

FCEL

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2005

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COMPANY INFORMATION

Board of Directors

Mian Ehsan ul Haq
Chairman & Chief Executive Officer

Farooq Bin Habib
Ashraf Liaquat Ali Khan
Shahbaz Ali Taseer
Ahsan Zia
Mazhar Abbas
Muhammad Zubair Khalid

Chief Financial Officer

Mazhar Abbas

Audit Committee

Muhammad Zubair Khalid (Chairman)
Shahbaz Ali Taseer
Ahsan Zia

Company Secretary

Syed Akbar Naqi

Auditors

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

Legal Advisers

Tassawur Ali Hashmi
Advocates, Karachi

Bankers

Askari Commercial Bank Limited
Bank Alfalah Limited
Faysal Bank Limited
KASB Bank Limited
Metropolitan Bank Limited
Muslim Commercial Bank Limited
PICIC Commercial Bank Limited
Prime Commercial Bank Limited
Standard Chartered Bank
The Bank of Punjab
Union Bank Limited

Registered Office

103-C/II, Gulberg-III
Lahore, Pakistan
☎ (042) 5757591-4
Fax: (042) 5757590, 5877920

Corporate Office

4th Floor, Block B, C & D
Lakson Square Building No.1
Sarwar Shaheed Road, Karachi
☎ (021) 111 226 226
Fax: (021) 5656710, 5656725

Registrar and Shares Transfer Office

Corplink (Pvt.) Limited
Wings Arcade, 1-K,
Commercial Model Town, Lahore
☎ (042) 5839182

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 10th Annual General Meeting of the Shareholders of First Capital Equities Limited (“the Company”) will be held on 31 October 2005 at 5:30 p.m. at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, to transact the following business:

Ordinary business

1. To confirm the minutes of last Extraordinary General Meeting held on 30 December 2004;
2. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2005 together with the Directors' and Auditors' reports thereon;
3. To appoint Auditors for the year ending 30 June 2006 and to fix their remuneration;

Special business

4. **To consider and, if deemed fit, pass the following “Special Resolutions” with or without modifications:**

“**RESOLVED THAT** the Chief Executive of the Company be and is hereby authorized to take all necessary steps to make long-term investment upto Rs. 45 million in a project to undertake brokerage business in Dubai through formation of a separate legal entity in Dubai, in accordance with the provisions of section 208 of the Companies Ordinance, 1984 and to disinvest as and when considered appropriate.”

“**RESOLVED FURTHER THAT** the Chief Executive of the Company be and is hereby authorized to take all necessary steps to make long-term investment in the share capital of Media Times (Pvt.) Limited upto Rs. 20 million, in accordance with the provisions of section 208 of the Companies Ordinance, 1984 and to disinvest as and when considered appropriate.”

“**RESOLVED FURTHER THAT** the above authority shall remain in force until revoked by the shareholders.”

By order of the Board

Syed Akbar Naqi
Company Secretary

Lahore
08 October 2005

Notes:

- 1) The register of members will remain closed from 24 October 2005 to 31 October 2005 (both days inclusive). Transfers received at Corplink (Pvt.) Limited, 1-K, Commercial Model Town, the Registrar and Shares Transfer Office of the Company, by the close of business on 23 October 2005 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. In order to be effective, proxies 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 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 changes, if any, in their registered address immediately.

STATEMENT UNDER SECTION 208 OF THE COMPANIES ORDINANCE, 1984

Dubai Brokerage House

The Company intends to undertake brokerage business in Dubai Financial Markets, for which an application for incorporation has been filed with the Regulatory Authorities in Dubai. The application for availability of name has also been filed asking permission for any of names such as Abacus Capital Securities, Standard Capital Securities, Equitable Capital Securities, Allied Capital Securities etc. The total project cost of Dubai Brokerage House, is estimated at Rs. 92 million, which shall be mainly financed through equity. It is envisaged that 51% of the equity would be held by Mr. Sulieman Ahmed Said Al-Hoqani and/or his affiliates and remaining 49% will be held by the Company (as per the regulatory requirements of Dubai, non-residents are allowed to hold upto 49% of the equity in business concerns). For practicing brokerage profession in Dubai, a broker needs to get license from Emirates Securities and Commodities Authority (“ESCA”). This license is not a private right and the market retains the right to reject an applicant or suspend or cancel a license if this is deemed by the Board not to be in the public interest. The Company intends to invest upto Rs. 45 million in Dubai Brokerage project.

Emirates Securities and Commodities Authority (“ESCA”) was established in February 2000 to supervise the activity of securities and commodities markets and encourage investments into them. ESCA being the regulatory body oversees and supervises the work of the markets and their participants (investors, brokers, custodian, bank and other stakeholders), while trading in the securities is conducted by the ESCA licensed securities markets, which adhere to ESCA's rules and regulations. As per report upto 31 August 2005, there are 28 listed companies with total market capitalization of PKR 4,743 billion (AED 287.5 billion). Banking, industries, insurance, investment and service sectors constitute major portion of the stock market. A total of 48 brokers are conducting brokerage business at Dubai Stock Exchange.

Dubai Financial market operates on an automated screen-based trading system. Most of the world's major stock exchanges have moved in recent years to similar screen based trading systems. It offers a distinct advantage over traditional floor trading in terms of transparency, liquidity and trading of prices. DFM has worked with renowned international experts in the design of a trading system, which is fair, transparent and efficient, so that investors' interests are served and the economic objectives of UAE are met.

Trading volumes, market capitalization and number of trades registered during the last year have all contributed towards the sharp growth of Dubai Stock Exchange. Commission rates to be charged by the brokers are determined by the ESCA and are one of the highest in all the regional stock markets. These high commission rates, lower cost of entry, lower political risk, and higher growth prospects all display that this investment opportunity not only is lucrative but would also allow the Company to have a regional presence for further growth, diversity and expansion. The Company is already operating brokerage business through its subsidiary company namely Equity Partners Securities Limited in Bangladesh and an associated company Lanka Securities (Pvt.) Limited in Sri Lanka. The Company intends to invest upto Rs. 45 million in the share capital of the project company.

Media Times (Pvt.) Limited (“MTL” or “Daily Times”)

MTL was incorporated on 26 June 2001. The main objective of MTL is to carry on the business of proprietor, printer and publisher of newspapers in Pakistan and elsewhere. MTL started its commercial operations on 01 July 2003. MTL publishes a daily English newspaper namely “The Daily Times” is edited by award winning journalist Mr. Najam Aziz Sethi assisted by an aggressive team of journalist/reporters and technicians. The official web site of “Daily Times” is <http://www.dailytimes.com.pk>. MTL began publication from Lahore in the April 2002 and later started publication from Karachi. The total paid-up capital of MTL is around Rs. 173million. The main shareholders of MTL includes First

Capital Securities Corporation Limited holding around 46%, Mr. Salmaan Taseer holding around 7%, Mr. Najam Aziz Sethi & his family holding around 6% and other shareholders holding 41%.

Due to its rich content and opinion editorials, features and customized layout, MTL has in a very short period of time, established a loyal readership across the country. The weekly "SUNDAY" magazine has become the largest circulated English Magazine of the country. MTL has also started showing encouraging financial results. The revenues for the year 2005 has increased by more than 76 percent as compared to the previous year which helps it to achieve the break even during the last quarter of the financial year ended 30 June 2005. The management is now planning to publish a daily edition from the capital city of Islamabad to make it a complete national daily. The management is also considering publication of URDU newspapers simultaneously from all the cities from where it is already publishing English daily. It is expected that Daily Times will be a profitable venture in near future. The Company intends to make investment upto Rs. 20 million in the share capital of MTL.

STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984 READ WITH SRO 865(1)/2000 DATED 6 DECEMBER 2000

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on 31 October 2005.

Investments to be made by the Company

The Company is fully authorized by its Memorandum of Association to make such investments. The investments would be made at such time(s), as the Chief Executive may think appropriate on behalf of the Company and disinvested as and when required.

Following are material facts about the proposed special resolution:

- | | |
|--|---|
| (i) Name of the investee company | The Company has applied for different proposed names to the Regulatory Authorities in Dubai for availability. |
| (ii) Nature, amount and extent of investment | Long-term Investment in share capital of Dubai Brokerage House upto Rs. 45 million. |
| (iii) Average market price of the shares intended to be purchased during preceding six months in case of listed companies | Not applicable. Dubai Brokerage House is in the process of being incorporated. Necessary incorporation documents have already been filed with the Regulatory Authorities in Dubai. |
| (iv) Break-up value of shares intended to be purchased on the basis of last published financial statements | Not applicable. Dubai Brokerage House is in the process of being incorporated. Necessary incorporation documents have already been filed with the Regulatory Authorities in Dubai. Hence break-up value of Dubai Brokerage House is not available |
| (v) Price at which shares will be purchased | At face (par) value for each ordinary share |
| (vi) Earning per share of the investee company in last three years | Not applicable. Dubai Brokerage House is in the process of being incorporated. Necessary incorporation documents have already been filed with the Regulatory Authorities in Dubai. |
| (vii) Source of funds from where shares will be purchased | Available cash resources, future internal cash generation from the operations of the Company and debt raising, if required. |
| (viii) Period for which investment will be made | As a long-term investment |

- (ix) **Purpose of Investment** Diversification by the Company into other regional markets represents a good opportunity. The management expects to earn a high return on capital employed with a lower payback period. Further, the management believes that entering in Dubai capital markets would make the Company a regional player with a potential to attract high net worth foreign customers. The Company already has a presence in Bangladesh through its subsidiary company and in Sri Lanka through its associated company. Additionally, efficient utilization of the Company's available cash resources for better future returns. In addition, all the benefits accrued to investee company will become part of returns to the Company in future.
- (x) **Benefits likely to accrue to the Company and the shareholders from the proposed investments** The Company expects to earn substantial dividends and capital gains on the proposed investments.
- (xi) **Interest of Directors and their relatives in the investee company** The Directors of the Company and their relatives have no interest in above company except what has been disclosed under the section "Interest of Directors and their Relatives".

-
- (i) **Name of the investee company** **Media Times (Pvt.) Limited ("MTL")**
- (ii) **Nature, amount and extent of investment** Long-term Investment in share capital of MTL upto Rs. 20 million.
- (iii) **Average market price of the shares intended to be purchased during preceding six months in case of listed companies** Not applicable.
- (iv) **Break-up value of shares intended to be purchased on the basis of last published financial statements**
- | | 30-Jun-05 | 30-June-04 |
|--|------------------|-------------------|
| | Rs. 4.86 | Rs. 6.68 |
- (v) **Price at which shares will be purchased** Rs. 10/- for each ordinary share.
- (vi) **Earning per share of the investee company in last three years**
- | | 30-Jun-05 | 30-June-04 |
|--|------------------|-------------------|
| | Rs. (3.14) | Rs. (5.06) |
- Earning per share for the year ended 30-06-2003 is not available due as MTL started its commercial operation on 01 July 2003.
- (vii) **Source of funds from where shares will be purchased** Available cash resources, future internal cash generation from the operations of the Company and debt raising, if required.
- (viii) **Period for which investment will be made** As a long-term investment.
- (ix) **Purpose of Investment** Over the last few years FCEL has diversified its investments into information technology, telecom, insurance and brokerage sectors which have proved to be sound decisions, maximizing shareholders' interest. It was concluded that investment in newspaper and related business would fit in well with the Company's future

vision of entering into media, IT and telecom market. In order to achieve this objective FCEL's management decided to invest in MTL. Due to its rich contents & opinion editorials, features and customized layouts, Daily Times has in a very short time of one year established a strong following across various classes of readers. The management is now planning to publish a daily edition from the capital city of Islamabad to make it a complete national daily. The management is also considering publication of URDU newspapers simultaneously from all the cities from where it is already publishing English daily. It is expected that Daily Times will be a profitable venture in near future. Additionally, the purpose of the investment in MTL is to provide necessary funds for its working capital requirements and to enhance operations of MTL. All of the benefits accrued to MTL will form part of returns to the Company in future.

(x) **Benefits likely to accrue to the Company and the shareholders from the proposed investments**

Utilization of the Company's available cash resources for better future returns to the shareholders. Within a short period of time, MTL has been able to capture the market through its publications. All the benefits accrued to MTL will form part of the future returns to the Company. The Company expects substantial gains and dividends in future.

(xi) **Interest of Directors and their relatives in the investee company**

The Directors of the Company and their relatives have no interest in above company except what has been disclosed under the section "Interest of Directors and their Relatives".

INSPECTION OF DOCUMENTS

Copies of Memorandum and Articles of Association, Statement under section 160(1)(b) of the Companies Ordinance, 1984, Companies Ordinance 1984, annual and quarterly accounts alongwith all published or otherwise required accounts of all prior periods of the Company along with the financial projections of the investee companies including the Company and other related information of the Company and investee companies, may be inspected during the business hours on any working day at the Registered Office of the Company from the date of publication of this notice till the conclusion of the Annual General Meeting.

INTEREST OF DIRECTORS AND THEIR RELATIVES

The Directors of the Company and their relatives are interested to the extent of their shareholdings as hereunder:

Name of Director/CEO	As at 08 October 2005		As at 08 October 2005	
	Status in the Company	Share in the Company	Status in MTL	Share in MTL
1. Mian Ehsan ul Haq	CEO/Dir.	1,200	-	-
2. Shahbaz Ali Taseer	Director	1,200	-	-
3. Farooq Bin Habib	Director	1,200	-	-
4. Ashraf Liquat Ali Khan	Director	1,200	-	-
5. Mazhar Abbas	Director	1,200	-	-
6. Ahsan Zia	Director	1,200	-	-
7. Muhammad Zubair Khalid	Director	1,200	-	-

MISSION STATEMENT

Our mission is to strive to become the **LEADING BROKERAGE AND ITS RELATED BUSINESS COMPANY** and **BEST EMPLOYER** in each market that we operate. We will adhere to the following principles and provide execution to direct our future. We shall experience growth through building quality relationships, knowledge, service and innovation.

DEDICATED TO MAKE IT HAPPEN

CLIENTS: We will offer every Client: Fast & Friendly Service, Commitment, Cleanliness, Dedication, Excellence, & Trust.

ASSOCIATES: We will offer every associate: Development, Loyalty, Opportunities, Open-Door, Teamwork, Training, & Benefits.

IMAGE: We will operate every facility: Professionally, Helpful, Positive, Bright, Clean, & Consistent.

COMMUNITY: We will offer every community: Involvement, Support, Stability, Respect, Assistance, & Environmental Awareness.

STANDARDS: We will operate our business: Ethically, Competitively, Safely, Innovative, with High Expectations, & Quality Products.

VISION STATEMENT

Our Vision is linked with our Mission to be the **LEADING BROKERAGE AND ITS RELATED BUSINESS COMPANY** and **BEST EMPLOYER** in each market we operate. Our Vision will guide and direct us towards our mission, and communicates what we believe in as an operations group.

WE BELIEVE IN

- Obligation to serve the SHAREHOLDERS' INTEREST
- Providing Clients with CONSISTENT OUTSTANDING SERVICES
- Showing and encouraging TEAMWORK
- Maintaining and developing high standards of IMAGE
- Treating people with RESPECT
- Creating and developing a POSITIVE ENVIRONMENT
- Building a REPUTATION FOR SUCCESS
- Providing services with the HIGHEST QUALITY
- Operating with the highest INTEGRITY & HONESTY
- Exploring and encouraging NEW & INNOVATIVE IDEAS
- Providing positive RECOGNITION & REINFORCEMENT
- Becoming a dependant fiber in every COMMUNITY
- Continue to focus our associates with DEVELOPMENT & TRAINING
- Building and consistently growing overall REVENUES
- Provide every Client with a PLEASANT EXPERIENCE
- Stay focused on our business by LISTENING INTENTLY

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of First Capital Equities Limited (“the Company” or “FCEL”) are pleased to present the annual report with the Company's audited accounts for the year ended June 30, 2005.

Market Review

During the year under review, the stock market posted an impressive growth of 2,185 points (41.5%) primarily due to strong economic growth in the country. GDP growth was recorded at 8.4% last year resulting in enhanced corporate earnings, which was reflected in higher stock prices.

Despite substantial volatility in the market, which manifested itself in the form of a mini crisis in March 2005, your Company managed to come out unscathed. Strong risk management and proactive measures resulted in no bad debts to the Company at a time when others suffered huge losses.

Financial Performance

During the period under review, your Company managed to report 44.42% higher net profits at Rs. 80.45 million translating into Rs. 3.35 per share. Revenue growth from core business was the primary driver for higher profitability.

Brokerage income shot up by 111.09% to Rs. 258.55 million from Rs. 122.47 million last year while expenses were kept in control. Capital gains suffered a decline due to accounting changes as well as the Company policy to concentrate on core broking operations rather than deploying cash through investments in the market. Higher financial expenses during the period were inevitable and were the result of increased short-term borrowings to meet your Company's working capital requirements in a buoyant market.

Future Outlook

We continue to remain optimistic about sustained economic growth in the country resulting in enhanced corporate earnings, improving investor confidence and foreign interest in the local market. Robust GDP growth forecasts, improving direct and indirect foreign investments, privatization of big government institutions, investment friendly budget and new companies coming into the market are some of the triggers that will ultimately result in a positive long-term direction of the market.

Our major concern for the future direction of the market remains on the issue of timely implementation of the new rules and regulations by the regulators and the KSE. These external and non-fundamental factors have the potential to disturb the market direction.

I am pleased to inform you that your Company is continuing its investment in better and more efficient IT infrastructure that will enable your Company to extend its reach to other smaller cities of the country. Already

your Company has one of the largest network of branches among stock brokers in the country.

The Company intends to invest in Media Times (Pvt.) Limited (“Daily Times”) a daily English newspaper, which is expected to be a profitable venture in near future. The Company's horizon is not restricted to Pakistan only. After the acquisition of a brokerage firm in Bangladesh, we are actively looking for lucrative business opportunities in the Middle Eastern region and intends to undertake brokerage business in Dubai Financial Markets which will allow the Company to have a regional presence for further growth, diversity and expansion.

Your Company will continue to try its utmost for optimum performance and maximizing returns to its shareholders.

Right Issue

During the year, the Company intended to issue 100% right shares subject to the approval of Securities and Exchange Commission of Pakistan (“SECP”). While the case was in process with SECP, Stock Market crashed and lost 30% of value within matter of few days thus causing serious concerns among investors. The strategic investors of the Company started losing their interest in subscribing to the right shares of the Company against their earlier intention to subscribe the right shares while the market was boring. Under the circumstances, the Board resolved not to issue right shares along with Investment Finance Services at that time and to consider the same at an appropriate time in future.

Payout for the Shareholders

In order to strengthen the Company's financial base, the Directors' do not recommend payment of any dividend this year.

Risk Management

The Company's principal business activities by their nature engender significant market and credit risks. In addition, the Company is also subject to various other risks including operating risk, legal risk and funding risk. Effective identification, assessment and management of these risks are critical to the success and stability of the Company. As a results, comprehensive risk management policies and procedures have been established to identify, control and monitor each of these major risks.

Company Performance in Past Years

Past seven years Company performance chart is attached.

Earning per Share

Earning per share for the year ended June 30, 2005 was Rs. 3.35 as compared to Rs.3.06 in the last year.

Changes in the Board of Directors

Since the last report, there has been no change in the composition of the Board. Subsequent to the year end Mr. Muhammad Faisal Potrik and Mr. Ali Nayyar have resigned from the Board of Directors of the Company. Mr. Ashraf Liaquat Ali Khan and Mr. Shahbaz Ali Taseer have been appointed as Directors in place of Mr. Muhammad Faisal Potrik and Mr. Ali Nayyar. At present, the Company has seven Directors on its Board.

Board Meetings

Five meetings were held during the financial year. Attendance by each Director is as under:

Directors	Meetings Attended
Mian Ehsan ul Haq (CEO)	5
Farooq Bin Habib	4
Ashraf Liaquat Ali Khan	-
Shahbaz Ali Taseer	-
Ahsan Zia	5
Mazhar Abbas	5
Muhammad Zubair Khalid	5
Muhammad Faisal Potrik (Resigned)	3
Ali Nayyar (Resigned)	4

The Directors who could not attend the meeting were duly granted leave by the Board.

Disclosure of trades in the Company shares by its Directors', CEO, CFO, Company Secretary and their spouses including any minor children.

During the year under review no trading in the Company shares were carried out by the Directors', CEO, CFO, Company Secretary and their spouses including any minor children.

Audit Committee

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

Muhammad Zubair Khalid	Chairman
Shahbaz Ali Taseer	Member
Ahsan Zia	Member

Auditors

The present Auditors, Messrs Ford Rhodes Sidat Hyder & Co., Chartered Accountants, shall retire and being eligible to offer themselves for re-appointment. The Board of Directors endorse the recommendation of the Audit Committee for the re-appointment of Messrs Ford Rhodes Sidat Hyder & Co., Chartered Accountants as the Auditors of the Company for the financial year ending 30 June 2006.

Pattern of Shareholdings

The pattern of shareholdings as required under section-236 of the Companies Ordinance, 1984 and listing regulations are enclosed.

Statement of Compliance in accordance with the Code of Corporate Governance (“CCG”)

1. The financial statements, prepared by the management, presents fairly, its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of accounts of the Company 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 Company'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. There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding and have not been disclosed in the accounts.

9. The Company has followed the best practices of corporate governance, as detailed in the Listing Regulations of Lahore Stock Exchange wherever possible, and is in the process of complying with all the remaining regulations.

Holding Company

The Company's holding company is First Capital Securities Corporation Limited (“FCSC”), a company incorporated in Pakistan, having its registered office at 103-C/II, Gulberg-III, Lahore. FCSC holds 16,179,600 shares (67.40%) of FCEL.

Review on Group Business

Equity Partners Securities Limited (“EPSL”) is the subsidiary company of FCEL. EPSL was incorporated in Dhaka, Bangladesh and is the member of the Dhaka Stock Exchange and Chittagong Stock Exchange. FCEL holds 61,200 shares (51%) of EPSL. The gross brokerage income of EPSL is of Rs. 1.31 million whereas it has suffered net loss after taxation of Rs. 0.06 million. The Board is reviewing its strategy in respect of operation of EPSL and is expected that EPSL will be profitable in near future.

Acknowledgement

The Board of Directors wish to place on record their thanks and appreciation to 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 SECP as well the Lahore Stock Exchange. Finally, the Board would like to record its appreciation to all the staff members for their hard work in producing such brilliant results.

For and on Behalf of the Board

Lahore:
Dated: October 08, 2005

Mian Ehsan ul Haq
Chairman and Chief Executive

SEVEN YEARS AT GLANCE

Financial Highlights

	FY 05	FY 04	FY 03	FY 02	FY 01	FY 00	FY 99
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(R u p e e s i n m i l l i o n)

Income Statement

Revenues	367.47	189.73	118.88	62.29	58.58	182.91	174.86
Expenses	235.06	132.56	70.56	56.81	61.91	169.47	114.93
Profit before tax	110.42	57.17	48.32	5.48	(3.33)	13.44	59.92
Profit after tax	80.45	55.71	45.38	5.25	(5.63)	9.94	54.32

Balance Sheet

Paid up capital	240.07	240.07	120.04	120.04	120.04	100.04	100.04
Shareholder's equity	442.09	361.65	185.90	140.52	135.27	140.91	130.97
Liabilities	450.99	398.82	112.91	73.30	28.78	98.81	468.06
Total assets	893.75	760.48	298.81	213.83	164.05	239.72	599.03
Investment value at cost	110.35	244.72	16.19	11.35	4.57	0.15	2.14
Investment value at mkt price	88.39	238.88	23.10	11.41	4.51	0.39	2.03

Ratios

Earning per share (Rs.)	3.35	3.06	3.78	0.44	(0.47)	0.99	5.43
Break up value (Rs.)	18.42	15.06	15.48	11.71	11.27	14.09	13.09
Return on Equity (%)	18.20	15.40	24.41	3.74	(4.16)	7.05	41.48

Payout (%)

Cash	-	-	-	-	-	-	30
Bonus	-	-	-	-	19.99	-	-

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2005**

INCORPORATION No. L-07678 of 1994-95

No. of Shareholders	Shareholdings			Shares Held
	From		To	
30	101	-	500	15,000
99	501	-	1000	99,000
7	1001	-	5000	8,400
1	15001	-	20000	17,500
1	55001	-	60000	60,000
2	210001	-	215000	427,500
1	2395001	-	2400000	2,400,000
1	2655001	-	2660000	2,657,100
1	4795001	-	4800000	4,800,000
1	13520001	-	13525000	13,522,500
144				24,007,000

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	8,400	0.035
Associated Companies, undertakings and related parties	16,179,600	67.395
Modarbas and Mutual Funds	400,000	1.666
Shareholders holding 10% or more	20,979,600	87.390
General Public		
a) Local	2,541,500	10.586
b) Foreign	4,800,000	19.994

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

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS
AS AT JUNE 30, 2005**

Categories of Shareholders	Number of Shares held
Associated Companies, undertaking and related parties	
First Capital Securities Corporation Limited	16,179,600
Sulieman Ahmad Said Al-Hoqani	4,800,000
NIT and ICP	-
Directors, CEO and their Spouses and Minor Children	
Mian Ehsan ul Haq (CEO / Director)	1,200
Farooq Bin Habib (Director)	1,200
Muhammad Faisal Potrik (Director)*	1,200
Mazhar Abbas (Director)	1,200
Ali Nayyar (Director)*	1,200
Muhammad Zubair Khalid (Director)	1,200
Ahsan Zia (Director)	1,200
Executives	-
Public Sector Companies and Corporations	77,500
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba & Mutual Fund etc.	400,000
Shareholders holding 10% or more voting interest in the Company	
First Capital Securities Corporation Limited	16,179,600
Sulieman Ahmad Said Al-Hoqani	4,800,000

* Subsequent to the year end Mr. Ashraf Liaquat Ali Khan and Mr. Shahbaz Ali Taseer have been appointed as Directors w.e.f. 19-07-2005 in place of Mr. Muhammad Faisal Potrik and Mr. Ali Nayyar who have resigned from Directorship of the Company.

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES
ON TRANSFER PRICING FOR THE YEAR ENDED JUNE 30, 2005**

The Company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of Lahore Stock Exchange.

For and on behalf of the Board

Lahore
October 08, 2005

Mian Ehsan ul Haq
Chief Executive Officer

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2005

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of 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 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 two 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's or NBFIs. No one is a member of Stock Exchange.
4. All casual vacancies occurring in the Board were filled up by the directors 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 has approved appointment of Company Secretary 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 one non-executive director including the Chairman of the committee and two executive directors.
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 personal 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.

For and on behalf of Board

Lahore
Dated: October 08, 2005

Mian Ehsan ul Haq
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 Equities Limited** to comply with the Listing Regulations No. 43 (Chapter XIII) of the Lahore Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. 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 Company'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 Company personnel and review of various documents prepared by the Company 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.

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 Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2005.

LAHORE
October 08, 2005

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **FIRST CAPITAL EQUITIES LIMITED** as at **June 30, 2005** and the related profit and loss account, cash flow statement and statement of changes in equity, 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 Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit. The financial statements of the company as of June 30, 2004, were audited by another firm of Chartered Accountants whose report dated October 06, 2004, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any 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 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 Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for change in accounting policy as stated in note 4.1 to the financial statements to which we concur;
 - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984 in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **June 30, 2005** and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

LAHORE
October 08, 2005

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

BALANCE SHEET

AS AT JUNE 30, 2005

	Note	2005 (Rupees)	2004 (Rupees)
ASSETS			
NON - CURRENT ASSETS			
Property and equipment	5	41,656,880	18,044,366
Membership cards and licences	6	57,560,870	56,507,500
Long term investments	7	7,064,907	7,098,169
Long term deposits	8	2,171,200	2,241,850
		108,453,857	83,891,885
CURRENT ASSETS			
Trade debts- Unsecured	9	294,318,824	227,405,574
Investments- held for trading	10	88,396,669	238,877,712
Advances, deposits, prepayments and other receivables	11	49,230,324	68,529,789
Advance income tax		33,557,972	29,585,967
Placements	12	225,000,000	-
Interest accrued	13	3,075,315	557,893
Cash and bank balances	14	91,717,213	111,622,525
		785,296,317	676,579,460
		893,750,174	760,471,345
EQUITY AND LIABILITIES			
Authorised Capital			
30,000,000 (2004: 30,000,000) ordinary shares of Rs.10/- each		300,000,000	300,000,000
Issued, subscribed and paid up share capital	15	240,070,000	240,070,000
Unappropriated Profits		202,027,780	121,573,383
		442,097,780	361,643,383
NON - CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	16	788,802	574,324
Deferred liabilities	17	6,524,447	5,145,690
		7,313,249	5,720,014
CURRENT LIABILITIES			
Trade and other payables	18	237,334,870	316,973,202
Short term borrowings	19	188,783,416	66,973,596
Interest accrued on short term borrowings		5,539,955	1,307,117
Interest accrued on repurchase agreements		657,534	-
Current maturity of liabilities against assets subject to finance lease	16	364,471	195,134
Provision for taxation		11,658,899	7,658,899
		444,339,145	393,107,948
		893,750,174	760,471,345
CONTINGENCIES	20		

The annexed notes form an integral part of these financial statements.

Lahore

Chief Executive

Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005 (Rupees)	2004 (Rupees)
INCOME			
Brokerage income		258,545,543	122,476,863
Capital gain		47,590,891	61,100,215
Income on carry over transactions		18,358,868	-
Other operating income	21	42,975,436	5,140,060
		367,470,738	188,717,138
Unrealised loss on remeasurement of investments held for trading	10	(21,954,370)	(12,068,788)
		345,516,368	176,648,350
 EXPENDITURES			
Operating expenses	22	189,636,488	109,873,685
Finance costs	23	45,425,163	2,370,970
Other charges	24	-	7,465,719
		235,061,651	119,710,374
 OPERATING PROFIT			
		110,454,717	56,937,976
Share of (loss) / profit from subsidiary company		(33,262)	233,093
 PROFIT BEFORE TAXATION			
		110,421,455	57,171,069
Taxation	25	29,967,058	1,464,077
 PROFIT AFTER TAXATION			
		80,454,397	55,706,992
 EARNINGS PER SHARE - BASIC			
	26	3.35	3.06

The annexed notes form an integral part of these financial statements.

Lahore

Chief Executive

Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005 (Rupees)	2004 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Funds generated from operations			
Profit before taxation		110,421,455	57,171,069
Add: Items not involved in movement of funds			
Depreciation		5,806,891	3,192,822
Share in loss / (profit) from subsidiary company		33,262	(233,093)
Loss on remeasurement of investments		21,954,370	12,068,788
Provision for doubtful debts		14,745,956	611,804
Bad debts written off		895,905	-
Dividend Income		(4,121,590)	(1,944,481)
Interest accrued		(36,661,375)	(1,103,787)
Interest expense		44,683,148	1,352,377
(Gain) / Loss on sale of property and equipment		(55,244)	46,954
Assets written off		-	7,465,719
Provision for gratuity		2,403,622	1,449,074
		49,684,945	22,906,177
		160,106,400	80,077,246
(Increase) / decrease in current assets			
Investments held for trading		128,526,673	(227,845,469)
Trade debts		(82,555,111)	(148,944,076)
Advances, deposits, prepayments and other receivables		19,355,620	(10,620,915)
		65,327,182	(387,410,460)
Increase / (decrease) in current liabilities in trade and other payables			
		(79,638,332)	214,393,307
Cash Generated from Operations			
		145,795,250	(92,939,907)
Dividend received		4,121,590	1,944,481
Interest received		34,143,953	1,032,294
Finance cost paid		(39,792,776)	(30,265)
Gratuity Paid		(1,081,020)	(351,700)
Taxes Paid		(29,939,063)	-
Net Cash used in operating activities		113,247,934	(90,345,097)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(29,574,161)	(8,492,052)
Proceeds from sale of property and equipment		210,000	3,001,971
Long term investments		-	(6,865,076)
Membership cards and licences		(1,053,370)	(307,500)
Placements		(225,000,000)	-
Long term deposits		70,650	(782,914)
Net Cash used in investing activities		(255,346,881)	(13,445,571)
CASH FLOW FROM FINANCING ACTIVITIES			
Obligation under finance lease		383,815	672,015
Issuance of Share Capital		-	120,035,000
Short term running finance		121,809,820	66,973,597
Net Cash generated from financing activities		122,193,635	187,680,612
Net (decrease) / increase in cash and cash equivalents			
		(19,905,312)	83,889,944
Cash and cash equivalents at the beginning of the year			
		111,622,525	27,732,581
Cash and cash equivalents at the end of the year			
	14	91,717,213	111,622,525

The annexed notes form an integral part of these financial statements.

Lahore

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2005

PARTICULARS	Share Capital	<u>Revenue Reserved</u> Unappropriated Profit	Total
	(Rupees)	(Rupees)	(Rupees)
Balance as at June 30, 2003	120,035,000	65,866,391	185,901,391
Issuance of Share Capital	120,035,000	-	120,035,000
Profit for the year	-	55,706,992	55,706,992
Balance as at June 30, 2004	240,070,000	121,573,383	361,643,383
Profit for the year	-	80,454,397	80,454,397
Balance as at June 30, 2005	240,070,000	202,027,780	442,097,780

The annexed notes form an integral part of these financial statements.

Lahore

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

1. STATUS AND NATURE OF BUSINESS

First Capital Equities Limited, (the "Company") was incorporated in Pakistan on January 26, 1995 as a private limited company, under the Companies Ordinance, 1984. The company was converted into public limited company on June 18, 1997 and is listed on Lahore Stock Exchange. The principal activities of the company include share brokerage and conducting/ publishing business research.

The registered office of the company is located at 103 C-II, Gulberg III, Lahore.

2. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except for the investments, which are stated at their fair value and employee benefits which are stated at their present value.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever, the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Change in Accounting Policy

During the year, the SECP substituted the Fourth Schedule to the Companies Ordinance, 1984 vide SRO 589(1)/2004 dated July 5, 2004, which is effective from the financial year ending on or after July 5, 2004. This has resulted in a change in the accounting policy pertaining to the recognition of dividends declared subsequent to the year-end. Dividends are now recognised in the period in which these are approved. Till the previous year, dividends declared after the balance sheet date but before the financial statements were authorised for issue, were recognised as of the balance sheet date.

However, the above change in accounting policy has no financial effect on the presented financial statements.

4.2 Tangible Fixed Assets

Property and equipment

Owned Assets

Property and equipment are stated at cost less accumulated depreciation and impairments, if any. Depreciation is charged on the reducing balance method at the rates specified in Note 5.1 to the financial statements, which are considered appropriate to write off the cost of assets over their useful economic lives.

Full year's depreciation is charged on the assets acquired during the year while no depreciation is charged in the year of disposal.

Gain or loss on disposal of assets, if any, are determined by comparing the sales proceeds with the carrying value and are included in or charged to income currently.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalised.

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognised.

Leased assets

Finance Lease

Leases where the company has substantially all the risk and rewards of ownership are classified as finance lease. Leased assets are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligation net of finance charges, are included in liabilities against assets subject to finance lease are referred to in note 16 to the financial statements. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rentals is charged to income over the lease term.

Depreciation of leased assets is recognised in the same manner as for owned assets.

4.3 Membership cards and licenses

These are stated at acquisition cost. Impairment, if any, is made for permanent diminution in value of these assets.

4.4 Investments

Long-term investments

Investments in subsidiaries are accounted for under the equity method. This method is applied from the date when control commences until the date when that control ceases. When the company's share of losses exceeds the carrying amount of the subsidiaries, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the company has incurred obligations in respect of the subsidiaries.

Investments held for trading

Investments in listed securities are classified as held for trading. 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 recognised at cost, being the fair value of the consideration given including acquisition charges with the investment. After initial recognition, investments are measured at their fair values. Unrealised gains and losses on investments are recognised in profit and loss account of the period.

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

4.5 Trade and Other Receivables

These are stated at net of provisions for doubtful debts, if any. Trade debts are reviewed at each balance sheet date. Full provision is made against the debts considered doubtful. Bad debts and other receivable are written off as and when identified.

4.6 Impairments

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the asset's recoverable amount is estimated. An impairment loss is recognised wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account.

4.7 Taxation

Current:

Provision for current taxation is based on taxable income at current rates of taxation after taking into account all tax credits and tax rebates available, if any.

Deferred:

Deferred tax is calculated using the liability method on all temporary differences at the balance sheet date, between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

4.8 Securities sold under repurchase / purchased under resale agreements

Investment sold with a simultaneous commitment to repurchase at a specified date (Repo) continue to be recognised in the balance sheet and are measured in accordance with the accounting policies for investments. Amounts received under these agreements are recorded as securities sold under repurchase agreements. The difference between sale and repurchase price is treated as mark-up / interest expense using the effective yield method.

Investments purchased with a corresponding commitment to resell at a specified future date (Reverse repo) are not recognised in the balance sheet. Amounts paid under these obligations are included in fund placements. The difference between purchase and resale price is treated as mark-up / interest income using the effective yield method.

4.9 Staff Retirement Benefits

The company operates an un-funded gratuity scheme for its permanent employees, under which benefits are paid on cessation of employment subject to a minimum qualifying period of service.

Obligation of the scheme and profit and loss charge is made in accordance with the actuary's recommendation based on the actuarial valuation of the scheme as on June 30, 2005 using projected unit credit method.

Actuarial gains and losses that are in excess of the corridor limits as prescribed in IAS-19 "Employee Benefits" are amortised over the average remaining working lives of the employees participating in the plan.

4.10 Trade and other payables

Trade and other payables are stated at cost.

4.11 Mark up bearing borrowings

Mark up bearing borrowings are recognised initially at cost being the fair value of consideration received, less attributable transaction cost. Subsequent to the initial recognition, mark up bearing borrowings is stated at original cost less subsequent repayments.

4.12 Foreign Currency Translation

All assets and liabilities in foreign currency are translated at exchange rates prevailing at the year-end. Foreign currency transactions during the year are recorded at the rate of exchange prevailing at the time of transaction. Gain or loss on translation is included in or charged to income currently.

4.13 Revenue Recognition

Brokerage Income:

Brokerage income is recognised as and when services are provided on accrual basis.

Capital Gains:

Sale and purchases of securities are recorded on the execution of contract. Capital gains or losses, calculated as the difference between the sale proceeds excluding transaction cost, and the carrying amount of a security is included in profit and loss account for the period.

Dividend Income:

Dividend income is recognised at the time of closure of share transfer book of the company declaring the dividend.

Interest Income:

Interest income is recognised as and when it is due on accrual basis.

Income on carry over transactions:

Income on carry over transaction is recognised on accrual basis.

Underwriting Commission:

Underwriting commission is recognised when the agreement is executed.

4.14 Finance costs

All finance costs are charged to profit and loss account on accrual basis.

4.15 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

4.16 Offsetting of financial assets and financial liabilities.

A financial asset and a financial liability is only offset and the net amount is reported in the balance sheet, when there is a legal enforceable right to set off the recognised amount and the company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

4.17 Provisions

A provision is recognised when and only when the company 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.

4.18 Cash and cash equivalents

Cash and cash equivalents are carried in balance sheet at cost. For the purpose of cash flow statements, cash and cash equivalents comprise cash in hand and bank balances.

4.19 Transactions with related parties and associated undertakings

Transactions with related parties are at arm's length prices. These prices are determined in accordance with the methods prescribed in the Companies Ordinance, 1984.

5 PROPERTY AND EQUIPMENTS

5.1 Following is the statement of property and equipment:

Particulars	COST			Depreciation			Accumulated as at June 30, 2005	Written down value as at June 30, 2005	Depreciation Rate
	As at July 01, 2004	Additions/ Transfers/ (Disposals)	As at June 30, 2005	Accumulated as at July 01, 2004	Charge for the year	Adjustments/ (Disposals)			
	(R u p e e s)								%
OWNED ASSETS									
Freehold building	-	17,000,000	17,000,000	-	850,000	-	850,000	16,150,000	5
Leasehold improvements	2,512,653	-	2,512,653	363,925	107,436	-	471,361	2,041,292	5
Computers	3,434,563	1,242,254	4,676,817	1,575,134	620,337	-	2,195,471	2,481,346	20
Office equipments	6,425,164	1,590,527 (156,600)	7,859,091	2,019,733	590,349	(64,129)	2,545,953	5,313,138	10
Furniture and fittings	3,383,757	199,400	3,583,157	1,351,104	223,205	-	1,574,309	2,008,848	10
Vehicles	12,181,158	8,827,980 (297,000)	20,712,138	5,224,793	3,144,412	(234,715)	8,134,490	12,577,648	20
	27,937,295	28,860,161 (453,600)	56,343,856	10,534,689	5,535,739	- (298,844)	15,771,584	40,572,272	
LEASED ASSETS									
Vehicles	816,000	714,000	1,530,000	174,240	271,152	-	445,392	1,084,608	20
Total	28,753,295	29,574,161 (453,600)	57,873,856	10,708,929	5,806,891	- (298,844)	16,216,976	41,656,880	
June 30, 2004	42,504,304	8,741,952 (22,492,961)	28,753,295	19,244,522	3,192,822	60,425 (11,788,840)	10,708,929	18,044,366	

5.2 Disposal of property and equipment

Particulars	Cost	Accumulated Depreciation	Book value	Sale proceeds	Profit/(loss)	Mode of Sale	Particulars of Buyers
	(R u p e e s)						
Vehicle	297,000	234,715	62,285	185,000	122,715	Negotiations	Muhammad Amin - Karachi
Office equipments	156,600	64,129	92,471	25,000	(67,471)	Negotiations	Xerox - Lahore
Total	453,600	298,844	154,756	210,000	55,244		

5.2.1 This represents sale of assets with book value of not less than rupees fifty thousand and not sold to Chief Executive, Director, other executive, shareholders holding not less than 10% of shares or related parties, unless otherwise mentioned.

First Capital Equities Limited

		<u>Note</u>	<u>2005</u> <u>(Rupees)</u>	<u>2004</u> <u>(Rupees)</u>
6	MEMBERSHIP CARDS AND LICENCES			
	Membership			
	Lahore Stock Exchange (Guarantee) Ltd		11,000,000	11,000,000
	Karachi Stock Exchange (Guarantee) Ltd		33,200,000	33,200,000
			44,200,000	44,200,000
	Licences - Rooms			
	Lahore		4,500,000	4,500,000
	Karachi		7,500,000	7,500,000
	Faisalabad		335,870	307,500
	Sialkot		1,025,000	-
			13,360,870	12,307,500
			57,560,870	56,507,500
7	LONG TERM INVESTMENTS			
	Subsidiary Company			
	Equity Partners Securities Limited - Foreign Entity	7.1	7,098,169	6,865,076
	Share of (loss) / profit		(33,262)	233,093
			7,064,907	7,098,169
7.1	This represents 61,200 (2004: 61,200) shares representing 51% of Equity Partners Securities Limited (EPSL), Dhaka, Bangladesh acquired in accounting year 2004, by the company at Bangladeshi Taka 112/- (Pak Rs. 112.1744). EPSL is a private limited company, which was incorporated in Bangladesh on May 2000. EPSL is a corporate member of Dhaka Stock Exchange and Chittagong Stock Exchange.			
8	LONG TERM DEPOSITS	<u>Note</u>	<u>2005</u> <u>(Rupees)</u>	<u>2004</u> <u>(Rupees)</u>
	Leasing Companies		409,400	193,650
	Stock Exchanges		1,035,000	1,235,000
	Central Depository Company		250,000	250,000
	Others		476,800	563,200
			2,171,200	2,241,850
9	TRADE DEBTS - UNSECURED			
	Trade debts against purchase of shares:			
	Unsecured, considered good:			
	Clients	9.1	290,989,789	224,687,303
	Members		3,329,035	2,718,271
			294,318,824	227,405,574
	Unsecured, considered doubtful:			
	Clients		49,833,209	35,087,253
	Members		2,344,757	2,344,757
	Less: Provision for doubtful debts	9.2	(52,177,966)	(37,432,010)
			294,318,824	227,405,574
9.1	It includes an amount of Rs. 79,450,956 (2004: Rs.91,171,782) and Rs.Nil (2004: Rs.1,799,322) receivable from related parties, Mr.Sulieman Ahmad Said Al-Hoqani and Mrs.Uzma Farooq respectively.			
		<u>Note</u>	<u>2005</u> <u>(Rupees)</u>	<u>2004</u> <u>(Rupees)</u>
9.2	Provision for doubtful debts			
	Opening balance		37,432,010	36,832,351
	Charge for the year	22.1	14,745,956	599,659
	Closing balance		52,177,966	37,432,010

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10. INVESTMENTS - HELD FOR TRADING

	2005			2004		
	NUMBER	COST	MARKET VALUE	NUMBER	COST	MARKET VALUE
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
ASSOCIATED - LISTED						
First Capital Mutual Fund Ltd.	-	-	-	10,000	67,500	68,500
OTHERS - LISTED						
MUTUAL FUND						
9th ICP Mutual Fund Limited	-	-	-	125	2,406	2,406
Al Mezan Mutual Fund Limited	-	-	-	20,000	294,000	309,000
BSJS Balance Fund Limited	-	-	-	33,500	432,325	433,825
Faysal Balance Growth Fund Limited	-	-	-	25,000	2,500,000	2,500,000
Pakistan Capital Market Fund Limited	-	-	-	20,000	202,000	205,000
Pakistan Premier Fund Limited	-	-	-	10,000	173,000	192,000
Dominion Stock Fund Limited	-	-	-	1,000	2,700	3,400
PICIC Growth Fund	4,000	196,000	214,800	-	-	-
Unit Trust of Pakistan Units	142	1,015,744	1,153,608	118	933,010	1,015,744
MODARBA						
First Tri Star Modarba	-	-	-	1,500	12,000	4,500
POWER GENERATION AND DISTRIBUTION						
The Karachi Electric Supply Corporation Limited	-	-	-	5,000	36,750	37,000
Kot Addu Power Company Limited	20,000	715,572	755,000	-	-	-
OIL AND GAS MARKETING COMPANIES						
Pakistan State Oil Company Limited	-	-	-	800	201,800	205,400
OIL AND GAS EXPLORATION COMPANIES						
Sui Northern Gas Pipelines Limited	-	-	-	2,000	140,000	129,400
Oil and Gas Development Company Limited	-	-	-	400,000	27,667,180	25,800,000
Pakistan Oil Fields Limited	-	-	-	8,000	2,281,577	1,668,000
REFINERY						
Bosicor Pakistan Limited	-	-	-	209,500	4,483,300	4,808,025
Attock Refinery Limited	-	-	-	30,000	2,655,005	2,745,000
INVEST. CO's, BANKS AND SECURITIES						
Mybank Limited (Formerly Bolan Bank Limited)	8,000	124,500	109,600	-	-	-
MCB Bank Limited (Formerly Muslim Commercial Bank Limited)	5,500	350,164	436,150	7,200	377,845	364,320
National Bank of Pakistan	-	-	-	150,000	9,793,136	9,967,500
PICIC Ltd	-	-	-	2,500	147,275	180,125
Trust Commercial Bank Limited	-	-	-	10,000	108,500	113,000
JOV & Co. Ltd.	-	-	-	500	299,000	311,000
TEXTILE						
Nishat Chunian Limited	17,000	763,200	1,616,700	-	-	-
Colony Thal Textile Mills Limited	-	-	-	1,500	7,275	7,950
Nishat Mills Limited	-	-	-	116,000	6,227,333	6,124,800
Data Textiles Limited	-	-	-	1,500	10,800	7,125
Shaheen Cotton Mills Limited	-	-	-	500	4,500	4,500
Salman Noman Enterprises Limited	-	-	-	1,000	6,025	7,000
TECHNOLOGY AND COMMUNICATION						
Worldcall Communication Limited	4,391,791	62,363,432	43,917,910	5,241,791	77,147,723	74,433,432
Worldcall BroadBand Limited	1,137,000	11,492,875	11,256,300	-	-	-
Callmate Telips Limited	-	-	-	10,000	154,000	152,500
Pakistan International Airlines Corporation	-	-	-	967,000	22,076,789	17,309,300
Pakistan International Containers Co Limited	-	-	-	20,000	441,000	460,000
Pakistan Telecommunication Company Limited	1,000	70,657	65,950	457,000	20,202,693	19,262,550
TRG Pakistan Limited	-	-	-	65,000	1,108,250	1,121,250

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	2005			2004		
	NUMBER	COST	MARKET VALUE	NUMBER	COST	MARKET VALUE
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
AUTO AND ALLIED						
Dewan Farooq Motors Limited	-	-	-	15,000	404,750	372,000
Indus Motor Company Limited	-	-	-	70,000	6,517,000	6,384,000
General Tyres Limited	-	-	-	50,000	2,225,000	2,300,000
CHEMICAL & PHARMA						
Fauji Fertilizer Bin Qasim Limited	95,000	2,488,831	2,555,500	-	-	-
Pakistan PTA Limited	-	-	-	231,500	3,715,575	4,016,525
Engro Chemical Limited	-	-	-	57,000	5,996,277	5,557,500
Rupali Polyester Limited	-	-	-	25,000	1,125,000	1,105,000
Sardar Chemicals Limited	-	-	-	5,000	40,500	41,500
CEMENT						
Zeal Pak Cement Limited	-	-	-	200,000	2,030,000	2,480,000
Fauji Cement Company Limited	-	-	-	78,000	1,769,600	1,271,400
Pioneer Cement Limited	-	-	-	20,000	320,000	402,000
Maple Leaf Cement Factory Limited	77	3,005	1,679	200,000	8,364,800	7,600,000
Dewan Cement Limited (Formerly Pakland Cement Limited)	-	-	-	50,000	1,530,000	1,572,500
SUGAR & ALLIED						
Mirza Sugar Mills Limited	350	1,720	892	400	1,720	1,760
Faran Sugar Mills Limited	39	49	404	-	-	-
Tandliwala Sugar Mills Limited	-	-	-	2,000	32,900	38,400
United Sugar Mills Limited	-	-	-	1,000	13,950	13,500
INSURANCE						
Adamjee Insurance Co. Limited	-	-	-	12,500	806,875	840,000
Shaheen Insurance Company Limited	1,281,000	30,714,017	26,260,500	1,268,500	31,576,581	30,444,000
Pakistan Reinsurance Company Limited	-	-	-	60,000	3,734,500	3,918,000
Pak Guarantee Insurance Company Limited	474	948	1,351	-	-	-
GLASS AND CERAMICS						
Baluchistan Glass Limited	-	-	-	10,000	129,000	130,500
MISCELLANEOUS						
Haidery Construction Co. Limited	-	-	-	500	2,275	3,750
Marfco Industries Limited	5,500	50,325	50,325	5,500	38,500	50,325
Macpack Films Limited	-	-	-	10,000	375,000	381,500
		110,351,039	88,396,669		250,946,500	238,877,712
Loss on remeasurement of fair value		(21,954,370)	-		(12,068,788)	-
Investment as at June 30,		88,396,669	88,396,669		238,877,712	238,877,712

10.1 Includes shares having market value of Rs. 4,037,700 (2004: 108,911,000) deposited with the Stock Exchanges in lieu of deposit under the exposure rules.

10.2 All shares/ certificates/ units have a face value of Rs. 10 each except for Unit Trust of Pakistan and Faysal Balanced Growth Fund having face value of Rs. 5,000/- each. and Rs. 100/- each respectively.

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	<u>Note</u>	<u>2005</u> <u>(Rupees)</u>	<u>2004</u> <u>(Rupees)</u>
11 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Loans and advances (Unsecured - Considered Good)			
Executives		212,831	820,000
Employees		1,098,578	3,952,285
Others		-	122,140
Deposits		358,969	227,791
Prepayments		1,687,418	1,493,415
Advance against purchase of vehicle		2,585,699	-
Stock Exchanges	11.1	38,192,486	50,779,396
Due from holding company- Unsecured, considered good		-	4,119,366
Other receivables		5,094,343	7,015,396
		<u>49,230,324</u>	<u>68,529,789</u>

11.1 This represents exposure deposit with the Karachi and Lahore Stock Exchange Guarantee Limited under the exposure rules.

	<u>Note</u>	<u>2005</u> <u>(Rupees)</u>	<u>2004</u> <u>(Rupees)</u>
12 PLACEMENTS			
Secured- Considered good			
Securities purchased under the resale agreement of quoted shares - parent company	12.1	25,000,000	-
Securities purchased under the resale agreement of quoted shares - Mr.Sulieman Ahmad			
Said Al-Hoqani, related party	12.2	200,000,000	-
		<u>225,000,000</u>	<u>-</u>

12.1 These have been placed for a period of three months and carries mark up rate of 15% per annum. Fair value of quoted shares held as collateral is Rs.40,000,000.

12.2 Rs. 100,000,000 has been placed for a period of three months and carries mark up rate of 12% per annum. Fair value of quoted shares held as collateral is Rs.127,813,471. The remaining balance of Rs. 100,000,000 has been given at a rate of 12.40% per annum against collateral of listed equities securities having a market value of Rs.203,750,000 which has been further placed as collateral to a financial institution by the company under repurchase transaction. (refer to Note 18.1).

	<u>2005</u> <u>(Rupees)</u>	<u>2004</u> <u>(Rupees)</u>
13 INTEREST ACCRUED		
Interest accrued on:		
Placements with parent company	934,932	-
Placements with Mr.Sulieman Ahmad Said Al-Hoqani, related party	1,512,328	-
Bank Deposits	628,055	557,893
	<u>3,075,315</u>	<u>557,893</u>

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14 CASH AND BANK BALANCES	Note	2005 (Rupees)	2004 (Rupees)
Cash at banks			
Local currency			
Current accounts		17,983,077	72,525
Deposit accounts	14.1	72,697,164	111,118,112
		90,680,241	111,190,637
Foreign currency			
Deposit accounts	14.1	1,004,302	410,654
		91,684,543	111,601,291
Cash in hand			
		32,670	21,234
		91,717,213	11,622,525

14.1 These carry profit rate ranging from 1 % to 4 % per annum (2004: 1 % to 7 % per annum).

15 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL		2005 (Rupees)	2004 (Rupees)
2005	2004		
Number of shares			
Shares issued against cash consideration			
22,007,000	22,007,000	220,070,000	220,070,000
Shares issued against consideration other than cash			
2,000,000	2,000,000	20,000,000	20,000,000
24,007,000	24,007,000	240,070,000	240,070,000

15.1 The Company is a subsidiary of First Capital Securities Corporation Limited - a listed company which holds 16,179,600 (67.39 %) ordinary shares (2004: 16,179,600 (67.39 %)) at the year end.

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The rate of interest used as the discounting factor is between 8.5 % to 17% per annum (2004: 8.5% to 17%). The amount of future payments and the period in which they will become due are:

	2005 (Rupees)	2004 (Rupees)
Year ended June 30,		
2005	-	237,276
Year ending June 30,		
2006	412,569	224,468
2007	694,982	380,240
2008	110,135	-
	1,217,686	841,984
Less: Unallocated financial charges	64,413	72,526
	1,153,273	769,458
Less: Current maturity shown under current liabilities	(364,471)	(195,134)
	788,802	574,324

16.1 The lease rentals are payable in monthly instalments. The company has the right to exercise purchase option at the end of the lease term. There are no financial restrictions in the lease agreement.

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16.2 The reconciliation between gross minimum lease payment, future financial charges and present value of minimum lease payments is as follows:

	Note	2005 (Rupees)	2004 (Rupees)
Gross Minimum Lease Payments			
Not later than one year		412,569	237,276
Later than one year but not later than five years		805,117	604,708
		1,217,686	841,984
Present value of minimum lease payments			
Not later than one year		364,471	195,134
Later than one year but not later than five years		788,802	574,324
		1,153,273	769,458

17 DEFERRED LIABILITIES

Provision for Gratuity	17.1	6,524,447	5,145,690
		6,524,447	5,145,690

17.1 The future contribution rates of the scheme include allowances for deficit and surplus. Projected unit credit method based on the following significant assumptions is used for valuation of this scheme. The latest actuarial valuation was carried out as on June 30, 2005.

	2005	2004
Discount Rate	9 %	8 %
Excepted rate of salary increased in future years	8 %	7 %
Average excepted remaining employment period of employees	12 Years	13 Years

	Note	2005 (Rupees)	2004 (Rupees)
a) The amount to be recognized in the balance sheet is as follows:			
Present value of obligation		7,163,949	4,557,486
Unrecognised actuarial (gain) / loss		(783,502)	323,204
Benefits due but not paid		144,000	265,000
Liability recognized in the balance sheet		6,524,447	5,145,690

b) Movement of liability to be recognized in the balance sheet is as follows:

Present value of obligation at beginning of the year	5,145,690	4,048,316
Amount recognised during the year	2,403,622	1,449,074
Liability transferred from group companies	56,155	-
Contributions made by the company during the year	(1,081,020)	(351,700)
Net Liability at the end of the year	6,524,447	5,145,690

c) The amount recognized in the profit and loss account is as follows:

Current Service Cost	2,039,023	1,152,587
Interest Cost	364,599	296,487
Total amount charged to income statement	23 2,403,622	1,449,074

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18 TRADE AND OTHER PAYABLES	Note	2005 (Rupees)	2004 (Rupees)
Payable to financial institution	18.1	100,000,000	-
Payable against sale of shares - unsecured			
Clients		107,445,784	306,106,715
Members		1,185,312	1,236,635
Accrued and other liabilities		28,242,482	9,334,986
With holding tax payable		461,292	294,866
		<u>237,334,870</u>	<u>316,973,202</u>

18.1 This represents the amount payable to a financial institution under the repurchase agreement against the securities given under the arrangement as explained in note 12.2. The effective interest rate is 12 % per annum and is for a period of three months.

19 SHORT TERM BORROWINGS- SECURED	2005 (Rupees)	2004 (Rupees)
Short term borrowings	188,783,416	66,973,596
	<u>188,783,416</u>	<u>66,973,596</u>

The facilities are obtained from various commercial banks under mark up arrangements amounting to Rupees 480 million (2004 : Rs.100 million). These facilities carry mark up at the rate ranging from 6 months KIBOR plus 1.5 % to 4.25 % (2004: Nil) per annum with floor limits ranging from 8 % to 12% per annum. (2004: Nil) except for a facility which carries mark up at the rate of 16 % (2004: 7 %) per annum payable quarterly and are secured against pledge of shares of listed companies.

20 CONTINGENCIES

20.1 Contingencies

- a) During the year 2000 certain clients of the company defaulted on their obligations. ABN AMRO Asia Limited Hong Kong (ABN AMRO), major shareholder of the company at that time, arranged for the requisite financing and assumed the open positions and obligations of the defaulting clients. The loans so arranged by ABN AMRO were secured specifically against the amounts recoverable from these defaulting clients and were repayable only through amounts recovered from such defaulting clients. These loans were interest free and exchange risk had been assumed by ABN AMRO pursuant to the loan agreements signed between the company and ABN AMRO. Accordingly the company had set off these loans and such recoverable amounts. The Company had initiated cases against the defaulting clients for recovery of the amounts due from them. The defaulting clients had made a counter claim in the said proceedings. The eventual outcome of these cases or counter claims is uncertain at this stage.

The company has agreed to indemnify ABN AMRO, its directors and affiliates from any or all claims which may be finalized against the company except for those mentioned above. The existence and the magnitude of any such claims, other than mentioned in these accounts, are not presently known.

- b) The Honourable Sindh High Court, while deciding on different applications filed by the Company, directed the Karachi Stock Exchange Guarantee Limited (KSE) Advisory and Arbitration Committee in January 2005 to consider the legal issues before initiating arbitration proceedings for only claims amounting to Rs. 37.53 million filed by M/s. Aslam Motiwala, Sultan Ahmad Zakria and Muhammad Asif Sultan against the Company. The Management is confident that these claims would be decided in the Company's favour.

A Claim of Rs. 150 million, by the above mentioned members of the Karachi Stock Exchange Guarantee Limited (KSE) was also filed with the KSE Advisory and Arbitration Committee and the same was not entertained by the committee as it was not in their legal jurisdiction. The claimant then filed a civil suit before the Honourable Sindh High Court in the year 2000, which is pending. The management is of the opinion that the likelihood of an un-favourable decision is remote.

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- c) The Income Tax Authorities finalized the assessment for the assessment years 2000-2001 and 2001-2002 in previous years by allocating expenditures against capital gains and determined a demand of Rs. 8,485,909 and refund of Rs. 362,513 respectively. The company filed the appeal before the Commissioner Income Tax CIT (Appeals) who set aside the order of assessing officer on issue of capital gain. The company has filed the appeal before Income Tax Appellate Tribunal against the order of CIT Appeals and the management is confident of favourable outcome.
- d) Mr. Assad ullah Sajid has filed petition with Securities and Exchange Commission of Pakistan against the Company for refund of deposit worth of Rs. 590,740/- (2004 : Rs. 590,740) deposited for purchase of shares on his behalf.

21 OTHER OPERATING INCOME	<u>Note</u>	<u>2005</u> (Rupees)	<u>2004</u> (Rupees)
Income from financial assets			
Income from placements	21.1	35,136,829	-
Return on deposit accounts		1,524,546	1,103,787
Dividend income		4,121,590	1,944,481
Income from other than financial assets			
Gain / (loss) on sale of property and equipment	5.2	55,244	(46,954)
Services charges		-	1,505,000
Gain / (loss) on foreign currency translation		12,457	(46,072)
Underwriting commission		1,425,000	-
Others		699,770	679,818
		<u>42,975,436</u>	<u>5,140,060</u>

21.1 This represents the interest income earned from the funds provided to a related party, through repurchase agreements with financial institutions during the year. (Refer note 11.2)

22 OPERATING EXPENSES	<u>Note</u>	<u>2005</u> (Rupees)	<u>2004</u> (Rupees)
Salaries and benefits		83,901,384	55,137,106
Provision for gratuity		2,403,622	1,449,074
Stock Exchange charges		39,210,401	18,637,514
Rent, rates and taxes		3,782,413	2,738,950
Communication		6,857,112	8,204,417
Utilities		2,729,949	2,117,032
Insurance		1,175,484	772,861
Printing and stationery		1,943,198	1,554,799
Travelling and conveyance		4,290,472	2,297,126
Repair and maintenance		4,219,188	2,123,394
Postage and courier		1,511,958	983,452
Vehicle running expenses		67,777	59,874
News paper and periodicals		133,365	118,770
Entertainment		3,837,153	1,508,220
Legal and professional		2,205,917	738,125
Bad debts	22.1	15,641,861	611,804
Advertisement		1,283,876	246,889
Auditors' remuneration	22.2	509,750	255,000
Balance carried forward		<u>175,704,880</u>	<u>99,554,407</u>

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	Note	2005 (Rupees)	2004 (Rupees)
Balance brought forward		175,704,880	99,554,407
Depreciation	5.1	5,806,891	3,192,822
Other expenses		1,101,565	883,563
Fee and subscription		972,249	950,257
CDC and stamps charges		5,960,503	5,201,136
Donation	22.3	90,400	91,500
		189,636,488	109,873,685
22.1 Bad debts comprises of:			
Bad debts written off directly		895,905	12,145
Provision for doubtful debts	9.2	14,745,956	599,659
		15,641,861	611,804
		2005	2004
		(Rupees)	(Rupees)
		Ford Rhodes Sidat	Nasir Javaid
		Hyder & Co	Maqsood
22.2 Auditors' remuneration			
Audit Fee		250,000	150,000
Review of half yearly accounts		100,000	80,000
Misc. certification and compliance charges		159,750	25,000
		509,750	255,000
22.3 None of the directors or their spouse had any interest in any of the donee.			
		2005	2004
		(Rupees)	(Rupees)
23 FINANCE COSTS			
Mark-up on short term borrowings		20,634,201	1,352,377
Mark-up on repurchase agreements	18.1	24,048,947	-
Finance lease charges		73,976	6,889
Bank charges and commission		668,039	1,011,704
		45,425,163	2,370,970
24 OTHER CHARGES			
Assets written off		-	7,465,719
		-	7,465,719
25 TAXATION			
Current		29,967,058	2,404,242
Deferred	25.2	-	(940,165)
		29,967,058	1,464,077

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	2005	2004
	(Rupees)	(Rupees)
25.1 Relationship between income tax expenses and accounting profit:		
Profit before taxation	110,421,455	57,171,069
Tax at the applicable tax rate of 35 % (2004 : 35%)	38,647,509	20,009,874
Tax effect of expenses that are inadmissible in determining tax profits	5,185,169	4,362,788
Tax effect of net income chargeable under final tax regime	(4,892,838)	(583,344)
Tax effect of items that are not included in determining taxable profits	(8,972,782)	(21,385,075)
Deferred tax liability reversed during the year	-	(940,165)
	29,967,058	1,464,077

25.2 The company has a net deferred tax asset amounting to Rs.3,680,764. However, management consider that in view of taxable profits not available in foreseeable future owing to the effect of exempt income, the company has not incorporated deferred tax debit in these financial statements.

25.3 The returns of total income for the Tax Years 2003 and 2004 were filed by the company under Universal Self Assessment Scheme and are deemed to be assessed. The return for the Tax Year 2003 was earlier selected for audit by the Tax Department, however the company challenged this selection in the Honourable High Court which has accepted the contention of the company and cancelled the selection.

	2005	2004
	(Rupees)	(Rupees)
26 EARNINGS PER SHARE - BASIC		
Profit after taxation attributable to ordinary share holders	80,454,397	55,706,992
Weighted average number of ordinary shares	24,007,000	18,186,124
Earnings per share - Basic Rupees per share	3.35	3.06

26.1 No figure for diluted earnings per share has been disclosed as the Company has not issued any instrument which would have an impact on earnings per share, when exercised.

27. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise parent company, related group companies, local associated undertakings, directors, key management personnel and their close family members. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

June 30, 2005					
First Capital Mutual Fund Limited (Associated Company) (Rupees)	First Capital Investment Limited (Fellow Subsidiary) (Rupees)	First Capital Securities Corporation Ltd. (Parent Company) (Rupees)	Mrs. Uzma Farooq (Related Party) (Rupees)	Mr. Sulieman Ahmad Said Al-Hoqani (Related Party) (Rupees)	
Purchase of shares	16,104,850	15,585,259	754,389,259	19,266,737,386	48,432,757,362
Sale of shares	15,415,895	15,718,963	737,317,648	19,265,975,460	48,234,366,248
Brokerage	34,612	15,200	308,379	7,236,500	18,377,761
Group Expenses	-	1,447,304	5,856,055	-	-
Gratuity transferred	-	-	56,155	-	-
Placements entered	-	-	-	-	398,000,000
Income earned on placements	-	-	934,932	-	10,152,947

June 30, 2004					
First Capital Mutual Fund Limited (Associated Company) (Rupees)	First Capital Investment Limited (Fellow Subsidiary) (Rupees)	First Capital Securities Corporation Ltd. (Parent Company) (Rupees)	Mrs. Uzma Farooq (Related Party) (Rupees)	Mr. Sulieman Ahmad Said Al-Hoqani (Related Party) (Rupees)	
Purchase of shares	58,005,670	-	225,105,525	12,294,961,505	669,735,048
Sale of shares	88,647,205	-	261,699,101	12,282,313,491	481,343,770
Brokerage	290,203	-	163,343	262,792	1,395,691
Group Expenses	-	-	2,289,218	-	-

27.1 First Capital Mutual Fund Limited (FCMFL) ceased to be an associated company from January 01, 2005 due to the resignation of chief executive of FCMFL, who was also a director in the company.

27.2 The amounts due to / due from related parties are disclosed in respective notes to the financial statements.

28 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 INTEREST RATE RISK EXPOSURE

Interest rate risk is the risk of decline in earnings due to adverse movement of the interest rate curve. Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. Information about the company's exposure to interest rate risk based on contractual refinancing and maturity dates, which ever is earlier, is as follows:

June 30, 2005				
Interest/Markup Bearing		Non Interest Bearing		Total
Less than one year	One year and above	Less than one year	One year and above	
(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Financial assets				
Long term investments	-	-	7,064,907	7,064,907
Long term deposits	-	-	2,171,200	2,171,200
Trade debts	-	294,318,824	-	294,318,824
Investments - held for trading	-	88,396,669	-	88,396,669
Advances, deposits and other receivables	-	43,645,798	-	43,645,798
Placements	225,000,000	-	-	225,000,000
Interest accrued	-	3,075,315	-	3,075,315
Cash and bank balances	73,701,466	-	18,015,747	91,717,213
	298,701,466	-	447,452,353	755,389,926
Financial Liabilities				
Trade and other payables	100,000,000	-	136,873,578	236,873,578
Interest accrued on short term borrowings	-	-	5,539,955	5,539,955
Interest accrued on repurchase agreements	-	-	657,534	657,534
Obligations under finance leases	364,471	788,802	-	1,153,273
Short term borrowings	188,783,416	-	-	188,783,416
	289,147,887	788,802	143,071,067	433,007,756
On balance sheet gap	9,553,579	(788,802)	304,381,286	9,236,107

June 30, 2004				
Interest/Markup Bearing		Non Interest Bearing		Total
Less than one year	One year and above	Less than one year	One year and above	
(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Financial assets				
Long term investments	-	-	7,098,169	7,098,169
Long term deposits	-	-	2,241,850	2,241,850
Trade debts	-	227,405,574	-	227,405,574
Investments - held for trading	-	238,877,712	-	238,877,712
Advances, deposits and other receivables	-	62,141,949	-	62,141,949
Placements	-	-	-	-
Interest accrued	-	557,893	-	557,893
Cash and bank balances	111,528,766	-	93,759	111,622,525
	111,528,766	-	529,076,887	649,945,672
Financial Liabilities				
Trade and other payables	-	316,678,336	-	316,678,336
Interest accrued on short term borrowings	-	1,307,117	-	1,307,117
Obligations under finance leases	195,134	574,324	-	769,458
Short term borrowings	66,973,596	-	-	66,973,596
	67,168,730	574,324	317,985,453	385,728,507
On balance sheet gap	44,360,036	(574,324)	211,091,434	9,340,019

28.2 There are no financial assets and financial liabilities maturing after five years except for long term investments amounting to Rs 7,064,907 (2004: Rs. 7,098,169).

28.3 The company has financial instruments with both fixed and floating interest rates which are disclosed in the respective notes to the financial statements.

28.4 Concentration of credit risk and credit exposure of the financial instruments

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of a company's performance to developments affecting a particular industry. The company manages its credit risk by the following methods:

- Monitoring of debts on continuous basis
- Deposit of margins before execution of orders for all retail clientele.
- Obtaining adequate securities for all receivables/ placements.

28.5 Foreign Exchange Risk Management

Foreign currency risk arises mainly where payable/receivable exist due to transactions with foreign clients. The company does not view hedging as being financially feasible owing to the excessive cost involved in relation to the amount at risk.

28.6 Fair value of the financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximate their fair values.

29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2005	2004	2005	2004	2005	2004
Total Number	1	1	5	5	6	1
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Managerial Remuneration	871,467	680,000	3,101,778	2,476,000	2,024,200	592,000
House Rent	348,587	272,000	1,240,711	990,400	809,680	236,800
Gratuity	-	-	400,000	-	296,000	-
Medical Expenses Reimbursed	229,452	211,511	408,547	323,130	54,087	-
Utilities	87,147	68,000	310,178	247,600	202,420	52,900
Other Benefits	639,000	-	9,217,082	5,646,855	9,217,082	-
	<u>2,175,653</u>	<u>1,231,511</u>	<u>14,678,296</u>	<u>9,683,985</u>	<u>12,603,469</u>	<u>881,700</u>

29.1 In addition, Chief Executive, Directors and some executives have been provided with company maintained cars.

29.2 No meeting fees were paid to any of the directors for attending the Board/ Audit Committee meetings (2004: Nil).

First Capital Equities Limited

	<u>2005</u> <u>(Rupees)</u>	<u>2004</u> <u>(Rupees)</u>
30 NUMBER OF EMPLOYEES		
Total number of employees at the year end.	<u>131</u>	<u>109</u>

31 AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue by the Board of Directors of the company on October 08, 2005.

32 GENERAL

32.1 Due to certain changes made by the Securities and Exchange Commission of Pakistan in the Fourth Schedule to the Companies Ordinance, 1984, through SRO 589 (1)/ 2004 dated July 05, 2004, previous figures have been rearranged or reclassified, wherever necessary for the purpose of comparison.

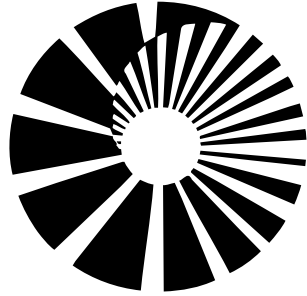
	<u>2005</u> <u>(Rupees)</u>	<u>2004</u> <u>(Rupees)</u>
32.2 Significant rearrangements are as follows:		
Interest accrued on short term borrowings previously shown under the head Trade and other payables, now separately shown.	5,539,955	1,307,117
Accounts payable previously separately shown are now shown under the head trade and other payables as trade creditors.	108,631,096	307,343,350
Advance taxation previously shown under the head Advances, deposits prepayments and other receivables, now separately shown.	33,557,972	29,585,967
Accrued and other liabilities and other creditors are now shown as accrued liabilities.	28,242,482	9,334,986
Trade debts due to Stock Exchanges previously shown under the head Trade debts, now shown under the head Advances, deposits, prepayments and other receivables.	38,192,486	50,779,396

32.3 Figures have been rounded off to the nearest rupee.

Lahore

Chief Executive

Director



FCEL

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2005

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed consolidated financial statements comprising consolidated Balance Sheet of First Capital Equities Limited and its subsidiary company as at June 30, 2005 and the related consolidated Profit and Loss Account, consolidated Cash Flow Statement and consolidated Statement of Changes in Equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinions on the financial statements of First Capital Equities Limited. The financial statements of the subsidiary company were audited by another firm of auditors, whose report has been furnished to us and our opinion, in so far as it relates to the amounts included for such subsidiary company, is based solely on the report of such other auditor. These financial statements are the responsibility of the Holding Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Our audit was conducted in accordance with the International Standards on Auditing and accordingly included such tests of accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements present fairly the financial position of First Capital Equities Limited and its subsidiary company as at June 30, 2005 and the results of their operations for the year then ended.

LAHORE:
October 08, 2005

Ford Rhodes Sidat Hyder & Co.
Chartered Accountants

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2005

	Note	2005 (Rupees)	2004 (Rupees)
ASSETS			
NON - CURRENT ASSETS			
Property and equipment	5	42,453,237	18,987,819
Membership cards and licences	6	67,884,136	66,883,935
Goodwill	7	538,084	717,419
Long term deposits	8	2,171,200	2,241,850
		113,046,657	88,831,023
CURRENT ASSETS			
Trade debts- Unsecured	9	294,318,824	227,405,574
Investments- held for trading	10	88,396,669	238,877,712
Advances, deposits, prepayments and other receivables	11	50,741,880	71,155,443
Advance income tax		33,557,972	29,585,967
Placements	12	225,000,000	-
Interest accrued	13	3,075,315	557,893
Cash and bank balances	14	105,397,432	116,335,775
		800,488,092	683,918,364
		913,534,749	772,749,387
EQUITY AND LIABILITIES			
Authorised capital			
30,000,000 (2004: 30,000,000) ordinary shares of Rs.10/- each		300,000,000	300,000,000
Issued, subscribed and paid up share capital	15	240,070,000	240,070,000
Unappropriated Profits		201,490,885	121,231,205
		441,560,885	361,301,205
NON - CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	16	788,802	574,324
Deferred liabilities	17	6,524,447	5,145,690
		7,313,249	5,720,014
CURRENT LIABILITIES			
Trade and other payables	18	251,796,595	323,432,201
Short term borrowings	19	188,915,919	67,106,781
Interest accrued on short term borrowings		5,539,955	1,307,117
Interest accrued on repurchase agreements		657,534	-
Current maturity of liabilities against assets subject to finance lease	16	364,471	195,134
Provision for taxation		11,658,899	7,885,168
		458,933,373	399,926,401
MINORITY INTEREST			
		5,727,242	5,801,767
		913,534,749	772,749,387
CONTINGENCIES			
	20		

The annexed notes form an integral part of these financial statements.

Lahore

Chief Executive

Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005 (Rupees)	2004 (Rupees)
INCOME			
Brokerage income		259,854,232	123,449,483
Capital gain		47,590,891	61,100,215
Income on carry over transactions		18,358,868	-
Other operating income	21	42,975,436	5,140,060
		368,779,427	189,689,758
Unrealised loss on remeasurement of investments held for trading	10	(21,954,370)	(12,068,788)
		346,825,057	177,620,970
EXPENDITURES			
Operating expenses	22	191,091,887	110,204,579
Finance costs	23	45,426,316	2,370,970
Other charges	24	179,355	7,645,074
		236,697,558	120,220,623
PROFIT BEFORE TAXATION		110,127,499	57,400,347
Taxation	25	29,884,415	1,648,759
PROFIT AFTER TAXATION		80,243,084	55,751,588
MINORITY INTEREST		(31,958)	223,952
PROFIT ATTRIBUTABLE TO PARENT COMPANY		80,275,042	55,527,636
EARNINGS PER SHARE - BASIC	26	3.34	3.05

The annexed notes form an integral part of these financial statements.

Lahore

Chief Executive

Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005 (Rupees)	2004 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Funds generated from operations			
Profit before taxation		110,127,499	57,400,347
Add: Items not involved in movement of funds			
Depreciation		5,953,987	3,232,857
Amortization of goodwill		179,355	179,355
Loss on remeasurement of investments		21,954,370	12,068,788
Provision for doubtful debts		14,745,956	611,804
Bad debts written off		895,905	-
Dividend Income		(4,121,590)	(1,944,481)
Interest accrued		(36,661,375)	(1,103,787)
Interest expense		44,683,148	1,352,377
(Gain) / Loss on sale of property and equipment		(55,244)	46,954
Assets written off		-	7,465,719
Provision for gratuity		2,403,622	1,449,074
		49,978,134	23,358,660
		160,105,633	80,759,007
(Increase) / decrease in current assets			
Investments held for trading		128,526,673	(227,845,469)
Trade debts		(82,555,111)	(145,931,972)
Advances, deposits, prepayments and other receivables		20,411,769	(10,714,521)
		66,383,331	(384,491,962)
Increase / (decrease) in current liabilities in trade and other payables		(71,635,606)	206,746,046
Cash Generated from Operations		154,853,358	(96,986,909)
Dividend received		4,121,590	1,944,481
Interest received		34,143,953	1,032,295
Finance cost paid		(39,792,776)	(30,265)
Gratuity Paid		(1,081,020)	(351,700)
Taxes Paid		(30,082,689)	-
Net Cash used in operating activities		122,162,416	(94,392,098)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property and equipment		(29,574,161)	(8,492,052)
Proceeds from sale of property and equipment		210,000	3,001,971
Acquisition of subsidiary- Net of cash		-	1,901,042
Membership cards and licences		(1,000,201)	(307,500)
Placements		(225,000,000)	-
Long term deposits		70,650	(782,914)
Net Cash used in investing activities		(255,293,712)	(4,679,453)
CASH FLOW FROM FINANCING ACTIVITIES			
Obligation under finance lease		383,815	672,015
Issuance of Share Capital		-	120,035,000
Short term running finance		121,809,138	66,967,730
Net Cash generated from financing activities		122,192,953	187,674,745
Net (decrease) / increase in cash and cash equivalents		(10,938,343)	88,603,194
Cash and cash equivalents at the beginning of the year		116,335,775	27,732,581
Cash and cash equivalents at the end of the year	14	105,397,432	116,335,775

The annexed notes form an integral part of these financial statements.

Lahore

Chief Executive

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2005

PARTICULARS	Share Capital (Rupees)	<u>Revenue Reserve</u> Unappropriated Deposit (Rupees)	Total (Rupees)
Balance as at June 30, 2003	120,035,000	65,866,391	185,901,391
Issuance of Share Capital	120,035,000	-	120,035,000
Profit for the year	-	55,527,636	55,527,636
Adjustment for exchange difference on consolidation	-	(162,822)	(162,822)
Balance as at June 30, 2004	240,070,000	121,231,205	361,301,205
Profit for the year	-	80,275,042	80,275,042
Adjustment for exchange difference on consolidation	-	(15,362)	(15,362)
Balance as at June 30, 2005	240,070,000	201,490,885	441,560,885

The annexed notes form an integral part of these financial statements.

Lahore

Chief Executive

Director

CONSOLIDATED NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2005

1. STATUS AND NATURE OF BUSINESS

First Capital Equities Limited, (the "Company") was incorporated in Pakistan on January 26, 1995 as a private limited company, under the Companies Ordinance, 1984. The company was converted into public limited company on June 18, 1997 and is listed on Lahore Stock Exchange. The principal activities of the company include share brokerage and conducting/ publishing business research.

The registered office of the company is located at 103 C-II, Gulberg III, Lahore.

The company has made investment in Equity Partners Security limited (EPSL) subsidiary company on April 01, 2004, engaged in stock brokerage business in Bangladesh. EPSL was incorporated in Bangladesh on May 2000. It has corporate membership of Dhaka Stock Exchange and Chittagong Stock Exchange Limited. The Company holds 51% (2004: 51%) shareholding in subsidiary company.

2. BASIS OF PREPARATION

These financial statements have been prepared under the historical cost convention, except for the investments, which are stated at their fair value and employee benefits which are stated at their present value.

BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of First Capital Equities Limited and its subsidiary (EPSL).

In subsidiary company, the parent company directly controls 51 % of the voting securities and has power to elect and appoint 51 % of its directors. The financial statements of the subsidiary are included in the consolidated financial statements from the date of control commences i.e. April 01, 2004, until the date when that control ceases. The financial statements of the subsidiary company have been consolidated on a line by line basis.

3. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan and the requirements of Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards as notified under the provisions of the Companies Ordinance, 1984. Wherever,

the requirements of the Companies Ordinance, 1984 or directives issued by Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Change in Accounting Policy

During the year, the SECP substituted the Fourth Schedule to the Companies Ordinance, 1984 vide SRO 589(1)/2004 dated July 5, 2004, which is effective from the financial year ending on or after July 5, 2004. This has resulted in a change in the accounting policy pertaining to the recognition of dividends declared subsequent to the year-end. Dividends are now recognised in the period in which these are approved. Till the previous year, dividends declared after the balance sheet date but before the financial statements were authorised for issue, were recognised as of the balance sheet date.

However, the above change in accounting policy has no financial effect on the presented financial statements.

4.2 Tangible Fixed Assets

Property and equipment

Owned Assets

Property and equipment are stated at cost less accumulated depreciation and impairments, if any. Depreciation is charged on the reducing balance method at the rates specified in Note 5.1 to the financial statements, which are considered appropriate to write off the cost of assets over their useful economic lives.

Full year's depreciation is charged on the assets acquired during the year while no depreciation is charged in the year of disposal.

Gain or loss on disposal of assets, if any, are determined by comparing the sales proceeds with the carrying value and are included in or charged to income currently.

Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalised.

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated and impairment losses are recognised.

In case of EPSL, no depreciation is charged on assets acquired during the year, whereas full year depreciation is charged in the year of disposal.

Leased assets

Finance Lease

Leases where the company has substantially all the risk and rewards of ownership are classified as finance lease. Leased assets are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets.

The related rental obligation net of finance charges, are included in liabilities against assets subject to finance lease are referred to in note 16 to the financial statements. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the balance outstanding. The interest element of the rentals is charged to income over the lease term.

Depreciation of leased assets is recognised in the same manner as for owned assets.

4.3 Membership cards and licenses

These are stated at acquisition cost. Impairment, if any, is made for permanent diminution in value of these assets.

4.4 Investments

Long-term investments

Investments in subsidiaries are accounted for under the equity method. This method is applied from the date when control commences until the date when that control ceases. When the company's share of losses exceeds the carrying amount of the subsidiaries, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the company has incurred obligations in respect of the subsidiaries.

Investments held for trading

Investments in listed securities are classified as held for trading. 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 recognised at cost, being the fair value of the consideration given including acquisition charges with the investment. After initial recognition, investments are measured at their fair values. Unrealised gains and losses on investments are recognised in profit and loss account of the period.

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

4.5 Trade and Other Receivables

These are stated at net of provisions for doubtful debts, if any. Trade debts are reviewed at each balance sheet date. Full provision is made against the debts considered doubtful. Bad debts and other receivable are written off as and when identified.

4.6 Impairments

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists the asset's recoverable amount is estimated. An impairment loss is recognised wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognised in profit and loss account.

4.7 Taxation

Current:

Provision for current taxation is based on taxable income at current rates of taxation after taking into account all tax credits and tax rebates available, if any.

Deferred:

Deferred tax is calculated using the liability method on all temporary differences at the balance sheet date, between the tax base of the assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences and unused tax losses to the extent that it is probable that the deductible temporary differences will reverse in the future and sufficient taxable income will be available against which the deductible temporary differences and unused tax losses can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or subsequently enacted at the balance sheet date.

4.8 Securities sold under repurchase / purchased under resale agreements

Investment sold with a simultaneous commitment to repurchase at a specified date (Repo) continue to be recognised in the balance sheet and are measured in accordance with the accounting policies for investments. Amounts received under these agreements are recorded as securities sold under repurchase agreements. The difference between sale and repurchase price is treated as mark-up / interest expense using the effective yield method.

Investments purchased with a corresponding commitment to resell at a specified future date (Reverse repo) are not recognised in the balance sheet. Amounts paid under these obligations are included in fund placements. The difference between purchase and resale price is treated as mark-up / interest income using the effective yield method.

4.9 Staff Retirement Benefits

The company operates an un-funded gratuity scheme for its permanent employees, under which benefits are paid on cessation of employment subject to a minimum qualifying period of service.

Obligation of the scheme and profit and loss charge is made in accordance with the actuary's recommendation based on the actuarial valuation of the scheme as on June 30, 2005 using projected unit credit method.

Actuarial gains and losses that are in excess of the corridor limits as prescribed in IAS-19 "Employee Benefits" are amortised over the average remaining working lives of the employees participating in the plan.

4.10 Trade and other payables

Trade and other payables are stated at cost.

4.11 Mark up bearing borrowings

Mark up bearing borrowings are recognised initially at cost being the fair value of consideration received, less attributable transaction cost. Subsequent to the initial recognition, mark up bearing borrowings is stated at original cost less subsequent repayments.

4.12 Foreign Currency Translation

All assets and liabilities in foreign currency are translated at exchange rates prevailing at the year-end. Foreign currency transactions during the year are recorded at the rate of exchange prevailing at the time of transaction. Gain or loss on translation is included in or charged to income currently.

4.13 Revenue Recognition

Brokerage Income:

Brokerage income is recognised as and when services are provided on accrual basis.

Capital Gains:

Sale and purchases of securities are recorded on the execution of contract. Capital gains or losses, calculated as the difference between the sale proceeds excluding transaction cost, and the carrying amount of a security is included in profit and loss account for the period.

Dividend Income:

Dividend income is recognised at the time of closure of share transfer book of the company declaring the dividend.

Interest Income:

Interest income is recognised as and when it is due on accrual basis.

Income on carry over transactions:

Income on carry over transaction is recognised on accrual basis.

Underwriting Commission:

Underwriting commission is recognised when the agreement is executed.

4.14 Finance costs

All finance costs are charged to profit and loss account on accrual basis.

4.15 Financial instruments

All the financial assets and financial liabilities are recognised at the time when the company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised when the company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of the financial assets and financial liabilities is taken to income currently.

4.16 Offsetting of financial assets and financial liabilities.

A financial asset and a financial liability is only offset and the net amount is reported in the balance sheet, when there is a legal enforceable right to set off the recognised amount and the company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously. Income and expenses arising from such assets and liabilities are also accordingly offset.

4.17 Provisions

A provision is recognised when and only when the company 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.

4.18 Cash and cash equivalents

Cash and cash equivalents are carried in balance sheet at cost. For the purpose of cash flow statements, cash and cash equivalents comprise cash in hand and bank balances.

4.19 Transactions with related parties and associated undertakings

Transactions with related parties are at arm's length prices. These prices are determined in accordance with the methods prescribed in the Companies Ordinance, 1984.

4.20 Goodwill

Goodwill arising on acquisition represents the excess of the cost of acquisition over the fair value of the interest in subsidiary company net assets acquired and is amortized over its estimated useful life at an annual rate of 20 %. Amortization of goodwill is charged to the profit and loss on a straight line basis.

5 PROPERTY AND EQUIPMENT

5.1 Following is the statement of property and equipment.

Particulars	Cost			Depreciation				Written down value as at June 30, 2005	Depreciation Rate
	As at July 01, 2004	Additions/Transfers/(Disposals)	As at June 30, 2005	Accumulated as at July 01, 2004	Charge for the year	Adjustments/(Disposals)	Accumulated as at June 30, 2005		
(R u p e e s)									
%									
OWNED ASSETS									
Freehold building	-	17,000,000	17,000,000	-	850,000	-	850,000	16,150,000	5
Leasehold improvements	3,364,527	-	3,364,527	717,349	181,529	-	898,878	2,465,649	5 - 15
Computers	3,917,346	1,242,254	5,159,600	1,896,126	660,401	-	2,556,527	2,603,073	20 - 25
Office equipments	6,711,350	1,590,527 (156,600)	8,145,277	2,136,558	612,004	- (64,129)	2,684,433	5,460,844	10
Furniture and fittings	3,548,450	199,400	3,747,850	1,407,400	233,949	-	1,641,349	2,106,501	10
Croceries & Cutlaries	7,910	-	7,910	2,456	540	-	2,996	4,914	10
Vehicles	12,181,158	8,827,980 (297,000)	20,712,138	5,224,793	3,144,412	- (234,715)	8,134,490	12,577,648	20
	29,730,741	28,860,161 (453,600)	58,137,302	11,384,682	5,682,835	- (298,844)	16,768,673	41,368,629	
LEASED ASSETS									
Vehicles	816,000	714,000	1,530,000	174,240	271,152	-	445,392	1,084,608	20
Total	30,546,741	29,574,161 (453,600)	59,667,302	11,558,922	5,953,987	- (298,844)	17,214,065	42,453,237	
June 30, 2004	42,504,304	10,535,398 (22,492,961)	30,546,741	19,244,522	3,232,857	896,688 (11,815,143)	11,558,924	18,987,817	

5.2 Disposal of property and equipment

Particulars	Cost	Accumulated Depreciation	Book value	Sale proceeds	Profit/(loss)	Mode of Sale	Particulars of Buyers
(R u p e e s)							
Vehicle	297,000	234,715	62,285	185,000	122,715	Negotiations	Muhammad Amin - Karachi
Office equipments	156,600	64,129	92,471	25,000	(67,471)	Negotiations	Xerox - Lahore
Total	453,600	298,844	154,756	210,000	55,244		

5.2.1 This represents sale of assets with book value of not less than rupees fifty thousand and not sold to Chief Executive, Director, other executive, shareholders holding not less than 10% of shares or related parties, unless otherwise mentioned.

First Capital Equities Limited

		<u>Note</u>	<u>2005</u> (Rupees)	<u>2004</u> (Rupees)
6	MEMBERSHIP CARDS AND LICENCES			
	Membership			
	Lahore Stock Exchange (Guarantee) Ltd		11,000,000	11,000,000
	Karachi Stock Exchange (Guarantee) Ltd		33,200,000	33,200,000
	Dhaka Stock Exchange		6,478,399	6,511,765
	Chittagong Stock Exchange		3,844,867	3,864,670
			54,523,266	54,576,435
	Licences - Rooms			
	Lahore		4,500,000	4,500,000
	Karachi		7,500,000	7,500,000
	Faisalabad		335,870	307,500
	Sialkot		1,025,000	-
			13,360,870	12,307,500
			67,884,136	66,883,935
7	GOODWILL			
	Goodwill		717,439	896,774
	Less: Amortization		(179,355)	(179,355)
			538,084	717,419
8	LONG TERM DEPOSITS			
	Leasing Companies		409,400	193,650
	Stock Exchanges		1,035,000	1,235,000
	Central Depository Company		250,000	250,000
	Others		476,800	563,200
			2,171,200	2,241,850
9	TRADE DEBTS - UNSECURED			
	Trade debts against purchase of shares:			
	Unsecured, considered good:			
	Clients	9.1	290,989,789	224,687,303
	Members		3,329,035	2,718,271
			294,318,824	227,405,574
	Unsecured, considered doubtful:			
	Clients		49,833,209	35,087,253
	Members		2,344,757	2,344,757
	Less: Provision for doubtful debts	9.2	(52,177,966)	(37,432,010)
			-	-
			294,318,824	227,405,574
9.1	It includes an amount of Rs. 79,450,956 (2004: Rs.91,171,782) and Rs.Nil (2004: Rs.1,799,322) receivable from related parties, Mr.Sulieman Ahmad Said Al-Hoqani and Mrs.Uzma Farooq respectively.			
		<u>Note</u>	<u>2005</u> (Rupees)	<u>2004</u> (Rupees)
9.2	Provision for doubtful debts			
	Opening balance		37,432,010	36,832,351
	Charge for the year	22.1	14,745,956	599,659
	Closing balance		52,177,966	37,432,010

10. INVESTMENTS - HELD FOR TRADING

	2005			2004		
	NUMBER	COST	MARKET VALUE	NUMBER	COST	MARKET VALUE
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
ASSOCIATED - LISTED						
First Capital Mutual Fund Ltd.	-	-	-	10,000	67,500	68,500
OTHERS - LISTED						
MUTUAL FUND						
9th ICP Mutual Fund Limited	-	-	-	125	2,406	2,406
Al Mezan Mutual Fund Limited	-	-	-	20,000	294,000	309,000
BSJS Balance Fund Limited	-	-	-	33,500	432,325	433,825
Faysal Balance Growth Fund Limited	-	-	-	25,000	2,500,000	2,500,000
Pakistan Capital Market Fund Limited	-	-	-	20,000	202,000	205,000
Pakistan Premier Fund Limited	-	-	-	10,000	173,000	192,000
Dominion Stock Fund Limited	-	-	-	1,000	2,700	3,400
PICIC Growth Fund	4,000	196,000	214,800	-	-	-
Unit Trust of Pakistan Units	142	1,015,744	1,153,608	118	933,010	1,015,744
MODARBA						
First Tri Star Modarba	-	-	-	1,500	12,000	4,500
POWER GENERATION AND DISTRIBUTION						
The Karachi Electric Supply Corporation Limited	-	-	-	5,000	36,750	37,000
Kot Addu Power Company Limited	20,000	715,572	755,000	-	-	-
OIL AND GAS MARKETING COMPANIES						
Pakistan State Oil Company Limited	-	-	-	800	201,800	205,400
OIL AND GAS EXPLORATION COMPANIES						
Sui Northern Gas Pipelines Limited	-	-	-	2,000	140,000	129,400
Oil and Gas Development Company Limited	-	-	-	400,000	27,667,180	25,800,000
Pakistan Oil Fields Limited	-	-	-	8,000	2,281,577	1,668,000
REFINERY						
Bosicor Pakistan Limited	-	-	-	209,500	4,483,300	4,808,025
Attock Refinery Limited	-	-	-	30,000	2,655,005	2,745,000
INVEST. CO's, BANKS AND SECURITIES						
Mybank Limited (Formerly Bolan Bank Limited)	8,000	124,500	109,600	-	-	-
MCB Bank Limited (Formerly Muslim Commercial Bank Limited)	5,500	350,164	436,150	7,200	377,845	364,320
National Bank of Pakistan	-	-	-	150,000	9,793,136	9,967,500
PICIC Ltd	-	-	-	2,500	147,275	180,125
Trust Commercial Bank Limited	-	-	-	10,000	108,500	113,000
JOV & Co. Ltd.	-	-	-	500	299,000	311,000
TEXTILE						
Nishat Chunian Limited	17,000	763,200	1,616,700	-	-	-
Colony Thal Textile Mills Limited	-	-	-	1,500	7,275	7,950
Nishat Mills Limited	-	-	-	116,000	6,227,333	6,124,800
Data Textiles Limited	-	-	-	1,500	10,800	7,125
Shaheen Cotton Mills Limited	-	-	-	500	4,500	4,500
Salman Noman Enterprises Limited	-	-	-	1,000	6,025	7,000
TECHNOLOGY AND COMMUNICATION						
Worldcall Communication Limited	4,391,791	62,363,432	43,917,910	5,241,791	77,147,723	74,433,432
Worldcall BroadBand Limited	1,137,000	11,492,875	11,256,300	-	-	-
Callmate Telips Limited	-	-	-	10,000	154,000	152,500
Pakistan International Airlines Corporation	-	-	-	967,000	22,076,789	17,309,300
Pakistan International Containers Co Limited	-	-	-	20,000	441,000	460,000
Pakistan Telecommunication Company Limited	1,000	70,657	65,950	457,000	20,202,693	19,262,550
TRG Pakistan Limited	-	-	-	65,000	1,108,250	1,121,250

First Capital Equities Limited

	2005			2004		
	NUMBER	COST	MARKET VALUE	NUMBER	COST	MARKET VALUE
		(Rupees)	(Rupees)		(Rupees)	(Rupees)
AUTO AND ALLIED						
Dewan Farooq Motors Limited	-	-	-	15,000	404,750	372,000
Indus Motor Company Limited	-	-	-	70,000	6,517,000	6,384,000
General Tyres Limited	-	-	-	50,000	2,225,000	2,300,000
CHEMICAL & PHARMA						
Fauji Fertilizer Bin Qasim Limited	95,000	2,488,831	2,555,500	-	-	-
Pakistan PTA Limited	-	-	-	231,500	3,715,575	4,016,525
Engro Chemical Limited	-	-	-	57,000	5,996,277	5,557,500
Rupali Polyester Limited	-	-	-	25,000	1,125,000	1,105,000
Sardar Chemicals Limited	-	-	-	5,000	40,500	41,500
CEMENT						
Zeal Pak Cement Limited	-	-	-	200,000	2,030,000	2,480,000
Fauji Cement Company Limited	-	-	-	78,000	1,769,600	1,271,400
Pioneer Cement Limited	-	-	-	20,000	320,000	402,000
Maple Leaf Cement Factory Limited	77	3,005	1,679	200,000	8,364,800	7,600,000
Dewan Cement Limited (Formerly Pakland Cement Limited)	-	-	-	50,000	1,530,000	1,572,500
SUGAR & ALLIED						
Mirza Sugar Mills Limited	350	1,720	892	400	1,720	1,760
Faran Sugar Mills Limited	39	49	404	-	-	-
Tandliwala Sugar Mills Limited	-	-	-	2,000	32,900	38,400
United Sugar Mills Limited	-	-	-	1,000	13,950	13,500
INSURANCE						
Adamjee Insurance Co. Limited	-	-	-	12,500	806,875	840,000
Shaheen Insurance Company Limited	1,281,000	30,714,017	26,260,500	1,268,500	31,576,581	30,444,000
Pakistan Reinsurance Company Limited	-	-	-	60,000	3,734,500	3,918,000
Pak Guarantee Insurance Company Limited	474	948	1,351	-	-	-
GLASS AND CERAMICS						
Baluchistan Glass Limited	-	-	-	10,000	129,000	130,500
MISCELLANEOUS						
Haidery Construction Co. Limited	-	-	-	500	2,275	3,750
Marfco Industries Limited	5,500	50,325	50,325	5,500	38,500	50,325
Macpack Films Limited	-	-	-	10,000	375,000	381,500
		110,351,039	88,396,669		250,946,500	238,877,712
Loss on remeasurement of fair value		(21,954,370)	-		(12,068,788)	-
Investment as at June 30,		88,396,669	88,396,669		238,877,712	238,877,712

10.1 Includes shares having market value of Rs. 4,037,700 (2004: 108,911,000) deposited with the Stock Exchanges in lieu of deposit under the exposure rules.

10.2 All shares/ certificates/ units have a face value of Rs. 10 each except for Unit Trust of Pakistan and Faysal Balanced Growth Fund having face value of Rs. 5,000/- each. and Rs. 100/- each respectively.

	<u>Note</u>	<u>2005</u> (Rupees)	<u>2004</u> (Rupees)
11 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Loans and advances (Unsecured - Considered Good)			
Executives		212,831	820,000
Employees		1,098,578	3,952,285
Others		-	122,140
Deposits		652,634	227,791
Prepayments		1,687,418	1,684,618
Advance against purchase of vehicle		2,585,699	-
Stock Exchanges	11.1	38,192,486	50,779,495
Receivable from Dhaka Stock Exchange		749,066	721,708
Receivable from Chittagong Stock Exchange		468,825	1,712,644
Due from holding company- Unsecured, considered good		-	4,119,366
Other receivables		5,094,343	7,015,396
		<u>50,741,880</u>	<u>71,155,443</u>

11.1 This represents exposure deposit with the Karachi and Lahore Stock Exchange Guarantee Limited under the exposure rules.

	<u>Note</u>	<u>2005</u> (Rupees)	<u>2004</u> (Rupees)
12 PLACEMENTS			
Secured- Considered good			
- Securities purchased under the resale agreement of quoted shares - parent company	12.1	25,000,000	-
- Securities purchased under the resale agreement of quoted shares - Mr.Sulieman Ahmad Said Al-Hoqani, related party	12.2	200,000,000	-
		<u>225,000,000</u>	<u>-</u>

12.1 These have been placed for a period of three months and carries mark up rate of 15% per annum. Fair value of quoted shares held as collateral is Rs.40,000,000.

12.2 Rs. 100,000,000 has been placed for a period of three months and carries mark up rate of 12% per annum. Fair value of quoted shares held as collateral is Rs.127,813,471. The remaining balance of Rs. 100,000,000 has been given at a rate of 12.40% per annum against collateral of listed equities securities having a market value of Rs.203,750,000 which was further placed as collateral to a financial institution by the company under repurchase transaction. (refer to Note 18.1).

First Capital Equities Limited

	Notes	2005 (Rupees)	2004 (Rupees)
13 INTEREST ACCRUED			
Interest accrued on:			
Placements with parent company		934,932	-
Placements with Mr. Sulieman Ahmad Said Al-Hoqani, related party		1,512,328	-
Bank Deposits		628,055	557,893
		3,075,315	557,893

14 CASH AND BANK BALANCES

Cash at banks

Local currency

Current accounts

Deposit accounts

14.1

17,983,077

72,525

72,697,164

111,118,112

90,680,241

111,190,637

Foreign currency

Current accounts - (Out side Pakistan)

Deposit accounts

14.1

13,680,219

4,709,800

1,004,302

410,654

105,364,762

116,311,091

Cash in hand

32,670

24,684

105,397,432

116,335,775

14.1 These carry profit rate ranging from 1 % to 4 % per annum (2004: 1 % to 7 % per annum).

15 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

2005	2004		2005 (Rupees)	2004 (Rupees)
Number of shares				
Shares issued against cash consideration				
22,007,000	22,007,000	Ordinary shares of Rs. 10/- each fully paid	220,070,000	220,070,000
Shares issued against consideration other than cash				
2,000,000	2,000,000	Issued bonus shares of Rs. 10/- each fully paid	20,000,000	20,000,000
24,007,000	24,007,000		240,070,000	240,070,000

15.1 The Company is a subsidiary of First Capital Securities Corporation Limited - a listed company which holds 16,179,600 (67.39 %) ordinary shares (2004: 16,179,600 (67.39 %)) at the year end.

16 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The rate of interest used as the discounting factor is between 8.5 % to 17% per annum (2004: 8.5% to 17%). The amount of future payments and the period in which they will become due are:

	2005	2004
	(Rupees)	(Rupees)
Year ended June 30,		
2005	-	237,276
Year ending June 30,		
2006	412,569	224,468
2007	694,982	380,240
2008	110,135	-
	1,217,686	841,984
Less: Unallocated financial charges	64,413	72,526
	1,153,273	769,458
Less: Current maturity shown under current liabilities	(364,471)	(195,134)
	788,802	574,324

16.1 The lease rentals are payable in monthly instalments. The company has the right to exercise purchase option at the end of the lease term. There are no financial restrictions in the lease agreement.

16.2 The reconciliation between gross minimum lease payment, future financial charges and present value of minimum lease payments is as follows:

	2005	2004
	(Rupees)	(Rupees)
Gross Minimum Lease Payments		
Not later than one year	412,569	237,276
Later than one year but not later than five years	805,117	604,708
	1,217,686	841,984
Present value of minimum lease payments		
Not later than one year	364,471	195,134
Later than one year but not later than five years	788,802	574,324
	1,153,273	769,458

First Capital Equities Limited

	<u>Note</u>	<u>2005</u> (Rupees)	<u>2004</u> (Rupees)
17 DEFERRED LIABILITIES			
Provision for Gratuity	17.1	<u>6,524,447</u>	<u>5,145,690</u>
		<u>6,524,447</u>	<u>5,145,690</u>

17.1 The future contribution rates of the scheme include allowances for deficit and surplus. Projected unit credit method based on the following significant assumptions is used for valuation of this scheme. The latest actuarial valuation was carried out as on June 30, 2005.

	<u>2005</u>	<u>2004</u>
Discount Rate	9 %	8 %
Excepted rate of salary increased in future years	8 %	7 %
Average excepted remaining employment period of employees	12 Years	13 Years

	<u>Note</u>	<u>2005</u> Rupees	<u>2004</u> Rupees
a) The amount to be recognized in the balance sheet is as follows:			
Present value of obligation		7,163,949	4,557,486
Unrecognised actuarial (gain) / loss		(783,502)	323,204
Benefits due but not paid		144,000	265,000
Liability recognized in the balance sheet		6,524,447	5,145,690

b) Movement of liability to be recognized in the balance sheet is as follows:

Present value of obligation at beginning of the year		5,145,690	4,048,316
Amount recognised during the year		2,403,622	1,449,074
Liability transferred from group companies		56,155	-
Contributions made by the company during the year		(1,081,020)	(351,700)
Net Liability at the end of the year		6,524,447	5,145,690

c) The amount recognized in the profit and loss account is as follows:

Current Service Cost		2,039,023	1,152,587
Interest Cost		364,599	296,487
Total amount charged to income statement	23	2,403,622	1,449,074

First Capital Equities Limited

	Note	2005 (Rupees)	2004 (Rupees)
18 TRADE AND OTHER PAYABLES			
Payable to financial institution	18.1	100,000,000	-
Payable against sale of shares - unsecured			
Clients		121,859,112	312,539,132
Members		1,185,312	1,236,635
Accrued and other liabilities		28,290,879	9,361,568
With holding tax payable		461,292	294,866
		251,796,595	323,432,201

18.1 This represents the amount payable to a financial institution under the repurchase agreement against the securities given under the arrangement as explained in note 12.2. The effective interest rate is 12 % per annum and is for a period of three months.

	2005 (Rupees)	2004 (Rupees)
19 SHORT TERM BORROWINGS - SECURED		
Short term borrowings - Pakistan	188,783,416	66,973,596
Short term borrowings -		
Equity Partners Securities Limited- Bangladesh	132,503	133,185
	188,915,919	67,106,781

The facilities are obtained from various commercial banks under mark up arrangements amounting to Rupees 480 million (2004 : Rs.100 million). These facilities carry mark up at the rate ranging from 6 months KIBOR plus 1.5 % to 4.25 % (2004: Nil) per annum with floor limits ranging from 8 % to 12% per annum. (2004: Nil) except for a facility which carries mark up at the rate of 16 % (2004: 7 %) per annum payable quarterly and are secured against pledge of shares of listed companies.

20 CONTINGENCIES

20.1 Contingencies

- a) During the year 2000 certain clients of the company defaulted on their obligations. ABN AMRO Asia Limited Hong Kong (ABN AMRO), major shareholder of the company at that time, arranged for the requisite financing and assumed the open positions and obligations of the defaulting clients. The loans so arranged by ABN AMRO were secured specifically against the amounts recoverable from these defaulting clients and were repayable only through amounts recovered from such defaulting clients. These loans were interest free and exchange risk had been assumed by ABN AMRO pursuant to the loan agreements signed between the company and ABN AMRO. Accordingly the company had set off these loans and such recoverable amounts. The Company had initiated cases against the defaulting clients for recovery of the amounts due from them. The defaulting clients had made a counter claim in

the said proceedings. The eventual outcome of these cases or counter claims is uncertain at this stage. The company has agreed to indemnify ABN AMRO, its directors and affiliates from any or all claims which may be finalized against the company except for those mentioned above. The existence and the magnitude of any such claims, other than mentioned in these accounts, are not presently known.

- b) The Honourable Sindh High Court, while deciding on different applications filed by the Company, directed the Karachi Stock Exchange Guarantee Limited (KSE) Advisory and Arbitration Committee in January 2005 to consider the legal issues before initiating arbitration proceedings for only claims amounting to Rs. 37.53 million filed by M/s. Aslam Motiwala, Sultan Ahmad Zakria and Muhammad Asif Sultan against the Company. The Management is confident that these claims would be decided in the Company's favour.

A Claim of Rs. 150 million, by the above mentioned members of the Karachi Stock Exchange Guarantee Limited (KSE) was also filed with the KSE Advisory and Arbitration Committee and the same was not entertained by the committee as it was not in their legal jurisdiction. The claimant then filed a civil suit before the Honourable Sindh High Court in the year 2000, which is pending. The management is of the opinion that the likelihood of an un-favourable decision is remote.

- c) The Income Tax Authorities finalized the assessment for the assessment years 2000-2001 and 2001-2002 in previous years by allocating expenditures against capital gains and determined a demand of Rs. 8,485,909 and refund of Rs. 362,513 respectively. The company filed the appeal before the Commissioner Income Tax CIT (Appeals) who set aside the order of assessing officer on issue of capital gain. The company has filed the appeal before Income Tax Appellate Tribunal against the order of CIT Appeals and the management is confident of favourable outcome.
- d) Mr. Assad ullah Sajid has filed petition with Securities and Exchange Commission of Pakistan against the Company for refund of deposit worth of Rs. 590,740/- (2004 : Rs. 590,740) deposited for purchase of shares on his behalf.

	<u>Note</u>	<u>2005</u> (Rupees)	<u>2004</u> (Rupees)
21 OTHER OPERATING INCOME			
Income from financial assets			
Income from placements	21.1	35,136,829	-
Return on deposit accounts		1,524,546	1,103,787
Dividend income		4,121,590	1,944,481
Income from other than financial assets			
Gain / (loss) on sale of property and equipment	5.2	55,244	(46,954)
Services charges		-	1,505,000
Gain / (loss) on foreign currency translation		12,457	(46,072)
Underwriting commission		1,425,000	-
Others		699,770	679,818
		<u>42,975,436</u>	<u>5,140,060</u>

- 21.1 This represents the interest income earned from the funds provided to a related party, through repurchase agreements with financial institutions during the year. (Refer note 11.2)

	<u>Note</u>	<u>2005</u> <u>(Rupees)</u>	<u>2004</u> <u>(Rupees)</u>
22 OPERATING EXPENSES			
Salaries and benefits		84,805,911	55,284,660
Provision for gratuity		2,403,622	1,449,074
Stock Exchange charges		39,371,051	18,712,329
Rent, rates and taxes		3,918,869	2,772,472
Communication		6,879,515	8,211,580
Utilities		2,748,533	2,124,922
Insurance		1,175,484	772,861
Printing and stationery		1,941,843	1,556,146
Travelling and conveyance		4,306,205	2,298,585
Repair and maintenance		4,219,188	2,123,394
Postage and courier		1,515,874	983,452
Vehicle running expenses		67,777	59,874
News paper and periodicals		134,326	118,770
Entertainment		3,843,593	1,513,161
Legal and professional		2,216,488	738,125
Bad debts	22.1	15,641,861	611,804
Advertisement		1,283,876	246,889
Auditors' remuneration	22.2	509,750	259,775
Depreciation	5.1	5,953,987	3,232,857
Other expenses		1,100,625	883,563
Fee and subscription		976,123	951,881
CDC and stamps charges		5,986,986	5,206,905
Donation	22.3	90,400	91,500
		<u>191,091,887</u>	<u>110,204,579</u>

22.1 Bad debts comprises of:

Bad debts written off directly		895,905	12,145
Provision for doubtful debts	9.2	14,745,956	599,659
		<u>15,641,861</u>	<u>611,804</u>

First Capital Equities Limited

	<u>Note</u>	<u>2005</u> <u>(Rupees)</u>	<u>2004</u> <u>(Rupees)</u>
22.2 Auditors' remuneration			
Audit Fee - Ford Rhodes Sidat Hyder & Co.		250,000	-
Audit Fee - Nasir Javaid Maqsood		-	150,000
Audit Fee - Subsidiary Company		-	4,775
Review of half yearly accounts - Ford Rhodes Sidat Hyder & Co.		100,000	-
Review of half yearly accounts - Nasir Javaid Maqsood		-	80,000
Misc. certification and compliance charges		159,750	25,000
		<u>509,750</u>	<u>259,775</u>

22.3 None of the directors or their spouse had any interest in any of the donee.

	<u>Note</u>	<u>2005</u> <u>(Rupees)</u>	<u>2004</u> <u>(Rupees)</u>
23 FINANCE COSTS			
Mark-up on short term borrowings		20,634,201	1,352,377
Mark-up on repurchase agreements	18.1	24,048,947	-
Finance lease charges		73,976	6,889
Bank charges and commission		669,192	1,011,704
		<u>45,426,316</u>	<u>2,370,970</u>

24 OTHER CHARGES

Assets written off		-	7,465,719
Amortization of goodwill		179,355	179,355
		<u>179,355</u>	<u>7,645,074</u>

25 TAXATION

Current		29,884,415	2,588,924
Deferred	25.2	-	(940,165)
		<u>29,884,415</u>	<u>1,648,759</u>

	2005 (Rupees)	2004 (Rupees)
25.1 Relationship between income tax expenses and accounting profit:		
Profit before taxation - FCEL	110,421,455	57,171,069
Profit before taxation - EPSL	(147,863)	641,726
	110,273,592	57,812,795
Tax at the applicable tax rate of 35 % (2004 : 35%)	38,647,509	20,009,874
Tax effect of expenses that are inadmissible in determining tax profits	5,185,169	4,362,788
Tax effect of net income chargeable under final tax regime	(4,892,838)	(583,344)
Tax effect of items that are not included in determining taxable profits	(8,972,782)	(21,385,075)
Deferred tax liability reversed during the year	-	(940,165)
Tax at applicable rate (Bangladesh)	(82,643)	184,683
	29,884,415	1,648,760

25.2 The company has a net deferred tax asset amounting to Rs.3,680,764. However, management consider that in view of taxable profits not available in foreseeable future owing to the effect of exempt income, the company has not incorporated deferred tax debit in these financial statements.

25.3 The returns of total income for the Tax Years 2003 and 2004 were filed by the company under Universal Self Assessment Scheme and are deemed to be assessed. The return for the Tax Year 2003 was earlier selected for audit by the Tax Department, however the company challenged this selection in the Honourable High Court which has accepted the contention of the company and cancelled the selection.

	2005 (Rupees)	2004 (Rupees)
26 EARNINGS PER SHARE - BASIC		
Profit after taxation attributable to ordinary share holders	80,275,042	55,527,636
Weighted average number of ordinary shares	24,007,000	18,186,124
Earnings per share - Basic Rupees per share	3.34	3.05

26.1 No figure for diluted earnings per share has been disclosed as the Company has not issued any instrument which would have an impact on earnings per share, when exercised.

27. TRANSACTIONS WITH RELATED PARTIES

The related parties comprise parent company, related group companies, local associated undertakings, directors, key management personnel and their close family members. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

June 30, 2005					
First Capital Mutual Fund Limited (Associated Company) (Rupees)	First Capital Investment Limited (Fellow Subsidiary) (Rupees)	First Capital Securities Corporation Ltd. (Parent Company) (Rupees)	Mrs. Uzma Farooq (Related Party) (Rupees)	Mr. Sulieman Ahmad Said Al-Hoqani (Related Party) (Rupees)	
Purchase of shares	16,104,850	15,585,259	754,389,259	19,266,737,386	48,432,757,362
Sale of shares	15,415,895	15,718,963	737,317,648	19,265,975,460	48,234,366,248
Brokerage	34,612	15,200	308,379	7,236,500	18,377,761
Group Expenses	-	1,447,304	5,856,055	-	-
Gratuity transferred	-	-	56,155	-	-
Placements entered	-	-	-	-	398,000,000
Income earned on placements	-	-	934,932	-	10,152,947

June 30, 2004					
First Capital Mutual Fund Limited (Associated Company) (Rupees)	First Capital Investment Limited (Fellow Subsidiary) (Rupees)	First Capital Securities Corporation Ltd. (Parent Company) (Rupees)	Mrs. Uzma Farooq (Related Party) (Rupees)	Mr. Sulieman Ahmad Said Al-Hoqani (Related Party) (Rupees)	
Purchase of shares	58,005,670	-	225,105,525	12,294,961,505	669,735,048
Sale of shares	88,647,205	-	261,699,101	12,282,313,491	481,343,770
Brokerage	290,203	-	163,343	262,792	1,395,691
Group Expenses	-	-	2,289,218	-	-

27.1 First Capital Mutual Fund Limited (FCMFL) ceased to be an associated company from January 01, 2005 due to the resignation of chief executive of FCMFL, who was also a director in the company.

27.2 The amounts due to / due from related parties are disclosed in respective notes to the financial statements.

28 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 INTEREST RATE RISK EXPOSURE

Interest rate risk is the risk of decline in earnings due to adverse movement of the interest rate curve. Interest rate risk arises from the possibility that changes in interest rates will affect the value of the financial instruments. Information about the company's exposure to interest rate risk based on contractual refinancing and maturity dates, which ever is earlier, is as follows:

June 30, 2005				
Interest / Mark up Bearing		Non Interest Bearing		Total
Less than one year (Rupees)	One year and above (Rupees)	Less than one year (Rupees)	One year and above (Rupees)	
Financial assets				
Long term deposits	-	-	2,171,200	2,171,200
Trade debts	-	294,318,824	-	294,318,824
Investments - held for trading	-	88,396,669	-	88,396,669
Advances, deposits and other receivables	-	43,939,463	-	43,939,463
Placements	225,000,000	-	-	225,000,000
Interest accrued	-	3,075,315	-	3,075,315
Cash and bank balances	73,701,466	31,695,966	-	105,397,432
	298,701,466	461,426,237	2,171,200	762,298,903
Financial Liabilities				
Trade and other payables	100,000,000	-	151,335,303	251,335,303
Interest accrued on short term borrowings	-	-	5,539,955	5,539,955
Interest accrued on repurchase agreements	-	-	657,534	657,534
Obligations under finance leases	364,471	788,802	-	1,153,273
Short term borrowings	188,915,919	-	-	188,915,919
	289,280,390	788,802	157,532,792	447,601,984
On balance sheet gap	9,421,076	(788,802)	303,893,445	2,171,200

June 30, 2004				
Interest/Mark up Bearing		Non Interest Bearing		Total
Less than one year (Rupees)	One year and above (Rupees)	Less than one year (Rupees)	One year and above (Rupees)	
Financial assets				
Long term deposits	-	-	2,241,850	2,241,850
Trade debts	-	227,405,574	-	227,405,574
Investments - held for trading	-	238,877,712	-	238,877,712
Advances, deposits and other receivables	-	62,142,048	-	62,142,048
Placements	-	-	-	-
Interest accrued	-	557,893	-	557,893
Cash and bank balances	111,528,766	-	4,807,009	116,335,775
	111,528,766	-	533,790,236	2,241,850
Financial Liabilities				
Trade and other payables	-	323,137,335	-	323,137,335
Interest accrued on short term borrowings	-	1,307,117	-	1,307,117
Obligations under finance leases	195,134	574,324	-	769,458
Short term borrowings	67,106,781	-	-	67,106,781
	67,301,915	574,324	324,444,452	392,320,691
On balance sheet gap	44,226,851	(574,324)	209,345,784	2,241,850

28.2 There are no financial assets and financial liabilities maturing after five years.

28.3 The company has financial instruments with both fixed and floating interest rates which are disclosed in the respective notes to the financial statements.

28.4 Concentration of credit risk and credit exposure of the financial instruments

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk arise when a number of counterparties are engaged in similar business activities, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of a company's performance to developments affecting a particular industry. The company manages its credit risk by the following methods:

- Monitoring of debts on continuous basis
- Deposit of margins before execution of orders for all retail clientele.
- Obtaining adequate securities for all receivables/ placements.

28.5 Foreign Exchange Risk Management

Foreign currency risk arises mainly where payable/receivable exist due to transactions with foreign clients. The company does not view hedging as being financially feasible owing to the excessive cost involved in relation to the amount at risk.

28.6 Fair value of the financial instruments

The carrying value of all the financial instruments reflected in the financial statements approximate their fair values.

29 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2005	2004	2005	2004	2005	2004
Total Number	1	1	5	5	6	1
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Managerial Remuneration	871,467	680,000	3,101,778	2,476,000	2,024,200	592,000
House Rent	348,587	272,000	1,240,711	990,400	809,680	236,800
Gratuity	-	-	400,000	-	296,000	-
Medical Expenses Reimbursed	229,452	211,511	408,547	323,130	54,087	-
Utilities	87,147	68,000	310,178	247,600	202,420	52,900
Other Benefits	639,000	-	9,217,082	5,646,855	9,217,082	-
	<u>2,175,653</u>	<u>1,231,511</u>	<u>14,678,296</u>	<u>9,683,985</u>	<u>12,603,469</u>	<u>881,700</u>

29.1 In addition, Chief Executive, Directors and some executives have been provided with company maintained cars.

29.2 No meeting fees were paid to any of the directors for attending the Board/ Audit Committee meetings (2004: Nil).

First Capital Equities Limited

	2005	2004
30 NUMBER OF EMPLOYEES		
Total number of employees at the year end.	135	114

31 AUTHORISATION FOR ISSUE

These financial statements have been authorised for issue by the Board of Directors of the company on October 08, 2005.

32 GENERAL

32.1 Due to certain changes made by the Securities and Exchange Commission of Pakistan in the Fourth Schedule to the Companies Ordinance, 1984, through SRO 589 (1)/ 2004 dated July 05, 2004, previous figures have been rearranged or reclassified, wherever necessary for the purpose of comparison.

	2005 (Rupees)	2004 (Rupees)
32.2 Significant rearrangements are as follows:		
Interest accrued on short term borrowings previously shown under the head Trade and other payables, now separately shown.	5,539,955	1,307,117
Accounts payable previously separately shown are now shown under the head trade and other payables as trade creditors.	123,044,424	313,775,767
Advance taxation previously shown under the head Advances, deposits prepayments and other receivables, now separately shown.	33,557,972	29,585,967
Accrued and other liabilities and other creditors are now shown as accrued liabilities.	28,290,879	9,361,568
Trade debts due to Stock Exchanges previously shown under the head Trade debts, now shown under the head Advances, deposits, prepayments and other receivables.	38,192,486	50,779,495

32.3 Figures have been rounded off to the nearest rupee.

Lahore

Chief Executive

Director

FORM OF PROXY

The Company Secretary
First Capital Equities 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 Equities 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 Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, on 31 October 2005 at 5:30 p.m. and at any adjournment thereof.

Signature this _____ Day of _____ 2005

(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 Officer of the Company not later than 48 hours before the time of holding the meeting.
2. No person shall act as a 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 holder, will further have to follow the guidelines as laid down in Circular No. 1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan.

