



FIRST CAPITAL EQUITIES LIMITED

**QUARTERLY ACCOUNTS
(UN-AUDITED)**

MARCH 31, 2005

FIRST CAPITAL EQUITIES LIMITED

COMPANY INFORMATION

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

DIRECTORS' REVIEW

The Directors of the First Capital Equities Limited (Company) are pleased to present the financial result of the Company for the nine months ended March 31, 2005, alongwith the un-audited accounts.

FINANCIAL PERFORMANCE

During the nine months (July 2004 to March 2005) under review, your Company earned a record profit after tax (PAT) of PRs74.31mn translating into PRs3.10 per share. This is a 117% year on year growth from a PAT of PRs34.2mn with an EPS of PRs1.43 as compared to the same period last year. Your Company has posted record brokerage income during the nine-month period amounting to PRs205.7mn of which PRs114.4mn has accrued during the Jan-Mar 2005 quarter as against brokerage revenues of PRs95mn during the first nine months of last year. Furthermore, taking advantage of inflated prices, your Company has also booked capital gains of PRs32.4mn during the period under review.

Rise in brokerage income has been showing a steady rise over the last four quarters aided by widespread interest in the market but mainly due to the aggressive and extensive marketing activities of your Company and network expansion to attract retail and institutional clients. As part of the network expansion plan, new branches have been opened in Faisalabad and another one in Karachi in the heart of the business district. Your Company plans to open another branch in Sialkot as the response from the new branches opened so far has been very encouraging.

MARKET REVIEW

During the outgoing quarter under review (Jan-March 2005), the KSE-100 index gained 1550 points (25%) to close the period at an index level of 7770 points. The KSE opened 2005 on a very healthy note, taking cue from the later part of the outgoing year 2004. The index was in a bullish mode through the major part of the quarter during which it peaked at 10,303 on March 15, 2005 crossing the largely awaited 10,000 level and went up to 10,500 points in intra day trading. Trading volumes also recorded a rise with the market and peaked at 1.1bn shares on February 23, 2005. During the quarter under review, trading volumes crossed the magical 1bn shares mark thrice and averaged at an impressive 620mn shares auguring well for the stockbrokers.

Crossing the 10,000 mark was a big achievement for the market but the lack of fundamental strength in the market caused a sharp pull back as the index was unable to hold on to these high levels. The index pivots took the market to these historical high levels, and afterwards contributed the major share in its downfall as these shares recorded several closings on their lower circuit breakers. This situation created havoc in the market and the KSE 100 index witnessed a free-fall as a settlement crisis developed.

The directors are proud to report that effective fund management of your Company as well as strong internal risk management controls enabled your Company to get out of the recent market crises unharmed.

FUTURE OUTLOOK

With the growth in economy continuing, aggressive implementation of the government's privatization policy, expectations of an investment friendly budget and new companies coming into the market enhancing the capital-base of the market, the long-term direction remains positive.

However, the recent increase in the SBP's discount rate as well as the phase out of the age old Badla system are two factors which have impacted the market negatively in March-April and may continue to do so in the immediate future. Inflationary concerns are forcing the State Bank of Pakistan to go for a more aggressive tightening of the monetary policy in the shape of a greater increase in interest rates in the economy, which bodes ill for the equity markets in the short term. It is respected that it would take some time for the investors to adjust to margin financing mechanism.

Your Company will continue to try its utmost for optimum performance and maximizing returns to its shareholders mitigating the effects of any negative event and being adequately prepared for the future.

The Directors wish to thank our shareholders and employees of the Company for their tireless effort in arriving at these extra ordinary results. We would also like to place on record our appreciation for the invaluable support, corporation and guidance extended by the Securities and Exchange Commission of Pakistan (SECP) and members of the Exchanges.

For and on behalf of the Board

Lahore
April 28, 2005

Mian Ehsan ul Haq
Chairman & Chief Executive

FIRST CAPITAL EQUITIES LIMITED
BALANCE SHEET (Un-Audited)
AS AT MARCH 31, 2005

Note	March 31, 2005 (Rupees)	June 30, 2004 (Rupees)
NON - CURRENT ASSETS		
Tangible fixed assets	40,165,660	18,044,366
Cost of cards & rooms	57,532,500	56,507,500
Long term investments	7,432,170	7,098,169
Long term deposits	2,237,022	2,241,850
	<u>107,367,352</u>	<u>83,891,885</u>
CURRENT ASSETS		
Accounts receivable	954,187,614	278,184,970
Investments held for trading	236,770,503	238,877,712
Advances, deposits, prepayments and other receivables	90,948,304	47,894,253
Cash and bank balances	28,804,361	111,622,525
	<u>1,310,710,782</u>	<u>676,579,460</u>
CURRENT LIABILITIES		
Current maturity of liabilities against assets subject to finance lease	106,329	195,134
Accounts payable	667,149,229	307,343,350
Short term running finance	267,456,670	66,973,597
Creditors, accrued and other liabilities	33,138,169	10,936,969
Provision for taxation	7,658,899	7,658,899
	<u>975,509,296</u>	<u>393,107,950</u>
WORKING CAPITAL	<u>335,201,486</u>	<u>283,471,511</u>
CAPITAL EMPLOYED	<u>442,568,838</u>	<u>367,363,397</u>
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE	<u>1,148,315</u>	<u>574,324</u>
DEFERRED LIABILITIES	<u>5,459,129</u>	<u>5,145,690</u>
NET CAPITAL EMPLOYED	<u>435,961,394</u>	<u>361,643,383</u>
REPRESENTED BY:		
SHARE CAPITAL & RESERVES		
Share capital	240,070,000	240,070,000
Unappropriated profit	195,891,394	121,573,383
	<u>435,961,394</u>	<u>361,643,383</u>
CONTINGENCIES AND COMMITMENTS 5	-	-
	<u>435,961,394</u>	<u>361,643,383</u>

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

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Director

FIRST CAPITAL EQUITIES LIMITED
PROFIT AND LOSS ACCOUNT (Un-Audited)
FOR THE QUARTER AND PERIOD ENDED MARCH 31, 2005

	2005		2004	
	Three months ended March 31, (Rupees)	Nine months ended March 31, (Rupees)	Three months ended March 31, (Rupees)	Nine months ended March 31, (Rupees)
OPERATING REVENUE				
BROKERAGE INCOME	114,356,177	205,684,674	36,663,900	95,021,850
CAPITAL GAINS	25,077,575	32,312,134	10,619,661	24,443,961
(Loss)/gain on remeasurment of Investments held for trading	(120,179)	(10,454,368)	651,987	(2,104,025)
	<u>139,313,573</u>	<u>227,542,440</u>	<u>47,935,548</u>	<u>117,361,786</u>
OPERATING EXPENSES	<u>61,739,505</u>	<u>122,293,068</u>	<u>24,973,376</u>	<u>78,965,514</u>
OPERATING PROFIT	<u>77,574,068</u>	<u>105,249,372</u>	<u>22,962,172</u>	<u>38,396,272</u>
FINANCIAL EXPENSES	<u>8,684,567</u>	<u>14,855,850</u>	<u>469,610</u>	<u>788,778</u>
NET OPERATING PROFIT	<u>68,889,501</u>	<u>90,393,522</u>	<u>22,492,562</u>	<u>37,607,494</u>
OTHER INCOME	<u>1,559,317</u>	<u>5,985,721</u>	<u>691,000</u>	<u>2,573,509</u>
	<u>70,448,818</u>	<u>96,379,243</u>	<u>23,183,562</u>	<u>40,181,003</u>
OTHER EXPENSES	-	-	50,768	55,009
	<u>70,448,818</u>	<u>96,379,243</u>	<u>23,132,794</u>	<u>40,125,994</u>
Share in profit of Subsidiary Company	406,181	334,001	-	-
PROFIT BEFORE TAXATION	<u>70,854,999</u>	<u>96,713,244</u>	<u>23,132,794</u>	<u>40,125,994</u>
TAXATION				
Current	15,825,552	22,395,233	3,750,000	6,350,000
Deferred	-	-	30,695	(494,382)
PROFIT AFTER TAXATION	<u>55,029,447</u>	<u>74,318,011</u>	<u>19,352,099</u>	<u>34,270,376</u>
ACCUMULATED PROFIT BROUGHT FORWARD	<u>140,861,947</u>	<u>121,573,383</u>	<u>80,784,668</u>	<u>65,866,391</u>
ACCUMULATED PROFIT CARRIED FORWARD	<u>195,891,394</u>	<u>195,891,394</u>	<u>100,136,767</u>	<u>100,136,767</u>
Earning per share - Basic	<u>2.29</u>	<u>3.10</u>	<u>0.81</u>	<u>1.43</u>
Earning per share - Diluted	<u>2.29</u>	<u>3.10</u>	<u>0.81</u>	<u>1.43</u>

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

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Director

**FIRST CAPITAL EQUITIES LIMITED
CASH FLOW STATEMENT (Un-Audited)
FOR THE PERIOD ENDED MARCH 31, 2005**

	March 31, 2005 (Rupees)	March 31, 2004 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	96,713,244	40,125,994
Add: Items not involved in movement of funds		
Depreciation	4,106,870	2,440,474
Share in profit of subsidiary company	(334,001)	-
Loss on remeasurement of investments	10,454,368	2,104,025
Dividend income	(3,866,590)	(55,862)
Interest/ mark up income	(783,288)	(722,932)
Interest/ mark up expense	14,336,313	41,363
Gain on sale of fixed assets	(122,715)	(165,770)
Provision for gratuity	1,148,304	1,086,807
	<u>24,939,261</u>	<u>4,728,105</u>
	121,652,505	44,854,099
(Increase) / decrease in current assets		
Investments held for trading	(8,347,159)	(104,942,146)
Accounts receivable	(676,002,644)	(134,151,620)
Advances, deposits, prepayments and other receivables	(43,274,036)	(7,790,871)
	<u>(727,623,839)</u>	<u>(246,884,637)</u>
Increase / (decrease) in current liabilities		
Accounts payable	359,805,879	82,074,133
Creditors, accrued and other liabilities	15,889,056	2,676,504
	<u>375,694,935</u>	<u>84,750,637</u>
Cash Generated from Operations	<u>(230,276,398)</u>	<u>(117,279,901)</u>
Dividend received	3,866,590	55,862
Interest/ mark up received	1,316,712	674,026
Interest/ mark up paid	(8,337,608)	-
Gratuity paid	(834,865)	(290,400)
Taxes paid	(22,395,233)	-
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>(256,660,802)</u>	<u>(116,840,412)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(26,290,449)	(1,358,176)
Proceeds from sale of fixed assets	185,000	558,500
Cost of cards & rooms	(1,025,000)	-
Long term deposits	4,828	(432,964)
NET CASH FLOW FROM INVESTING ACTIVITIES	<u>(27,125,621)</u>	<u>(1,232,640)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment against lease finance	(228,814)	(61,632)
Proceeds from lease finance	714,000	-
Share deposit money	-	120,035,000
Short term running finance	200,483,073	47,563,128
NET CASH FLOW FROM FINANCING ACTIVITIES	<u>200,968,259</u>	<u>167,536,496</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(82,818,164)</u>	<u>49,463,444</u>
CASH AND CASH EQUIVALENTS - OPENING	<u>111,622,525</u>	<u>27,732,581</u>
CASH AND CASH EQUIVALENTS - CLOSING	<u>28,804,361</u>	<u>77,196,025</u>

The annexed notes form an integral part of these accounts.

**FIRST CAPITAL EQUITIES LIMITED
STATEMENT OF CHANGES IN EQUITY (Un-Audited)
FOR THE PERIOD ENDED MARCH 31, 2005**

PARTICULARS	Share Capital	Unappropriated Profit	Total
	(Rupees)	(Rupees)	(Rupees)
Balance as at June 30, 2003	120,035,000	65,866,391	185,901,391
Issuance of share capital	120,035,000	-	120,035,000
Profit for the period	-	34,270,376	34,270,376
Balance as at March 31, 2004	<u>240,070,000</u>	<u>100,136,767</u>	<u>340,206,767</u>
Profit for the period	-	21,436,616	21,436,616
Balance as at June 30, 2004	<u>240,070,000</u>	<u>121,573,383</u>	<u>361,643,383</u>
Profit for the period	-	74,318,011	74,318,011
Balance as at March 31, 2005	<u>240,070,000</u>	<u>195,891,394</u>	<u>435,961,394</u>

The annexed notes form an integral part of these accounts.

FIRST CAPITAL EQUITIES LIMITED
NOTES TO THE ACCOUNTS (Un-Audited)
FOR THE PERIOD ENDED MARCH 31, 2005

- 1 First Capital Equities Limited, (the "Company") was incorporated on January 26, 1995 as private limited company, under the Companies Ordinance, 1984. The Company was converted into Public Limited Company on June 18, 1997 and is listed on Lahore Stock Exchange. The principal activities of the Company include share brokerage and conducting/ publishing business research.
- 2 These accounts are un-audited and are being presented to shareholders under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting'.
- 3 The accounting policies adopted for the preparation of these accounts are consistent with those applied in preparing the annual audited accounts for the year ended June 30, 2004, except for the following:

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

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

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

4 TRANSACTIONS WITH ASSOCIATED COMPANIES

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

	March 31, 2005 (Rupees)	March 31, 2004 (Rupees)
Brokerage Income	297,159	299,317
Payment for / against current accounts	131,050,000	54,379,228
Group pool expenses paid	4,247,905	1,129,211

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

5 CONTINGENCIES AND COMMITMENTS

- 5.1 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.
- 5.2 The company has agreed to indemnify ABN AMRO, its directors and affiliates from any or all claims which may be finalised against the company except for those mentioned in note 5.1. The existence and the magnitude of any such claims, other than mentioned in these accounts, are not presently known.
- 5.3 The Honourable Sind High Court, while deciding on different applications filed by The Company, directed the Karachi Stock Exchange (KSE) Advisory and Arbitration Committee in January 2005 to consider the legal issues before initiating arbitration proceedings for only claims amounting to Rs. 37.53 million filed by M/s. Aslam Motiwala, Sultan Ahmad Zakria and Muhammad Asif Sultan against the Company. The Management is confident that these calims would be dicided in the Company's favour.

A Calim of Rs. 150 million, by the above mentioned members of the Karachi Stock Exchange was also filed with the KSE Advisory and Arbitration Committee and the same was not intertained by the committee as it was not in their legal jurisdiction. The claiment then filed a civil suit before the Honourable Sindh High Court in the year 2000, which is pending. The management is of the opinion that the likely hood of an un-favorable descion is remote.

5.4 The Income Tax Authorities have re-opened the assessments for the assessment years 1998-1999 and 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.

5.5 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.

6 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors on April 28, 2005.

7 GENERAL

Figures have been rounded off to the nearest rupee.



FIRST CAPITAL EQUITIES LIMITED

**CONSOLIDATED QUARTERLY
ACCOUNTS (UN-AUDITED)**

MARCH 31, 2005

FIRST CAPITAL EQUITIES LIMITED
CONSOLIDATED BALANCE SHEET (Un-Audited)
AS AT MARCH 31, 2005

Note	March 31, 2005 (Rupees)	June 30, 2004 (Rupees)
NON-CURRENT ASSETS		
Tangible fixed assets	40,968,018	18,987,819
Cost of cards & rooms	67,862,010	66,883,935
Goodwill	717,419	717,419
Long term deposits	2,237,022	2,241,850
	<u>111,784,469</u>	<u>88,831,023</u>
CURRENT ASSETS		
Accounts receivable	959,820,724	280,619,421
Investments held for trading	236,770,503	238,877,712
Advances, deposits, prepayments and other receivables	91,242,146	48,085,456
Cash and bank balances	44,007,402	116,335,775
	<u>1,331,840,775</u>	<u>683,918,364</u>
CURRENT LIABILITIES		
Current maturity of liabilities against assets subject to finance lease	106,329	195,134
Accounts payable	686,904,146	313,775,767
Short term running finance	267,589,252	67,106,782
Creditors, accrued and other liabilities	33,138,170	10,963,551
Provision for taxation	7,658,899	7,885,168
	<u>995,396,796</u>	<u>399,926,402</u>
WORKING CAPITAL	<u>336,443,979</u>	<u>283,991,963</u>
CAPITAL EMPLOYED	<u>448,228,448</u>	<u>372,822,986</u>
LIABILITY AGAINST ASSETS SUBJECT TO FINANCE LEASE	<u>1,148,315</u>	<u>574,324</u>
DEFERRED LIABILITIES	<u>5,459,129</u>	<u>5,145,690</u>
NET CAPITAL EMPLOYED	<u>441,621,004</u>	<u>367,102,972</u>
REPRESENTED BY:		
SHARE CAPITAL & RESERVES		
Share capital	240,070,000	240,070,000
Unappropriated profit	195,481,695	121,231,205
	<u>435,551,695</u>	<u>361,301,205</u>
MINORITY INTEREST	<u>6,069,309</u>	<u>5,801,767</u>
CONTINGENCIES AND COMMITMENTS 5	<u>-</u>	<u>-</u>
	<u>441,621,004</u>	<u>367,102,972</u>

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

Director

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FIRST CAPITAL EQUITIES LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT (Un-Audited)
FOR THE QUARTER AND PERIOD ENDED MARCH 31, 2005

	2005		2004	
	Three months ended March 31, (Rupees)	Nine months ended March 31, (Rupees)	Three months ended March 31, (Rupees)	Nine months ended March 31, (Rupees)
OPERATING REVENUE				
BROKERAGE INCOME	115,778,524	207,684,135	36,663,900	95,021,850
CAPITAL GAINS	25,077,575	32,312,134	10,619,661	24,443,961
(Loss)/gain on remeasurement of Investments held for trading	(120,179)	(10,454,368)	651,987	(2,104,025)
	<u>140,735,920</u>	<u>229,541,901</u>	<u>47,935,548</u>	<u>117,361,786</u>
OPERATING EXPENSES				
OPERATING PROFIT	<u>62,414,619</u>	<u>123,769,705</u>	<u>24,973,376</u>	<u>78,965,514</u>
FINANCIAL EXPENSES	<u>8,694,085</u>	<u>14,866,540</u>	<u>469,610</u>	<u>788,778</u>
NET OPERATING PROFIT	<u>69,627,216</u>	<u>90,905,656</u>	<u>22,492,562</u>	<u>37,607,494</u>
OTHER INCOME				
	<u>1,600,691</u>	<u>6,027,095</u>	<u>691,000</u>	<u>2,573,509</u>
	<u>71,227,907</u>	<u>96,932,751</u>	<u>23,183,562</u>	<u>40,181,003</u>
OTHER EXPENSES				
	-	-	50,768	55,009
PROFIT BEFORE TAXATION	<u>71,227,907</u>	<u>96,932,751</u>	<u>23,132,794</u>	<u>40,125,994</u>
TAXATION				
Current	15,838,016	22,323,646	3,750,000	6,350,000
Deferred	-	-	30,695	(494,382)
PROFIT AFTER TAXATION	<u>55,389,891</u>	<u>74,609,105</u>	<u>19,352,099</u>	<u>34,270,376</u>
MINORITY INTEREST				
	<u>360,444</u>	<u>291,094</u>	<u>-</u>	<u>-</u>
PROFIT ATTRIBUTABLE TO HOLDING COMPANY	<u>55,029,447</u>	<u>74,318,011</u>	<u>19,352,099</u>	<u>34,270,376</u>
Earning per share - Basic				
	<u>2.29</u>	<u>3.10</u>	<u>0.81</u>	<u>1.43</u>
Earning per share - Diluted				
	<u>2.29</u>	<u>3.10</u>	<u>0.81</u>	<u>1.43</u>

The annexed notes form an integral part of these accounts.

Lahore

Chief Executive

Director

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**FIRST CAPITAL EQUITIES LIMITED
CONSOLIDATED CASH FLOW STATEMENT (Un-Audited)
FOR THE PERIOD ENDED MARCH 31, 2005**

	March 31, 2005 (Rupees)	March 31, 2004 (Rupees)
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	96,932,751	40,125,994
Add: Items not involved in movement of funds		
Depreciation	4,219,933	2,440,474
Loss on remeasurement of investments	10,454,368	2,104,025
Dividend Income	(3,866,781)	(55,862)
Interest/Mark-up income	(783,288)	(722,932)
Interest/Mark-up expense	14,336,313	41,363
Gain on sale of fixed assets	(122,715)	(165,770)
Provision for gratuity	1,148,304	1,086,807
	<u>25,386,134</u>	<u>4,728,105</u>
	122,318,885	44,854,099
(Increase) / decrease in current assets		
Investments held for trading	(8,347,159)	(104,942,146)
Accounts receivable	(679,201,303)	(134,151,620)
Advances, deposits, prepayments and other receivables	(43,321,203)	(7,790,871)
	<u>(730,869,665)</u>	<u>(246,884,637)</u>
Increase / (decrease) in current liabilities		
Accounts payable	373,128,379	82,074,133
Creditors, accrued and other liabilities	15,862,475	2,676,504
	<u>388,990,854</u>	<u>84,750,637</u>
Cash Generated from Operations	<u>(219,559,926)</u>	<u>(117,279,901)</u>
Dividend received	3,866,781	55,862
Interest/Mark-up received	1,316,712	674,026
Interest/Mark-up paid	(8,337,608)	-
Gratuity paid	(834,865)	(290,400)
Taxes paid	(22,621,502)	-
Net Cash Flow from Operating Activities	<u>(246,170,408)</u>	<u>(116,840,413)</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of fixed assets	(26,290,449)	(1,358,176)
Proceeds from sale of fixed asset	185,000	558,500
Cost of cards & rooms	(1,025,000)	-
Long term deposits	4,828	(432,964)
Net Cash Flow From Investing Activities	<u>(27,125,621)</u>	<u>(1,232,640)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment against lease finance	(228,814)	(61,632)
Proceeds from finance lease	714,000	-
Share deposit money	-	120,035,000
Short term running finance	200,482,470	47,563,128
Net Cash Flow From Financing Activities	<u>200,967,656</u>	<u>167,536,496</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	<u>(72,328,373)</u>	<u>49,463,444</u>
CASH AND CASH EQUIVALENTS - OPENING	<u>116,335,775</u>	<u>27,732,581</u>
CASH AND CASH EQUIVALENTS - CLOSING	<u>44,007,402</u>	<u>77,196,025</u>

The annexed notes form an integral part of these accounts.

Lahore Chief Executive Director

**FIRST CAPITAL EQUITIES LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Un-Audited)
FOR THE PERIOD ENDED MARCH 31, 2005**

PARTICULARS	Share Capital	Unappropriated Profit	Total
	(Rupees)	(Rupees)	(Rupees)
Balance as at June 30, 2003	120,035,000	65,866,391	185,901,391
Issuance of share capital	120,035,000	-	120,035,000
Profit for the period	-	34,270,376	34,270,376
Balance as at March 31, 2004	<u>240,070,000</u>	<u>100,136,767</u>	<u>340,206,767</u>
Profit for the period	-	21,257,260	21,257,260
Adjustment for exchange difference	-	(162,822)	(162,822)
Balance as at June 30, 2004	<u>240,070,000</u>	<u>121,231,205</u>	<u>361,301,205</u>
Profit for the period	-	74,318,011	74,318,011
Adjustment for exchange difference	-	(67,521)	(67,521)
Balance as at March 31, 2005	<u>240,070,000</u>	<u>195,481,695</u>	<u>435,551,695</u>

The annexed notes form an integral part of these accounts.

Lahore Chief Executive Director

**FIRST CAPITAL EQUITIES LIMITED
CONSOLIDATED NOTES TO THE ACCOUNTS (Un-Audited)
FOR THE PERIOD ENDED MARCH 31, 2005**

- 1 First Capital Equities Limited, (the "Company") was incorporated on January 26, 1995 as private limited company, under the Companies Ordinance, 1984. The Company was converted into Public Limited Company on June 18, 1997 and is listed on Lahore Stock Exchange. The principal activities of the Company include share brokerage and conducting / publishing business research.
- 2 These accounts are un-audited and are being presented to shareholders under section 245 of the Companies Ordinance, 1984 and have been prepared in accordance with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting'.
- 3 The accounting policies adopted for the preparation of these accounts are consistent with those applied in preparing the annual audited accounts for the year ended June 30, 2004, except for the following:

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

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

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

4 TRANSACTIONS WITH ASSOCIATED COMPANIES

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

	<u>March 31, 2005</u> (Rupees)	<u>March 31, 2004</u> (Rupees)
Brokerage Income	297,159	299,317
Payment for / against current accounts	131,050,000	54,379,228
Group pool expenses paid	4,247,905	1,129,211

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

5 CONTINGENCIES AND COMMITMENTS

- 5.1 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.

- 5.2 The company has agreed to indemnify ABN AMRO, its directors and affiliates from any or all claims which may be finalised against the company except for those mentioned in note 5.1. The existence and the magnitude of any such claims, other than mentioned in these accounts, are not presently known.

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

A Calim of Rs. 150 million, by the above mentioned members of the Karachi Stock Exchange was also filed with the KSE Advisory and Arbitration Committee and the same was not intertained by the committee as it was not in their legal jurisdiction. The claiment then filed a civil suit before the Honourable Sindh High Court in the year 2000, which is pending. The management is of the opinion that the likely hood of an un-favorable descion is remote.

5.4 The Income Tax Authorities have re-opened the assessments for the assessment years 1998-1999 and 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 field appeals before the commissioner of Income Tax (appeals). The management is hopeful for a favourable outcome in the appeals.

5.5 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.

6 DATE OF AUTHORIZATION

These financial statements were authorized for issue by the Board of Directors on April 28, 2005.

7 GENERAL

Figures have been rounded off to the nearest rupee.