

FCEL

FIRST CAPITAL EQUITIES LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2004

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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	Nasir Javaid Maqsood 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	Muslim Commercial Bank Limited Standard Chartered Bank Prime Commercial Bank Limited PICIC Commercial Bank Limited Faysal Bank Limited Union Bank Limited Askari Commercial Bank Limited KASB Bank Limited Bank Alfalah Limited

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 9th Annual General Meeting of the Shareholders of First Capital Equities Limited ("the Company") will be held on October 30, 2004 at 5:00 p.m. at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore to transact the following business:

ORDINARY BUSINESS

1. To approve minutes of last Extraordinary General Meeting held on March 12, 2004;
2. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2004 together with the Directors' and Auditors' reports thereon;
3. To appoint Auditors for the year ending June 30, 2005 and fix their remuneration. In compliance of the Code of Corporate Governance, the existing Auditors M/s Nasir Javaid Maqsood (Chartered Accountants), who have been auditors of the Company for more than five years, will required to be retired at the Annual General Meeting. The Board of Directors on recommendation of Audit Committee have recommended the re-appointment after rotating the partner in-charge of M/s. Nasir Javaid Maqsood (Chartered Accountants) subject to the approval by Securities and Exchange Commission of Pakistan;

SPECIAL BUSINESS

4. **To consider and 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 investments on a long term basis of an amount of upto Rs. 120 million in the share capital of WorldCALL Telecom Limited in accordance with the provisions of section 208 of the Companies Ordinance, 1984."

"**RESOLVED FURTHER THAT** the Chief Executive of the Company be and is hereby authorized to take all necessary steps to make investments on a long term basis upto Rs. 10 million in the share capital of the First Capital Investments Limited in accordance with the provisions of section 208 of the Companies Ordinance, 1984, subject to necessary regulatory approvals where required."

"**RESOLVED FURTHER THAT** the Chief Executive of the Company be and is hereby authorized to take all necessary steps to make investments on a long term basis in the share capital of WorldCALL Telephony (Pvt.) Limited upto Rs. 100 million in accordance with the provisions of section 208 of the Companies Ordinance, 1984. This investment in WorldCALL Telephony (Pvt.) Limited shall be transferred to WorldCALL Telecom Limited subject to necessary regulatory and lenders/creditors approvals and consents. However, in case the required approvals and consents of the regulators, and or lenders/creditors are not available or cannot be obtained within the time-frame as may be allowed by the strategic investors and major lenders, for any reason whatsoever, the above mentioned investments of upto Rs. 100 million shall be made in the share capital of WorldCALL Telephony (Pvt.) Limited and no transfer to WorldCALL Telecom Limited will be effected."

This authority shall remain in force until revoked by the shareholders."

5. **To consider and pass the following ordinary resolution with or without modification:**

"**RESOLVED THAT** quarterly accounts of the Company be placed on its website instead of circulating the same by post to the shareholders, subject to compliance of the Securities and Exchange Commission of Pakistan's circular No. 19 of 2004 dated April 14, 2004."

"**RESOLVED FURTHER THAT** any one of the Directors or the Chief Executive or the Company Secretary be and is hereby authorized to complete the necessary corporate and legal formalities in connection with the above."

By order of the Board

Lahore
October 06, 2004

Syed Akbar Naqi
Company Secretary

Notes:

- 1) The Members Register will remain closed from October 23, 2004 to October 30, 2004 (both days inclusive). Transfers received at Corplink (Pvt.) Limited, Wings Arcade, 1-K, Commercial Model Town, Lahore, the Registrar and Shares Transfer Office of the Company, by the close of business on October 22, 2004 will be treated in time.
- 2) A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time for holding the meeting.
- 3) In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the registered office of the Company, 103-C/II, Gulberg-III, Lahore, not less than 48 hours before the time of the meeting.
- 4)
 - a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original NIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of meeting.
 - b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with attested copy of their NIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and NIC numbers. The proxy shall produce his/her original NIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Directors/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.
- 5) Members are requested to notify any change in their registered address immediately.

STATEMENT UNDER SECTION 208 OF THE COMPANIES ORDINANCE, 1984

WorldCALL Telecom Limited ("WTL")

WorldCALL Telecom Limited was incorporated in Pakistan as a public limited company under the Companies Ordinance, 1984 on March 15, 2001. The principal business of WTL is to carry on all or any of the business of telecommunication and interactive communications.

Under the de-regulation policy for telecommunication sector, WTL being part of the WorldCALL Group was provided with one of the first **Long Distance and International ("LDI")** fixed line telecommunication license on July 14, 2004. The said LDI license awarded to WTL is valid for 20 years. WTL is permitted to lease infrastructure from PTCL or any other infrastructure owner on mutually agreed commercial terms, non-discriminatory to other licensees seeking the same facility. Contracts for equipment supply and network deployment have been finalized with leading international telecom vendors including Siemens, Digiquant and Nuera etc. WTL have installed its equipment to cater the needs of different market segments in order to offer competitive voice and value added services tailored to the individual requirements. WTL has also entered into agreement with international call carriers. With the LDI network in place, the end customer will be able to get better quality of service and care. WTL will begin to roll out these services shortly. WTL has selected state of the art-technology to offer next generation services and will be the first operator to deploy a full Next Generation Network (NGN). The total cost of the LDI project undertaken by WTL, is around Rs. 580 million which will be financed through equity of Rs. 350 million and debt of Rs. 230 million. Through interconnects with existing operators, new entrants and other group companies, WTL intends to use its network to offer LDI services to cover complete range of nationwide calling, International calling and International voice termination operations. WTL plans to roll-out its operations with 14 Points of Presence (PoPs) in fourteen (14) different telecom regions of the country, giving nationwide coverage from day one of operations. WTL has already implemented core infrastructure using cutting edge voice compression technology along with NGN soft switches, billing and network management centre. WTL has already made necessary regulatory filing for operational launch of services with the PTA and PTCL.

The deregulation of telecommunication sector has opened up various avenues to invest in infrastructure projects. The LDI license authorizes the licensees to have their own infrastructure. Demand for voice, data and video bandwidth has been increasing exponentially and will continue to multiply in the years to come. It offers tremendous opportunity to operators/companies that are engaged in various transmission media including but not limited to mobile phones, LDI, Local Loop, Wireless local loop, Payphones, Prepaid calling cards, TV channel operators & carriers, call centers, etc. It is expected that the existing PTCL fibre optic network backbone may not be able to cater for huge traffic data in the years to come. Therefore, WTL intends to undertake **Long Haul project** in addition to LDI project. Through this project WTL intends to lay its own 4,000 km fibre optic network through out Pakistan by connecting different cities. The network will connect all the important cities of Pakistan and will provide ADD/DROP facilities at around 27 locations. This will cater not only WorldCALL Group's telecom requirements but also provide lease to other telecom/IT operators/companies. This network in Pakistan will provide a timely link to the busiest cities of Pakistan. Transfer of heavy data will also be possible with this fast and efficient network solution. The network shall be provided initially with 2.5 Gb/s Synchronous Digital Hierarchy ("SDH") on a single pair of 12 fibre cables that will suffice the requirements for traffic envisaged. The fibre is selected to cater high capacity Dense Wavelength Division Multiplexing ("DWDM") based 10 Gb/s and higher systems to meet the future requirements. WTL plans to adopt three self healing rings configuration for its network. If a node on the network detect a disruption (due to fault or breakage on the fibre), the network will automatically heal traffic flow by redirecting traffic on a different route within the self healing rings. Therefore, the disruption on the fibres does not affect the traffic flow. The surveys of all rings have been completed. WTL is in the process of negotiation right of ways with different authorities/local governments. On the basis of careful technical/commercial evaluation and negotiations with the vendors, letter of intent has been issued to suppliers. The total project cost is estimated around USD 45 million which is expected to be financed through 70% of equity and balance through debt. The Company intends to invest upto Rs. 120 million in the project. The Company expects to earn substantial returns after completion of the project. It is expected that the Company be not only ideally positioned to benefit from the growing telecom/IT market but also meet market expectations in terms of service quality, economy and flexibility. Significant traffic potential is expected on WTL's network that includes cellular companies, LDI operators, WLL, Data networks etc. The commercial operations with full network capacity are expected to start within 2 years, however, the points where network is connected and ready shall be available for services. The project is being handled by a team of experts who have extensive knowledge and experience in the telecom field.

WorldCALL Telephony (Pvt.) Limited ("WTPL")

WTPL was incorporated in Pakistan as a private limited company under the Companies Ordinance, 1984 on March 26, 2004. The main activity of WTPL is to carry on all or any of the business of Telecommunications including but not limited to systems signals, wireless local loop, data or messages etc. Telecom Deregulation policy in July 2003 attracted private sector investment to encourage tele-density in Pakistan. The Pakistan Telecommunication Authority ("PTA") auctioned 2 new cellular licenses in April 2004 and later awarded Local Loop and Long Distance International licenses in July/August 2004 following the deregulation policy. The impending deregulation of the Telecom industry offers great opportunities, especially to players with existing telecom operations and significance experience of the telecom market in Pakistan. Anticipating the de-regulation of the telecom sector and existing offerings of the Company, WTPL is planning to launch Wireless Local Loop ("WLL") telephony, data and associated value added services in PTA Telecom Regions. WLL can be defined as an access system that uses wireless link to connect subscribers to their local exchanges in place of conventional copper cable. Using a wireless link shortens the gestations period and also reduces installation and operation costs. The preferred technology used by WTPL for delivery of WLL services will be in Code Division Multiple Access ("CDMA").

WTPL intends to acquire WLL licenses and offer these services in various telecom regions of Pakistan. WTPL has already filed applications for Local Loop licenses in the fourteen PTA Telecom Regions and has participated in the bidding for frequency spectrums as invited by PTA. These fourteen regions are (a) Lahore Telecom Region ("LTR") (b) Multan Telecom Region ("MTR") (c) Faisalabad Telecom Region ("FTR") (d) Gujranwala Telecom Region ("GTR") (e) Central Telecom Region ("CTR") (f) Rawalpindi Telecom Region ("RTR") (g) Islamabad Telecom Region ("ITR") (h) Hazara Telecom Region ("HTR") (i) North Telecom Region-I ("NTR-I") (j) North Telecom Region-II ("NTR-II") (k) Karachi Telecom Region (l) Southern Telecom Region-I ("STR-I") (m) Southern Telecom Region-V ("STR-V") (n) Western Telecom Region ("WTR"). Region wise auction for the frequency spectrums was conducted from 11 August 2004 to 19 August 2004 for assignment of radio frequency spectrums 1.9 GHz, 450 MHz, 479 MHz and 3.4-3.6 GHz. The comparisons among all these frequencies mainly depend upon attenuation, diffraction and high penetration depths etc. WTPL has been able to secure frequencies in various telecom regions of PTA through bidding for the amount of Rs. 2,417.22 million.

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WTPL has been able to secure following frequencies through bidding for the amount indicated in front of each frequency in respective regions:

PTCL Region	Frequency Type	Price (Rupees in Million)
<i>Faisalabad Telecom Region ("FTR")</i>	1.9 Ghz	425
	479 Mhz	3
<i>Central Telecom Region ("CTR")</i>	1.9 Ghz	121
	3.5 Ghz	0.58 *
<i>Lahore Telecom Region ("LTR")</i>	1.9 Ghz	353
<i>Gujranwala Telecom Region ("GTR")</i>	1.9 Ghz	295
	479 Mhz	25
	3.5 Ghz	0.58*
<i>Multan Telecom Region ("MTR")</i>	1.9 Ghz	286
	479 Mhz	20
	3.5 Ghz	0.58*
<i>Northern Telecom Region-I ("NTR-I")</i>	1.9 Ghz	202
<i>Hazara Telecom Region ("HTR")</i>	479 Mhz	10
	3.5 GHz	0.58 *
<i>Northern Telecom Region-II ("NTR-II")</i>	3.5 Ghz	0.58*
<i>Islamabad Telecom Region ("ITR")</i>	479 Mhz	7
<i>Rawalpindi Telecom Region ("RTR")</i>	1.9 Ghz	199
	479 Mhz	17
	3.5 GHz	0.58 *
<i>Western Telecm Region ("WTR")</i>	479 Mhz	10
	3.5 GHz	0.58 *
<i>Southern Telecom Region-I ("STR-I")</i>	1.9 Ghz	134
	479 Mhz	8
	3.5 GHz	0.58 *
<i>Karachi Telecom Region ("KTR")</i>	450 Mhz	176
	479 Mhz	31
<i>Southern Telecom Region-V ("STR-V")</i>	1.9 Ghz	79
	479 Mhz	11
	3.5 GHz	0.58 *
Total commitment		2417.22

* At base price

WTPL has recently signed equipment supply and service contract with Samsung Electronics Co., Limited, a company incorporated under the laws of Korea for Code Division Multiple Access ("CDMA") system and is making necessary arrangements for its roll out plans.

WTPL will provide local, NWD & ISD telephony using wireless infrastructure to meet or exceed the quality of service parameters and guidelines prescribed by the PTA. NWD & ISD access will be provided through interconnect agreement

with LDI operator. WTPL using WLL technology will offer limited mobility to its users so that they can roam within a specified range. It can offer all the services that cellular operator provide within a certain area at competitive rates since the call rates will be based on fixed line rates without any airtime charges. Data services can also be offered in the future using the same infrastructure.

Currently there are no WLL operators in the rest of Pakistan, thus the services offered by WTPL will be prominent. The main product will be Voice Services but it will be supported by other products like Short Messaging Services ("SMS"), Multimedia Messaging Services ("MMS"), Push to Talk ("PTT"), Cellular Digital Packet Data ("CDPD"), etc for customers who require these value added services. WTPL infrastructure and equipment will support the provisions of new services that are currently not available in the market and will be positioned as a "Convenient Telephonic Service Provider" with "Limited Mobility".

WTPL intends to obtain market penetration by offering connectivity at rates that are comparable or lower than PTCL's prevailing charges. WTPL can take advantage of lower operating costs and influence wireless infrastructure to gain market share by providing economically priced services. WTPL will focus on not only the major areas (within the prescribed PTA rollout obligations) but also on providing rural telephony to take advantage of the Universal Service Fund ("USF") to promote telecom infrastructure in the rural areas being offered by the PTA. In addition, WTPL will also be entitled to receive Access Promotion Charges ("APC") on international call termination from Long Distance International ("LDI") operators. The initial project cost is estimated around USD 83 million comprising of around USD 42 million equity (including equity through Pre-IPO/IPO) and balance as debt.

WTL was awarded the LDI license and while another group company WTPL also has successfully bid and won spectrum in all 14 telecom regions for WLL services for which license shall be issued shortly. Utilizing the above licenses WorldCALL will offer LDI and WLL services to customers across Pakistan. Additionally WorldCALL Group is undertaking Long Haul project to provide infrastructure to its LDI project as well as offer backbone services to other operators as a network provider. Certain strategic investors and potential debt providers have asked the management of WorldCALL Group to consolidate the LDI, LH and WLL projects into one Company, preferably, WTL, to offer a comprehensive basic telephony services and leverage the synergies that will be available by such an exercise. The principal reason for this demand is interlinked businesses and services of the projects and related potential issues with respect to pricing of their respective services as associated companies. Further, this will also provide assured revenues from own operations, innovative packaging and bundling, discounted tariff structuring, range of potential customers, synergy of operations, service provider with network ownership, covered services with large capital base, taxation advantages, times saving, faster decision making and enhanced HR efficiencies. In view of the said requirement, the management wishes to request approval of the shareholders of the Company to approve transfer of investment from WTPL to WTL. However, any such transfer will not be effected unless appropriate approvals and consents are in place from the shareholders, lenders and creditors, and regulators of both WTL and WTPL.

First Capital Investments Limited ("FCIL")

FCIL was incorporated on October 27, 1994 as a private limited company under the provisions of Companies Ordinance, 1984. FCIL was registered as an Investment Advisory company under the Investment Companies and Investment Advisers' Rules, 1971 to provide investment advisory services. FCIL manages First Capital Mutual Fund Limited ("Investment Company" or "FCMF"). Recently, the status of FCIL has been changed to public limited company. The Authorized Share Capital of FCIL is Rs. 40 million, which is divided into 4,000,000 ordinary shares of Rs. 10/- each. The paid up capital of FCIL is Rs. 31.50 million divided into 3,150,000 ordinary shares of Rs. 10/- each.

Pakistan's equity markets are witnessing a bull-run that has resulted in the market breaching its previous all-time high levels and as a result has established new all-time highs. The KSE 100 index has risen to its highest points since the beginning of the historic bullish trend in January 2003. Several factors have contributed towards this bull-run including the structural changes that have occurred in Pakistan's stock markets which includes but not limited to improvement in the public sector reforms, development of financial markets, increase in direct foreign investments, improvement in

inward foreign exchange remittances, improvement in law & order conditions, spectacular decrease in the interest rates on deposits by banks, active participation in stock market by banking companies etc. Because of the above and other related reasons the stock markets remained bullish and this tendency is envisaged to remain intact in the foreseeable future. The Company intends to invest upto Rs. 10 million in FCIL. It is expected that all the benefits accrued to FCIL on managing FCMF will become part of the returns to the Company.

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 Extraordinary General Meeting of the Company to be held on October 30, 2004.

1. INVESTMENTS TO BE MADE BY THE COMPANY

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

The following are the material facts about the proposed special resolutions:

(i) Name of the investee company	WorldCALL Telecom Limited ("WTL")
(ii) Nature, amount and extent of investment	Long term investment in share capital of WTL upto Rs. 120 million.
(iii) Average market price of the shares intended to be purchased during preceding six months in case of listed companies	Not applicable (un-listed public company)
(iv) Break-up value of shares intended to be purchased on the basis of last published financial statements	Rs. 10/- per shares. WTL has not yet started its commercial operations.
(v) Price at which shares will be purchased	At par Rs. 10/- for each ordinary share
(vi) Earning per share of the investee company in last three years	WTL has not started yet its commercial operations hence no profit and loss account is prepared for the year ended June 30, 2004.
(vii) Source of funds from where shares will be purchased	Cash resources from operations and through debt financing.
(viii) Period for which investment will be made	As a long term investment.
(ix) Purpose of Investment	Utilization of the Company's available cash resources for better future returns to shareholders. The purpose of this investment is to ensure lucrative returns to its shareholders by utilization of Company's available resources.

- (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. In addition, the prospects of telecommunication growth and development are bright in Pakistan and the Government of Pakistan is deeply committed to the ideals of deregulation, liberalization and in promoting Pakistan as an investor-friendly country. New opportunities through deregulation of Pakistan's telecommunications sector and IT infrastructure have enabled WorldCALL Group of Companies ("WorldCALL Group") to diversify its services all across Pakistan. No other private sector entity has such diversified interests within the telecom sector and, an almost all encompassing network of services ensures that in the current deregulation scenario WorldCALL Group becomes a dominant force in the near future. All the benefits accrued to WTL on the services provided will become part of the returns to the Company 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 that what has been disclosed under the section "Interest of Directors and their Relatives".

- (i) **Name of the investee company** **WorldCALL Telephony (Pvt.) Limited ("WTPL")**
- (ii) **Nature, amount and extent of investment** Long term Investment in Share Capital of WTPL upto Rs. 100 million. This investment shall be transferred to WTL subject to necessary regulatory and lenders/ creditors' approvals and consents. However, in case of the required approvals and consents of the regulators, and or/lenders/creditors are not available or cannot be obtained within the time frame as may be allowed by the strategic investors and major lenders, for any reason whatsoever, the above mentioned investments shall be made in the share capital of WTPL and no transfer to WTL will be effected.
- (iii) **Average market price of the shares intended to be purchased during preceding six months in case of listed companies** Not applicable (private limited company)
- (iv) **Break-up value of shares intended to be purchased on the basis of last published financial statements** Rs. 10/- per share for the year ended June 30, 2004. WTPL was incorporated on March 26, 2004 and has not started its commercial operations yet.
- (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** WTPL was recently incorporated on March 26, 2004 and has not yet started its commercial operations.

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(vii) Source of funds from where shares will be purchased	Surplus cash resources from operations and through debt financing.
(viii) Period for which investment will be made	As a long-term investment.
(ix) Purpose of Investment	The purpose of this investment is to ensure lucrative returns to its shareholders by utilization of Company's available resources.
(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. In addition, the prospects of telecommunication growth and development are bright in Pakistan. New opportunities through deregulation of Pakistan's telecommunications sector and IT infrastructure have enabled WorldCALL Group of Companies ("WorldCALL Group") to diversify its services all across Pakistan. No other private sector entity has such diversified interests within the telecom sector and, an almost all encompassing network of services ensures that in the current deregulation scenario WorldCALL Group becomes a dominant force in the near future. All the benefits accrued to WTPL will become part of the returns to the Company 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 that what has been disclosed under the section "Interest of Directors and their Relatives".

(i) Name of the investee company	First Capital Investments Limited ("FCIL")		
(ii) Nature, amount and extent of investment	Long term investment in share capital of FCIL upto Rs. 10 million subject to the necessary approvals where required.		
(iii) Average market price of the shares intended to be purchased during preceding six months in case of listed companies	Not applicable as FCIL is unlisted public company		
(iv) Break-up value of shares intended to be purchased on the basis of last published financial statements	30-06-2004		
	Rs. 10.17		
(v) Price at which shares will be purchased	At par Rs. 10/- for each ordinary share		
(vi) Earning per share of the investee company in last three years	30-06-2004 1.41	30-06-2003 1.04	30-06-2002 (0.62)
(vii) Source of funds from where shares will be purchased	Available cash resources and the future internal cash generation from the profitable operations of Company.		
(viii) Period for which investment will be made	As a long term investment.		
(ix) Purpose of Investment	Utilization of the Company's available cash resources for		

better future returns to shareholders. Further, Pakistan' equity markets are witnessing a bull-run that has resulted in the market breaching its previous all-time high levels and as a result has established new all-time highs. The KSE 100 index has risen to its highest points since the beginning of the historic bullish trend in January 2003. The equity markets have experienced growth and change in response to users' desires for better services, greater efficiency, more competitive prices and better returns.

(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 for better future returns to shareholders. In addition due to the growth in the equity market of Pakistan, all the benefits accrued to FCIL through managing FCMF will become part of the returns of the Company.

(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 that what has been disclosed under the section "Interest of Directors and their Relatives".

2. PLACEMENT OF QUARTERLY ACCOUNTS OF THE COMPANY'S WEBSITE

Under section 245 of the Companies Ordinance, 1984 (read with various circulars and notifications issued from time to time) the listed companies are required to prepare and either transmit their quarterly accounts by post to the shareholders or publish the same in the leading daily newspapers.

The Securities and Exchange Commission of Pakistan ("SECP") vide its Circular No. 19 of 2004 issued vide letter No. CLD/D-II/51/2003 dated April 14, 2004 has now decided that the requirements of section 245 of the Companies Ordinance, 1984 would be treated as complied with (subject to the fulfillment of certain conditions including seeking the consent of its shareholders in general meeting as mentioned in the above referred circular) if the quarterly accounts are placed on the company's website.

In order to ensure timely availability of the information to the stakeholders and save the cost of printing and dispatching of quarterly accounts, the Board of Directors has recommended (subject to the approval of SECP and relevant Stock Exchanges) to place quarterly accounts on Company's website instead of circulating the same by post to the shareholders.

The Directors are not interested in this business except as shareholders of the Company.

INSPECTION OF DOCUMENTS

Copies of Memorandum and Articles of Association, Statement under section 160(1)(b) of the Companies Ordinance, 1984, Companies Ordinance 1984, De-Regulation Policy for the Telecommunication Sector, SECP's Circular No. 19 of 2004 dated April 14, 2004, annual and quarterly accounts alongwith all published or otherwise required accounts of all prior periods of the Company and the investee companies as may be applicable in each case along with the financial projections of the investee company including the Company and other related information of the Company, 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 Dir./CEO	As at 07-10-2004		As at 07-10-2004		As at 07-10-2004	
	Status in the Company	Shares in the Company	Status in the WTL	Shares in WTL	Status in FCIL	Shares in FCIL
1 Mian Ehsan ul Haq	CEO/Dir.	1,200	Director	500	-	-
2 Muhammad Faisal Potrik	Director	1,200	-	-	-	-
3 Ali Nayyar	Director	1,200	-	-	-	-
4 Mazhar Abbas	Director	1,200	-	-	-	-
5 Ahsan Zia	Director	1,200	-	-	-	-
6 Farooq Bin Habib	Director	1,200	-	-	-	-
7 Muhammad Zubair Khalid	Director	1,200	-	-	-	-

MISSION STATEMENT

Our mission is to strive to become the **LEADING INVESTMENT AND FINANCIAL SERVICES 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 INVESTMENT AND FINANCIAL SERVICES 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 SHARE HOLDERS

The Directors of the Company are pleased to present the annual report of the Company for the year ended June 30, 2004, along with the audited accounts of the Company and their report thereon.

MARKET REVIEW

The market, during the period under review continued its upsurge and registered an improvement of 57 % during the period under review. The KSE 100 index touched its high at 5621 in April 2004. Average trading volumes were 369 million shares and peaked at 1,122 million shares in the same month.

The upsurge in the market was driven by investment friendly policies of the Government, improving international image of the country, economic prosperity and number of new companies coming in the market.

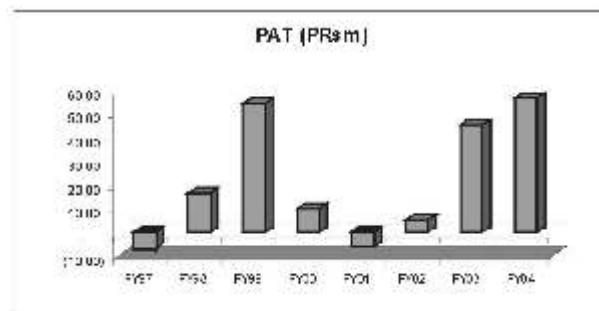
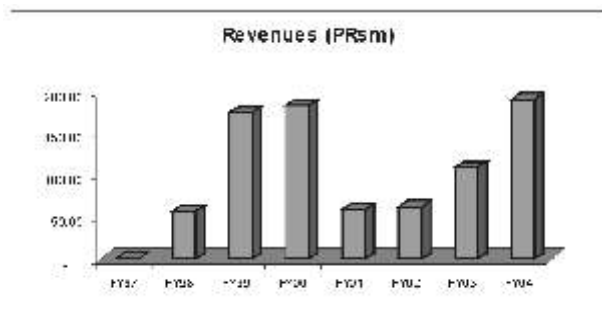
During the period under review, IPOs of Oil & Gas Development Corporation, Bank Alfalah, Pakistan Capital Market Fund and secondary offerings of National Bank, Sui Southern Gas Company and PIA together with some new Mutual Funds coming in the market enhanced the capital base of the market and providing new avenues for investment, attracting new investment in the market and hence strengthening the market leading it towards the historic high level.

Effective fund management of your Company and pro-active investment strategies of the Company resulted in improved profitability of your Company.

FINANCIAL PERFORMANCE

During the period under review, your Company earned a record profit after tax of Rs. 55.71 million against Rs. 45.38 million during the same period last year, showing an improvement of 23%. The improvement in profits is mainly on account of improvement in the market, aggressive sales and marketing activities undertaken by your company, which have resulted in enhanced clientele and investment base of your Company. Pro-active investment strategies by our professional staff have resulted in record high revenues of Rs. 189.04 million registering a growth of 61 % against the same period last year.

Brokerage Income registered an improvement of 37% amounting to Rs. 122.48 million against Rs. 89.30 million of the previous year. During the year, your Company capitalized on the boom at the stock market and recognized capital gains of Rs. 61.10 million as compared to Rs. 10.6 million during last year, registering an improvement of 5 folds.



FUTURE OUTLOOK

With the growth in economy continuing, Government's privatization policy, investment friendly budget and new companies coming into the market enhancing the capital-base of the market, the long-term direction of the market seems to be positive.

The imposition of the capital value tax on the investments in the equity market in the federal budget for 2004-05, is likely to put pressure on investors. The cvt has resulted in declining trading volumes since July 2004 and has hurt traders. The broker community, in continuous negotiations with the Government, had succeeded in modifications in the tax and is still on the table with the Government for the abolition of the tax.

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

CODE OF CORPORATE GOVERNANCE

As required under the Code of Corporate Governance we as Board of directors state that;

- The financial statements represent the true and fair view of the Company's operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements while adopting the International Accounting Standard 39 & International Accounting Standard 19. Accounting estimates (if any) are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan have been followed in preparation of financial statements and any departure therefrom (if any) has been adequately disclosed.
- Adequate system of internal control is designed and being effectively implemented and monitored by the management.
- There are no significant doubts upon the company's ability to continue as a going concern.

There has been no material departure from the best practices of Corporate Governance, as provided in the listing regulations.

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 result 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 six years company performance chart is attached.

PAYOUT FOR SHAREHOLDERS

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

STATUTORY PAYMENTS

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 finalized the appeal for the assessment year 2000-2001 by partially set aside the appeal of the assesee 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 u/s 52, 88 & 89 of the income tax ordinance, 1979 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.

DIRECTORS' MEETINGS DURING THE YEAR

Six Board meetings were held during the year. The attendance of each director at the meetings of the Board of Directors is as per Annexure I.

PATTERN OF SHAREHOLDING

The pattern of shareholding as required under section 236 of the Companies Ordinance, 1984 and Listing and Regulations of the Stock Exchange are enclosed.

TRADING BY THE DIRECTORS ETC.

During the financial year, the trading in shares of the company by Directors, CEO, CFO, Company Secretary and their Spouses and minor Children is shown in Annexure II.

EARNINGS PER SHARE

Earnings per share for the year ended June 30, 2004 was Rs. 3.06 as compared to Rs.2.50 in the last year.

DIRECTORS

Since the last report, there has been changes in the composition of the Board. During the period, Mr. Akbar Naqi has resigned from the Board of Directors and Mr. Farooq Bin Habib has been appointed in his place. Subsequent to the year end Mr. Khurram Hanif has also resigned from the Board of Directors of the Company and Mr. Muhammad Faisal Potrik has been appointed as Director in his place. Currently the Company has seven directors on its Board.

AUDIT COMMITTEE

The Board of Directors in compliance with the code of corporate governance has established an Audit Committee consisting of following directors.

Ali Nayyar	Chairman
Mian Ehsan ul Haq	Member
Muhammad Zubair Khalid	Member

AUDITORS

The present auditors M/s. Nasir Javaid Maqsood (Chartered Accountants) have retired. The Board of Directors, on recommendation of audit committee, have recommended the reappointment after rotating the partner incharge of M/s. Nasir Javaid Maqsood (Chartered Accountants), subject to the approval by Securities & Exchange Commission of Pakistan.

HOLDING COMPANY

The Company's Holding Company is First Capital Securities Corporation Limited, a company incorporated in Pakistan, having its registered office at 103-C/II, Gulberg-III, Lahore.

SUBSIDIARY COMPANY

During the year, First Capital Equities Limited (FCEL) has acquired 61,200 shares (51%) of Equity Partners Securities Limited (EPSL) Dhaka, Bangladesh at a price of tk. 112/- per share amounting to tk. 6.85 million equivalent to US\$118,180/-. EPSL is a member of the Dhaka Stock Exchange (DSE) as well as the Chittagong Stock Exchange (CSE). The purpose of this investment is to expand international operations and have a presence in a market that is expected to grow rapidly for better future returns to company's shareholders.

ACKNOWLEDGMENT

The Board of Directors wish to place on record their thanks and appreciation to all our shareholders for the trust and confidence reposed in us and sincere gratitude to all our clients and banks for their invaluable guidance and support at all times. Finally, we would like to thank the Securities and Exchange Commission of Pakistan and Lahore Stock Exchange (Guarantee) Limited for their continued guidance and constant improvement on regulation.

We acknowledge the hard work, motivation, professional skill and positive efforts of all the staff members.

FOR AND ON BEHALF OF THE BOARD

Lahore:
Dated: October 06, 2004

Mian Ehsan ul Haq
Chairman and Chief Executive

SEVEN YEARS AT GLANCE

Financial Highlights

	FY 04	FY 03	FY 02	FY 01	FY 00	FY 99	FY 98
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(R u p e e s i n m i l l i o n)

Income Statement

Revenues	189.04	118.88	62.29	58.58	182.91	174.86	56.30
Expenses	131.87	70.56	56.81	61.91	169.47	114.93	39.66
Profit before tax	57.17	48.32	5.48	(3.33)	13.44	59.92	16.64
Profit after tax	55.71	45.38	5.25	(5.63)	9.94	54.32	16.45

Balance Sheet

Paid up capital	240.07	120.04	120.04	120.04	100.04	100.04	100.04
Shareholders' equity	361.65	185.90	140.52	135.27	140.91	130.97	112.91
Liabilities	398.82	112.91	73.30	28.78	98.81	468.06	290.64
Total assets	760.48	298.81	213.83	164.05	239.72	599.03	403.55
Investments - Cost	244.72	16.19	11.35	4.57	0.15	2.14	0.47
Investments - Mkt Price	238.88	23.10	11.41	4.51	0.39	2.03	0.24

Ratios

Earning per share (Rs.)	3.06	3.78	0.44	(0.47)	0.99	5.43	1.64
Break up value (Rs.)	15.06	15.48	11.71	11.27	14.09	13.09	10.66
Return on Equity (%)	15.40	24.41	3.74	(4.16)	7.05	41.48	14.57

Payout (%)

Cash	-	-	-	-	-	30	15
Bonus	-	-	-	19.99	-	-	-

Annexure - I

**Statement showing attendance of board meetings
from July 01, 2003 to June 30, 2004**

S. No.	Name	Attended	Leave Granted
1	Mian Ehsan ul Haq (CEO)	6	-
2	Khurram Hanif	6	-
3	Mazhar Abbas	6	-
4	Ali Nayyar	6	-
5	Muhammad Zubair Khalid	6	-
6	Ahsan Zia	6	-
7	Farooq Bin Habib	-	-
8	Akbar Naqi (Resigned)	6	-
9	Aamer Nasim Chishti (Resigned)	-	-

Annexure - II

**Statement showing shares bought and sold by Directors, CEO, CFO
and Company Secretary and their Spouses and minor children
from July 01, 2003 to June 30, 2004**

Opening Balance as on July 01, 2003	Purchase	Shares Sold	Closing Balance as on June 30, 2004
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Directors

Mian Ehsan ul Haq (CEO)	600	600	-	1200
Khurram Hanif	600	600	-	1200
Mazhar Abbas	600	600	-	1200
Ali Nayyar	600	600	-	1200
Muhammad Zubair Khalid	600	600	-	1200
Ahsan Zia	-	1200	-	1200
Farooq Bin Habib	-	1200	-	1200
Akbar Naqi (Resigned)	600	600	1200	-
Aamir Nasim Chishti (Resigned)	600	-	600	-

Spouses

-	-	-	-
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Minor Children

-	-	-	-
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Chief Financial Officer

Mazhar Abbas	600	600	-	1200
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Company Secretary

Akbar Naqi	600	600	1200	-
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Statement of Compliance with the Code of Corporate Governance For the year ended June 30, 2004

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 the following manner:

- 1) The board of directors comprise of seven directors. The Company encourages representation of independent non-executive directors on its board. At present the board includes at least 2 independent non-executive director.
- 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 a competent jurisdiction as a defaulter in payment of any loan to a banking company, a DFI or an 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 include 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 personnel who are conversant with the policies and procedures of the Company.
- 18) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of Board

Lahore
Dated: October 06, 2004

Mian Ehsan ul Haq
Chief Executive Officer

**REVIEW REPORT TO THE MEMBERS
ON STATEMENT OF COMPLIANCE WITH THE 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 Regulation of the Lahore Stock Exchange (Guarantee) Limited, 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 effective as at June 30, 2004.

Place: LAHORE
Dated: October 06, 2004

Nasir Javaid Maqsood
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **FIRST CAPITAL EQUITIES LIMITED** as at June 30, 2004 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 purpose of our audit.

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the 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.

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 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 accounts 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;
 - (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 the 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, 2004, 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.

Place: LAHORE
Dated: October 06, 2004

NASIR JAVAID MAQSOOD
CHARTERED ACCOUNTANTS

BALANCE SHEET

AS AT JUNE 30, 2004

	Notes	2004 (Rupees)	2003 (Rupees)
NON - CURRENT ASSETS			
Tangible Fixed Assets	3	18,044,366	23,259,782
Cost of Cards and Rooms	4	56,507,500	56,200,000
Long Term Investments	5	7,098,169	-
Long Term Deposits	6	2,241,850	1,458,936
		83,891,885	80,918,718
CURRENT ASSETS			
Accounts receivable	7	278,184,970	129,852,698
Investments held for trading	8	238,877,712	23,101,031
Advances, deposits, prepayments and other receivables	9	47,894,253	37,201,845
Cash and bank balances	10	111,622,525	27,732,581
		676,579,460	217,888,155
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease	16	195,134	61,293
Accounts payable	11	307,343,350	95,339,911
Short term running finance	12	66,973,597	-
Creditors, accrued and other liabilities	13	10,936,969	7,224,989
Provision for taxation		7,658,899	5,254,657
		393,107,949	107,880,850
WORKING CAPITAL		283,471,512	110,007,305
CAPITAL EMPLOYED		367,363,397	190,926,023
NON - CURRENT LIABILITIES			
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	16	574,324	36,151
DEFERRED LIABILITIES	14	5,145,690	4,988,481
NET CAPITAL EMPLOYED		361,643,383	185,901,391
REPRESENTED BY:			
SHARE CAPITAL & RESERVES			
Share Capital	15	240,070,000	120,035,000
Unappropriated Profit		121,573,383	65,866,391
		361,643,383	185,901,391
CONTINGENCIES AND COMMITMENTS	17	-	-
		361,643,383	185,901,391

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

Director

PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2004

	Notes	2004 (Rupees)	2003 (Rupees)
OPERATING REVENUE			
Brokerage Income		122,476,863	89,303,875
Capital Gain		61,100,215	10,600,160
(Loss)/Gain on remeasurement of Investments held for trading as at 30 June	8	(12,068,788)	6,911,781
		171,508,290	106,815,816
OPERATING EXPENSES	18	109,873,685	69,522,033
OPERATING PROFIT		61,634,605	37,293,783
FINANCIAL EXPENSES	19	2,370,970	960,749
NET OPERATING PROFIT		59,263,635	36,333,034
OTHER INCOME	20	5,233,086	9,235,684
		64,496,721	45,568,718
SHARE IN PROFIT OF SUBSIDIARY COMPANY		233,093	-
		64,729,814	45,568,718
OTHER EXPENSES	21	7,558,745	(2,751,320)
PROFIT BEFORE TAXATION		57,171,069	48,320,038
TAXATION	22	1,464,077	2,942,820
PROFIT AFTER TAXATION		55,706,992	45,377,218
ACCUMULATED PROFIT BROUGHT FORWARD		65,866,391	20,489,173
PROFIT AVAILABLE FOR APPROPRIATION		121,573,383	65,866,391
APPROPRIATION		-	-
ACCUMULATED PROFIT CARRIED FORWARD		121,573,383	65,866,391
Earning per share - Basic	23	3.06	2.50

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

Director

CASH FLOW STATEMENT

For the year ended June 30, 2004

	Note	2004 (Rupees)	2003 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Funds generated from operations			
Profit before taxation		57,171,069	48,320,038
Add: Items not involved in movement of funds			
Depreciation		3,192,822	3,678,539
Share in profit from subsidiary company		(233,093)	-
Loss / (Gain) on remeasurement of investments		12,068,788	(6,911,781)
Provision for doubtful debts		611,804	(2,107,449)
Dividend Income		(1,944,481)	(2,523,768)
Interest / Mark-up income		(1,103,787)	(1,187,450)
Interest / Mark-up expense		1,352,377	369,480
Loss / (Gain) on sale of fixed assets		46,954	(2,928,581)
Assets written off		7,465,719	103,080
Provision for gratuity		1,449,074	1,527,926
		22,906,177	(9,980,004)
		80,077,246	38,340,034
(Increase) / decrease in current assets			
Investments held for trading		(227,845,469)	(4,777,965)
Accounts receivable		(148,944,076)	(96,651,008)
Advances, deposits, prepayments and other receivables		(10,620,915)	(3,926,942)
		(387,410,460)	(105,355,915)
Increase / (decrease) in current liabilities			
Accounts payable		212,003,439	64,293,782
Creditors, accrued and other liabilities		2,389,868	(12,618,280)
		214,393,307	51,675,502
Cash Generated from Operations		(92,939,907)	(15,340,378)
Dividend received		1,944,481	2,523,768
Interest / Mark-up received		1,032,294	1,302,508
Interest / Mark-up paid		(30,265)	(779,045)
Gratuity Paid		(351,700)	(1,028,650)
Taxes Paid		-	(13,976,201)
Net Cash Flow from Operating Activities		(90,345,097)	(27,297,998)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of fixed assets		(8,492,052)	(5,302,158)
Proceeds from sale of fixed asset		3,001,971	17,205,480
Long term investments		(6,865,076)	-
Cost of cards & rooms		(307,500)	-
Long term deposits		(782,914)	688,654
Net Cash Flow From Investing Activities		(13,445,571)	12,591,976
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment against lease finance		(74,985)	(1,604,076)
Proceeds from finance lease		747,000	69,000
Issuance of Share Capital		120,035,000	-
Short term running finance		66,973,597	(14,247,836)
Net Cash Flow From Financing Activities		187,680,612	(15,782,912)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		83,889,944	(30,488,934)
CASH AND CASH EQUIVALENTS - OPENING		27,732,581	58,221,515
CASH AND CASH EQUIVALENTS - CLOSING	10	111,622,525	27,732,581

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2004

PARTICULARS	Share Capital	Unappropriated Profit	Total
	(Rupees)	(Rupees)	(Rupees)
Balance as at June 30, 2002	120,035,000	20,489,173	140,524,173
Profit for the year	-	45,377,218	45,377,218
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

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

Director

NOTES TO THE ACCOUNTS

For the year ended June 30, 2004

1. STATUS AND NATURE OF BUSINESS

First Capital Equities Limited, (the "Company") was incorporated 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Accounting Convention

These accounts have been prepared under the historical cost convention, except for the investments held for trading, which are stated at their fair value.

2.2 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 the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence.

2.3 Tangible Fixed Assets

Owned Assets

- i) Fixed assets are stated at cost less accumulated depreciation.
- ii) Depreciation is charged on the reducing balance method at the rates specified in the schedule of fixed asset, which are considered appropriate to write off the cost of assets over their useful economic lives.
- iii) Full year's depreciation is charged on the assets acquired during the year while no depreciation is charged in the year of disposal.
- iv) Gain or loss on disposal of assets, if any, are determined by comparing the sales proceeds with the carrying value and are included in income currently.
- v) Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.

Leased Assets

- i) Assets subject to finance lease are stated at cost less depreciation at the rates and basis applicable to company's owned assets. The outstanding obligations under the lease less finance charges allocated to future periods are shown as a liability;
- ii) The finance charges are calculated at the interest rates implicit in the lease and are charged to income.

2.4 Room and Membership Card

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

2.5 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, which are acquired principally for the purposes of generating a profit from short term fluctuations in price or dealer's margins, are classified as held for trading. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account.

2.6 Revenue Recognition

- i) Brokerage income is recognized as and when services are provided.
- ii) Capital gains or losses on sale of investments are taken to income in the year in which they arise.
- iii) Dividend income is recognized at the time of book closure of company declaring dividend.
- iv) Mark-up/interest income is recognized as and when it is due on accrual basis

2.7 Trade & Other Receivables

These are stated at net of provisions, if any, for doubtful debts. Full provision is made against the debts considered doubtful.

2.8 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 provided by using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and liabilities and their carrying amounts. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits, if any, to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses and unused tax credits can be utilised.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted at the balance sheet date.

2.9 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. Exchange differences are included in income currently.

2.10 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, 2004 using projected unit credit method and in line with the provisions of the Income Tax Ordinance, 2001.

Actuarial gains and losses that are in excess of the corridor limits as prescribed in IAS-19 "Employee Benefits" are amortized over the average remaining working lives of the employees participating in the plan. (Refer Note-14)

2.11 Financial Instruments

Financial assets mainly comprise investments, long term deposits, accounts receivables, advances, deposits & other receivables, cash and bank balances. These apart from certain investments are stated at their nominal value as reduced by the appropriate allowances for estimated irrecoverable amount. Investments held for trading are stated at their fair value.

Financial liabilities are classified according to the substance of the contractual arrangements entered into significant financial liabilities are obligations under lease finance, running finance, accounts payables, creditors, accrued and other liabilities. These are stated at their nominal value.

2.12 Offsetting of Financial Assets and Financial Liabilities.

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

2.13 Provisions

A provision is recognized 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.

2.14 Borrowing Costs

All borrowing costs are charged to profit and loss account.

2.15 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.

3 TANGIBLE FIXED ASSETS

3.1 Following is the statement of operating fixed assets.

Particulars	COST			Depreciation			Written down value as at June 30, 2004	Depreciation Rate	Depreciation charged for the year
	As at June 30, 2003	Additions/Transfers/(Deletions)	As at June 30, 2004	Accumulated as at June 30, 2003	Adjustments/(Deletions)	Accumulated as at June 30, 2004			
	(Rupees)							%	(Rupees)
OWNED ASSETS									
Leasehold Improvements	4,718,506	1,376,538 (3,582,391)	2,512,653	1,192,336	- (941,502)	363,925	2,148,728	5	113,091
Computers (Transferred from Leased assets)	11,887,164	751,924 53,900 (9,258,425)	3,434,563	7,429,220	- 26,303 (6,345,247)	1,575,133	1,859,430	20	464,857
Office Equipments (Transferred from Leased assets)	11,163,992	618,698 196,000 (5,553,526)	6,425,164	3,571,508	- 60,425 (2,101,692)	2,019,733	4,405,431	10	489,492
Furniture and Fixtures	4,067,816	77,392 (761,451)	3,383,757	1,424,624	- (299,370)	1,351,104	2,032,653	10	225,850
Vehicles	10,347,926	4,920,500 (3,087,268)	12,181,158	5,526,306	- (2,040,604)	5,224,793	6,956,365	20	1,739,091
	42,185,404	7,994,952 (22,243,061)	27,937,295	19,143,994	60,425 (11,728,415)	10,534,689	17,402,606		3,032,382
LEASED ASSETS									
Computers (Transferred to Freehold assets)	53,900	- (53,900)	-	26,303	- (26,303)	-	-	20	-
Office Equipments (Transferred to Freehold assets)	196,000	- (196,000)	-	60,425	- (60,425)	-	-	10	-
Vehicles	69,000	747,000	816,000	13,800	-	174,240	641,760	20	160,440
Total	42,504,304	8,741,952 (22,492,961)	28,753,295	19,244,522	60,425 (11,788,840)	10,708,929	18,044,366		3,192,822
2003	54,941,128	9,747,158 (22,183,982)	42,504,304	18,924,984	1,653,561 (5,012,562)	19,244,522	23,259,782		3,678,539

3.2 Disposal of Fixed Assets

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit / (Loss)	Mode of Sale	Particulars of Buyers
(R u p e e s)							
Computers	1,770,447	1,322,723	447,724	97,171	(350,553)	Negotiations	T.W. Computers - Lahore
Computers	65,800	39,446	26,354	5,500	(20,854)	Negotiations	Global Tec - Islamabad
Office Equipments	125,000	33,875	91,125	28,000	(63,125)	Negotiations	Power ware Technology - Karachi
Leasehold Improvements	3,582,391	941,502	2,640,889	-	(2,640,889)	Written Off	
Office Equipments	2,948,526	1,052,233	1,896,293	-	(1,896,293)	Written Off	
Computers	7,422,178	4,983,078	2,439,100	-	(2,439,100)	Written Off	
Furniture and Fixtures	761,451	299,370	462,081	-	(462,081)	Written Off	
Vehicle - Accessories (Air Conditioner)	37,788	10,432	27,356	-	(27,356)	Written Off	
Office Equipments	2,200,000	900,922	1,299,078	425,000	(874,078)	Negotiations	Standard Computers - Karachi
Office Equipments	280,000	114,663	165,337	13,700	(151,637)	Negotiations	Power ware Technology - Karachi
Vehicle	567,180	381,327	185,853	425,000	239,147	Negotiations	Assad Butt - (Executive)
Vehicle	672,000	396,749	275,251	525,000	249,749	Negotiations	Ijaz Ahmad Qureshi - Gujranwala
Vehicle	534,000	394,015	139,985	475,000	335,015	Negotiations	WorldCall Broadband Limited
Vehicles	1,276,300	858,082	418,218	1,007,600	589,382	Negotiations	Dawood Ahmad - Karachi
Total	22,243,061	11,728,417	10,514,644	3,001,971	(7,512,673)		
2003	17,738,982	3,359,003	14,379,979	17,205,480	2,825,501		

3.3 No assets were sold to Chief Executive, Directors, Executives & Associated undertaking and shareholders with not less than 10 % shares of the company unless other wise mentioned.

First Capital Equities Limited

	2004 (Rupees)	2003 (Rupees)
4. COST OF CARDS AND ROOMS		
Lahore Stock Exchange (Guarantee) Ltd.	11,000,000	11,000,000
Karachi Stock Exchange (Guarantee) Ltd.	33,200,000	33,200,000
Others (Rooms)	12,307,500	12,000,000
	56,507,500	56,200,000

5. LONG TERM INVESTMENTS

Subsidiary Company

Equity Partners Securities Limited - Foreign Entity

61,200 ordinary shares @ Bangladeshi Taka 112/-
(Pak Rs. 112.1744) - Equity Held 51 %

6,865,076

-

Share of Profit

233,093

-

7,098,169

-

During the year, the company has acquired 61,200 shares (51 %) of Equity Partners Securities Limited (EPSL), Dhaka, Bangladesh. EPSL is a private limited company incorporated in Bangladesh on May 2000. EPSL has corporate membership of Dhaka Stock Exchange and Chittagong Stock Exchange.

6. LONG TERM DEPOSITS

Leasing Companies	193,650	31,590
Stock Exchanges	1,235,000	855,000
Central Depository Company	250,000	400,000
Others	563,200	172,346
	2,241,850	1,458,936

7. ACCOUNTS RECEIVABLE

Receivable against purchase of shares

Unsecured considered good

Clients

224,687,303

45,604,541

Members

2,718,271

2,312,484

Stock Exchanges

50,779,396

81,935,673

278,184,970

129,852,698

Unsecured considered doubtful:

Clients

35,087,253

34,487,594

Members

2,344,757

2,344,757

37,432,010

36,832,351

Less: Provision for doubtful debts

(37,432,010)

(36,832,351)

-

-

278,184,970

129,852,698

8. INVESTMENTS HELD FOR TRADING

2004						2003					
Quantity	COST		MARKET			Quantity	COST		MARKET		
	Rate	(Rupees)	Rate	(Rupees)	Rate		(Rupees)	Rate	(Rupees)		

ASSOCIATED - LISTED

First Capital Mutual Fund Ltd.	10,000	6.75	67,500	6.85	68,500
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OTHERS - LISTED

FUEL & ENERGY

Karachi Electric Supply Corporation	5,000	7.35	36,750	7.40	37,000					
Attock Refinery Limited	30,000	88.50	2,655,005	91.50	2,745,000					
Bosicar Pakistan Limited	209,500	21.40	4,483,300	22.95	4,808,025					
Pakistan State Oil Company Limited	800	252.25	201,800	256.75	205,400					
OGDC	400,000	69.17	27,667,180	64.50	25,800,000					
Pak Oil Field Ltd.	8,000	285.20	2,281,577	208.50	1,668,000	14,000	219.50	3,073,000	225.20	3,152,800
Sui Northern Gas Pipelines Ltd.	2,000	70.00	140,000	64.70	129,400					

INVEST. CO's, LEASING & BANKS

19th ICP Mutual Fund Ltd.	125	19.25	2,406	19.25	2,406					
Al Mezan Mutual Fund Ltd.	20,000	14.70	294,000	15.45	309,000					
BSJS Balance Fund Ltd.	33,500	12.91	432,325	12.95	433,825					
Faysal Balance Growth Fund Ltd.	25,000	100.00	2,500,000	100.00	2,500,000					
Muslim Commercial Bank Ltd.	7,200	52.48	377,845	50.60	364,320					
National Bank of Pakistan Ltd.	150,000	65.29	9,793,136	66.45	9,967,500	5,000	27.80	139,000	27.30	136,500
Pakistan Capital Market Fund Ltd.	20,000	10.10	202,000	10.25	205,000					
Pakistan Premier Fund Ltd.	10,000	17.30	173,000	19.20	192,000					
PICIC	2,500	58.91	147,275	72.05	180,125					
Trust Commercial Bank Ltd.	10,000	10.85	108,500	11.30	113,000					
Dominion Stock Fund Ltd.	1,000	2.70	2,700	3.40	3,400					
First Tri Star Modarba	1,500	8.00	12,000	3.00	4,500					
First Punjab Modarba	-	-	-	-	-	8,000	5.30	42,400	7.50	60,000

TEXTILE

Colony Thal Textile Mills Ltd.	1,500	4.85	7,275	5.30	7,950					
Nishat Mills Ltd.	116,000	53.68	6,227,333	52.80	6,124,800	150	25.50	3,825	35.05	5,258
Data Textiles Ltd.	1,500	7.20	10,800	4.75	7,125					
Shaheen Cotton Mills Ltd.	500	9.00	4,500	9.00	4,500					
Sunrays Textile Mills Ltd.	-	-	-	-	-	500	15.50	7,750	17.00	8,500
Yousaf Weaving Mills Ltd.	-	-	-	-	-	22,500	7.00	157,500	6.00	135,000
Legler Nafees Denim Mills Ltd.	-	-	-	-	-	17,000	15.42	262,100	15.55	264,350

COMMUNICATION

WorldCall Communication Ltd.	5,241,791	14.72	77,147,723	14.20	74,433,432	1,041,791	9.60	10,000,000	15.20	15,835,223
Dewan Farooq Motors Ltd.	15,000	26.98	404,750	24.80	372,000	4,500	26.60	119,700	26.15	117,675
Callmat Tilips Telecom	10,000	15.40	154,000	15.25	152,500					
Indus Motor Company Ltd.	70,000	93.10	6,517,000	91.20	6,384,000					
P.I.A (c)	967,000	22.83	22,076,789	17.90	17,309,300	98,500	6.75	664,875	12.55	1,236,175
P.I.C.T	20,000	22.05	441,000	23.00	460,000					
Pakistan Tele Communication Ltd.	457,000	44.21	20,202,693	42.15	19,262,550					
TRG Pakistan Ltd.	65,000	17.05	1,108,250	17.25	1,121,250					

First Capital Equities Limited

CHEMICAL & PHARMA

PTA Pakistan Limited	231,500	16.05	3,715,575	17.35	4,016,525				
Engro Chemicals Ltd.	57,000	105.20	5,996,277	97.50	5,557,500				
Rupali Polyester Ltd.	25,000	45.00	1,125,000	44.20	1,105,000				
Sardar Chemicals Ltd.	5,000	8.10	40,500	8.30	41,500				

CEMENT

Zeal Pak Cement Ltd.	200,000	10.15	2,030,000	12.40	2,480,000				
Fauji Cement Company Ltd.	78,000	22.69	1,769,600	16.30	1,271,400				
Pioneer Cement Ltd.	20,000	16.00	320,000	20.10	402,000				
Maple Leaf Cement Ltd.	200,000	41.82	8,364,800	38.00	7,600,000				
Pakland Cement Ltd.	50,000	30.60	1,530,000	31.45	1,572,500				

SUGAR & ALLIED

Mirza Sugar	400	4.30	1,720	4.40	1,760				
Tandliwala Sugar Mills Ltd.	2,000	16.45	32,900	19.20	38,400				
United Sugar Mills Ltd.	1,000	13.95	13,950	13.50	13,500				

MISCELLANEOUS

Adamjee Insurance Co. Ltd.	12,500	64.55	806,875	67.20	840,000					
Baluchistan Glass Ltd.	10,000	12.90	129,000	13.05	130,500					
General Tyres Ltd.	50,000	44.50	2,225,000	46.00	2,300,000					
Haidery Construction Co. Ltd.	500	4.55	2,275	7.50	3,750					
JOV & Co. Ltd.	500	598.00	299,000	622.00	311,000					
Pak. Reinsurance Corp.	60,000	62.24	3,734,500	65.30	3,918,000	5,000	21.40	106,975	58.30	291,500
Marafco Industries Ltd.	5,500	7.00	38,500	9.15	50,325					
Macpack Films Ltd.	10,000	37.50	375,000	38.15	381,500					
Shaheen Insurance Co. Ltd.	1,268,500	24.89	31,576,581	24.00	30,444,000					
Salman Noman Enterprises Ltd.	1,000	6.03	6,025	7.00	7,000					
Atlas Battery Limited	-	-	-	-	-	500	80.35	40,175	86.00	43,000
Pak Leather	-	-	-	-	-	10,000	8.85	88,500	7.50	75,000
Commercial Union Life Assurance	-	-	-	-	-	15,000	14.60	219,000	17.10	256,500
Gillette Pakistan Limited	-	-	-	-	-	8,500	78.50	667,250	79.90	679,150
UTP Units	118	7,906.86	933,010	8,608.00	1,015,744	100	5,972.00	597,200	8,044.00	804,400
			250,946,500		238,877,712			16,189,250		23,101,031

(Loss) / Gain on account of remeasurement of

Investments to fair value (12,068,788) - 6,911,781 -

Investments as at 30 June. 238,877,712 238,877,712 23,101,031 23,101,031

First Capital Equities Limited

	<u>Notes</u>	<u>2004</u> <u>(Rupees)</u>	<u>2003</u> <u>(Rupees)</u>
9. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances : Unsecured - Considered Good			
Executives	9.1	4,520,046	1,177,477
Employees		252,239	365,125
Others		122,140	-
Due from Holding Company		4,119,366	-
Advance Income tax		29,585,967	27,111,529
Deposits		227,791	248,000
Prepayments		1,493,415	1,089,578
Other receivables			
- Mark up		557,893	486,400
- Others		7,015,396	6,723,736
		<u>47,894,253</u>	<u>37,201,845</u>

9.1 These represent interest free, unsecured advances to executives. The maximum aggregate balance due from executives at the end of any month during the year was Rs. 4,634,172/- (2003: Rs. 2,821,341/-)

10. CASH AND BANK BALANCES

Cash at banks -

Local currency			
- Current accounts		72,525	618,351
- PLS accounts		111,118,112	27,069,865
		<u>111,190,637</u>	<u>27,688,216</u>
Foreign currency			
- PLS account		410,654	3,760
		<u>111,601,291</u>	<u>27,691,976</u>
Cash in hand			
		21,234	40,605
		<u>111,622,525</u>	<u>27,732,581</u>

11. ACCOUNTS PAYABLE

Payable against sale of shares - Unsecured			
Clients		306,106,715	70,320,931
Members		1,236,635	267,813
Associated Companies	11.1	-	24,751,167
		<u>307,343,350</u>	<u>95,339,911</u>

11.1 Detail of these are as under:

Shaheen Insurance Company Ltd.		-	139,160
First Capital Securities Corporation Ltd. (Holding Company)		-	24,612,007
		<u>-</u>	<u>24,751,167</u>

First Capital Equities Limited

	Notes	2004 (Rupees)	2003 (Rupees)
12. SHORT TERM RUNNING FINANCE			
KASB Bank Ltd.		66,973,597	-
12.1 The company has a running finance facility of Rs. 100.00 million secured against pledge of shares of listed companies under mark up arrangement. The mark up rate is 7 % per annum is payable quarterly. Subsequent to the year end the rate of mark up has been reduced to 6 %.			
13. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Due to Associated Companies		-	2,700,253
Creditors		2,963,622	2,414,732
Accrued & Other Liabilities		6,371,364	1,721,496
Mark-up on short term running finance		1,307,117	-
Tax Deducted at Source		294,866	388,508
		10,936,969	7,224,989

14. DEFERRED LIABILITIES

Provision for Gratuity	14.1	5,145,690	4,048,316
Deferred Taxation	14.2	-	940,165
		5,145,690	4,988,481

14.1 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.

Discount Rate	8 %	8 %
Excepted rate of salary increased in future years	7 %	7 %
Average excepted remaining life time of employees	13 Years	12 Years

(a) The amount to be recognized in the balance sheet is as follows:

Present value of obligation	4,557,486	3,706,092
Unrecognized actuarial gain	323,204	342,224
Benefits due but not paid	265,000	-
Liability recognized in the balance sheet	5,145,690	4,048,316

(b) The amount to be recognized in the profit and loss account is as follows:

Current Service Cost	1,152,587	1,153,314
Interest Cost	296,487	374,612
Total amount charged to income statement	1,449,074	1,527,926

First Capital Equities Limited

	2004 (Rupees)	2003 (Rupees)
(c) Movement of liability to be recognized in the balance sheet is as follows:		
Present value of obligation at beginning of the year	4,048,316	3,549,040
Contributions paid	1,449,074	1,527,926
Benefits paid	(351,700)	(1,028,650)
Net Liability at the end of the year	5,145,690	4,048,316

14.2 Deferred Taxation

The deferred taxation comprises of the following:

Difference between written down values and tax bases of fixed assets	1,800,992	2,357,076
Provision for Gratuity	(1,800,992)	(1,416,911)
	-	940,165

15. SHARE CAPITAL

Authorized

30,000,000 (2003:15,000,000) ordinary shares of Rs.10/- each	300,000,000	150,000,000
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Issued, subscribed and paid-up

22,007,000 (2003:10,003,500) ordinary shares of Rs.10/- each fully paid in cash	220,070,000	100,035,000
2,000,000 (2003: 2,000,000) ordinary shares of Rs.10/- each issued as bonus shares	20,000,000	20,000,000
	240,070,000	120,035,000

The Company is a subsidiary of First Capital Securities Corporation Limited - a listed company holding 16,179,600 (67.39 %) ordinary shares (2003 : 8,089,800 (67.39 %)) at the year end.

	2004 (Rupees)	2003 (Rupees)
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. The amount of future payments and the period in which they will become due are:		
Period ended June 30, 2004	-	68,481
2005	237,276	26,196
2006	224,468	13,388
2007	380,240	-
	841,984	108,065
Less: Unallocated financial charges	(72,526)	(10,621)
	769,458	97,444
Less: Current maturity shown under current liabilities	(195,134)	(61,293)
	574,324	36,151

The lease rentals are payable in monthly installments. 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.

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

Gross Minimum Lease Payments

Not later than one year	237,276	68,481
Later than one year but not later than five years	604,708	39,584
	841,984	108,065

Present value of minimum lease payments

Not later than one year	195,134	61,293
Later than one year but not later than five years	574,324	36,151
	769,458	97,444

17. CONTINGENCIES AND COMMITMENTS

- 17.1** 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.
- 17.2** 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 in note 17.1 The existence and the magnitude of any such claims, other than mentioned in these accounts, are not presently known.
- 17.3** Members of Karachi Stock Exchange, Mr. Aslam Motiwala and Mr. Sultan Ahmed Zakaria have lodged claim of Rs.187.530 million in arbitration proceedings before the Karachi Stock Exchange and a similar claim before the High Court of Sind relating to the same causes of actions. The company has denied the claims on factual and legal grounds. The final outcome of the matter remains uncertain at this point of time. However, the Company is confident of an eventual outcome in its favour.
- 17.4** 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 u/s 52, 88 & 89 of the Income Tax Ordinance, 1979 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.
- 17.5** 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.

First Capital Equities Limited

	<u>Notes</u>	<u>2004</u> <u>(Rupees)</u>	<u>2003</u> <u>(Rupees)</u>
18. OPERATING EXPENSES			
Salaries and Benefits		55,137,106	32,728,700
Provision for gratuity		1,449,074	1,527,926
Rent, Rates & Taxes		2,738,950	2,531,462
Communication		8,204,417	5,888,003
Utilities		2,117,032	2,593,297
Insurance		772,861	353,147
Printing and stationery		1,554,799	1,317,127
Traveling and conveyance		2,297,126	1,005,433
Repair and maintenance		2,123,394	2,258,623
Postage and courier		983,452	750,096
Vehicle running expenses		59,874	44,460
News paper and periodicals		118,770	94,407
Entertainment		1,508,220	1,309,976
Legal and professional		738,125	795,065
Bad Debts		611,804	404,762
Advertisement		246,889	203,445
Auditors' remuneration	18.1	255,000	190,000
Depreciation	3.1	3,192,822	3,678,539
Other expenses		883,396	693,387
Fee & Subscription		950,257	369,097
CDC & Stamps Charges		5,201,136	2,570,317
Stock Exchange charges		18,637,514	8,158,464
Donation	18.2	91,500	52,475
Zakat		167	3,825
		<u>109,873,685</u>	<u>69,522,033</u>

18.1 Auditors' remuneration

Audit Fee	150,000	125,000
Misc. certification and compliance charges	105,000	50,000
Out of Pocket Expenses	-	15,000
	<u>255,000</u>	<u>190,000</u>

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

19. FINANCIAL EXPENSES

Mark-up on short term finances	1,352,377	369,480
Lease finance charges	6,889	81,455
Bank charges and commission	1,011,704	509,814
	<u>2,370,970</u>	<u>960,749</u>

First Capital Equities Limited

	2004	2003
	(Rupees)	(Rupees)
20. OTHER INCOME		
Mark-up on PLS accounts	1,103,787	1,187,450
Dividend income	1,944,481	2,523,768
Provision for doubtful debts - written back	-	2,107,449
Service charges	1,505,000	2,460,000
Others	679,818	957,017
	5,233,086	9,235,684
21. OTHER EXPENSES		
Loss / (Gain) on sale of fixed assets	46,954	(2,928,581)
Assets written off	7,465,719	103,080
Loss on foreign currency translation	46,072	74,181
	7,558,745	(2,751,320)
22. TAXATION		
Current	2,404,242	1,760,406
Prior Year	-	242,249
Deferred	(940,165)	940,165
	1,464,077	2,942,820
22.1 Relationship between income tax expenses and accounting profit		
Profit before taxation	57,171,069	48,320,038
Tax at the applicable tax rate of 35 % (2003 : 35%)	20,009,874	16,912,012
Tax effect of expenses that are admissible/ inadmissible in determining tax profits	(17,605,632)	(9,503,863)
Tax effect of tax credits carried forward from previous years	-	(5,647,743)
	2,404,242	1,760,406
Effect of change in prior years	-	242,249
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes	(940,165)	940,165
	1,464,077	2,942,820

First Capital Equities Limited

	2004 (Rupees)	2003 (Rupees)
23. EARNING PER SHARE - Basic		
Profit attributable to ordinary share holders	55,706,992	45,377,218
Weighted Average Number of ordinary shares	18,186,124	18,186,124
Earning per share - Basic	3.06	2.50
24. TRANSACTIONS WITH RELATED PARTIES		
Brokerage Income	453,546	456,360
Payment for/ against current accounts	148,399,570	34,518,292
Group pool expenses paid	2,599,594	1,542,801

The Company continues to have a policy whereby all transactions with related parties are entered into at arm's length determined in accordance with "Comparable Uncontrolled Price Method".

25 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2004	2003	2004	2003	2004	2003
Total Number	1	1	5	5	28	30
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Managerial Remuneration	680,000	680,000	2,476,000	1,478,000	4,955,577	4,798,522
House Rent	272,000	272,000	990,400	591,200	1,982,231	1,919,409
Gratuity	-	-	-	-	-	414,000
Medical Expenses Reimbursed	211,511	115,354	323,130	154,334	332,256	407,423
Utilities	68,000	68,000	247,600	147,800	495,558	479,852
Other Benefits	-	-	5,646,855	336,000	9,117,197	7,147,015
	1,231,511	1,135,354	9,683,985	2,707,334	16,882,819	15,166,221

In addition, Chief Executive, Directors and some executives have been provided with company maintained cars. No meeting fees were paid to any of the directors for attending the Board/ Audit Committee meetings (2003:NIL).

26. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

26.1 INTEREST RATE RISK EXPOSURE

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, 2004				
Interest / Mark up Bearing			Non Interest Bearing	Total
Less than one year	One year and above	Sub Total		
(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)

Financial assets

Long term deposits	-	-	-	2,241,850	2,241,850
Investments held for trading	-	-	-	238,877,712	238,877,712
Advances, deposits and other receivables	-	-	-	16,814,871	16,814,871
Accounts receivables	-	-	-	278,184,970	278,184,970
Cash and bank balances	111,528,766	-	111,528,766	93,759	111,622,525
	<u>111,528,766</u>	<u>-</u>	<u>111,528,766</u>	<u>536,213,162</u>	<u>647,741,928</u>

Financial Liabilities

Obligations under finance leases	195,134	574,324	769,458	-	769,458
Short term running finance	66,973,597	-	66,973,597	-	66,973,597
Creditors, accrued and other liabilities	789,253	-	789,253	9,852,850	10,642,103
Accounts Payable	-	-	-	307,343,350	307,343,350
	<u>67,957,984</u>	<u>574,324</u>	<u>68,532,308</u>	<u>317,196,200</u>	<u>385,728,508</u>

On balance sheet gap

	<u>43,570,782</u>	<u>(574,324)</u>	<u>42,996,458</u>	<u>219,016,962</u>	<u>262,013,420</u>
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June 30, 2003				
Interest / Mark up Bearing			Non Interest Bearing	Total
Less than one year	One year and above	Sub Total		
(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)

Financial assets

Long term deposits	-	-	-	1,458,936	1,458,936
Investments held for trading	-	-	-	23,101,031	23,101,031
Advances, deposits and other receivables	-	-	-	9,000,738	9,000,738
Accounts receivables	-	-	-	129,852,698	129,852,698
Cash and bank balances	27,073,625	-	27,073,625	658,956	27,732,581
	<u>27,073,625</u>	<u>-</u>	<u>27,073,625</u>	<u>164,072,359</u>	<u>191,145,984</u>

Financial Liabilities

Obligations under finance leases	61,293	36,151	97,444	-	97,444
Creditors, accrued and other liabilities	774,258	-	774,258	6,062,223	6,836,481
Accounts Payable	-	-	-	95,339,911	95,339,911
	<u>835,551</u>	<u>36,151</u>	<u>871,702</u>	<u>101,402,134</u>	<u>102,273,836</u>

On balance sheet gap

	<u>26,238,074</u>	<u>(36,151)</u>	<u>26,201,923</u>	<u>62,670,225</u>	<u>88,872,148</u>
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	2004 %	2003 %
Effective interest rate:		
PLS accounts	1 - 7	1 - 7
Obligation under Lease Finance	8.5 - 17	16 - 18.5
Short Term Running Finance	7	17.5
Creditors	14	14

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

Credit risk represents the loss that would result if counter parties failed to perform as contracted. The company manages its credit risk by the following method:

- Monitoring of debts on continuous basis
- Legal notice and follow up.
- Deposit of margins before execution of orders for all retail clientele.

The company believes that it is not exposed to major concentration of credit risk.

26.3 Foreign Exchange Risk Management

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

26.4 Fair value of the financial instruments

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

27. NUMBER OF EMPLOYEES

Total number of employees at the year end.	109	97
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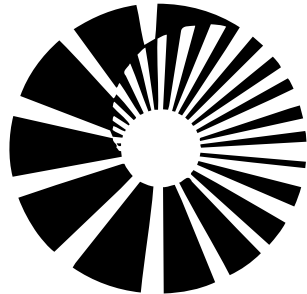
28. AUTHORIZATION

These financial statements have been authorized for issue by the Board of Directors of the company on October 06, 2004.

29. GENERAL

29.1 Figures have been rounded off to the nearest rupee.

29.2 Figures of corresponding year have been rearranged, wherever necessary, for the purpose of comparison.



FCEL

FIRST CAPITAL EQUITIES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED

JUNE 30, 2004

AUDITOR REPORT TO THE MEMBERS

We have examined the annexed consolidated financial statements comprising consolidated balance sheet of **First Capital Equities Limited** and its Subsidiary company as at June 30, 2004, 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 opinion on the financial statements of First Capital Equities Limited. The subsidiary company, Equity Partners Securities Limited, was audited by another firm of Chartered Accountants, whose report has been furnished to us and our opinion in so far as it relates to the accounts included for such company, is based solely on the report of such other auditors. 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 examination.

Our examination was made in accordance with the generally accepted auditing guidelines 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 examined by us present fairly the financial position of First Capital Equities Limited and its subsidiary company as at June 30, 2004 and the results of their operations for the year then ended.

Place : LAHORE

Dated :October 06, 2004

NASIR JAVAID MAQSOOD

CHARTERED ACCOUNTANTS

CONSOLIDATED BALANCE SHEET

AS AT JUNE 30, 2004

	Notes	2004 (Rupees)	2003 (Rupees)
NON - CURRENT ASSETS			
Tangible Fixed Assets	4	18,987,819	23,259,782
Cost of Cards and Rooms	5	66,883,935	56,200,000
Goodwill	6	717,419	-
Long Term Deposits	7	2,241,850	1,458,936
		88,831,023	80,918,718
CURRENT ASSETS			
Accounts receivable	8	280,619,421	129,852,698
Investments held for trading	9	238,877,712	23,101,031
Advances, deposits, prepayments and other receivables	10	48,085,456	37,201,845
Cash and bank balances	11	116,335,775	27,732,581
		683,918,364	217,888,155
CURRENT LIABILITIES			
Current maturity of liabilities against assets subject to finance lease	17	195,134	61,293
Accounts payable	12	313,775,767	95,339,911
Short term running finance	13	67,106,782	-
Creditors, accrued and other liabilities	14	10,963,551	7,224,989
Provision for taxation		7,885,168	5,254,657
		399,926,402	107,880,850
WORKING CAPITAL		283,991,962	110,007,305
CAPITAL EMPLOYED		372,822,986	190,926,023
NON - CURRENT LIABILITIES			
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	17	574,324	36,151
DEFERRED LIABILITIES	15	5,145,690	4,988,481
NET CAPITAL EMPLOYED		367,102,972	185,901,391
REPRESENTED BY:			
SHARE CAPITAL & RESERVES			
Share capital	16	240,070,000	120,035,000
Unappropriated Profit		121,231,205	65,866,391
		361,301,205	185,901,391
MINORITY INTEREST		5,801,767	-
CONTINGENCIES AND COMMITMENTS	18	-	-
		367,102,972	185,901,391

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

Director

CONSOLIDATED PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2004

	Notes	2004 (Rupees)	2003 (Rupees)
OPERATING REVENUE			
Brokerage Income		123,449,483	89,303,875
Capital Gain		61,100,215	10,600,160
(Loss) / Gain on remeasurement of Investments held for trading as at 30, June	9	(12,068,788)	6,911,781
		172,480,910	106,815,816
OPERATING EXPENSES	19	110,204,579	69,522,033
OPERATING PROFIT		62,276,331	37,293,783
FINANCIAL EXPENSES	20	2,370,970	960,749
NET OPERATING PROFIT		59,905,361	36,333,034
OTHER INCOME	21	5,233,086	9,235,684
		65,138,447	45,568,718
OTHER EXPENSES	22	7,738,100	(2,751,320)
PROFIT BEFORE TAXATION		57,400,347	48,320,038
TAXATION	23	1,648,759	2,942,820
PROFIT AFTER TAXATION		55,751,588	45,377,218
MINORITY INTEREST		223,952	-
PROFIT ATTRIBUTABLE TO HOLDING COMPANY		55,527,636	45,377,218
Earning per share - Basic	24	3.05	2.50

The annexed notes form an integral part of these accounts.

CONSOLIDATED CASH FLOW STATEMENT

For the year ended June 30, 2004

	Notes	2004 (Rupees)	2003 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES			
Funds generated from operations			
Profit before taxation		57,400,347	48,320,038
Add: Items not involved in movement of funds			
Depreciation		3,232,857	3,678,539
Loss/(Gain) on remeasurement of Investments		12,068,788	(6,911,781)
Amortization of goodwill		179,355	-
Provision for doubtful debts		611,804	(2,107,449)
Dividend Income		(1,944,481)	(2,523,768)
Interest/Mark-up income		(1,103,787)	(1,187,450)
Interest/Mark-up expense		1,352,377	369,480
Loss / (Gain) on sale of fixed assets		46,954	(2,928,581)
Assets written off		7,465,719	103,080
Provision for gratuity		1,449,074	1,527,926
		23,358,660	(9,980,004)
		80,759,007	38,340,034
(Increase) / decrease in current assets			
Investments held for trading		(227,845,469)	(4,777,965)
Accounts receivable		(145,931,972)	(96,651,008)
Advances, deposits, prepayments and other receivables		(10,714,521)	(3,926,942)
		(384,491,962)	(105,355,915)
Increase / (decrease) in current liabilities			
Accounts payable		204,369,295	64,293,782
Creditors, accrued and other liabilities		2,376,751	(12,618,280)
		206,746,046	51,675,502
Cash Generated from Operations		(96,986,908)	(15,340,378)
Dividend received		1,944,481	2,523,768
Interest/Mark-up received		1,032,294	1,302,508
Interest/Mark-up paid		(30,265)	(779,045)
Gratuity Paid		(351,700)	(1,028,650)
Taxes Paid		-	(13,976,201)
Net Cash Flow from Operating Activities		(94,392,098)	(27,297,998)
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of fixed assets		(8,492,052)	(5,302,158)
Proceeds from sale of fixed asset		3,001,971	17,205,480
Acquisition of subsidiary net of cash acquired	25	1,901,042	-
Cost of cards & rooms		(307,500)	-
Long term deposits		(782,914)	688,654
Net Cash Flow From Investing Activities		(4,679,453)	12,591,976
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment against lease finance		(74,985)	(1,604,076)
Proceeds from finance lease		747,000	69,000
Issuance of Share Capital		120,035,000	-
Short term running finance		66,967,730	(14,247,836)
Net Cash Flow From Financing Activities		187,674,745	(15,782,912)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		88,603,194	(30,488,934)
CASH AND CASH EQUIVALENTS - OPENING		27,732,581	58,221,515
CASH AND CASH EQUIVALENTS - CLOSING	11	116,335,775	27,732,581

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2004

PARTICULARS	Share Capital (Rupees)	Unappropriated Profit (Rupees)	Total (Rupees)
Balance as at June 30, 2002	120,035,000	20,489,173	140,524,173
Profit for the year	-	45,377,218	45,377,218
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	-	(162,822)	(162,822)
Balance as at June 30, 2004	240,070,000	121,231,205	361,301,205

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

Director

NOTES TO THE CONSOLIDATED ACCOUNTS

For the year ended June 30, 2004

1. STATUS AND NATURE OF BUSINESS

First Capital Equities Limited, (the "Company") was incorporated 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 parent company has made investment in Equity Partners Securities Limited (EPSL) subsidiary company, engaged in stock brokerage business in Bangladesh. The company was incorporated in Bangladesh on May 2000. It has corporate membership of Dhaka Stock Exchange and Chittagong Stock Exchange Limited. The parent company holds 51 % share holding (2003: NIL) in subsidiary.

2. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting Convention

These accounts have been prepared under the historical cost convention, except for the investments held for trading, which are stated at their fair value.

3.2 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 the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of Companies Ordinance, 1984 or the requirements of the said directives take precedence. Where as in case of EPSL, the financial statement has been prepared in accordance with approved accounting standards as adopted in Bangladesh.

3.3 Tangible Fixed Assets

Owned Assets

- i) Fixed assets are stated at cost less accumulated depreciation.
- ii) Depreciation is charged on the reducing balance method at the rates specified in the schedule of fixed asset, which are considered appropriate to write off the cost of assets over their useful economic lives.
- iii) Full year's depreciation is charged on the assets acquired during the year while no depreciation is charged in the year of disposal.
- iv) Gain or loss on disposal of assets, if any, are determined by comparing the sales proceeds with the carrying value and are included in income currently.
- v) Normal repairs and maintenance are charged to income as and when incurred. Major renewals and improvements are capitalized.
- vi) 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

- i) Assets subject to finance lease are stated at cost less depreciation at the rates and basis applicable to company's owned assets. The outstanding obligations under the lease less finance charges allocated to future periods are shown as a liability;
- ii) The finance charges are calculated at the interest rates implicit in the lease and are charged to income.

3.4 Room and Membership Card

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

3.5 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, which are acquired principally for the purposes of generating a profit from short term fluctuations in price or dealer's margins, are classified as held for trading. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account.

3.6 Revenue Recognition

- i) Brokerage income is recognized as and when services are provided.
- ii) Capital gains or losses on sale of investments are taken to income in the year in which they arise.
- iii) Dividend income is recognized at the time of book closure of company declaring dividend.
- iv) Mark-up/ interest income is recognized as and when it is due on accrual basis.

3.7 Trade & Other Receivables

These are stated at net of provisions, if any, for doubtful debts. Full provision is made against the debts considered doubtful.

3.8 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 provided by using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and liabilities and their carrying amounts. Deferred tax assets are recognized for all deductible temporary differences, unused tax losses and unused tax credits, if any, to the extent that it is probable that future taxable profits will be available against which the temporary differences, tax losses and unused tax credits can be utilised.

The carrying amount of all deferred tax assets is reviewed at each balance sheet date and adjusted to the appropriate extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the liability is settled based on tax rates that have been enacted at the balance sheet date.

3.9 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. Exchange differences are included in income currently.

3.10 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, 2004 using projected unit credit method and in line with the provisions of the Income Tax Ordinance, 2001.

Actuarial gains and losses that are in excess of the corridor limits as prescribed in IAS-19 "Employee Benefits" are amortized over the average remaining working lives of the employees participating in the plan. (Refer Note-15)

3.11 Financial Instruments

Financial assets mainly comprise investments, long term deposits, accounts receivables, advances, deposits & other receivables, cash and bank balances. These apart from certain investments are stated at their nominal value as reduced by the appropriate allowances for estimated irrecoverable amount. Investments held for trading are stated at their fair value.

Financial liabilities are classified according to the substance of the contractual arrangements entered into significant financial liabilities are obligations under lease finance, running finance, accounts payables, creditors, accrued and other liabilities. These are stated at their nominal value.

3.12 Offsetting of financial assets and financial liabilities.

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

3.13 Provisions

A provision is recognized 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.

3.14 Borrowing costs

All borrowing costs are charged to profit and loss account.

3.15 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.

3.16 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.

4 TANGIBLE FIXED ASSETS

4.1 Following is the statement of operating fixed assets.

Particulars	COST				Depreciation				Written down value as at June 30, 2004	Depreciation Rate	Depreciation charged for the year	
	As at June 30, 2003	Acquisition of subsidiary as on 31/03/04	Additions/ Transfers/ (Deletions)	As at June 30, 2004	Accumulated as at June 30, 2003	Acquisition of subsidiary as on 31/03/04	Adjustments/ (Deletions)	Accumulated as at June 30, 2004				
(R u p e e s)											%	(Rupees)
OWNED ASSETS												
Leasehold Improvements	4,718,506	851,874	1,376,538	3,364,527	1,192,336	333,522	-	717,349	2,647,178	5 - 15	132,993	
			(3,582,391)				(941,502)					
Computers	11,887,164	482,783	751,924	3,917,346	7,429,220	309,617	-	1,896,126	2,021,220	20 - 25	476,233	
(Transferred from Leased assets)			53,900				26,303					
			(9,258,425)				(6,345,247)					
Office Equipments	11,163,992	286,186	618,698	6,711,350	3,571,508	111,020	-	2,136,558	4,574,792	10 - 20	495,297	
(Transferred from Leased assets)			196,000				60,425					
			(5,553,526)				(2,101,692)					
Furniture and Fixtures	4,067,816	164,693	77,392	3,548,450	1,424,624	53,486	-	1,407,400	2,141,050	10	228,660	
			(761,451)				(299,370)					
Croceries & Cutlaries	-	7,910	-	7,910	-	2,315	-	2,456	5,454	10	141	
Vehicles	10,347,926	-	4,920,500	12,181,158	5,526,306	-	-	5,224,793	6,956,365	20	1,739,091	
			(3,087,268)				(2,040,604)					
	42,185,404	1,793,446	7,994,952	29,730,741	19,143,994	809,960	86,728	11,384,682	18,346,059		3,072,415	
			(22,243,061)				(11,728,415)					
LEASED ASSETS												
Computers	53,900	-	-	-	26,303	-	-	-	-	20	-	
(Transferred to Freehold assets)			(53,900)				(26,303)					
Office Equipments	196,000	-	-	-	60,425	-	-	-	-	10	-	
(Transferred to Freehold assets)			(196,000)				(60,425)					
Vehicles	69,000	-	747,000	816,000	13,800	-	-	174,240	641,760	20	160,440	
Total	42,504,304	1,793,446	8,741,952	30,546,741	19,244,522	809,960	86,728	11,558,922	18,987,819		3,232,857	
			(22,492,961)				(11,815,143)					
2003	54,941,128	-	9,747,158	42,504,304	18,924,984	-	1,653,561	19,244,522	23,259,782		3,678,539	
			(22,183,982)				(5,012,562)					

4.2 Disposal of fixed assets

Particulars	Cost	Accumulated Depreciation	Book Value	Sale Proceeds	Profit / (Loss)	Mode of Sale	Particulars of Buyers
(R u p e e s)							
Computers	1,770,447	1,322,723	447,724	97,171	(350,553)	Negotiations	T.W. Computers - Lahore
Computers	65,800	39,446	26,354	5,500	(20,854)	Negotiations	Global Tec - Islamabad
Office Equipments	125,000	33,875	91,125	28,000	(63,125)	Negotiations	Power ware Technology - Karachi
Leasehold Improvements	3,582,391	941,502	2,640,889	-	(2,640,889)	Written Off	
Office Equipments	2,948,526	1,052,233	1,896,293	-	(1,896,293)	Written Off	
Computers	7,422,178	4,983,078	2,439,100	-	(2,439,100)	Written Off	
Furniture and Fixtures	761,451	299,370	462,081	-	(462,081)	Written Off	
Vehicle - Accessories (Air Conditioner)	37,788	10,432	27,356	-	(27,356)	Written Off	
Office Equipments	2,200,000	900,922	1,299,078	425,000	(874,078)	Negotiations	Standard Computers - Karachi
Office Equipments	280,000	114,663	165,337	13,700	(151,637)	Negotiations	Power ware Technology - Karachi
Vehicle	567,180	381,327	185,853	425,000	239,147	Negotiations	Assad Butt - (Executive)
Vehicle	672,000	396,749	275,251	525,000	249,749	Negotiations	Ijaz Ahmad Qureshi - Gujranwala
Vehicle	534,000	394,015	139,985	475,000	335,015	Negotiations	WorldCall Broadband Limited
Vehicles	1,276,300	858,082	418,218	1,007,600	589,382	Negotiations	Dawood Ahmad - Karachi
Total	22,243,061	11,728,417	10,514,644	3,001,971	(7,512,673)		
2003	17,738,982	3,359,003	14,379,979	17,205,480	2,825,501		

4.3 No assets were sold to Chief Executive, Directors, Executives & Associated undertaking and shareholders with not less than 10 % shares of the company unless other wise mentioned.

First Capital Equities Limited

	2004 (Rupees)	2003 (Rupees)
5. COST OF CARDS AND ROOMS		
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	6,511,765	-
Chaittagong Stock Exchange	3,864,670	-
Others (Rooms)	12,307,500	12,000,000
	66,883,935	56,200,000
6. GOODWILL		
Goodwill	896,774	-
Less: Amortization	(179,355)	-
	717,419	-
7. LONG TERM DEPOSITS		
Leasing Companies	193,650	31,590
Stock Exchanges	1,235,000	855,000
Central Depository Company	250,000	400,000
Others	563,200	172,346
	2,241,850	1,458,936
8. ACCOUNTS RECEIVABLE		
Receivable against purchase of shares		
Unsecured considered good		
Clients	224,687,303	45,604,541
Members	2,718,271	2,312,484
Stock Exchanges	53,213,847	81,935,673
	280,619,421	129,852,698
Unsecured considered doubtful:		
Clients	35,087,253	36,595,042
Members	2,344,757	2,344,757
	37,432,010	38,939,799
Less: Provision for doubtful debts	(37,432,010)	(38,939,799)
	-	-
	280,619,421	129,852,698

9. INVESTMENTS HELD FOR TRADING

Quantity	2004				Quantity	2003			
	COST		MARKET			COST		MARKET	
	Rate	(Rupees)	Rate	(Rupees)		Rate	(Rupees)	Rate	(Rupees)

ASSOCIATED - LISTED

First Capital Mutual Fund Ltd.	10,000	6.75	67,500	6.85	68,500
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OTHERS - LISTED

FUEL & ENERGY

Karachi Electric Supply Corporation	5,000	7.35	36,750	7.40	37,000					
Attock Refinery Limited	30,000	88.50	2,655,005	91.50	2,745,000					
Bosicar Pakistan Limited	209,500	21.40	4,483,300	22.95	4,808,025					
Pakistan State Oil Company Limited	800	252.25	201,800	256.75	205,400					
OGDC	400,000	69.17	27,667,180	64.50	25,800,000					
Pak Oil Field Ltd.	8,000	285.20	2,281,577	208.50	1,668,000	14,000	219.50	3,073,000	225.20	3,152,800
Sui Northern Gas Pipelines Ltd.	2,000	70.00	140,000	64.70	129,400					

INVEST. CO's, LEASING & BANKS

19th ICP Mutual Fund Ltd.	125	19.25	2,406	19.25	2,406					
Al Mezan Mutual Fund Ltd.	20,000	14.70	294,000	15.45	309,000					
BSJS Balance Fund Ltd.	33,500	12.91	432,325	12.95	433,825					
Faysal Balance Growth Fund Ltd.	25,000	100.00	2,500,000	100.00	2,500,000					
Muslim Commercial Bank Ltd.	7,200	52.48	377,845	50.60	364,320					
National Bank of Pakistan Ltd.	150,000	65.29	9,793,136	66.45	9,967,500	5,000	27.80	139,000	27.30	136,500
Pakistan Capital Market Fund Ltd.	20,000	10.10	202,000	10.25	205,000					
Pakistan Premier Fund Ltd.	10,000	17.30	173,000	19.20	192,000					
PICIC	2,500	58.91	147,275	72.05	180,125					
Trust Commercial Bank Ltd.	10,000	10.85	108,500	11.30	113,000					
Dominion Stock Fund Ltd.	1,000	2.70	2,700	3.40	3,400					
First Tri Star Modarba	1,500	8.00	12,000	3.00	4,500					
First Punjab Modarba	-	-	-	-	-	8,000	5.30	42,400	7.50	60,000

TEXTILE

Colony Thal Textile Mills Ltd.	1,500	4.85	7,275	5.30	7,950					
Nishat Mills Ltd.	116,000	53.68	6,227,333	52.80	6,124,800	150	25.50	3,825	35.05	5,258
Data Textiles Ltd.	1,500	7.20	10,800	4.75	7,125					
Shaheen Cotton Mills Ltd.	500	9.00	4,500	9.00	4,500					
Sunrays Textile Mills Ltd.	-	-	-	-	-	500	15.50	7,750	17.00	8,500
Yousaf Weaving Mills Ltd.	-	-	-	-	-	22,500	7.00	157,500	6.00	135,000
Legler Nafees Denim Mills Ltd.	-	-	-	-	-	17,000	15.42	262,100	15.55	264,350

COMMUNICATION

WorldCall Communication Ltd.	5,241,791	14.72	77,147,723	14.20	74,433,432	1,041,791	9.60	10,000,000	15.20	15,835,223
Dewan Farooq Motors Ltd.	15,000	26.98	404,750	24.80	372,000	4,500	26.60	119,700	26.15	117,675
Callmat Tilips Telecom	10,000	15.40	154,000	15.25	152,500					
Indus Motor Company Ltd.	70,000	93.10	6,517,000	91.20	6,384,000					
P.I.A (c)	967,000	22.83	22,076,789	17.90	17,309,300	98,500	6.75	664,875	12.55	1,236,175
P.I.C.T	20,000	22.05	441,000	23.00	460,000					
Pakistan Tele Communication Ltd.	457,000	44.21	20,202,693	42.15	19,262,550					
TRG Pakistan Ltd.	65,000	17.05	1,108,250	17.25	1,121,250					

First Capital Equities Limited

CHEMICAL & PHARMA

PTA Pakistan Limited	231,500	16.05	3,715,575	17.35	4,016,525				
Engro Chemicals Ltd.	57,000	105.20	5,996,277	97.50	5,557,500				
Rupali Polyester Ltd.	25,000	45.00	1,125,000	44.20	1,105,000				
Sardar Chemicals Ltd.	5,000	8.10	40,500	8.30	41,500				

CEMENT

Zeal Pak Cement Ltd.	200,000	10.15	2,030,000	12.40	2,480,000				
Fauji Cement Company Ltd.	78,000	22.69	1,769,600	16.30	1,271,400				
Pioneer Cement Ltd.	20,000	16.00	320,000	20.10	402,000				
Maple Leaf Cement Ltd.	200,000	41.82	8,364,800	38.00	7,600,000				
Pakland Cement Ltd.	50,000	30.60	1,530,000	31.45	1,572,500				

SUGAR & ALLIED

Mirza Sugar	400	4.30	1,720	4.40	1,760				
Tandliwala Sugar Mills Ltd.	2,000	16.45	32,900	19.20	38,400				
United Sugar Mills Ltd.	1,000	13.95	13,950	13.50	13,500				

MISCELLANEOUS

Adamjee Insurance Co. Ltd.	12,500	64.55	806,875	67.20	840,000					
Baluchistan Glass Ltd.	10,000	12.90	129,000	13.05	130,500					
General Tyres Ltd.	50,000	44.50	2,225,000	46.00	2,300,000					
Haidery Construction Co. Ltd.	500	4.55	2,275	7.50	3,750					
JOV & Co. Ltd.	500	598.00	299,000	622.00	311,000					
Pak. Reinsurance Corp.	60,000	62.24	3,734,500	65.30	3,918,000	5,000	21.40	106,975	58.30	291,500
Marfaco Industries Ltd.	5,500	7.00	38,500	9.15	50,325					
Macpack Films Ltd.	10,000	37.50	375,000	38.15	381,500					
Shaheen Insurance Co. Ltd.	1,268,500	24.89	31,576,581	24.00	30,444,000					
Salman Noman Enterprises Ltd.	1,000	6.03	6,025	7.00	7,000					
Atlas Battery Limited	-	-	-	-	-	500	80.35	40,175	86.00	43,000
Pak Leather	-	-	-	-	-	10,000	8.85	88,500	7.50	75,000
Commercial Union Life Assurance	-	-	-	-	-	15,000	14.60	219,000	17.10	256,500
Gillette Pakistan Limited	-	-	-	-	-	8,500	78.50	667,250	79.90	679,150
UTP Units	118	7,906.86	933,010	8,608.00	1,015,744	100	5,972.00	597,200	8,044.00	804,400
			250,946,500		238,877,712			16,189,250		23,101,031

(Loss) / Gain on account of remeasurement

of Investments to fair value

(12,068,788)

-

6,911,781

-

Investments as at 30 June.

238,877,712

238,877,712

23,101,031

23,101,031

First Capital Equities Limited

	Notes	2004 (Rupees)	2003 (Rupees)
10. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances : Unsecured - Considered Good			
Executives	10.1	4,520,046	1,177,477
Employees		252,239	365,125
Others		122,140	-
Due from Holding Company		4,119,366	-
Advance Income tax		29,585,967	27,111,529
Deposits		227,791	248,000
Prepayments		1,684,618	1,089,578
Other receivables			
- Mark up		557,893	486,400
- Others		7,015,396	6,723,736
		48,085,456	37,201,845

10.1 These represent interest free, unsecured advances to executives. The maximum aggregate balance due from executives at the end of any month during the year was Rs. 4,634,172/- (2003: Rs. 2,821,341/-)

11. CASH AND BANK BALANCES

Cash at banks -

Local currency			
- Current accounts		72,525	618,351
- PLS accounts		111,118,112	27,069,865
		111,190,637	27,688,216
Foreign currency			
- PLS account		410,654	3,760
- Foreign bank accounts (Outside Pakistan)		4,709,800	-
		116,311,091	27,691,976
Cash in hand		24,684	40,605
		116,335,775	27,732,581

12. ACCOUNTS PAYABLE

Payable against sale of shares

Clients		312,539,132	70,320,931
Members		1,236,635	267,813
Associated Companies	12.1	-	24,751,167
		313,775,767	95,339,911

12.1 Detail of these are as under:

Shaheen Insurance Company Ltd.		-	139,160
First Capital Securities Corporation Ltd.		-	24,612,007
(Holding Company)		-	24,751,167

First Capital Equities Limited

	Notes	2004 (Rupees)	2003 (Rupees)
13. SHORT TERM RUNNING FINANCE			
KASB Bank Ltd.	13.1	66,973,597	-
Short Term Loan form EPL		133,185	-
		67,106,782	-

13.1 The company has a running finance facility of Rs. 100.00 million secured against shares of listed companies under mark up arrangement. The mark up rate is 7 % (2003 : 17.5 %) per annum is payable quarterly. Subsequent to the year end the rate of mark up has been reduced to 6 %.

14. CREDITORS, ACCRUED AND OTHER LIABILITIES

Due to Associated Companies		-	2,700,253
Creditors		2,963,622	2,414,732
Accrued & Other Liabilities		6,397,946	1,721,496
Mark-up on short term running finance		1,307,117	-
Tax Deducted at Source		294,866	388,508
		10,963,551	7,224,989

15. DEFERRED LIABILITIES

Provision for Gratuity	15.1	5,145,690	4,048,316
Deferred taxation	15.2	-	940,165
		5,145,690	4,988,481

15.1 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.

Discount Rate	8 %	8 %
Excepted rate of salary increased in future years	7 %	7 %
Average excepted remaining life time of employees	13 Years	12 Years

(a) The amount to be recognized in the balance sheet is as follows:

Present value of obligation	4,557,486	3,706,092
Unrecognized actuarial gain	323,204	342,224
Benefits due but not paid	265,000	-
Liability recognized in the balance sheet	5,145,690	4,048,316

(b) The amount to be recognized in the profit and loss account is as follows:

Current Service Cost	1,152,587	1,153,314
Interest Cost	296,487	374,612
Total amount charged to income statement	1,449,074	1,527,926

First Capital Equities Limited

	2004	2003
	(Rupees)	(Rupees)
(c) Movement of liability to be recognized in the balance sheet is as follows:		
Present value of obligation at beginning of the year	4,048,316	3,549,040
Contributions paid	1,449,074	1,527,926
Benefits paid	(351,700)	(1,028,650)
Net Liability at the end of the year	5,145,690	4,048,316

15.2 Deferred Taxation

The deferred taxation comprises of the following:

Difference between written down values and tax bases of fixed assets	1,800,992	2,357,076
Provision for Gratuity	(1,800,992)	(1,416,911)
	-	940,165

16. SHARE CAPITAL

Authorized

30,000,000 (2003:15,000,000) ordinary shares of Rs.10/- each

	300,000,000	150,000,000
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Issued, subscribed and paid-up

22,007,000 (2003:10,003,500) ordinary shares of Rs.10/- each fully paid in cash

	220,070,000	100,035,000
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2,000,000 (2003: 2,000,000) ordinary shares of Rs.10/- each issued as bonus shares

	20,000,000	20,000,000
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	240,070,000	120,035,000
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The Company is a subsidiary of First Capital Securities Corporation Limited - a listed company holding 16,179,600 (67.39 %) ordinary shares (2003 : 8,089,800 (67.39 %)) at the year end.

First Capital Equities Limited

	2004	2003
	(Rupees)	(Rupees)
17. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
<p>The rate of interest used as the discounting factor is between 8.5 % to 17% per annum. The amount of future payments and the period in which they will become due are:</p>		
Period ended June 30,		
2004	-	68,481
2005	237,276	26,196
2006	224,468	13,388
2007	380,240	
	841,984	108,065
Less: Unallocated financial charges	(72,526)	(10,621)
	769,458	97,444
Less: Current maturity shown under current liabilities	(195,134)	(61,293)
	574,324	36,151

The lease rentals are payable in monthly installments. 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.

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

Gross Minimum Lease Payments

Not later than one year	237,276	68,481
Later than one year but not later than five years	604,708	39,584
	841,984	108,065

Present value of minimum lease payments

Not later than one year	195,134	61,293
Later than one year but not later than five years	574,324	36,151
	769,458	97,444

18. CONTINGENCIES AND COMMITMENTS

- 18.1** 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.
- 18.2** 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 in note 18.1 The existence and the magnitude of any such claims, other than mentioned in these accounts, are not presently known.
- 18.3** Members of Karachi Stock Exchange, Mr. Aslam Motiwala and Mr. Sultan Ahmed Zakaria have lodged claim of Rs.187.530 million in arbitration proceedings before the Karachi Stock Exchange and a similar claim before the High Court of Sind relating to the same causes of actions. The company has denied the claims on factual and legal grounds. The final outcome of the matter remains uncertain at this point of time. However, the Company is confident of an eventual outcome in its favour.
- 18.4** 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 u/s 52, 88 & 89 of the Income Tax Ordinance, 1979 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.
- 18.5** 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.

	Notes	2004 (Rupees)	2003 (Rupees)
19. OPERATING EXPENSES			
Salaries and Benefits		55,284,660	32,728,700
Provision for gratuity		1,449,074	1,527,926
Rent, Rates & Taxes		2,772,472	2,531,462
Communication		8,211,580	5,888,003
Utilities		2,124,922	2,593,297
Insurance		772,861	353,147
Printing and stationery		1,556,146	1,317,127
Travelling and conveyance		2,298,585	1,005,433
Repair and maintenance		2,123,394	2,258,623
Postage and courier		983,452	750,096
Vehicle running expenses		59,874	44,460
News paper and periodicals		118,770	94,407
Entertainment		1,513,161	1,309,976
Legal and professional		738,125	795,065
Bad Debts		611,804	404,762
Advertisement		246,889	203,445
Auditors' remuneration	19.1	259,775	190,000
Depreciation	4.1	3,232,857	3,678,539
Other expenses		883,396	693,387
Fee & Subscription		951,881	369,097
CDC & Stamps Charges		5,206,905	2,570,317
Stock Exchange charges		18,712,329	8,158,464
Donation	19.2	91,500	52,475
Zakat		167	3,825
		<u>110,204,579</u>	<u>69,522,033</u>

19.1 Auditors' remuneration

Audit Fee	154,775	125,000
Misc. certification and compliance charges	105,000	50,000
Out of Pocket Expenses	-	15,000
	<u>259,775</u>	<u>190,000</u>

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

First Capital Equities Limited

	2004	2003
	(Rupees)	(Rupees)
20. FINANCIAL EXPENSES		
Mark-up on short term finances	1,352,377	369,480
Lease finance charges	6,889	81,455
Bank charges and commission	1,011,704	509,814
	2,370,970	960,749
21. OTHER INCOME		
Mark-up on PLS accounts	1,103,787	1,187,450
Dividend income	1,944,481	2,523,768
Provision for doubtful debts - written back	-	2,107,449
Service charges	1,505,000	2,460,000
Others	679,818	957,017
	5,233,086	9,235,684
22. OTHER EXPENSES		
Loss / (Gain) on sale of fixed assets	46,954	(2,928,581)
Amortization of goodwill	179,355	-
Assets written off	7,465,719	103,080
Loss on foreign currency translation	46,072	74,181
	7,738,100	(2,751,320)
23. TAXATION		
Current	2,588,924	1,760,406
Prior Year	-	242,249
Deferred	(940,165)	940,165
	1,648,759	2,942,820

First Capital Equities Limited

23.1 Relationship between income tax expenses and accounting profit			2004	2003
			(Rupees)	(Rupees)
	Equity Partners Securities Ltd.	First Capital Equities Ltd.		
Profit before taxation	641,726	57,171,069	57,812,795	48,320,038
Tax Rate		35 %		
Tax at the applicable tax rate	184,682	20,009,874	20,194,556	16,912,012
Tax effect of expenses that are admissible/ inadmissible in determining tax profits	-	(17,605,632)	(17,605,632)	(9,503,863)
Tax effect of tax credits carried forward from previous years	-	-	-	(5,647,743)
	184,682	2,404,242	2,588,924	1,760,406
Effect of change in prior years'	-	-	-	242,249
Tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes	-	(940,165)	(940,165)	940,165
	184,682	1,464,077	1,648,759	2,942,820

24. EARNING PER SHARE - Basic

There is no dilutive effect on the basic earnings per share which is based on:

Profit attributable to ordinary share holders	55,527,636	45,377,218
Weighted Average Number of ordinary shares	18,186,124	18,186,124

25. ACQUISITION OF SUBSIDIARY

On April 01, 2004, First Capital Equities Limited acquired 51 % of the share capital of Equity Partners Securities Limited engaged in the business of brokerage in Bangladesh. The acquired business contributed revenues of Rs. 972,620/- and operating profit of Rs. 641,726/- for the period from April 01, 2004 to June 30, 2004, and its assets and liabilities at June 30, 2004 were respectively Rs. 18,658,791/- and Rs. 6,818,453/-.

Purchase Consideration

	<u>Note</u>	<u>2004</u> (Rupees)	<u>2003</u> (Rupees)
Cash Paid		6,865,076	-
Total Purchase Consideration		<u>6,865,076</u>	-
Fair value of net assets acquired		5,968,302	-
Goodwill	6	<u>896,774</u>	<u>-</u>

Assets and liabilities arising from the acquisition are as follows:

Cash and cash equivalents		8,766,116	-
Fixed assets		983,485	-
Membership of DSE		6,706,933	-
Membership of CSE		3,980,500	-
Advances, Deposits & Prepayments		97,597	-
Receivable from DSE		5,446,555	-
Short Term Loan from EPL		(139,052)	-
Payable to Clients		(13,944,521)	-
Payable to DSE		(67,173)	-
Payable to CSE		(42,548)	-
Liabilities for Expenses		(38,848)	-
Provision for Income tax		(45,641)	-
Liability for Other Finance		(851)	-
		<u>11,702,552</u>	-
Less: Minority Interest		(5,734,251)	-
Value of net assets acquired		<u>5,968,302</u>	-
Goodwill		896,774	-
Total Purchase consideration		<u>6,865,076</u>	-
Less: Cash and cash equivalents of subsidiary acquired		8,766,116	-
Cash position on acquisition		<u>(1,901,040)</u>	<u>-</u>

26. TRANSACTIONS WITH RELATED PARTIES

Brokerage Income	453,546	456,360
Payment for/ against current accounts	148,399,570	34,518,292
Group pool expenses paid	2,599,594	1,542,801

The Company continues to have a policy whereby all transactions with related parties are entered into at arm's length determined in accordance with "Comparable Uncontrolled Price Method".

27. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2004	2003	2004	2003	2004	2003
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Total Number	1	1	5	5	28	30
Managerial Remuneration	680,000	680,000	2,476,000	1,478,000	4,955,577	4,798,522
House Rent	272,000	272,000	990,400	591,200	1,982,231	1,919,409
Gratuity	-	-	-	-	-	414,000
Medical Expenses Reimbursed	211,511	115,354	323,130	154,334	332,256	407,423
Utilities	68,000	68,000	247,600	147,800	495,558	479,852
Other Benefits	-	-	5,646,855	336,000	9,117,197	7,147,015
	1,231,511	1,135,354	9,683,985	2,707,334	16,882,819	15,166,221

28. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

28.1 INTEREST RATE RISK EXPOSURE

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, 2004				
Interest / Mark up Bearing			Non Interest Bearing	Total
Less than one year	One year and above	Sub Total		
(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)

Financial Assets

Long term deposits	-	-	-	2,241,850	2,241,850
Investments held for trading	-	-	-	238,877,712	238,877,712
Advances, deposits and other receivables	-	-	-	16,814,871	16,814,871
Accounts receivables	-	-	-	280,619,421	280,619,421
Cash and bank balances	111,528,766	-	111,528,766	4,807,009	116,335,775
	<u>111,528,766</u>	<u>-</u>	<u>111,528,766</u>	<u>543,360,863</u>	<u>654,889,629</u>

Financial Liabilities

Obligations under finance leases	195,134	574,324	769,458	-	769,458
Short term running finance	66,973,597	-	66,973,597	133,185	67,106,782
Creditors, accrued and other liabilities	789,253	-	789,253	9,879,432	10,668,685
Accounts Payable	-	-	-	313,775,767	313,775,767
	<u>67,957,984</u>	<u>574,324</u>	<u>68,532,308</u>	<u>323,788,384</u>	<u>392,320,692</u>
On balance sheet gap	<u>43,570,782</u>	<u>(574,324)</u>	<u>42,996,458</u>	<u>219,572,479</u>	<u>262,568,937</u>

June 30, 2003				
Interest / Mark up Bearing			Non Interest Bearing	Total
Less than one year	One year and above	Sub Total		
(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)

Financial Assets

Long term deposits	-	-	-	1,458,936	1,458,936
Investments held for trading	-	-	-	23,101,031	23,101,031
Advances, deposits and other receivables	-	-	-	9,000,738	9,000,738
Accounts receivables	-	-	-	129,852,698	129,852,698
Cash and bank balances	27,073,625	-	27,073,625	658,956	27,732,581
	<u>27,073,625</u>	<u>-</u>	<u>27,073,625</u>	<u>164,072,359</u>	<u>191,145,984</u>

Financial Liabilities

Obligations under finance leases	61,293	36,151	97,444	-	97,444
Creditors, accrued and other liabilities	774,258	-	774,258	6,062,223	6,836,481
Accounts Payable	-	-	-	95,339,911	95,339,911
	<u>835,551</u>	<u>36,151</u>	<u>871,702</u>	<u>101,402,134</u>	<u>102,273,836</u>
On balance sheet gap	<u>26,238,074</u>	<u>(36,151)</u>	<u>26,201,923</u>	<u>62,670,225</u>	<u>88,872,148</u>

	2004	2003
	%	%
Effective interest rate:		
PLS accounts	1 - 7	1 - 7
Obligation under Lease Finance	8.5 - 17	16 - 18.5
Short Term Running Finance	7	17.5
Creditors	14	14

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

Credit risk represents the loss that would result if counter parties failed to perform as contracted. The company manages its credit risk by the following method:

- Monitoring of debts on continuous basis.
- Legal notice and follow up.
- Deposit of margins before execution of orders for all retail clientele.

The company believes that it is not exposed to major concentration of credit risk.

28.3 Foreign Exchange Risk Management

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

28.4 Fair value of the financial instruments

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

29. NUMBER OF EMPLOYEES

Total number of employees at the year end.	114	97
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30. AUTHORIZATION

There financial statement, have been authorized for issue by the Board of Directors of the Company on October 06, 2004.

31. GENERAL

31.1 Figures have been rounded off to the nearest rupee.

31.2 The Company has made investment in it, subsidiary during the year therefore corresponding figure, of the holding Company have been taken.

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2004**

INCORPORATION No. L-07678 of 1994-95

No. of Shareholders	From	Shareholdings	To	Shares Held
30	101	-	500	15,000
99	501	-	1000	99,000
7	1001	-	5000	8,400
1	5001	-	10000	7,500
2	15001	-	20000	37,500
1	55001	-	60000	60,000
1	395001	-	400000	400,000
1	660001	-	665000	660,500
1	845001	-	850000	850,000
1	1145001	-	1150000	1,146,600
1	2395001	-	2400000	2,400,000
1	4795001	-	4800000	4,800,000
1	13520001	-	13525000	13,522,500
147				24,007,000

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer	8,400	0.035
Associated Companies, undertakings and related parties	15,069,100	62.770
Banks, Development Financial Institutions, Non Banking Financial Institutions	1,510,500	6.292
Modarbas and Mutual Funds	400,000	1.666
Share holders holding 10% or more	19,469,100	81.098
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, 2004**

Categories of Shareholders	Number of Shares held
Associated Companies, undertaking and related parties	
First Capital Securities Corporation Limited	14,669,100
First Capital Mutual Fund Limited	400,000
NIT and ICP	-
Directors, CEO and their Spouses and Minor Children	
Mian Ehsan ul Haq (CEO / Director)	1,200
Khurram Hanif (Director)	1,200
Mazhar Abbas (Director)	1,200
Ali Nayyar (Director)	1,200
Muhammad Zubair Khalid (Director)	1,200
Ahsan Zia (Director)	1,200
Farooq Bin Habib (Director)	1,200
Executives	-
Public Sector Companies and Corporations	14,686,600
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba & Mutual Fund etc.	1,910,500
Shareholders holding 10% or more voting interest in the Company	
First Capital Securities Corporation Limited	14,669,100
Suliman Ahmad Said Al-Hoqani	4,800,000

First Capital Equities Limited

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 October 30, 2004 at 5:00 p.m. and at any adjournment thereof.

Signature this Day of 2004

(Witnesses)

Affix Revenue Stamp of Rupees Five

1.

2.

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 holders 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.

