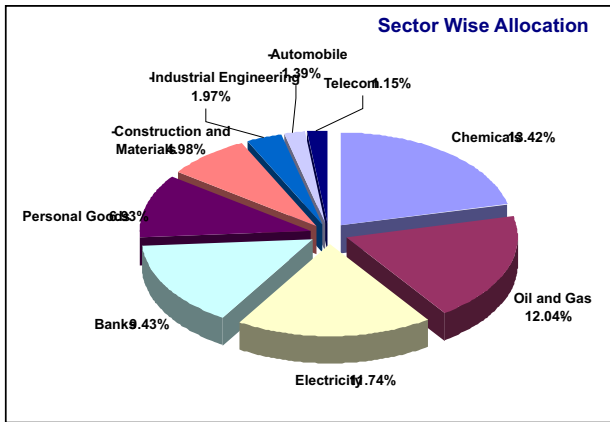
**Chemicals:** Exposure in Chemicals sector was around 13-14%. The funds were mainly invested in the fertilizer giants with ENGRO (4%), FFC (3.6%), FFBL (1.2%) due to growth and stable dividend payout and high yield. A new venture was also included in the portfolio Fatima Fertilizer (2.85%) on growth prospect. ENGRO and FFC gained the major chunk of investment in the fund. Along with a new venture Fatima Fertilizer (2.85%) the company has also maintained its focus in other small companies in the sector holding bright prospects for the future.

**Electricity:** HUBCO was our top pick with 7.8% weightage in the portfolio while our total exposure in the electricity sector was 11-12%. HUBCO has posted a return of 75% (outperforming KSE100 by 42%) since April 10, 2009. NPL will also be under our radar; however, given our higher degree of conviction on HUBCO's and KAPCO's ability to meet dividend payouts and being liquid and defensive nature to the negative movement of the index, we highlight the two stocks as better plays on the sector.

**Banks:** Our exposure in banks remained around 9-10%. Although banks posted improved results as compared to FY09, we remained cautious of the reducing growth in the sector. However giving continuous increase in banking spread, the banks are expected to provide attractive payouts to its shareholders. During the year, exposure in NBP, MCB and UBL was built on the basis of relative valuations.

**Construction and Materials:** We maintained exposure of 4-5% in the sector, with Lucky and DG Khan being our top picks with 2% and 2.3% holdings respectively. We maintain our preference for LUCK (due to the economies of scale and higher exports market share), ACPL (due to proximity to sea and low leverage) and DGKC (due to its equity portfolio and sufficient exposure to domestic market). Improved domestic prices and inland freight subsidies will help in improving the margins. However, there are serious concerns regarding the timely disbursements of PSDP as the economy is still in a struggling phase.

The fund has also been given strong significance to Paper & Board, Textile and Autos sector. We believe that exposure in such scrips would enable us to outperform the index. Our investment thesis in these sectors will be based on strong fundamentals and sector specific policies and regulations.



### Stock Market Review

The KSE 100 Index gained 35.74% in FY10 and closed at 9,721.91. Most of the gains in equities occurred in the 1st quarter (July-September 2009: 30.53 %). The index further increased during the second half, making a high of 10,669.88 on April 19 before closing the year with clipped gains. After the turbulence in 2009 economic indicators have started to stabilize during the year, leading to improving investors' confidence.

Foreign portfolio investment shot up to \$569mn in FY10. Foreign participation was mainly driven by attractive valuations of the market as compared to the regional players. On the flip side it was largely tilted towards index heavy weights. Out of the major sector listed on KSE, oil & gas, chemical (particularly fertilizer stocks) and auto stocks outperformed the market while cement, refineries and insurance sector were the underperformers. OGDC (largest oil and gas exploration company) and MCB (largest private sector bank) contributed 63 % of index gain (OGDC 45%, MCB 7.0%, NESTLE 5.8%, ULEVER 5.2%).

During FY10, KSE-I00 performance was one of the best among regional indices with MSCI frontier market index (which includes Pakistan) in this time period declining by 3.59%. Average daily volume during the year was 161mn shares (Rs 6.97bn) versus 105.6mn (its 4.43bn) a year earlier. During the year 8 equity offerings worth Rs 4.3bn were made at local bourses as compared to 4 equity offerings a year earlier.

### Market Outlook

Given the severity of economic damage due to recent massive floods, the market responded by retreating almost 10%, in early August. On the basis of earnings multiple and dividend yields, Pakistan remains one of the cheapest emerging market, which has been the major reason for continuous inflow of foreign investment. However, equity risk premium will continue to be high for the country given the broader weak macroeconomic picture especially after the recent floods. Not surprisingly, overall, domestic demand is expected to shrink in the coming year, which is likely to impact the top line growth and earnings across various sectors.

The market has started the year with low volumes as capital gain tax has been finally introduced on short term gains (less than one year holding period) on stocks and mutual funds. However, efforts are in place for the introduction of leverage products, which should enable the market to attract some domestic inflows, which have largely shrunk during the past year. Overall, the market is expected to witness lower trading volumes earlier during the year.



What the market will be hoping for is effective early response of the government to the rehabilitation and rebuilding of country's infrastructure. Delays in international support and weak response of the government to the crisis will have far reaching negative consequences on the economy.

**Other Disclosures under NBFC Regulations 2008**

The Fund Manager hereby makes the following disclosures as required under the NBFC Regulations 2008,

- a) The Management Company or any of its delegates did not receive any soft commission (goods & services) from any of its brokers/dealers by virtue of transactions conducted by the Fund.
- b) There was no share split undertaken during the year.

The Fund Manager is not aware of any circumstances that can materially affect any interests of the share holders other than those already disclosed in this report.

## **STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2010**

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

- 1) The board of directors comprise of seven directors. The Company encourages representation of independent non-executive directors on its board. At present the board includes at least 2 independent non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them has convicted by a Court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a DFI or an NBFII. No one is a member of Stock Exchange.
- 4) All casual vacancies occurring in the Board were filled by the Director within 30 days thereof.
- 5) The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
- 6) The board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- 7) All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the board.
- 8) The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- 9) The Board arranged orientation courses for its directors during the year to apprise them of their duties and responsibilities.
- 10) The Board approved appointment of Company Secretary, Chief Financial Officer and Internal Auditor including remuneration and terms and conditions of employment, as determined by the CEO.
- 11) The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
- 12) The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
- 13) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding

- 14) The Company has complied with all the corporate and financial reporting requirements of the Code.
- 15) The Board has formed an audit committee. At present the committee includes three non-executive directors including the chairman of the committee.
- 16) The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board has set-up an effective internal audit function having suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company.
- 18) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20) We confirm that all other material principles contained in the Code have been complied with.
- 21) The Fund has fully complied with the requirements on Related Party Transactions to the extent as contained in the listing regulations of stock exchanges.

**For and on behalf of the Board**

Lahore:  
**20 September 2010**

**Syed Kashan Hussain Kazmi**  
Chief Executive Officer

## **REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **First Capital Mutual Fund (“the Fund”)** to comply with the Listing Regulations of Karachi and Lahore Stock Exchanges.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Fund personnel and review of various documents prepared by the Fund to comply with the Code. As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub- Regulation (xiii a) of Listing Regulation No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Fund to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee.

We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund the year ended 30 June 2010.

**LAHORE**  
**20th September 2010**

**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
**(Kamran Iqbal Yousafi)**

## AUDITORS' REPORT TO THE MEMBERS

We have audited the accompanying financial statements of **First Capital Mutual Fund Limited (“the Fund”)**, which comprise the statement of assets and liabilities as at 30 June 2010, the income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of changes in equity and statement of movement in reserves per share together with the notes forming part thereof, 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 purposes of our audit.

It is the responsibility of the Asset Management Company (First Capital Investments Limited) to establish and maintain a system of internal control and prepare and present the above said statements in conformity with the requirements of the approved accounting standards, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with auditing standards as applicable in Pakistan. These standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether the above said statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said 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 Fund as required by the Companies Ordinance 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008;
- b) in our opinion:
  - i) the statement of assets and liabilities, income statement, cash flow statement, distribution statement, statement of changes in equity and statement of movement in reserves per share together with the notes forming part thereof have been drawn up in conformity with the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as explained in note 3.3 of the financial statements with which we concur;
  - iii) the expenditure incurred during the year was for the purpose of the Fund's business; and
  - iv) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Fund;
- c) in our opinion and to the best of our information and according to the explanations given to us, the statement of assets and liabilities, income statement, cash flow statement, distribution statement, statement of changes in equity and statement of movement in reserves per share together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and the Non-Banking Finance Companies and Notified Entities Regulations, 2008, in the manner so required and respectively give a true and fair view of the state of the Fund's affairs as at 30 June 2010 and of the transactions of the Fund for the year then ended; and
- d) in our opinion no Zakat was deductible by the Fund under Section 7 of the Zakat and Ushr Ordinance, 1980.

**LAHORE**

**Dated: 20th September 2010**

**KPMG Taseer Hadi & Co.**

Chartered Accountants  
**(Kamran Iqbal Yousafi)**

## STATEMENT OF ASSETS AND LIABILITIES

*AS AT 30 JUNE 2010*

	<i>NOTE</i>	<b>2010 Rupees</b>	<b>2009 Rupees</b>
<b>ASSETS</b>			
<b>Current assets</b>			
Bank balances	5	70,442,897	7,954,436
Investments at fair value through profit or loss	6	172,918,553	195,889,882
Dividend and other receivables	7	1,587,049	6,276,443
		<b>244,948,499</b>	<b>210,120,761</b>
<b>Non current assets</b>			
Long term deposit		137,500	137,500
<b>Total assets</b>		<b>245,085,999</b>	<b>210,258,261</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Payable to asset management company - an associated company	8	4,878,698	4,144,100
Trade and other payables	9	7,875,730	2,240,821
Income tax payable		1,102,352	567,559
<b>Total liabilities</b>		<b>13,856,780</b>	<b>6,952,480</b>
<b>Net assets</b>		<b>231,229,219</b>	<b>203,305,781</b>
<b>Share capital and reserves</b>			
Authorized share capital 35,000,000 (2009: 35,000,000) ordinary shares of Rs. 10 each		<b>350,000,000</b>	<b>350,000,000</b>
Issued, subscribed and paid up capital	10	<b>300,000,000</b>	300,000,000
Accumulated loss		<b>(68,770,781)</b>	(96,694,219)
<b>Contingencies and commitments</b>	11	-	-
		<b>231,229,219</b>	<b>203,305,781</b>
Net assets value per share at 30 June		<b>7.71</b>	<b>6.78</b>

The annexed notes from 1 to 24 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

## INCOME STATEMENT

*FOR THE YEAR ENDED 30 JUNE 2010*

	<i>NOTE</i>	<b>2010 Rupees</b>	<b>2009 Rupees</b>
<b>Income</b>			
Capital gain/(loss) on sale of investments - net		37,838,512	(98,205,065)
Dividend income		10,125,103	13,089,542
Profit on bank deposits		3,980,543	1,364,905
		<u>51,944,158</u>	<u>(83,750,618)</u>
Unrealized diminution in value of investments at fair value through profit or loss - net	6	<u>(9,751,533)</u>	<u>(43,000,808)</u>
		<b>42,192,625</b>	<b>(126,751,426)</b>
<b>Operating expenses</b>			
Remuneration to asset management company	8	4,878,698	4,144,100
Securities transaction cost		4,948,998	1,309,303
Fee and subscription	12	524,284	479,345
Custodian fee		1,444,031	364,074
Printing		342,166	358,350
Auditors remuneration	13	344,500	300,000
Legal and professional charges		118,000	98,000
Workers' Welfare Fund		578,700	-
Bank charges		77,300	16,557
		<u>13,256,677</u>	<u>7,069,729</u>
<b>Profit/(loss) before taxation</b>		<b>28,935,948</b>	<b>(133,821,155)</b>
<b>Provision for taxation</b>			
Taxation - current year	14	1,012,510	477,717
<b>Profit/(loss) after taxation</b>		<u><u>27,923,438</u></u>	<u><u>(134,298,872)</u></u>
<b>Earnings/(loss) per share - basic and diluted</b>	15	<u><u>0.93</u></u>	<u><u>(4.48)</u></u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

**STATEMENT OF COMPREHENSIVE INCOME**

**FOR THE YEAR ENDED 30 JUNE 2010**

	<b>2010 Rupees</b>	<b>2009 Rupees</b>
Profit/(loss) after taxation	<b>27,923,438</b>	(134,298,872)
Other comprehensive income/(loss) for the year	-	-
<b>Total comprehensive income/ (loss) for the year</b>	<u><u><b>27,923,438</b></u></u>	<u><u><b>(134,298,872)</b></u></u>

The annexed notes from 1 to 24 form an integral part of these financial statements.



## CASH FLOW STATEMENT

FOR THE YEAR ENDED 30 JUNE 2010

	<i>NOTE</i>	<b>2010 Rupees</b>	<b>2009 Rupees</b>
<b>Cash flow from operating activities</b>			
Profit/(loss) before taxation		28,935,948	(133,821,155)
Adjustment for non - cash items:			
Dividend income		(10,125,103)	(13,089,542)
Remuneration to asset management company		4,878,698	4,144,100
Unrealized diminution in value of investments at fair value through profit or loss - net		9,751,533	43,000,808
		4,505,128	34,055,366
<b>Operating profit/(loss) before working capital changes</b>		<b>33,441,076</b>	<b>(99,765,789)</b>
 (Increase)/decrease in current assets			
Investments in listed securities		13,219,796	97,646,168
Other receivables		4,344,537	(4,935,423)
		17,564,333	92,710,745
 Increase/(decrease) in current liabilities			
Trade and other payables		5,634,909	(201,221)
<b>Cash generated from/(used) in operations</b>		<b>56,640,318</b>	<b>(7,256,265)</b>
Remuneration paid to asset management company		(4,144,100)	(7,436,075)
Tax paid		(692,180)	(189,735)
Dividend received		10,684,423	14,084,772
<b>Net cash generated from/(used in) operating activities</b>		<b>62,488,461</b>	<b>(797,303)</b>
 <b>Cash flow from financing activities</b>			
Dividend paid		-	(340)
<b>Net cash used in financing activities</b>		-	(340)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>62,488,461</b>	<b>(797,643)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>7,954,436</b>	<b>8,752,079</b>
<b>Cash and cash equivalents at the end of the year</b>	5	<b>70,442,897</b>	<b>7,954,436</b>

The annexed notes from 1 to 24 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

## STATEMENT OF CHANGES IN EQUITY

*FOR THE YEAR ENDED 30 JUNE 2010*

	Issued, subscribed and paid up capital	Accumulated (loss) / Undistributed income	Total
	Rupees		
<b>Balance as at 30 June 2008</b>	300,000,000	37,604,653	337,604,653
Capital (loss) on sale of investments - net		(98,205,065)	(98,205,065)
Unrealized diminution in value of investments at fair value through profit or loss - net		(43,000,808)	(43,000,808)
Other net operating income for the year		6,907,001	6,907,001
Net loss for the year ended 30 June 2009		(134,298,872)	(134,298,872)
<b>Balance as at 30 June 2009</b>	<b>300,000,000</b>	<b>(96,694,219)</b>	<b>203,305,781</b>
Capital gain on sale of investments - net		37,838,512	37,838,512
Unrealized diminution in value of investments at fair value through profit or loss - net		(9,751,533)	(9,751,532)
Other net operating loss for the year		(163,541)	(163,541)
Net income for the year ended 30 June 2010		27,923,438	27,923,439
<b>Balance as at 30 June 2010</b>	<b>300,000,000</b>	<b>(68,770,781)</b>	<b>231,229,220</b>

The annexed notes from 1 to 24 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

**STATEMENT OF MOVEMENT IN  
RESERVES - PER SHARE**

**FOR THE YEAR ENDED 30 JUNE 2010**

	2010 Rupees	2009 Rupees
<b>Net assets value per share as at 01 July</b>	6.78	11.25
Capital gain/(loss) on sale of investments - net	1.26	(3.27)
Unrealized diminution in value of investments at fair value through profit or loss - net	(0.32)	(1.43)
Other net operating (loss)/ income for the year	(0.01)	0.23
Net profit/ (loss) for the period - per share	0.93	(4.47)
<b>Net assets value per share as at 30 June</b>	7.71	6.78

The annexed notes from 1 to 24 form an integral part of these financial statements.

## DISTRIBUTION STATEMENT

*FOR THE YEAR ENDED 30 JUNE 2010*

	<b>2010 Rupees</b>	<b>2009 Rupees</b>
<b>(Accumulated loss) / Undistributed income brought forward</b>		
Realised (loss)	(130,293,601)	(38,995,537)
Unrealised gain	<u>33,599,382</u>	<u>76,600,190</u>
	<b>(96,694,219)</b>	<b>37,604,653</b>
Total comprehensive income/(loss) for the year	<b>27,923,438</b>	(134,298,872)
(Accumulated loss)/undistributed income carried forward	<u><u>(68,770,781)</u></u>	<u><u>(96,694,219)</u></u>
<b>Represented by:</b>		
(Accumulated loss)/undistributed income carried forward		
Realised (loss)	<b>(92,618,630)</b>	(130,293,601)
Unrealised gain	<u>23,847,849</u>	<u>33,599,382</u>
	<u><u>(68,770,781)</u></u>	<u><u>(96,694,219)</u></u>

The annexed notes from 1 to 24 form an integral part of these financial statements.

LAHORE

CHIEF EXECUTIVE

DIRECTOR

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 30 JUNE 2010

#### 1 Status and nature of business

First Capital Mutual Fund Limited (the "Fund") was incorporated in Pakistan on 08 January 1995 as a public limited company under the Companies Ordinance, 1984, having registered office at 103-C/II Gulberg III, Lahore. The Fund commenced its operations on 14 March 1995. The Fund is listed on Karachi and Lahore Stock Exchanges. It is registered with the Securities and Exchange Commission of Pakistan (SECP) as an Investment Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The Fund is registered as Notified Entity under the Non Banking Finance Companies and Notified Entities Regulations, 2008. The object of the Fund is to carry on the business of a close end mutual fund and to invest its assets in securities, which are listed or unquoted securities unless an application for listing of such securities has been accepted by the stock exchanges.

The Fund has an agreement with First Capital Investment Limited ("FCIL"), an associated company, to provide asset management services. FCIL is duly licensed under the NBFC Rules to provide asset management services to closed end funds only.

FCIL has been assigned rating of "AM4+" by Pakistan Credit Rating Agency (PACRA). The Fund has been assigned long term credit rating at "2 Star", while normal credit rating has been assigned at "3 Star" by PACRA.

Central Depository Company of Pakistan Limited is the custodian of the Fund.

As per Regulation 65 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 an asset management company managing an Investment Company shall, upon the expiry of every five years from 21 November 2007 or the date of launch of the Investment Company which ever is later, hold within one month of such period a meeting of share holders to seek the approval of the shareholders (by special resolution) to convert the Investment Company into an Open End Scheme or wind up the Investment Company.

#### 2 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations 2008 or the directives issued by the Commission differ with the requirements of IFRS, the requirements of the NBFC Rules, the NBFC Regulations or the directives issued by the Commission prevail.

#### 3 Basis of measurement

**3.1** These financial statements have been prepared under the historical cost convention except for listed securities, which are stated at their fair values.

### 3.2 Critical accounting estimates and judgments

The preparation of financial statements, in conformity with approved accounting standards, requires management to make judgments, estimates and assumptions that affect the application of policies reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision effects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

- a) Fair value of investments
- b) Realisability of other assets balances
- c) Provision for taxation

### 3.3 Changes in accounting policy

Starting 01 July 2009, the Fund has changed its accounting policy in respect of 'Presentation of financial statements'.

The Fund has applied Revised IAS 1 Presentation of Financial Statements (2007) which became effective as of 01 January 2009. The standard required the Fund to present in the statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. In addition the standard introduces the statement of comprehensive income which presents all items of recognised income and expense, either in one single statement, or in two linked statements. The Fund has opted to present two statements. This presentation has been applied in these financial statements as of and for the year ended 30 June 2010.

Comparative information has been re-presented so that it is in conformity with the revised / new standard as the change in accounting policy only affects presentation of financial statements.

### 3.4 Standards, interpretations and amendments to international accounting standards

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010.

Improvements to IFRSs 2009 – Amendments to IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Fund's financial statements.

Improvements to IFRSs 2009 – Amendments to IFRS 8 Operating Segments (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is not relevant to the Fund's operations.

Improvements to IFRSs 2009 – Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Fund's financial statements.

Improvements to IFRSs 2009 – Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have an impact on the Fund's financial statements.

Improvements to IFRSs 2009 – Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is not relevant to the Fund's operations.

Improvements to IFRSs 2009 – Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Fund's operations.

Improvements to IFRSs 2009 – Amendments to IAS 39 Financial Instruments: Recognition and Measurement (effective for annual periods beginning on or after 1 January 2010). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption. These amendments are unlikely to have an impact on the Fund's financial statements.

Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Fund's operations.

Amendments to IFRS 2 Share-based Payment – Group Cash-settled Share-based Payment Transactions (effective for annual periods beginning on or after 1 January 2010). The IASB amended IFRS 2 to require an entity receiving goods or services (receiving entity) in either an equity-settled or a cash-settled share-based payment transaction to account for the transaction in its separate or individual financial statements. This principle even applies if another group entity or shareholder settles the transaction (settling entity) and the receiving entity has no obligation to settle the payment. Retrospective application is subject to the transitional requirements in IFRS 2. These amendments are unlikely to have an impact on the Fund's financial statements.

Amendment to IAS 32 Financial Instruments: Presentation – Classification of Rights Issues (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Fund's financial statements.

### **3.5 Functional and presentation currency**

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund.

## **4 Summary of significant accounting policies**

### **4.1 Investment at fair value through profit or loss**

An investment is classified at fair value through profit or loss if it is held-for-trading or is designated as such upon initial recognition. Investments are designated at fair value through profit or loss if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy.

Investments which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual patterns of short term profit taking are classified as held for trading or a derivative.

Investments in listed securities including investment in associated companies are classified as investment at fair value through profit or loss. These are securities that are acquired principally for the purpose of generating a profit from short-term fluctuations in price or dealer's margin.

All investments are initially recognized at cost, being the fair value of the consideration given excluding acquisition charges associated with the investment. After initial recognition, investments are measured at their fair values. Unrealized gains and losses on investments are recognized in income statement of the period. Transaction costs are expensed out immediately.

Fair values of these securities representing listed equity and debt securities are determined by reference to the stock exchange quoted market prices at the close of business on balance sheet date.

### **4.2 Taxation**

#### **4.2.1 Current**

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. No charge for current taxation is made in the financial statements if the Fund intends to distribute 90 percent or more of its accounting profit as reduced by capital gains whether realized or unrealized amongst its shareholders in accordance with the exemption available under clause 99 of part I of the Second Schedule to the Income Tax Ordinance, 2001.



#### **4.2.2 Deferred**

Deferred tax is provided using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Carrying amount of all deferred tax assets is reviewed at each balance sheet date and reduced to the extent it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized.

Deferred tax assets and liabilities are calculated at the rate that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

The deferred tax asset on unused tax losses has not been recognized in these financial statements, as the Fund intends to continue availing the tax exemption in future years and management believes that tax benefit relating to carried forward tax losses would not be utilized.

#### **4.3 Revenue recognition**

##### **4.3.1 Capital gains**

Sale and purchase of securities are recorded on the date of execution of contract. Realized gains or losses, calculated as the difference between the sales proceeds excluding transaction cost, and the carrying amount of a security is included in income statement for the year. Carrying value of the security for this purpose is calculated on an individual portfolio basis using the moving average method.

##### **4.3.2 Unrealized gain / (loss)**

Unrealized gain / (loss) arising on the revaluation of securities is included in the income statement in the year in which it arises.

##### **4.3.3 Dividend**

Dividend income is recognized when the right to receive dividend is established i.e. at the time of closure of share transfer book of the company declaring the dividend.

##### **4.3.4 Profit on bank deposits**

Profit on bank deposits is recognized on accrual basis.

#### **4.4 Trade date accounting**

All regular way purchases / sales of investments are recognized on the trade date i.e. the date the Fund commits to purchase / sale the investments. Regular way purchase / sale of investments require delivery of securities within two days after the transaction date as required by the stock exchanges regulations.

#### 4.5 Financial instruments

All the financial assets and liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument.

The Fund de-recognizes a financial asset or portion of financial asset when, and only when, the fund loses control of the contractual rights that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is de-recognized from the balance sheet when, and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on recognition, de-recognition of financial assets and financial liabilities are stated in their respective notes.

#### 4.6 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet if the Fund has a legally enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

#### 4.7 Provisions

A provision is recognized when the Fund has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made.

#### 4.8 Transactions with connected persons

Connected persons means connected persons as defined in the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.

#### 4.9 Cash and cash equivalents

For the purposes of cash flow statement, cash and cash equivalents comprise cash in hand, cheques in hand and bank balances.

	<i>Note</i>	<b>2010 Rupees</b>	2009 Rupees
<b>5 Bank balances</b>			
Cash at bank:			
Current accounts		-	1,453,232
Deposit accounts	5.1	<u>70,442,897</u>	<u>6,501,204</u>
		<u><u>70,442,897</u></u>	<u><u>7,954,436</u></u>

5.1 Profit rates on deposit accounts range between 5 percent to 8 percent (2009: 5 percent to 8 percent) per annum.

6 Investments at fair value through profit or loss

Ordinary fully paid shares have a face value of Rs. 10/- each except as mentioned in Note 6.2 of these financial statements.

Sector/Name of the investee company	Holding as at 1 July 2009				Holding as at 30 June 2010				Balance as at 30 June 2010				Market value as a percentage of net assets	Percentage of paid up capital of the investee company	Market value as a percentage of total investments	
	Purchased during the year	No. of Shares	Sales during the year	Holding as at 30 June 2010	Cost/Carrying Value	Market Value	Unrealized gain/(loss)	Unrealized gain/(loss)	Cost/Carrying Value	Market Value	Unrealized gain/(loss)	Unrealized gain/(loss)				
<b>Oil and Gas Companies and Refineries</b>																
Attock Petroleum Limited	15,000	-	51,805	7,578	2,365,193	2,195,726	(169,467)	0.01	0.95	0.01	0.01	0.27	0.01	0.01	1.23	
Attock Refinery Limited	45,000	-	146,000	10,000	874,189	805,600	(68,589)	0.01	0.35	0.01	0.01	0.47	0.01	0.01	0.45	
Byco Petroleum Limited	21,200	-	214,200	58,000	626,713	578,840	(47,873)	0.08	0.25	0.08	0.08	0.34	0.08	0.08	0.34	
Meri Gas Company Limited	19,700	-	17,200	4,000	560,137	517,520	(42,617)	-	0.22	-	-	0.30	-	-	0.30	
National Refinery Limited	210,700	-	32,200	62,500	8,716,837	8,855,625	138,788	-	3.83	-	-	5.12	-	-	5.12	
Oil and Gas Development Company Limited	21,900	-	288,700	23,000	6,197,331	5,984,600	(212,931)	0.01	2.39	0.01	0.01	3.46	0.01	0.01	3.46	
Pakistan State Oil Company Limited	105,100	-	830,000	29,500	6,383,773	6,269,650	(114,123)	0.01	2.75	0.01	0.01	3.68	0.01	0.01	3.68	
Pak Oil Fields Limited	55,950	-	392,560	14,500	2,692,177	2,669,740	(22,437)	-	1.15	-	-	1.54	-	-	1.54	
Pakistan Petroleum Limited	472,990	2,012,591	31,518	-	28,416,450	27,976,701	(439,749)	-	17.89	-	-	16.18	-	-	16.18	
Shal Pakistan Limited	-	14,010	2,290,183	209,078	-	-	(439,849)	-	-	-	-	-	-	-	-	-
<b>Chemicals</b>																
Agrimoch Limited	-	84,800	-	84,800	-	2,183,795	2,131,024	(52,771)	0.92	0.02	0.02	1.23	0.02	0.02	1.23	
Dawood Hercules Chemical Limited	-	46,464	46,464	-	-	-	-	-	-	-	-	-	-	-	-	-
Dawood Orychem Limited	470,000	-	510,000	170,000	1,595,700	775,200	(820,500)	0.34	0.34	0.17	0.17	0.45	0.17	0.17	0.45	
Engro Chemicals Limited	91,415	6,000	599,465	53,650	9,752,372	9,312,567	(439,805)	0.03	4.03	0.03	0.03	5.39	0.03	0.03	5.39	
Bengo Polymer & Chemical Limited	115,000	-	287,000	105,000	2,837,446	2,734,200	(103,246)	0.01	1.18	0.01	0.01	1.58	0.01	0.01	1.58	
Fuji Fertilizer Bin Quain Limited	50,000	-	1,273,000	81,000	8,594,731	8,348,670	(246,061)	0.01	3.61	0.01	0.01	4.83	0.01	0.01	4.83	
Fuji Fertilizer Company Limited	113,355	-	336,955	528,099	7,387,841	6,617,080	(770,761)	0.03	2.86	0.03	0.03	3.83	0.03	0.03	3.83	
Fuima Fertilizer Company Limited	-	126,900	126,900	-	-	628,747	604,500	(24,247)	0.26	-	-	0.35	-	-	0.35	
ICI Pakistan Limited	-	3,204,000	3,129,000	75,000	-	-	-	-	-	-	-	-	-	-	-	-
Lotte Pakistan PTA Limited	-	300,000	300,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Nimr Industrial Chemical Limited	60,000	-	60,000	-	804,957	652,680	(152,277)	-	0.28	-	-	0.38	-	-	0.38	
Nimr Restins Limited	32,500	-	169,500	73,500	-	-	-	-	-	-	-	-	-	-	-	-
Sihara Peroxide Limited	952,270	7,071,063	6,838,284	1,171,049	33,565,889	31,175,921	(2,389,968)	-	13.48	-	-	18.04	-	-	18.04	
<b>Forestry and Paper</b>																
Security Paper Limited	-	9,300	2,400	6,900	291,409	296,631	5,222	-	0.13	-	-	0.17	-	-	0.17	
<b>Industrial metals and Mining</b>																
Crescent Steel & Allied Product Limited	-	9,500	2,400	6,900	291,409	296,631	5,222	-	0.13	-	-	0.17	-	-	0.17	
Dust Sheels Limited	-	190,000	67,805	62,195	1,920,040	1,561,716	(358,324)	0.68	0.68	0.11	0.11	0.90	0.11	0.11	0.90	
<b>Construction and Materials</b>																
Al-Abbas Cement Limited	-	50,000	50,000	-	2,138,534	1,741,026	(397,508)	-	0.76	-	-	1.00	-	-	1.00	
Attock Cement Pakistan Limited	144,566	91,550	80,000	11,550	773,855	756,525	(17,330)	-	0.33	-	-	0.44	-	-	0.44	
D.G.Khan Cement Company Limited	41,512	1,139,429	1,054,995	229,000	5,695,413	5,408,980	(286,433)	0.06	2.34	0.06	0.06	3.13	0.06	0.06	3.13	
Dewan Cement Limited	100,000	36,500	78,012	-	601,000	568,750	(32,250)	0.02	0.25	0.02	0.02	0.33	0.02	0.02	0.33	
Flying Cement Company Limited	-	790,000	765,000	125,000	-	-	-	-	-	-	-	-	-	-	-	-
Kohat Cement Company Limited	-	150,000	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Lahore Pakistan Cement Limited	-	100,000	100,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Lucky Cement Company Limited	161,500	723,500	813,500	71,500	4,705,579	4,443,010	(262,569)	0.02	1.92	0.02	0.02	2.57	0.02	0.02	2.57	
Maple Leaf Cement Factory Limited	-	325,000	200,000	125,000	449,173	388,750	(60,423)	0.17	0.17	0.04	0.04	0.23	0.17	0.17	0.23	
<b>General Industrials</b>																
Packagees Limited	9,000	59,287	67,500	787	95,364	93,260	(2,104)	-	0.04	-	-	0.05	-	-	0.05	
TH-Pak Films Limited	30,000	7,500	37,500	787	95,364	93,260	(2,104)	-	0.04	-	-	0.05	-	-	0.05	
	39,000	66,787	105,000	787	95,364	93,260	(2,104)	-	0.04	-	-	0.05	-	-	0.05	

Sector/Name of the investee company	Holding as at 1 July 2009		Purchased during the year		No. of Shares		Sales during the year		Holding as at 30 June 2010		Balances as at 30 June 2010		Market value as a percentage of net assets		Percentage of paid up capital of the investee company		Market value as a percentage of total investments		
					Bonus/Rights received during the year							Cost/Carrying Value	Market Value	Unrealized gain/ (loss)	%	%	%	%	
Industrial Engineering																			
Ghansara Industries Limited	-	244,100	-	-	-	-	110,000	-	134,100		2,469,612	2,323,933	(145,679)	-	0.63	-	1.34		
Miller Tractors Limited	-	7,700	-	-	-	-	3,000	-	4,700		2,262,357	2,257,457	(4,900)	-	0.02	-	1.31		
Industrial Transportation																			
P.N.S.C.	-	42,000	-	-	-	-	42,000	-	-		4,731,969	4,581,410	(150,559)	-	-	-	2.65		
Pakistan International Container Terminal	17,400	-	-	-	-	-	-	-	-		-	-	-	-	-	-	-		
Support Services	17,400	42,000	-	-	-	-	59,400	-	-		-	-	-	-	-	-	-		
TRG Pakistan Limited	-	650,000	-	-	-	-	650,000	-	-		-	-	-	-	-	-	-		
Automobile and Parts																			
Agrarian Industries Limited	-	10,000	-	-	-	-	89,840	-	10,000		764,499	690,000	(74,499)	-	-	-	0.40		
General Tyre & Rubber Company of Pakistan Limited	-	120,375	-	-	-	-	26,844	-	31,135		804,120	709,878	(94,242)	-	0.05	-	0.41		
Honda Atlas Cars	-	26,844	-	-	-	-	68,913	-	6,164		1,641,665	1,617,310	(24,355)	-	0.01	-	0.94		
Indus Motor Company Limited	-	75,077	-	-	-	-	53,500	-	8,399		207,089	207,875	786	-	-	-	0.12		
Pak Suzuki Motor Company Limited	-	53,500	-	-	-	-	8,399	-	55,698		3,427,373	3,225,063	(192,310)	-	0.07	-	1.87		
Sazgar Engineering Works Limited	-	294,325	-	-	-	-	239,897	-	-		41,758	43,556	1,798	-	-	-	0.03		
Food Producers																			
Easeeh Waqas Sugar Mills Limited	24,000	1,998	-	-	-	-	24,000	-	1,998		41,758	43,556	1,798	-	-	-	0.03		
J.D.W.Sugar Limited	-	5,306	-	-	-	-	29,306	-	1,998		41,758	43,556	1,798	-	-	-	0.03		
Household Goods																			
Pak Electron Limited	110,000	142,500	10,000	10,000	10,000	10,000	110,000	152,500	152,500		2,427,937	1,807,125	(620,812)	-	0.13	-	1.05		
Personal Goods																			
Asgerd Niro Limited	215,416	1,028,301	-	-	-	-	1,014,917	229,000	229,000		2,810,814	2,555,640	(255,174)	-	0.05	-	1.48		
Cheats Limited	-	185,000	-	-	-	-	185,000	-	-		1,705,496	1,556,245	(149,251)	-	-	-	0.78		
Etna Textile Mills Limited	-	383,120	-	-	-	-	61,000	383,120	-		-	-	-	-	-	-	-		
Irbahma Fibers Limited	-	61,000	-	-	-	-	25,000	-	-		-	-	-	-	-	-	-		
Kohinoor Textile Mills Limited	-	25,000	-	-	-	-	687,500	25,000	-		438,365	394,500	(43,865)	-	-	-	0.23		
Nishat Chumian Limited	-	608,500	-	-	-	-	685,060	90,000	-		4,183,119	3,880,800	(302,319)	-	0.03	-	2.24		
Nishat Mills Limited	243,000	517,000	104,000	15,060	15,060	16,000	16,000	268,362	268,362		4,723,466	4,532,634	(190,832)	-	1.45	-	2.62		
Masood Textile Mills Limited	-	268,362	-	-	-	-	9,834	-	-		360,807	309,869	(50,938)	-	0.05	-	0.18		
Prosperity Weaving Mills Limited	-	72,559	-	-	-	-	5,000	27,700	-		2,701,706	2,629,838	(71,868)	-	0.11	-	1.52		
Saraj Cotton Limited	-	32,700	-	-	-	-	4,000	10,500	-		475,249	435,330	(39,919)	-	0.03	-	0.25		
Thel Limited	-	10,500	-	-	-	-	3,600	10,500	-		17,399,822	16,894,856	(1,304,166)	-	-	-	9.30		
Treet Corporation Limited	458,416	3,208,442	122,660	122,660	122,660	122,660	2,746,282	1,043,516	1,043,516		-	-	-	-	-	-	-		
Pharmas and Bio Tech																			
Glaxo SmithKline Pakistan Limited	-	12,500	-	-	-	-	12,500	-	-		-	-	-	-	-	-	-	-	
Fixed Line Telecommunication																			
Pakistan Telecommunication Company Limited	392,000	1,454,500	-	-	-	-	1,696,500	150,000	150,000		2,771,655	2,670,000	(101,655)	-	-	-	1.54		
Wateen Telecom Limited	-	20,000	-	-	-	-	20,000	-	-		2,771,655	2,670,000	(101,655)	-	-	-	1.54		
Electricity																			
Hub Power Company Limited	-	926,557	-	-	-	-	361,262	565,295	565,295		18,249,588	18,066,828	(182,760)	-	0.05	-	10.45		
Jagan Power Limited	-	175,000	-	-	-	-	-	175,000	-		365,662	315,000	(50,662)	-	0.11	-	0.18		
K.E.S.C.	-	50,000	-	-	-	-	50,000	-	-		-	-	-	-	-	-	-		
Kohinoor Power Company	-	140,000	-	-	-	-	140,000	-	-		-	-	-	-	-	-	-		
Kot Addu Power Company Limited	-	309,361	-	-	-	-	198,700	110,661	110,661		5,101,538	4,618,990	(482,548)	-	0.01	-	2.67		
Nishat Power Limited	-	428,500	-	-	-	-	428,500	428,500	428,500		4,830,437	4,259,290	(571,147)	-	0.12	-	2.46		
	-	2,029,418	-	-	-	-	749,362	1,279,456	1,279,456		28,547,225	27,260,108	(1,287,117)	-	0.12	-	15.76		

Sector/Name of the investee company	Holding as at 1 July 2009	Purchased during the year	No. of Shares		Sales during the year	Holding as at 30 June 2010	Balance as at 30 June 2010		Market value as a percentage of net assets	Percentage of paid up capital of the investee company	Market value as a percentage of total investments
			Bonns/Rights received during the year	Year			Cost/Carrying Value	Market Value			
<b>Gas Water and Metalliferous</b>											
Shui Northern Gas Pipelines Limited	54,000	54,000	-	-	102,500	-	-	-	-	-	
Shui Southern Gas Company Limited	-	156,500	-	-	156,500	-	-	-	-	-	
<b>Banks</b>											
Allied Bank Limited	-	416,661	2,660	-	384,590	34,761	2,006,349	1,979,639	0.86	0.86	
Arif Habib Bank Limited	-	225,000	-	-	225,000	-	1,490,130	807,750	0.35	0.05	
Askari Bank Limited	-	661,000	17,800	-	678,800	-	638,604	604,800	0.26	0.01	
The Bank of Punjab	-	1,025,300	-	-	1,025,300	60,000	1,206,550	946,000	0.41	0.01	
Bank Al Falah Limited	322,518	530,000	-	-	752,518	100,000	403,478	389,000	0.17	-	
Fayal Bank Limited	-	677,385	-	-	677,385	4,000	-	-	-	-	
Habib Bank Limited	22,100	140,246	-	-	158,346	-	-	-	-	-	
Habib Metropolitan Bank Limited	-	35,000	-	-	35,000	-	-	-	-	-	
JS Bank Limited	-	150,000	-	-	150,000	-	-	-	-	-	
KASB Bank Limited	864,500	847,896	157,054	-	1,694,654	774,596	4,034,646	3,152,606	1.56	0.08	
MCB Bank Limited	38,095	291,500	-	-	316,995	11,000	2,520,907	2,224,970	1.09	0.08	
Mylsani Limited	-	416,382	-	-	416,382	441,173	2,524,291	2,224,970	0.89	0.08	
National Bank of Pakistan	204,100	656,381	29,625	-	890,106	77,522	5,155,802	4,994,600	2.16	0.01	
NIB Bank Limited	-	500,000	-	-	500,000	-	3,649,649	2,852,275	1.23	0.12	
SIIB Bank Limited	-	1,221,500	-	-	1,221,500	1,052,500	2,395,148	2,385,240	1.03	-	
Sukai Bank Limited	-	170,000	125,000	-	295,000	44,000	25,549,793	21,211,570	9.47	13.67	
United Bank Limited	55,530	782,600	4,350	-	842,480	-	-	-	-	-	
<b>Non Life Insurance</b>											
Adanjee Insurance Company Limited	51,420	438,200	1,200	-	490,820	-	-	-	-	-	
BFU General Insurance Limited	38,800	13,197	-	-	51,997	-	-	-	-	-	
Pakistan Insurance Company Limited	18,100	155,400	-	-	173,500	-	-	-	-	-	
Shahen Insurance Company Limited	95,100	109,522	30,154	-	234,776	248,288	5,604,009	3,600,176	1.56	1.24	
<b>Life Insurance</b>											
RFU Life Assurance Company Limited	205,428	767,749	31,954	-	974,131	248,288	5,604,009	5,600,176	1.56	2.08	
<b>Financial Services</b>											
Arif Habib Limited	9,000	10,203	-	-	19,203	-	-	-	-	-	
First Capital Equities Limited	-	36,500	-	-	36,500	-	-	-	-	-	
Arif Habib Securities Limited	120,500	23,500	-	-	144,000	124,000	11,831,385	15,934,000	6.89	0.11	
Jahangir Siddiqui & Company Limited	210,000	837,500	-	-	1,047,500	73,500	2,731,245	2,440,935	1.06	0.25	
JS Investments Limited	174,377	828,000	-	-	1,002,377	-	-	-	-	-	
<b>Equity Investment Instruments</b>											
First Equity Modarba	504,877	1,856,500	-	-	2,163,877	197,500	14,562,630	18,374,935	7.95	10.62	
<b>Software and Computer Services</b>											
Neosole Technologies Limited	16,200	209,000	-	-	205,200	20,000	583,946	500,200	0.22	0.03	
<b>Total</b>	5,136,774	33,345,210	520,243	-	30,806,260	8,196,267	182,670,066	172,918,583	74.81	100.00	

6.1 Net assets are as defined in Regulation 66 of Non Banking Finance Companies and Notified Entities Regulations, 2008.

6.2 Nimir Industrial Chemicals Limited's shares have a face value of Rs. 5 per share.

6.3 The percentage in relation to the investee company's paid up capital has been calculated with reference to the number of shares held in that investee company.

	<i>Note</i>	<b>2010 Rupees</b>	2009 Rupees
<b>7 Dividend and other receivables</b>			
Dividend receivable		405,201	964,521
Receivable on account of sale of shares - unsecured considered good		777,650	5,077,623
Profit on bank deposits		-	44,564
Advance tax		404,198	189,735
		<u>1,587,049</u>	<u>6,276,443</u>

**8 Payable to assets management company**

Balance as at 01 July		4,144,100	7,436,075
Remuneration for the year	8.1	4,878,698	4,144,100
		<u>9,022,798</u>	<u>11,580,175</u>
Less: Payments made during the year		<u>(4,144,100)</u>	<u>(7,436,075)</u>
Balance as at 30 June		<u>4,878,698</u>	<u>4,144,100</u>

**8.1** Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, the Asset Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Asset Management Company has charged its remuneration for the current year at the rate of two percent per annum.

The net assets of the Fund as at 30 June 2010 are calculated as follows:

	<b>2010 Rupees</b>	2009 Rupees
Average annual net assets after charging remuneration of Investment Adviser and annual fee to SECP.	<u>243,934,900</u>	<u>207,204,998</u>
Two percent of annual average net assets	<u>4,878,698</u>	<u>4,144,100</u>

**9 Trade and other payables**

Accrued custodian fee	185,264	51,732
Legal expenses payable	18,000	18,000
Payable on account of purchase of listed equity securities	4,862,738	-
Audit fee	190,000	190,000
Annual fee-SECP	231,784	196,845
Other payables	25,000	-
Workers' Welfare Fund	578,700	-
Unclaimed dividend	1,784,244	1,784,244
	<u>7,875,730</u>	<u>2,240,821</u>

	2010 Rupees	2009 Rupees
<b>10 Issued, subscribed and paid up capital</b>		
30,000,000 (2009: 30,000,000) ordinary shares of Rs 10/- each fully paid in cash	<u>300,000,000</u>	<u>300,000,000</u>

**10.1** First Capital Investment Limited, an associated company, holds 6,962,380 (2009: 6,962,380) ordinary shares of Rs. 10/- each representing 23.21% (2009: 23.21%) of the issued, subscribed and paid up capital of the Fund.

**11 Contingencies and commitments**

There were no contingencies and commitments outstanding as at 30 June 2010 (2009: Nil).

	2010 Rupees	2009 Rupees
<b>12 Fee and subscription</b>		
Central Depository Company of Pakistan fee	67,500	67,500
Listing and regulatory expenses	225,000	215,000
Annual fee to SECP	12.1 231,784	196,845
	<u>524,284</u>	<u>479,345</u>

**12.1** Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme is required to pay an annual fee to the Securities and Exchange Commission of Pakistan, of an amount equal to 0.095 percent of its average annual net assets.

	2010 Rupees	2009 Rupees
<b>13 Auditors' remuneration</b>		
Statutory audit	190,000	175,000
Half year review	100,000	85,000
Special certification	15,000	10,000
Out of pocket expenses	39,500	30,000
	<u>344,500</u>	<u>300,000</u>

**14 Taxation**

Current year	1,012,510	477,717
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**15 Earnings/(loss) per share - basic and diluted**

	2010	2009
Net income/ (loss) attributable to ordinary shareholders (Rupees)	27,923,438	(134,298,872)
Weighted average number of ordinary shares (Number)	<u>30,000,000</u>	<u>30,000,000</u>
Earnings/(loss) per share - basic and diluted	<u>0.93</u>	<u>(4.48)</u>

**15.1** Diluted earnings/ (loss) per share has not been presented as the Fund does not have any convertible instruments in issue as at 30 June 2010 (2009: Nil) which would have any effect on the earnings/ (loss) per share.

## 16 Transactions with connected persons

Connected persons include First Capital Investments Limited (FCIL) being the Asset Management Company, Central Depository Company of Pakistan Limited (CDC) being the custodian of the Fund and First Capital Equities Limited (FCEL) being company under common control.

Remuneration payable to the Asset Management Company is determined in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Custodian charges payable are determined in accordance with the provisions of the Custodial Services Agreement.

Transactions with connected persons are in the normal course of business and on arm's length basis.

Details of transactions with connected persons and balances with them at year end are as follows:

### 16.1 Transactions during the year

#### First Capital Investments Limited - Asset Management Company

Remuneration for the year	4,878,698	4,144,100
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#### First Capital Equities Limited

Brokerage	-	1,100
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#### Central Depository Company of Pakistan Limited -Custodian

Custodian fee	1,444,031	364,074
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### 16.2 Amounts outstanding as at year end

#### First Capital Investments Limited - Asset Management Company

Remuneration payable	4,878,698	4,144,100
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#### Central Depository Company of Pakistan Limited -Custodian

Custodian fee payable	185,264	51,732
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## 17 Financial instruments and related disclosures

The Fund has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors has overall responsibility for the establishment and oversight of Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

### 17.1 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed completely to perform as contracted. Credit risk arises from deposits with banks and credit exposure



arising as a result of dividends receivable from equity securities. For banking relationships, credit ratings and other factors are evaluated. Credit risk on dividend receivable is minimal due to statutory protection. All transactions in listed securities are settled vide delivery vs payment through Central Depository Company of Pakistan Limited (the custodian). The risk of default is considered minimal due to inherent systematic measures taken therein.

The analysis below summarizes the credit rating quality of the Fund's bank balances as at 30 June:

<b>Bank balances by rating category</b>	<b>2010</b>	<b>2009</b>
MCB Bank Limited	AA+	AA+
Faysal Bank Limited	AA	AA

### 17.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date is as follows:

	<b>2010</b>	<b>2009</b>
	<b>Rupees</b>	<b>Rupees</b>
Bank balances	<b>70,442,897</b>	7,954,436
Investments at fair value through profit or loss	<b>172,918,553</b>	195,889,882
Dividend and other receivables	<b>1,182,851</b>	6,086,708
Long term deposit	<b>137,500</b>	137,500
	<b><u>244,681,801</u></b>	<u>210,068,526</u>

### 17.1.2 Concentration of credit risk

Concentration of credit risk exists when the changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and all other transactions are entered into with credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

### 17.2 Liquidity risk

Liquidity risk is the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund's approach to managing liquidity is to ensure as far as possible to always have sufficient liquidity to meet its liabilities when due. The Fund is not materially exposed to liquidity risk as substantially all obligations / commitments of the Fund are short term in nature and are restricted to the extent of available liquidity. The investment advisor manages the liquidity risk by maintaining maturities of financial assets and liabilities and investing a major portion of the Fund's assets in highly liquid financial assets.

The following are the contractual maturities of financial liabilities as on 30 June 2010 :

	<b>Carrying Amount</b>	<b>One month to three months</b>	<b>Three months to one year</b>	<b>One year to five years</b>	<b>More than five years</b>
	-----R u p e e s-----				
Payable to Asset Management Company	4,878,698	4,878,698	-	-	-
Trade and other payables	7,875,730	7,875,730	-	-	-
	<b><u>12,754,428</u></b>	<b><u>12,754,428</u></b>	<u>-</u>	<u>-</u>	<u>-</u>

The following are the contractual maturities of financial liabilities as on 30 June 2009 :

	Carrying Amount	One month to three months	Three months to one year	One year to five years	More than five years
-----R u p e e s-----					
Payable to Asset Management Company	4,144,100	4,144,100	-	-	-
Trade and other payables	2,240,821	2,240,821	-	-	-
	6,384,921	6,384,921	-	-	-

### 17.3 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates and equity prices (caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market) will effect the Fund's income or the value of its holdings of financial instruments. The investment advisor manages the market risk by monitoring exposure on listed securities by following the directives issued by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risks: currency risk, interest rate risk and other price risk.

#### 17.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

17.3.2 Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. The Fund's exposure to interest rate risk and the effective interest rates of its financial assets and financial liabilities are summarised as follows:

	Interest bearing				Non interest bearing				Total Rupees
	One month to three months Rupees	Three months to one year Rupees	One year to five years Rupees	More than five year Rupees	One month to three months Rupees	Three months to one year Rupees	One year to five years Rupees	More than five year Rupees	
<b>Financial assets 2010</b>									
Investments at fair value through profit and loss	-	-	-	-	172,918,553	-	-	-	172,918,553
Dividend and other receivables	-	-	-	-	1,182,851	-	-	-	1,182,851
Long term deposits	-	-	-	-	-	-	-	137,500	137,500
Bank balances	70,442,897	-	-	-	-	-	-	-	70,442,897
Effective interest rates	70,442,897	-	-	-	174,101,404	-	-	137,500	244,681,801
	5% to 8%								
<b>Financial liabilities 2010</b>									
Payable to Asset Management Company	-	-	-	-	4,878,698	-	-	-	4,878,698
Trade and other payables	-	-	-	-	7,875,730	-	-	-	7,875,730
	-	-	-	-	12,754,428	-	-	-	12,754,428
<b>On balance sheet gap</b>	<b>70,442,897</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>161,346,976</b>	<b>-</b>	<b>-</b>	<b>137,500</b>	<b>231,927,373</b>
<b>Off balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Financial assets 2009</b>									
Investments at fair value through profit and loss	-	-	-	-	195,889,882	-	-	-	195,889,882
Dividends and other receivables	-	-	-	-	6,086,708	-	-	-	6,086,708
Long term deposits	-	-	-	-	-	-	-	137,500	137,500
Bank balances	6,501,204	-	-	-	1,453,232	-	-	-	7,954,436
Effective interest rates	6,501,204	-	-	-	203,429,822	-	-	137,500	210,068,526
	5% to 8%								
<b>Financial liabilities 2009</b>									
Payable to asset management company	-	-	-	-	4,144,100	-	-	-	4,144,100
Trade and other payables	-	-	-	-	2,240,821	-	-	-	2,240,821
	-	-	-	-	6,384,921	-	-	-	6,384,921
<b>On balance sheet gap</b>	<b>6,501,204</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>197,044,901</b>	<b>-</b>	<b>-</b>	<b>137,500</b>	<b>203,683,605</b>
<b>Off balance sheet gap</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### 17.3.3 Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk). The Fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities at fair value through profit and loss. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks in accordance with the risk investment guidelines approved by the investment committee. The Fund's constitutive document/ NBFC Regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 25% of net assets.

In case of 5% increase in the KSE 100 Index on 30 June 2010, net income and net assets of the Fund would increase by Rs. 8,645,927 (2009: Rs. 9,794,494) as a result of gains/ losses on equity securities at fair value through profit and loss.

In case of 5% decrease in the KSE 100 Index on 30 June 2010, net income and net assets of the Fund would decrease by Rs. 8,645,927 (2009: Rs. 9,794,494) as a result of gains/ losses on equity securities at fair value through profit and loss.

The analysis is based on the assumption that the equity index had increased/ decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index on the basis of three years data. This represents management's best estimate of a reasonable possible shift in KSE 100 Index having regard to historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE Index is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2010 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 index.

### 17.4 Fair value of financial instruments

The carrying values of all the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Effective 01 January 2009 the Fund adopted the amendments to IFRS 7 for financial instruments that are measured in the Statement of Assets and Liabilities at fair value. This requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (that is, derived from prices) (level 2);
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	As at 30 June 2010			
	Level 1	Level 2	Level 3	Total
	Rupees			
<b>Assets</b>				
Investments at fair value through profit or loss	172,918,553	-	-	172,918,553

-----As at 30 June 2009-----  
 Level 1                      Level 2                      Level 3                      Total  
 ----- Rupees-----

**Assets**

Investments at fair value through profit or loss	195,889,882	-	-	195,889,882
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**17.5 Capital management**

The Fund's policy is to maintain an efficient capital base so as to maintain investor, creditor and market confidence and to sustain the future development of its business. The Board of Directors monitors the return on capital employed, which the Fund defines as operating income divided by total capital employed. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Fund's objectives when managing capital are:

- (i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and
- (ii) to provide an adequate return to shareholders.

The Fund manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Fund may adjust the amount of dividends paid to shareholders or issue new shares.

Neither there were any changes in the Fund's approach to capital management during the year nor the Fund is subject to externally imposed capital requirements.

**17.6 Financial instruments by category**

-----As at 30 June 2010-----			
Loans and receivables	Assets at fair value through profit or loss	Available for sale	Total
----- Rupees-----			
<b>Assets</b>			
Bank balances	70,442,897	-	70,442,897
Investments at fair value through profit or loss	-	172,918,554	172,918,554
Dividend and other receivables	1,182,851	-	1,182,851
Long term deposit	137,500	-	137,500
	<u>71,763,248</u>	<u>172,918,554</u>	<u>244,681,802</u>

-----As at 30 June 2010-----		
Liabilities at fair value through profit or loss	Other financial liabilities	Total
----- Rupees-----		
<b>Liabilities</b>		
Payable to asset management company	4,144,100	4,144,100
Trade and other payables	2,240,821	2,240,821
	<u>-</u>	<u>6,384,921</u>

-----As at 30 June 2009-----			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale
----- R u p e e s -----			
<b>Assets</b>			
Bank balances	7,954,436	-	7,954,436
Investments at fair value through profit or loss	-	195,889,882	195,889,882
Dividend and other receivables	6,086,708	-	6,086,708
Long term deposit	137,500	-	137,500
	14,178,644	195,889,882	210,068,526

-----As at 30 June 2009-----			
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
----- R u p e e s -----			
<b>Liabilities</b>			
Payable to Asset Management Company		4,144,100	4,144,100
Trade and other payables		2,240,821	2,240,821
	-	6,384,921	6,384,921

## 18 Investment committee members

Details of members of investment committee of the Fund are as follows:

Name	Designation	Qualification	Experience in years
Syed Kashan Kazmi	Chief Executive Officer	MBA	15 Years
Omer Subhan Salamat	Director	Bachelor in Arts	9 Years
Pardeep Kumar	Chief Investment Officer	MBA, CFA	10 Years

**18.1** No other fund is being managed by Mr. Pardeep Kumar

## 19 Attendance at meeting of board of directors

The 1st, 2nd, 3rd and 4th board meetings were held on 19th September 2009, 22nd October 2009, 22nd February 2010 and 23rd April 2010 respectively during 1 July 2009 to 30 July 2010.

Name of Director	Number of meetings		Meetings not attended
	Attended	Leave Granted	
Salmaan Taseer	4	-	-
Syed Kashan Hussain Kazmi	4	-	-
Omer Subhan Salamat	4	-	-
Muhammad Naveed Tariq	3	1	4th
Ahmad Bilal	4	-	-
Suhail Ahmad	4	-	-
Mahmood Ali Athar	-	4	All

During the year Mr. Suhail Ahmad appointed as director in place of Mr. Muhammad Musharraf Khan.

## 20 Pattern of shareholding

Shareholding pattern of the Fund as at 30 June 2010 is as follows:

Category	Number of Shareholders	Shareholders amount	% of total
Individuals	2,042	5,196,259	17.32
Associated company	4	8,950,380	29.83
Directors	7	60,500	0.20
Insurance company	1	403,000	-
Banks/DFIs	3	303,586	1.01
NBFCs	1	800	-
Retirement Fund	-	-	-
Public Companies Limited	9	4,105,230	13.68
Others	28	10,980,245	36.60
	<b>2,095</b>	<b>30,000,000</b>	<b>100.00</b>

Shareholding pattern of the Fund as at 30 June 2009 is as follows:

Category	Number of Shareholders	Shareholders amount	% of total
Individuals	2,137	5,732,282	19.11
Associated Company	1	6,962,380	23.21
Directors	7	60,500	0.20
Insurance Company	-	-	-
Banks/DFIs	3	143,537	0.48
NBFCs	1	800	0.00
Retirement Fund	-	-	-
Public Companies Limited	8	4,016,230	13.39
Others	28	13,084,271	43.61
	<b>2,185</b>	<b>30,000,000</b>	<b>100.00</b>

## 21 Detail of shareholding with five percent or more holding

Detail of share holding with five percent or more holding of the Fund as at 30 June 2010 is as follows:

Name	Number of Shareholders	Shareholders amount	%
First Capital Investments Limited	1	6,962,380	23.21
Al- Hoqani Securities & Investment Corporation	1	6,000,000	20.00
First Capital Equities Limited	1	3,735,330	12.45
Suleman Ahmad Said Al-Hoqani	1	2,422,640	08.08
Milage (Private) Limited	1	1,988,000	6.63
Wireless n Cable (Private) Limited	1	1,900,000	6.33
WTL Services (Private) Limited	1	1,784,590	5.95

Detail of shares holding with five percent or more holding of the Fund as at 30 June 2009 is as follows:

Name	Number of Shareholders	Shareholders amount	%
First Capital Investments Limited	1	6,962,380	23.21
First Capital Equities Limited	1	3,735,330	12.45
Al- Hoqani Securities & Investment Corporation	1	6,000,000	20.00
Milage (Private) Limited	1	1,993,000	6.64
Wireless n Cable (Private) Limited	1	1,900,000	6.33
WTL Services (Private) Limited	1	1,784,590	5.95

## 22 Top ten brokerage commission by percentage

Broker's Name	2010 %	2009 %
IGI Finex Securities Limited	16.79	6.00
Aziz Fida Hussain	15.10	21.61
BMA Capital Management Limited	10.32	8.01
Live Securities (Private) Limited	7.84	4.83
Arif Habib Limited	7.29	9.20
Elixir Securities Pakistan (Private) Limited	7.15	7.05
Topline Securities (Pvt) Limited	7.11	-
Invest & Finance Securities Limited	6.93	-
Adeel Nadeem Securities (Pvt.) Limited	4.74	-
NUA Securities (Pvt.) Limited	3.83	-
Aqeel Karim Dhedhi Securities (Private) Limited	-	19.60
First Capital Equities Limited	-	7.52
KASB Securities Limited	-	5.26
Shahzad Chamdia Securities (Private) Limited	-	3.61

## 23 Date of authorization for issue

These financial statements were authorized for issue on 20th September 2010 by the board of directors.

## 24 General

Figures have been rounded off to the nearest rupee.



## PERFORMANCE TABLE

	2010	2009	2008	2007	2006
Net assets (Rupees)	231,229,219	203,305,781	337,604,653	380,280,534	176,042,778
Profit/(loss) after tax (Rupees)	27,923,438	(134,298,872)	(42,675,881)	114,399,756	48,269,365
Net assets value per share (Rupees)	7.71	6.78	11.25	12.68	11.74
Earnings/(loss) per share (Rupees)	0.93	(4.48)	(1.42)	3.95	3.22
Final dividend distribution (Per share) - gross	-	-	-	1.00	1.00
Interim dividend distribution (Per share) - gross	-	-	-	-	-
Distribution Dates - Final dividend	-	-	-	30 October 2007	30 October 2006
Distribution Dates - Interim dividend	-	-	-	-	-
<b>Total Return (%)</b>					
<b>Distribution</b>	13.73	(39.72)	(3.94)	18.04	35.31
<b>Capital Growth</b>	-	-	-	9.31	11.53
<b>Average annualized return of the fund (CAGR) (%)</b>					
<b>One Year</b>	13.73	(39.72)	(3.94)	18.04	35.31
<b>Two Year</b>	(17.20)	(23.90)	2.36	20.89	21.81
<b>Three Year</b>	(12.87)	(14.07)	8.97	16.84	42.77

### Disclaimer

Past performance is not necessarily indicative of future performance and that unit price and investment return may go down, as well as up.

**STATEMENT OF INCOME AND EXPENDITURE  
IN RELATION TO THE MANAGEMENT COMPANY**

*FOR THE YEAR ENDED 30 JUNE 2010*

	<b>2010 Rupees</b>	<b>2009 Rupees</b>
<b>INCOME</b>		
Investment advisory fee	6,647,134	6,156,162
Unrealized loss on remeasurement of investments at fair value through profit or loss	(34,470)	(2,529,266)
Profit on bank deposits	5,794,441	5,456,390
	<b>12,407,105</b>	<b>9,083,286</b>
<b>EXPENSES</b>		
Operating expenses	8,853,587	12,020,216
Finance cost	54,380	100,951
	<b>3,499,137</b>	<b>(3,037,881)</b>
<b>OPERATING PROFIT/(LOSS)</b>	<b>3,499,137</b>	<b>(3,037,881)</b>
Other income/(charges)	88,000	(28,621)
Workers' welfare fund	197,740	-
Share of profit/(loss) from associate	6,299,838	(12,718,865)
	<b>9,689,235</b>	<b>(15,785,367)</b>
<b>PROFIT/(LOSS) BEFORE TAXATION</b>	<b>9,689,235</b>	<b>(15,785,367)</b>
Taxation	1,198,968	(146,955)
Share of taxation from associate	220,440	60,586
	<b>8,698,827</b>	<b>(15,698,998)</b>
<b>PROFIT/(LOSS) AFTER TAXATION</b>	<b>8,698,827</b>	<b>(15,698,998)</b>
<b>Earnings/(loss) per share- Basic and Diluted</b>	<b>0.81</b>	<b>(1.53)</b>

LAHORE

CHIEF EXECUTIVE

DIRECTOR

**PATTERN OF SHAREHOLDING  
AS AT 30 JUNE 2010**

*INCORPORATION NUMBER: 0033995 of 08-01-1995*

No. of Shareholders	Shareholdings			Shares Held
	From		To	
1585	1	-	100	149,729
202	101	-	500	69,531
81	501	-	1000	75,915
119	1001	-	5000	346,373
35	5001	-	10000	307,745
11	10001	-	15000	139,498
6	15001	-	20000	112,906
9	20001	-	25000	207,547
3	25001	-	30000	82,500
4	30001	-	35000	127,256
4	35001	-	40000	154,909
5	40001	-	45000	207,619
2	45001	-	50000	100,000
3	50001	-	55000	162,422
1	55001	-	60000	60,000
1	65001	-	70000	69,030
1	70001	-	75000	75,000
3	85001	-	90000	263,544
2	95001	-	100000	200,000
1	125001	-	130000	128,201
2	140001	-	145000	287,776
1	180001	-	185000	183,600
1	190001	-	195000	193,500
1	195001	-	200000	200,000
1	300001	-	305000	300,500
1	325001	-	330000	328,414
1	400001	-	405000	403,000
1	540001	-	545000	541,345
1	1495001	-	1500000	1,500,000
1	1780001	-	1785000	1,784,590
1	1895001	-	1900000	1,900,000
1	1900001	-	1905000	1,900,800
1	2235001	-	2240000	2,239,040
1	3735001	-	3740000	3,735,330
1	5460001	-	5465000	5,462,380
1	5995001	-	6000000	6,000,000
<b>2095</b>				<b>30,000,000</b>

**PATTERN OF SHAREHOLDING**  
**AS AT 30 JUNE 2010**

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	60,500	0.202
Associated Companies, undertakings and related parties.	8,950,380	29.835
NIT and ICP	146,882	0.490
Banks, Development Financial Institutions, Non Banking financial Companies	157,604	0.525
Modarabas and Mutual Funds	30,800	0.103
Insurance Companies	403,000	1.343
Share holders holding 10% or more	16,697,710	55.659
General Public		
a) Local	2,666,918	8.890
b) Foreign	2,585,841	8.619
Others		
- Joint Stock Companies	14,998,075	49.994
- Foreign Companies	-	-

Note: Some of the shareholders are reflected in more than one category

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS  
AS AT 30 JUNE 2010**

<u>Shareholders' Category</u>	<u>Number of Shares held</u>
<b>Associated Companies, undertaking and related parties</b>	
First Capital Investments Limited	6,962,380
Mileage (Pvt.) Limited	1,988,000
<b>NIT and ICP</b>	
Investment Corporation of Pakistan	100
National Bank of Pakistan	146,782
<b>Directors, CEO and their Spouse and Minor Children</b>	
Salmaan Taseer (Director)	56,000
Syed Kashan Hussain Kazmi (CEO/Director)	500
Muhammad Naveed Tariq (Director)	1,000
Ahmed Bilal (Director)	1,000
Omer Subhan Salamat (Director)	1,000
Mahmood Ali Athar (Director)	500
Suhail Ahmed (Director)	500
<b>Executives</b>	
<b>Public Sector Companies and Corporations</b>	14,998,075
<b>Banks Development Financial Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas and Mutual Funds etc.</b>	591,404
<b>Shareholders holding 10% or more voting interest in the Company</b>	
First Capital Investments Limited	6,962,380
First Capital Equities Limited	3,735,330
Al-Hoqani Securities & Investment Corporation	6,000,000



**FORM OF PROXY**

The Company Secretary  
First Capital Mutual Fund Limited  
103-C/II, Gulberg-III  
Lahore

Folio No./CDC A/c No. \_\_\_\_\_  
Shares Held: \_\_\_\_\_

I / We \_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

being the member (s) of **First Capital Mutual Fund Limited** hereby appoint Mr. / Mrs./  
Miss \_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

or failing him / her / Mr. / Mrs. / Miss. \_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

[who is also member of the Company vide Registered Folio No. \_\_\_\_\_ (being the member of the Company)] as my / our proxy to attend at and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, on 30 October 2010 at 1:00 p.m. and at any adjournment thereof.

Signature this \_\_\_\_\_ Day of \_\_\_\_\_ 2010

(Witnesses)

1. \_\_\_\_\_

2. \_\_\_\_\_

**Affix Revenue Stamp  
of Rupees Five**

Signature \_\_\_\_\_  
(Signature appended should agree with the specimen signature registered with the Company.)

**Notes:**

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
3. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.



