



FIRST CAPITAL EQUITIES LIMITED

**HALF YEARLY ACCOUNTS
(UN-AUDITED)**

DECEMBER 31, 2004

FIRST CAPITAL EQUITIES LIMITED

COMPANY INFORMATION

Board of Directors	Mian Ehsan ul Haq <i>Chairman & Chief Executive Officer</i>
	Muhammad Faisal Potrik Ali Nayyar Farooq Bin Habib Ahsan Zia Mazhar Abbas Muhammad Zubair Khalid
Chief Financial Officer	Mazhar Abbas
Audit Committee	Ali Nayyar (Chairman) Mian Ehsan ul Haq Muhammad Zubair Khalid
Company Secretary	Akbar Naqi
Auditors	Ford Rhodes Sidat Hyder & Co. Chartered Accountants
Legal Adviser	Tasawur Ali Hashmi Advocates, Karachi.
Registered Office	103-C/II, Gulberg-III Lahore, Pakistan. Tel. # (042) 5757591 - 4 Fax. # (042) 5757590, 5877920
Corporate Office	4th Floor, Block B, C & D, Lakson Square Building No. 1, Sarwar Shaheed Road, Karachi. Tel: (021) 111 226 226 Fax: (021) 5656710, 5656725
Registrar and Shares Transfer Office	Corplink (Pvt.) Limited Wings Arcade, 1-K, Commercial Model Town, Lahore. Tel. # (042) 5839182
Bankers	Askari Commercial Bank Limited Bank Alfalah Limited Faysal Bank Limited KASB Bank Limited Muslim Commercial Bank Limited PICIC Commercial Bank Limited Prime Commercial Bank Limited Standard Chartered Bank Union Bank Limited

DIRECTORS' REVIEW

The Directors of First Capital Equities Limited (Company) are pleased to present the financial results of the company for the quarter ended December 31, 2004, alongwith the reviewed accounts of your Company.

FINANCIAL PERFORMANCE

It is encouraging to see that your Company has sustained the growth in its revenues and earnings through the quarter by continuing to utilize the bullish market conditions to its advantage. For the quarter under review, your company earned an after tax profit of Rs17.82 million (EPS PRs0.74) as compared to Rs5.62 million (EPS PRs0.47) of the same period of preceding year. This shows a growth of more than 200%. The growth in profits is mainly driven by the 131% increase in brokerage income.

Rationalization of and control on operating expenses has resulted in improvement of operating margins to 38% from 15.5% of last year corresponding period.

The aforementioned results demonstrate that the company has successfully and efficiently capitalized on the bullish market trend.

MARKET REVIEW

During the period under review, the KSE 100 index continued to grow and posted a significant gain of 939 points (18%) closing the period at 6218 points. After a dip to 4890 points in the early part of FY05, the KSE 100 index elevated in a straight line to breach the psychological barrier of 6000 points. During the second quarter of the financial year, the daily turnover of shares also started to increase. The average daily turnover of shares was 46% higher in the second quarter as compared to that of the first.

FUTURE OUTLOOK

The Board of Directors of FCEL have approved the conversion of FCEL into Investment Financial Services (investment bank) subject to the necessary corporate and regulatory approvals. In addition the Board of Directors have approved the issuance of a 100% right shares at a premium of 50% subject to conditions laid down in Companies (Issue and Capital) Rules, 1996 and approval from regulatory authority.

We anticipate that the current bull run in the equity markets would continue as reflected by the rise in KSE 100 index, which has breached 8000 subsequently. Growth in economy, good corporate earnings and dividends, new issues, privatization of blue chip companies and future infrastructure development plans of the Government have contributed to this rise.

Your Company has completed the infrastructure improvements at its Faisalabad office during December 2004 and commenced operations in January 2005. In addition to this, the management is considering further expansion to other cities in Pakistan, with initial emphasis on Sialkot. The Securities and Exchange Commission of Pakistan and Stock Exchanges of Karachi and Lahore have strongly advised brokerage houses and others that they intend to increase market depth, stability and capitalization in the Country through such initiatives.

The Directors wish to thank its shareholders and members of stock exchanges for their consistent commitment and trust. Furthermore, the Directors place on record their appreciation for Securities and Exchange Commission of Pakistan's valuable support and guidance.

For and on behalf of the Board

Lahore
February 26, 2005

Mian Ehsan ul Haq
Chairman & Chief Executive Officer

REVIEW REPORT TO THE SHAREHOLDERS

We have reviewed the annexed balance sheet of **First Capital Equities Limited** as at December 31, 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here in after referred to as the "financial statements") for the half year then ended. These financial statements are the responsibility of the management of the First Capital Equities Limited. Our responsibility is to issue a report on these financial statements based on our review. The comparatives in the accompanying financial statements were audited / reviewed by another firm of Chartered Accountants who issued an unqualified opinion / review report dated October 6, 2004 and February 26, 2004 respectively. The figures of the profit and loss account for the quarter ended December 31, 2004 have not been reviewed as we are require to review only the cumulative figures for the half year ended December 31, 2004.

We conducted our review in accordance with the International Standard on Auditing applicable to review engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquire of company personnel and analytical procedures applied to financial data and thus provides less assurance than audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan.

Date : February 26, 2005
Place : Lahore

FORD RHODES SIDAT HYDER & CO.
CHARTERED ACCOUNTANTS

FIRST CAPITAL EQUITIES LIMITED BALANCE SHEET (Un-Audited) AS AT DECEMBER 31, 2004

	Notes	December 31, 2004 (Rupees)	June 30, 2004 (Rupees)
NON - CURRENT ASSETS			
Tangible fixed assets	4	37,089,517	18,044,366
Cost of cards & rooms		56,632,500	56,507,500
Long term investments		7,025,989	7,098,169
Long term deposits		2,487,022	2,241,850
		<u>103,235,028</u>	<u>83,891,885</u>
CURRENT ASSETS			
Accounts receivable		342,557,940	278,184,970
Investments held for trading		286,305,234	238,877,712
Advances, deposits, prepayments and other receivables		46,956,466	47,894,253
Cash and bank balances		85,855,802	111,622,525
		<u>761,675,442</u>	<u>676,579,460</u>
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease		344,249	195,134
Accounts payable		175,869,025	307,343,350
Short term running finance		255,728,341	66,973,597
Creditors, accrued and other liabilities		38,286,775	10,936,969
Provision for taxation		7,658,899	7,658,899
		<u>477,887,289</u>	<u>393,107,950</u>
WORKING CAPITAL		<u>283,788,153</u>	<u>283,471,511</u>
CAPITAL EMPLOYED		<u>387,023,181</u>	<u>367,363,397</u>
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE		995,053	574,324
DEFERRED LIABILITIES		5,096,181	5,145,690
NET CAPITAL EMPLOYED		<u>380,931,947</u>	<u>361,643,383</u>
REPRESENTED BY:			
SHARE CAPITAL & RESERVES			
Share capital		240,070,000	240,070,000
Unappropriated profit		140,861,947	121,573,383
		<u>380,931,947</u>	<u>361,643,383</u>
CONTINGENCIES AND COMMITMENTS	6	-	-
		<u>380,931,947</u>	<u>361,643,383</u>

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

Director

FIRST CAPITAL EQUITIES LIMITED
PROFIT AND LOSS ACCOUNT (Un-Audited)
FOR THE QUARTER AND PERIOD ENDED DECEMBER 31, 2004

	2004		2003	
	Three months ended December 31, (Rupees)	Six months ended December 31, (Rupees)	Three months ended December 31, (Rupees)	Six months ended December 31, (Rupees)
OPERATING REVENUE				
BROKERAGE INCOME	52,079,009	91,328,497	22,527,366	58,357,950
CAPITAL GAINS	3,788,422	7,234,559	6,652,326	13,824,300
Gain/(loss) on remeasurment of Investments held for trading as on Dec. 31	2,604,404	(10,334,189)	(162,454)	(2,756,012)
	<u>58,471,835</u>	<u>88,228,867</u>	<u>29,017,238</u>	<u>69,426,238</u>
OPERATING EXPENSES	35,907,702	60,553,563	24,515,230	53,992,138
OPERATING PROFIT	<u>22,564,133</u>	<u>27,675,304</u>	<u>4,502,008</u>	<u>15,434,100</u>
FINANCIAL EXPENSES	4,378,283	6,171,283	112,095	319,168
NET OPERATING PROFIT	<u>18,185,850</u>	<u>21,504,021</u>	<u>4,389,913</u>	<u>15,114,932</u>
OTHER INCOME	3,065,471	4,426,404	896,142	1,882,509
	<u>21,251,321</u>	<u>25,930,425</u>	<u>5,286,055</u>	<u>16,997,441</u>
OTHER EXPENSES	-	-	4,057	4,241
	<u>21,251,321</u>	<u>25,930,425</u>	<u>5,281,998</u>	<u>16,993,200</u>
Share in loss of Subsidiary Company	(395,682)	(72,180)	-	-
PROFIT BEFORE TAXATION	<u>20,855,639</u>	<u>25,858,245</u>	<u>5,286,055</u>	<u>16,997,441</u>
TAXATION				
Current	4,064,778	6,569,681	120,850	2,600,000
Deferred	(1,029,189)	-	(458,662)	(525,077)
PROFIT AFTER TAXATION	<u>17,820,050</u>	<u>19,288,564</u>	<u>5,619,810</u>	<u>14,918,222</u>
ACCUMULATED PROFIT BROUGHT FORWARD	<u>123,041,897</u>	<u>121,573,383</u>	<u>75,164,858</u>	<u>65,866,391</u>
ACCUMULATED PROFIT CARRIED FORWARD	<u>140,861,947</u>	<u>140,861,947</u>	<u>80,784,668</u>	<u>80,784,668</u>
Earning per share - Basic	<u>0.74</u>	<u>0.80</u>	<u>0.47</u>	<u>1.24</u>
Earning per share - Diluted	<u>0.74</u>	<u>0.80</u>	<u>0.23</u>	<u>0.62</u>

The annexed notes form an integral part of these accounts.

FIRST CAPITAL EQUITIES LIMITED
CASH FLOW STATEMENT (Un-Audited)
FOR THE PERIOD ENDED DECEMBER 31, 2004

	Jul - Dec 2004 (Rupees)	Jul - Dec 2003 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	25,858,245	16,993,200
Add: Items not involved in movement of funds		
Depreciation	2,264,922	1,643,362
Share in loss of subsidiary company	72,180	-
Loss on remeasurement of investments	10,334,189	2,756,012
Dividend income	(3,866,590)	(55,862)
Interest/ mark up income	(280,166)	(556,313)
Interest/ mark up expense	5,845,517	4,189
(Gain) / loss on sale of fixed assets	(122,715)	83,979
Provision for gratuity	765,536	724,538
	<u>15,012,873</u>	<u>4,599,905</u>
	<u>40,871,118</u>	<u>21,593,105</u>
(Increase) / decrease in current assets		
Investments held for trading	(57,761,711)	(84,713,636)
Accounts receivable	(64,372,970)	(8,289,397)
Advances, deposits, prepayments and other receivables	2,881,739	(2,259,465)
	<u>(119,252,942)</u>	<u>(95,262,498)</u>
Increase / (decrease) in current liabilities		
Accounts payable	(131,474,325)	77,406,302
Creditors, accrued and other liabilities	24,455,788	2,123,899
	<u>(107,018,537)</u>	<u>79,530,201</u>
Cash Generated from Operations	<u>(185,400,360)</u>	<u>5,860,808</u>
Dividend received	1,389,215	55,862
Interest/ mark up received	813,589	545,554
Interest/ mark up paid	(2,951,499)	-
Gratuity paid	(815,045)	(158,000)
Taxes paid	(6,569,681)	-
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>(193,533,781)</u>	<u>6,304,225</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(21,372,358)	(1,296,565)
Proceeds from sale of fixed assets	185,000	33,500
Cost of cards & rooms	(125,000)	-
Long term deposits	(245,172)	(425,310)
NET CASH FLOW FROM INVESTING ACTIVITIES	<u>(21,557,530)</u>	<u>(1,688,375)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment against lease finance	(144,156)	(55,083)
Proceeds from lease finance	714,000	-
Share deposit money	-	120,035,000
Short term running finance	188,754,744	-
NET CASH FLOW FROM FINANCING ACTIVITIES	<u>189,324,588</u>	<u>119,979,917</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(25,766,723)</u>	<u>124,595,767</u>
CASH AND CASH EQUIVALENTS - OPENING	<u>111,622,525</u>	<u>27,732,581</u>
CASH AND CASH EQUIVALENTS - CLOSING	<u>85,855,802</u>	<u>152,328,348</u>

The annexed notes form an integral part of these accounts.

FIRST CAPITAL EQUITIES LIMITED
STATEMENT OF CHANGES IN EQUITY (Un-Audited)
FOR THE PERIOD ENDED DECEMBER 31, 2004

PARTICULARS	Share Capital	Share Deposit Money	Unappropriated Profit	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Balance as at June 30, 2003	120,035,000	-	65,866,391	185,901,391
Share deposit money	-	120,035,000	-	120,035,000
Profit for the half year ended December 31, 2003	-	-	14,918,277	14,918,277
Balance as at December 31, 2003	120,035,000	120,035,000	80,784,668	320,854,668
Issuance of share capital	120,035,000	(120,035,000)	-	-
Profit for the half year ended June 30, 2004	-	-	40,788,715	40,788,715
Balance as at June 30, 2004	240,070,000	-	121,573,383	361,643,383
Profit for the half year ended December 31, 2004	-	-	19,288,564	19,288,564
Balance as at December 31, 2004	240,070,000	-	140,861,947	380,931,947

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

Director

FIRST CAPITAL EQUITIES LIMITED
NOTES TO THE ACCOUNTS (Un-Audited)
FOR THE PERIOD ENDED DECEMBER 31, 2004

- 1 First Capital Equities Limited, (the "Company") was incorporated on January 26, 1995 as 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.
- 2 These accounts are un-audited but subject to limited review by auditors as required by clause (xxi) of Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan and are being presented to shareholders under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting'.
- 3 The accounting policies adopted for the preparation of these accounts are consistent with those applied in preparing the annual audited accounts for the year ended June 30, 2004, except for the following:

Dividend is recognized as a liability in the period in which it is declared. Upto pervious year, dividends that were proposed after the balance shaeet date but before the financial statements were authorized for the issue, were recorded as a liability.

Similarly an appropriation to reserves is recognized in the period in which it is appropriated. Upto pervious year, appropriations made after the balance sheet date but before the financial statements were authorized for issue, were recorded as reserves. The change was considered necessary due to the revision of Forth Schedule to the Companies Ordinance, 1984 effective July 5, 2004.

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

4 OPERATING FIXED ASSETS

The following additions to operating fixed assets have been made during the period of six months ended December 31, 2004.

	December 2004	December 2003
	(Rupees)	(Rupees)
Owned:		
Freehold Building	15,000,000	-
Computers	579,600	138,250
Office Equipments	1,127,158	333,315
Furniture & Fixtures	122,100	-
Vehicles	3,829,500	825,000
	20,658,358	1,296,565
Leased:		
Vehicles	714,000	-
	21,372,358	1,296,565

5 TRANSACTIONS WITH ASSOCIATED COMPANIES

The related parties comprise directors and key management personnel and associated companies. The nature of transaction with associated companies is as follows:

	December 2004	December 2003
	(Rupees)	(Rupees)
Brokerage Income	209,939	184,979
Payment for / against current accounts	9,869,009	37,975,951
Group pool expenses paid	3,402,807	730,320

The company continues to have a policy where by all transaction with related parties are entered into at arm's length determined in accordance with "Comparable Uncontrolled Price Method".

6 CONTINGENCIES AND COMMITMENTS

6.1 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.

6.2 The company has agreed to indemnify ABN AMRO, its directors and affiliates from any or all claims which may be finalised against the company except for those mentioned in note 6.1. The existence and the magnitude of any such claims, other than mentioned in these accounts, are not presently known.

6.3 The Honourable Sindh High Court, while deciding on different applications filed by the Company, directed the Karachi Stock Exchange (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 Ahmed Zakaria 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 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-favorable decision is remote.

6.4 The Income Tax Authorities has re-opened the assessments for the assessment years 1998-1999 & 1999-2000 under section 66-A of the Income Tax Ordinance, 1979 and assessed a tax demand of Rs. 10.08 million by allocating expenditure against the Capital Gains. The Commissioner of Income Tax (appeals) has finalised the appeal for the assessment year 2000-2001 by partially set aside the appeal of the assessee on allocation of expenditure to exempt income i.e capital gains and tax demand comes to Rs. 7.25 million. The Company has filed appeals in the Income Tax Appellate Tribunal ("ITAT") for above mentioned years. The Income Tax Authorities have also finalized the assessment for the assessment years 2001-2002 by allocating expenditure against capital gains and determined a refund of Rs. 530,345/-. The Income Tax Authorities has also imposed additional tax & penalties under section 52, 88 & 89 of the Income Tax Ordinance, 1979 (repealed) and assessed tax demand of Rs. 1.26 million for the assessment years 1998-99 to 2001-02. The Company has filed appeals before the Commissioner of Income Tax (appeals). The management is hopeful for a favourable outcome in the appeals.

6.5 Mr. Assad ullah Sajid has filed petition with the Securities & Exchange Commission of Pakistan against FCEL for refund of deposit worth of Rs. 590,740/- deposited for purchase of shares on his behalf.

7 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors on February 26, 2005.

8 GENERAL

Figures have been rounded off to the nearest rupee.



FIRST CAPITAL EQUITIES LIMITED

CONSOLIDATED HALF YEARLY ACCOUNTS (UN-AUDITED)

DECEMBER 31, 2004

FIRST CAPITAL EQUITIES LIMITED CONSOLIDATED BALANCE SHEET (Un-Audited) AS AT DECEMBER 31, 2004

	Notes	December 31, 2004 (Rupees)	June 30, 2004 (Rupees)
NON-CURRENT ASSETS			
Tangible fixed assets	4	37,923,001	18,987,819
Cost of cards & rooms		67,521,711	66,883,935
Goodwill		717,419	717,419
Long term deposits		2,487,022	2,241,850
		<u>108,649,153</u>	<u>88,831,023</u>
CURRENT ASSETS			
Accounts receivable		343,649,750	280,619,421
Investments held for trading		286,305,234	238,877,712
Advances, deposits, prepayments and other receivables		47,266,230	48,085,456
Cash and bank balances		101,346,039	116,335,775
		<u>778,567,253</u>	<u>683,918,364</u>
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease		344,249	195,134
Accounts payable		192,005,949	313,775,767
Short term running finance		255,868,108	67,106,782
Creditors, accrued and other liabilities		38,308,438	10,963,551
Provision for taxation		7,764,926	7,885,168
		<u>494,291,670</u>	<u>399,926,402</u>
WORKING CAPITAL		<u>284,275,583</u>	<u>283,991,962</u>
CAPITAL EMPLOYED		<u>392,924,736</u>	<u>372,822,986</u>
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE		995,053	574,324
DEFERRED LIABILITIES		5,096,181	5,145,690
NET CAPITAL EMPLOYED		<u>386,833,502</u>	<u>367,102,972</u>
REPRESENTED BY:			
SHARE CAPITAL & RESERVES			
Share capital		240,070,000	240,070,000
Unappropriated profit		140,759,463	121,231,205
		<u>380,829,463</u>	<u>361,301,205</u>
MINORITY INTEREST		6,004,039	5,801,767
CONTINGENCIES AND COMMITMENTS	6	-	-
		<u>386,833,502</u>	<u>367,102,972</u>

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

Director

FIRST CAPITAL EQUITIES LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT (Un-Audited)
FOR THE QUARTER AND PERIOD ENDED DECEMBER 31, 2004

	2004		2003	
	Three months ended December 31, (Rupees)	Six months ended December 31, (Rupees)	Three months ended December 31, (Rupees)	Six months ended December 31, (Rupees)
OPERATING REVENUE				
BROKERAGE INCOME	51,351,519	91,905,611	22,527,366	58,357,950
CAPITAL GAINS	3,788,422	7,234,559	6,652,326	13,824,300
Gain/(loss) on remeasurment of Investments held for trading as on Dec. 31	2,604,404	(10,334,189)	(162,454)	(2,756,012)
	<u>57,744,345</u>	<u>88,805,981</u>	<u>29,017,238</u>	<u>69,426,238</u>
OPERATING EXPENSES	36,038,938	61,355,086	24,515,230	53,992,138
OPERATING PROFIT	<u>21,705,407</u>	<u>27,450,895</u>	<u>4,502,008</u>	<u>15,434,100</u>
FINANCIAL EXPENSES	4,379,455	6,172,455	112,095	319,168
NET OPERATING PROFIT	<u>17,325,952</u>	<u>21,278,440</u>	<u>4,389,913</u>	<u>15,114,932</u>
OTHER INCOME	3,065,471	4,426,404	896,142	1,882,509
	<u>20,391,423</u>	<u>25,704,844</u>	<u>5,286,055</u>	<u>16,997,441</u>
OTHER EXPENSES	-	-	4,057	4,241
PROFIT BEFORE TAXATION	<u>20,391,423</u>	<u>25,704,844</u>	<u>5,281,998</u>	<u>16,993,200</u>
TAXATION				
Current	3,980,727	6,485,630	120,850	2,600,000
Deferred	(1,029,189)	-	(458,662)	(525,077)
PROFIT AFTER TAXATION	<u>17,439,885</u>	<u>19,219,214</u>	<u>5,619,810</u>	<u>14,918,277</u>
MINORITY INTEREST	(380,166)	(69,350)	-	-
PROFIT ATTRIBUTABLE TO HOLDING COMPANY	<u>17,820,051</u>	<u>19,288,564</u>	<u>5,619,810</u>	<u>14,918,277</u>
Earning per share - Basic	<u>0.73</u>	<u>0.80</u>	<u>0.47</u>	<u>1.24</u>
Earning per share - Diluted	<u>0.73</u>	<u>0.80</u>	<u>0.23</u>	<u>0.62</u>

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

Director

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FIRST CAPITAL EQUITIES LIMITED
CONSOLIDATED CASH FLOW STATEMENT (Un-Audited)
FOR THE PERIOD ENDED DECEMBER 31, 2004

	Jul - Dec 2004 (Rupees)	Jul - Dec 2003 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES		
Funds generated from operations		
Profit before taxation	25,704,844	16,993,200
Add: Items not involved in movement of funds		
Depreciation	2,346,860	1,643,362
Loss on remeasurment of investments	10,334,189	2,593,558
Dividend Income	(3,866,590)	(55,862)
Interest/Mark-up income	(280,166)	(556,313)
Interest/Mark-up expense	5,845,517	-
Gain/(loss) on sale of fixed assets	(122,715)	83,979
Provision for gratuity	765,536	724,538
	<u>15,022,631</u>	<u>4,433,262</u>
	<u>40,727,475</u>	<u>21,426,462</u>
(Increase) / decrease in current assets		
Investments held for trading	(57,761,711)	2,783,310
Accounts receivable	(63,030,329)	(94,998,051)
Advances, deposits, prepayments and other receivables	2,748,801	(4,883,986)
	<u>(118,043,239)</u>	<u>(97,098,727)</u>
Increase / (decrease) in current liabilities		
Accounts payable	(121,769,818)	127,320,991
Creditors, accrued and other liabilities	24,450,869	2,982,297
	<u>(97,318,949)</u>	<u>130,303,288</u>
Cash Generated from Operations	<u>(174,634,713)</u>	<u>54,631,023</u>
Dividend received	1,389,215	-
Interest/Mark-up received	813,589	516,091
Interest/Mark-up paid	(2,951,499)	-
Gratuity paid	(815,045)	(158,000)
Taxes paid	(6,689,923)	-
Net Cash Flow from Operating Activities	<u>(182,888,376)</u>	<u>54,989,114</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(21,372,358)	(1,125,386)
Proceeds from sale of fixed asset	185,000	33,500
Long term deposits	(245,172)	(425,010)
Net Cash Flow From Investing Activities	<u>(21,432,530)</u>	<u>(1,516,896)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment against lease finance	(144,156)	(48,834)
Proceeds from finance lease	714,000	-
Short term running finance	188,761,326	-
Net Cash Flow From Financing Activities	<u>189,331,170</u>	<u>(48,834)</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(14,989,736)</u>	<u>53,423,384</u>
CASH AND CASH EQUIVALENTS - OPENING	<u>116,335,775</u>	<u>27,732,581</u>
CASH AND CASH EQUIVALENTS - CLOSING	<u>101,346,039</u>	<u>81,155,965</u>

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

Director

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FIRST CAPITAL EQUITIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Un-Audited)
FOR THE PERIOD ENDED DECEMBER 31, 2004

PARTICULARS	Share Capital	Share Deposit Money	Unappropriated Profit	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Balance as at June 30, 2003	120,035,000	-	65,866,391	185,901,391
Share Deposit Money	-	120,035,000	-	120,035,000
Profit for the half year ended December 31, 2003	-	-	14,918,277	14,918,277
Balance as at December 31, 2003	120,035,000	120,035,000	80,784,668	320,854,668
Issuance of Share Capital	120,035,000	(120,035,000)	-	-
Profit for the period	-	-	40,609,359	40,609,359
Adjustment for exchange difference	-	-	(162,822)	(162,822)
Balance as at June 30, 2004	240,070,000	-	121,231,205	361,301,205
Profit for the period	-	-	19,288,564	19,288,564
Adjustment for exchange difference	-	-	239,694	239,694
Balance as at December 31, 2004	240,070,000	-	140,759,463	380,829,463

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

Director

FIRST CAPITAL EQUITIES LIMITED
CONSOLIDATED NOTES TO THE ACCOUNTS (Un-Audited)
FOR THE PERIOD ENDED DECEMBER 31, 2004

- 1 First Capital Equities Limited, (the "Company") was incorporated on January 26, 1995 as 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.
- 2 These accounts are un-audited but subject to limited review by auditors as required by clause (xxi) of Code of Corporate Governance issued by the Securities and Exchange Commission of Pakistan and are being presented to shareholders under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting'.
- 3 The accounting policies adopted for the preparation of these accounts are consistent with those applied in preparing the annual audited accounts for the year ended June 30, 2004, except for the following:

Dividend is recognized as a liability in the period in which it is declared. Upto pervious year, dividends that were proposed after the balance shaect date but before the financial statements were authorized for the issue, were recorded as a liability.

Similarly an appropriation to reserves is recognized in the period in which it is appropriated. Upto pervious year, appropriations made after the balance sheet date but before the financial statements were authorized for issue, were recorded as reserves. The change was considered necessary due to the revision of Forth Schedule to the Companies Ordinance, 1984 effective July 5, 2004.

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

4 OPERATING FIXED ASSETS

The following additions to operating fixed assets have been made during the period of six months ended December 31, 2004.

	December 2004	December 2003
	(Rupees)	(Rupees)
Owned:		
Freehold Building	15,000,000	-
Computers	579,600	138,250
Office Equipments	1,127,158	333,315
Furniture & Fixtures	122,100	-
Vehicles	3,829,500	825,000
	20,658,358	1,296,565
Leased:		
Vehicles	714,000	-
	21,372,358	1,296,565

5 TRANSACTIONS WITH ASSOCIATED COMPANIES

The related parties comprise directors and key management personnel and associated companies. The nature of transaction with associated companies is as follows:

	December 2004 (Rupees)	December 2003 (Rupees)
Brokerage Income	209,939	184,979
Payment for / against current accounts	9,869,009	37,975,951
Group pool expenses paid	3,402,807	730,320

The company continuous to have a policy where by all transaction with related parties are entered into at arm's length determined in accordance with "Comparable Uncontrolled Price Method".

6 CONTINGENCIES AND COMMITMENTS

6.1 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.

6.2 The company has agreed to indemnify ABN AMRO, its directors and affiliates from any or all claims which may be finalised against the company except for those mentioned in note 6.1. The existence and the magnitude of any such claims, other than mentioned in these accounts, are not presently known.

6.3 The Honourable Sindh High Court, while deciding on different applications filed by the Company, directed the Karachi Stock Exchange (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 Ahmed Zakaria 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 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-favorable decision is remote.

6.4 The Income Tax Authorities has re-opened the assessments for the assessment years 1998-1999 & 1999-2000 under section 66-A of the Income Tax Ordinance, 1979 and assessed a tax demand of Rs. 10.08 million by allocating expenditure against the Capital Gains. The Commissioner of Income Tax (appeals) has finalised the appeal for the assessment year 2000-2001 by partially set aside the appeal of the assessee on allocation of expenditure to exempt income i.e capital gains and tax demand comes to Rs. 7.25 million. The Company has filed appeals in the Income Tax Appellate Tribunal ("ITAT") for above mentioned years. The Income Tax Authorities have also finalized the assessment for the assessment years 2001-2002 by allocating expenditure against capital gains and determined a refund of Rs. 530,345/-. The Income Tax Authorities has also imposed additional tax & penalties under section 52, 88 & 89 of the Income Tax Ordinance, 1979 (repealed) and assessed tax demand of Rs. 1.26 million for the assessment years 1998-99 to 2001-02. The Company has filed appeals before the Commissioner of Income Tax (appeals). The management is hopeful for a favourable outcome in the appeals.

6.5 Mr. Assad ullah Sajid has filed petition with the Securities & Exchange Commission of Pakistan against FCEL for refund of deposit worth of Rs. 590,740/- deposited for purchase of shares on his behalf.

7 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors on February 26, 2005.

8 GENERAL

Figures have been rounded off to the nearest rupee.