

FIRST CAPITAL SECURITIES CORPORATION LIMITED

**HALF YEARLY ACCOUNTS
(Un-Audited)**

31 DECEMBER 2004

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Company Information

Board of Directors

Salmaan Taseer

(Chairman & Chief Executive Officer)

Lt. Gen. (R) Humayun Khan Bangash

Muhammad Ashraf Ali

Sulieaman Ahmed Said Al-Hoqani

Shaan Taseer

Fazeel Asif Jah

Syed Kashan Kazmi

Chief Financial Officer

Syed Kashan Kazmi

Audit Committee

Lt. Gen. (R) Humayun Khan Bangash

(Chairman)

Muhammad Ashraf Ali

(Member)

Shaan Taseer

(Member)

Company Secretary

Nauman Rahman

Auditors

Taseer Hadi Khalid & Co.

Chartered Accountants

Legal Advisers

Rehman Saleem & Tarar

Advocates

Bankers

Bank of Khyber

Faysal Bank Limited

Muslim Commercial Bank Limited

PICIC Commercial Bank Limited

Prime Commercial Bank Limited

Saudi Pak Commercial Bank Limited

Standard Chartered Bank

Custodian

Prime Commercial Bank Limited

Registrar and Shares Transfer Office

THK Associates (Pvt.) Limited

Ground Floor

Modern Motors House,

Beaumont Road Karachi

☎ (021) 5689021

Registered Office/Head Office

103-C/II, Gulberg-III

Lahore, Pakistan

☎ (042) 5757591-4

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DIRECTORS' REVIEW

The Directors of First Capital Securities Corporation Limited (the "Company" or "FCSC") are pleased to present un-audited accounts of the Company for the quarter ended 31 December 2004.

Financial Performance

The period under review the Company had reported operating revenue of Rs. 41.829 million as compared to Rs. 24.68 million for the corresponding period last year. Financial advisory desk was major contributor with Rs. 25.75 million. The company had also earned a capital gain of Rs. 14.33 million. The after-tax profit stood at Rs16.61 million with EPS at Rs 0.35. The financial strength of the company is evident from its strong balance sheet footing of Rs. 963 million. It is important to note that majority of the shares held by the Company are stated at break up value while the market value of these investments is much higher. The Board of Directors is pleased to announce 30% bonus shares, i.e., 3 shares for each 10 shares held. This bonus issue is being offered by capitalizing available share premium and free reserves.

Amongst subsidiaries, the equity brokerage businesses performed well and secured handsome gains owing to the current bullish market. First Capital Equities Ltd. (FCEL) recorded a net profit of Rs19.29 million with its brokerage income increasing by 56% during the current period. These results have been possible due to continuous efforts of the management which has been diligently working towards improving / broadening its customer base and offering quality service and support. Lanka Securities Limited, the brokerage business is Sri Lanka, performed well versus its competitors even in times of a national economic slow down. World Press (Pvt.) Ltd, the printing business is performing well has earned an after-tax profit of Rs. 4.20 million for the six-month period with an EPS of Rs. 6.06 per share.

The performance of FCSC's associated companies showed improvement with WorldCALL Communications Ltd. posting a net profit of Rs81.58 million for the six-month period. Pace (Pakistan) Limited recognized an after-tax profit of Rs3.00 million in the current period, which was an improvement over the after-tax loss of Rs4.40 million in the same period last year. Capitalizing on the boom in the property and real estate market and a recognized brand name, the group's property arm has embarked upon an aggressive expansion strategy not only in Lahore but in other parts of Punjab as well. New projects are at an advance stage of development and include shopping mall in Model Town and MM Alam Road, offices/apartment tower in H Block of Gulberg, Johar Town project; and super malls in Gujarat and Gujranwala. Construction of the company's Model Town project is nearing completion and is expected to be inaugurated by March 2005 with further expansions in the offing. Pace through its associated undertaking namely Pace Woodlands (Pvt.) Limited is developing a housing project at Bedian Road in Lahore while Pace Super Mall (Pvt) Ltd is undertaking a shopping mall/office complex project in Cantonment area of Lahore.

The prospects of growth in the real estate development sector in Pakistan encouraged the Company to increase its investment in Pace which is already an established brand in Pakistan. The Company's equity investment in Pace increased by Rs.61.88 million during the period taking the total to Rs. 144 million.

Future Outlook

WTL an associated company of FCSC has commenced its Long Distance & International ("LDI") operations in the month of November 2004. Wireless Local Loop services ("WLL") by WTL are also expected to be launched during the first half of the current calendar year.

The Board of Directors of FCEL has approved the conversion of FCEL into Investment Finance Services (investment bank) company subject to the necessary corporate and regulatory approvals.

FCSC looks forward to earning good returns from its investments in subsidiary and associated companies.

The Board of Directors wishes to express its appreciation and gratitude to the shareholders for their continued support and to the employees for their ongoing dedication and commitment to the Company.

For and on behalf of the Board of Directors

Lahore
28 February 2005

Salmaan Taseer
Chairman & Chief Executive Officer

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REVIEW REPORT TO THE MEMBERS

We have reviewed the annexed balance sheet of First Capital Securities Corporation Limited ("the company") as at 31 December 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here in after referred to as the "financial statements") for the six months then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review.

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

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

ISLAMABAD
28 February 2005

TASEER HADI KHALID & CO.
Chartered Accountants

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FIRST CAPITAL SECURITIES CORPORATION LIMITED
BALANCE SHEET (UN-AUDITED)
AS AT 31 DECEMBER 2004

	Note	31 December 2004 Rupees	30 June 2004 Rupees
FIXED ASSETS	4	4,911,332	4,125,101
INVESTMENT PROPERTY		-	65,019,300
LONG TERM INVESTMENTS	5	904,527,440	772,638,632
LONG TERM DEPOSITS		1,264,550	1,180,050
		<u>910,703,322</u>	<u>842,963,083</u>
CURRENT ASSETS			
Trade debts		31,684,282	5,855,045
Loans and advances		15,370,974	19,702,390
Short term prepayments		366,703	865,850
Other receivables		23,015,310	23,365,932
Short term investments	6	216,403,569	222,434,278
Securities purchased under resale agreements		20,350,431	-
Cash and bank balances		23,846,015	7,949,710
		<u>331,037,284</u>	<u>280,173,205</u>
CURRENT LIABILITIES			
Trade and other payables		4,391,630	45,803,966
Mark up accrued on loans and other payables		15,073,369	7,775,870
Short term borrowings		242,857,623	126,134,547
Current portion of liabilities against assets subject to finance lease		1,130,361	884,132
Provision for taxation	7	9,996,961	9,846,586
		<u>273,449,944</u>	<u>190,445,101</u>
WORKING CAPITAL		<u>57,587,340</u>	<u>89,728,104</u>
NET CURRENT ASSETS		<u>968,290,662</u>	<u>932,691,187</u>
NON CURRENT LIABILITIES			
LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE			
DEFERRED LIABILITIES		1,719,560	1,733,364
		2,967,779	2,531,785
		<u>4,687,339</u>	<u>4,265,149</u>
CONTINGENCIES AND COMMITMENTS	8	-	-
NET CAPITAL EMPLOYED		<u>963,603,323</u>	<u>928,426,038</u>
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	9	469,125,760	469,125,760
Share premium		2,643,800	2,643,800
Share deposit money	9.1	18,563,470	-
Revaluation reserve of an associated company		32,557,138	32,557,138
Unappropriated profit		440,713,155	424,099,340
		<u>963,603,323</u>	<u>928,426,038</u>

The annexed notes 1 to 11 form an integral part of these financial statements.

These financial statements were authorised for issue by the Board of Directors of the company on 28 February, 2005.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

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FIRST CAPITAL SECURITIES CORPORATION LIMITED
PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2004

Note	31 December 2004		31 December 2003	
	Quarter ended	Half year ended	Quarter ended	Half year
	Rupees	Rupees	Rupees	Rupees
ended				
REVENUES				
Financial consultancy services	17,500,000	26,250,000	1,500,000	3,000,000
Money market brokerage	2,053,864	3,824,922	8,632,830	11,495,665
Capital gain on investments	-	14,335,801	5,458,465	5,458,465
Dividend income	-	-	2,114,021	2,114,021
Loss on disposal of investment property	-	(3,916,300)	-	-
Net rental income from investment property		402,896	1,334,278	1,359,159
2,613,746				
	<u>19,956,760</u>	<u>41,828,701</u>	<u>19,064,475</u>	<u>24,681,897</u>
ADMINISTRATIVE EXPENSES	11,101,531	18,550,849	10,666,717	17,113,069
PROFIT FROM OPERATIONS	<u>8,855,229</u>	<u>23,277,852</u>	<u>8,397,758</u>	<u>7,568,828</u>
FINANCE COST				
	7,755,368	11,676,974	2,160,613	4,615,370
	<u>1,099,861</u>	<u>11,600,878</u>	<u>6,237,145</u>	<u>2,953,458</u>
OTHER OPERATING INCOME				
	616,189	1,181,936	459,395	1,298,387
	<u>1,716,050</u>	<u>12,782,814</u>	<u>6,696,540</u>	<u>4,251,845</u>
Share in profit of associated and subsidiary companies	6,227,040	10,012,085	13,160,664	11,502,337
Gain on fair value adjustment of investment property	-	-	5,853,800	5,853,800
Unrealized gain on remeasurement of marketable securities	(888,839)	(6,030,709)	6,417,840	34,075,682
PROFIT BEFORE TAXATION	<u>7,054,251</u>	<u>16,764,190</u>	<u>32,128,844</u>	<u>55,683,664</u>
Taxation	7	(93,113)	(150,375)	(96,125)
PROFIT AFTER TAXATION	<u>6,961,138</u>	<u>16,613,815</u>	<u>32,060,919</u>	<u>55,587,539</u>
Earnings per share - Basic	0.15	0.35	0.68	1.18

The annexed notes 1 to 11 form an integral part of these financial statements.

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FIRST CAPITAL SECURITIES CORPORATION LIMITED
CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2004

	31 December 2004 Rupees	31 December 2003 Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	16,764,190	55,683,664
Adjustments for:		
Finance cost	11,676,974	4,615,370
Share in profit of associated and subsidiary companies	(10,012,085)	(11,502,337)
Unrealized gain on remeasurement of marketable securities	6,030,709	(34,075,682)
Loss on disposal of investment property	3,916,300	-
Gain on fair value adjustment of investment property	-	(5,853,800)
Dividend income	-	(2,114,021)
Depreciation	155,669	796,834
Gain on disposal of fixed assets	-	(359,637)
Provision for staff retirement gratuity	457,694	435,044
	<u>12,225,261</u>	<u>(48,058,229)</u>
	28,989,451	7,625,435
(Increase)/decrease in current assets		
Trade debts	(25,829,237)	33,565,348
Loans and advances	4,331,416	(10,946,628)
Short term prepayments	499,147	165,176
Other receivables	(320,795)	235,186
Short term investments	-	63,384,173
Securities purchased under resale agreements	(20,350,431)	-
	<u>(41,669,900)</u>	<u>86,403,255</u>
Increase / (decrease) in current liabilities		
Trade and other payables	(41,397,867)	(1,110,163)
Short term borrowings	116,723,076	(5,820,338)
Cash generated from operations	<u>62,644,760</u>	<u>87,098,189</u>
Staff retirement gratuity paid	(21,700)	(23,000)
Mark-up paid	(4,379,475)	(2,343,269)
Taxes paid	(336,202)	(785,544)
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>57,907,383</u>	<u>83,946,376</u>
CASH FLOW FROM INVESTING ACTIVITIES		
Capital expenditure	(96,900)	(863,500)
Dividend received	1,007,619	2,114,021
Proceeds from disposal of fixed assets	-	725,000
Proceeds from disposal of investment property	61,103,000	-
Long term investments	(121,876,723)	(80,898,000)
Long term deposits	(84,500)	(608,300)
NET CASH USED IN INVESTING ACTIVITIES	<u>(59,947,504)</u>	<u>(79,530,779)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Dividend paid	(14,469)	(11,327,118)
Repayment of liabilities against assets subject to finance lease	(612,575)	(349,668)
Share deposit money	18,563,470	-
NET CASH USED IN FINANCING ACTIVITIES	<u>17,936,426</u>	<u>(11,676,786)</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>15,896,305</u>	<u>(7,261,189)</u>
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	<u>7,949,710</u>	<u>9,889,832</u>
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	<u>23,846,015</u>	<u>2,628,643</u>
These are made up as follows:		
Cash in hand	1,018	39,415
Bank balances	23,844,997	11,371,097
Short term running finance	-	(8,781,869)
	<u>23,846,015</u>	<u>2,628,643</u>

The annexed notes 1 to 11 form an integral part of these financial statements.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

FIRST CAPITAL SECURITIES CORPORATION LIMITED
STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2004

	Share Capital Rupees	Share Deposit Rupees	Share Premium Rupees	Reserve for Issue of Bonus Shares Rupees	Revaluation Reserve of an associated Company Rupees	Unappropriated Profit Rupees	Total Rupees
Balance as at 30 June 2003	339,946,200	-	2,643,800	129,179,560	-	212,670,521	684,440,081
Net profit for the period ended 31 December 2003	-	-	-	-	-	55,587,539	55,587,539
Issuance of share capital	129,179,560	-	-	(129,179,560)	-	-	-
Balance as at 31 December 2003	469,125,760	-	2,643,800	-	-	268,258,060	740,027,620
469,125,760	469,125,760	469,125,760	2,643,800	469,125,760	469,125,760	469,125,760	938,426,038
Balance as at 30 June 2004	-	-	-	-	32,557,138	424,999,349	938,426,038
Net profit for the period ended 31 December 2004	-	18,563,470	-	-	-	16,613,815	16,613,815
Share deposit money received	-	18,563,470	-	-	-	-	18,563,470
Balance as at 31 December 2004	469,125,760	18,563,470	2,643,800	-	32,557,138	440,713,155	963,603,323

The annexed notes 1 to 11 form an integral part of these financial statements.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

FIRST CAPITAL SECURITIES CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE SECOND QUARTER AND SIX MONTHS PERIOD ENDED 31
DECEMBER 2004

1. STATUS AND NATURE OF BUSINESS

First Capital Securities Corporation Limited ("the Company") was incorporated in Pakistan on 11 April 1994 as a public limited company under the Companies Ordinance, 1984 and is listed on Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Company is situated at Gulberg, Lahore. The Company has investments in subsidiaries and associates engaged in brokerage, telecommunication and real state. In addition, the Company acts as a broker in money market.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of International Accounting Standards (IAS) - 34 "Interim Financial Reporting". These financial statements are un-audited and are being submitted to the shareholders under Section 245 of the Companies Ordinance, 1984.

3. ACCOUNTING POLICIES

Accounting policies adopted for the preparation of these financial statements are the same as those applied in preparation of the preceding annual accounts of the Company for the year ended June 30, 2004.

4. FIXED ASSETS

	31 December 2004	31 December 2003
Note	Rupees	Rupees
Opening book value	4,125,101	7,744,011
Add: Additions during the period	941,900	1,838,500
	5,067,001	9,582,511
Less: Disposals during the period (at book value)	-	365,363
Depreciation/amortization charged during the period	796,834	155,669
155,669	155,669	1,162,197
	4,911,332	8,420,314

4.1 Following is the detail of additions during the period

	845,000	1,838,500
Vehicles	845,000	1,838,500
Office equipment	45,400	-

5. LONG TERM INVESTMENTS

These shares are of Rs. 10 each unless stated otherwise.

	Note	Holding %		Rupees	
		31 December 2004	30 June 2004	31 December 2004	30 June 2004
Investment in related parties:					
Subsidiary company - Listed					
First Capital Equities Limited					
16,179,600 (June 2004: 16,179,600) shares		54.14	54.14	148,806,676	138,363,847
Subsidiary companies - Unlisted					
First Capital Associates (Private) Limited-Wholly owned					
100,000 (June 2004: 100,000) shares		100.00	100.00	769,311	-
First Capital Investments Limited					
2,500,000 (June 2004: 2,500,000) shares		79.37	79.37	25,109,009	25,426,799
World Press (Pvt.) Ltd.					
450,125 (June 2004: 450,125) shares		65.00	65.00	7,099,614	4,380,076
Lanka Securities (Private) Limited-Foreign entity					
3,564,900 (June 2004: 3,564,900) shares of Sri Lankan Rs. 10 each		51.00	51.00	15,879,875	17,035,308
Associated companies - Listed					
WorldCALL Communications Limited					
30,328,560 (2004: 30,328,560) shares		19.04	19.04	344,142,246	329,032,186
Associated companies - Unlisted					
Pace (Pakistan) Limited					
19,010,597 (June 2004: 12,824,162) shares		24.47	16.51	215,039,610	152,429,032
Bright Star Corporation (Private) Limited					
720,000 (June 2004: 720,000) shares		15.00	15.00	-	-
Media Times (Private) Limited					
8,000,000 (June 2004: 8,000,000) shares		46.03	46.03	35,136,099	53,426,384
WorldCALL Telecom Limited	5.1				
Share deposit money				112,500,000	52,500,000
Pace Supper Mall (Private) Limited					
4,500 (June 2004: 4,500) shares		10.00	10.00	45,000	45,000
				904,527,440	772,638,632

- 5.1 As explained in June 2004 financial statements, after obtaining all the necessary approvals, Wireless Local Loop (WLL) license has been transferred to WorldCALL Telecom Limited (WTL), which already holds Long Distance and International (LDI) license. WTL has successfully launched its LDI operations and is in the process of setting up its WLL network. Consequently the Company has increased its investment in WTL in accordance with the approvals of its shareholders.

	31 December 2004	30 June 2004
	Rupees	Rupees
Subsidiary company	187,679,000	187,679,000
Associated companies	25,360,850	30,219,926
Other companies	3,363,719	4,535,352
	<u>216,403,569</u>	<u>222,434,278</u>

6. SHORT TERM INVESTMENTS

7. TAXATION

The Company's assessment have been finalized upto the tax year 2003. The tax authorities reopened the assessment for the assessment year 1995-96 under section 66-A of the Income Tax Ordinance, 1979 and assessed a tax demand of Rs.4.6 million by allocating expenditure against the capital gains from exempt tax. The Company's appeal in Income Tax Appellate Tribunal ("ITAT") was rejected and as a result an additional tax demand of Rs.1.1 million being the additional tax under section 89, was created. The Company has appealed to the High Court against the ITAT decision on this issue.

Based on the ITAT decision for the assessment year 1995-96 the Tax Authorities reopened the proceedings for the assessment year 1996-97 which is set aside by the CIT (Appeals). Subsequently based on previous years, tax authorities also reopened the assessment years 1997-98 and 1998-99 and raised a tax demand of Rs.18.5 million against which the Company filed appeal in ("ITAT") and ITAT has accepted the Company's appeal. Based on reopening u/s 66-A, DCIT also assessed the assessment years 1999-2000 to 2002-2003 by allocating expenses to capital gain. The Company has filed appeals in CIT (Appeals) against these orders. The DCIT passed rectification order u/s 221 of the Income Tax Ordinance, 2001 for the assessment year 2000-2001 to 2002-2003 creating a tax demand of Rs.9.8 million.

The Company filed appeal in CIT(A) against orders u/s 221 and also filed rectification against the said orders of the DCIT and the management is hopeful of favorable outcomes of its appeals. During the period appeals u/s 62/65 & u/s 62 for assessment year 1995-96, 1999-2000, 2000-2001 to 2002-2003 respectively fixed for hearing before CIT(A). The CIT(A) allowed partial relief against the orders passed by the DCIT. In the light of order of the CIT(A) demand of Rs.9.8 million was reduced to Rs.6.2 million for the assessment year 2000-2001 to 2002-2003. Provision has not been made in accounts for these tax demands.

8. CONTINGENCIES AND COMMITMENTS

- 8.1 During 2002 the senior management of the Company was contacted by National Accountability Bureau in respect of certain transactions in FIBs carried out by the Company related to WWF during 1999. On review of related records and information and discussions with the senior management, National Accountability Bureau's investigation concluded that two employees of the Company had colluded with WWF officials to defraud WWF.

On the basis of these investigations, National Accountability Bureau required the Company to pay and or guarantee to pay on account of WWF a sum of Rs. 46 million. Keeping in view that public funds were involved and based on legal advise that it was the Company's vicarious liability, the Company had paid National Accountability Bureau an amount of Rs. 13.8 million and had provided adequate security against the balance amount recovered from the parties involved.

National Accountability Bureau recovered Rs. 12.127 million from various parties involved and informed that Company's liability stands reduced by the said amount. In the previous year the Company paid an additional amount of Rs. 10 million as full and final settlement amount. The sum of Rs. 23.8 million as discussed above has been written off in the Company's accounts. National Accountability Bureau has asked the Company to deposit the balance amount of Rs. 10.073 million, which remains un-recovered from various parties involved. The Company has informed National Accountability Bureau that the said amounts are not payable. The Company has also lodged a counter claim for sums paid to National Accountability Bureau, which were actually siphoned by the employees of WWF and other parties involved.

The Company remains contingently liable to the extent of Rs. 10.073 million.

- 8.2 The Securities and Exchange Commission of Pakistan has raised demand of Rs. 0.823 million in respect of tenderable gain under section 224 of the Companies Ordinance, 1984, in respect of purchase and sale of shares of Shaheen Insurance Company Limited, an associated company. The Company is contesting this matter in the High Court and is confident of a favorable outcome.
- 8.3 The Securities and Exchange Commission of Pakistan has raised demand of Rs. 7.67 million in respect of tenderable gain under section 224 of the Companies Ordinance, 1984, in respect of purchase and sale of shares of WorldCALL Communications Limited, an associated company. The Company is contesting this matter in the High Court and is confident of a favorable outcome.
- 8.4 For contingencies relating to tax matters refer note 7.

	31 December 2004	30 June 2004
	Rupees	Rupees

9. SHARE CAPITAL

Authorized

85,000,000 (June 2004: 50,000,000) ordinary shares of Rs. 10/- each

850,000,000	500,000,000
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Issued, subscribed and paid-up

46,912,576 (June 2004: 46,912,576) ordinary shares of Rs. 10/- each

469,125,760	469,125,760
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- 9.1 This represents partial amount received against the 40% right offer at a premium of 50%. The remaining amount was received subsequent to the period end.

10. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders, subsidiary undertakings, directors and key management personnel. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	31 December 2004	31 December 2003
	Rupees	Rupees
Transaction of shares		
- Purchases	377,375,655	68,523,615
- Sales	329,834,732	56,081,320
Payments for/against current accounts	204,512,061	61,761,323
Sale of shares to subsidiary company	-	80,413,000
Investments in subsidiaries and associated companies	121,876,723	-
Consultancy fee charged	26,250,000	3,000,000
Mark up income	1,091,777	937,027
Mark up charged by associated companies	724,375	335,071
Dividend from associated companies	-	2,114,021
Insurance premium	270,857	-
Insurance claim	37,600	34,965
Commission paid	209,939	31,620
Service charges paid to associated company	552,300	1,193,700

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible, except in extremely rare circumstances where, subject to approval of Board of Directors, it is in the interest of the Company to do so.

11. GENERAL

11.1 Figures have been rounded off to the nearest rupee.

11.2 Due to revision of the 4th schedule to the Companies Ordinance, 1984 by the Securities and Exchange Commission of Pakistan vide SRO. 589(1)/2004 dated July 5, 2004, previous period's figures have been rearranged and/or reclassified, wherever necessary, for the purpose of comparison.

FIRST CAPITAL SECURITIES CORPORATION LIMITED
CONSOLIDATED BALANCE SHEET (UN-AUDITED)
AS AT 31 DECEMBER 2004

	Note	31 December 2004 Rupees	30 June 2004 Rupees
FIXED ASSETS	5	59,770,930	41,665,520
NEGATIVE GOODWILL		(81,284,938)	(81,284,938)
LONG TERM INVESTMENTS	6	724,849,632	604,962,998
COST OF CARDS AND ROOMS		67,521,711	66,883,935
INVESTMENT PROPERTY		-	65,019,300
DEFERRED TAXATION		2,552,159	1,434,002
LONG TERM DEPOSITS		7,575,222	7,223,741
DEFERRED COSTS		10,548	12,054
		<u>780,995,264</u>	<u>705,916,612</u>
CURRENT ASSETS			
Stock in trade		1,727,505	1,142,650
Trade debts		464,000,267	416,647,931
Loans and advances		15,370,974	19,702,390
Short term prepayments		366,703	865,850
Other receivables		23,015,310	23,365,932
Short term investments	7	320,602,303	273,632,990
Securities purchased under resale agreements		20,350,431	-
Cash and bank balances		139,324,782	148,045,153
		<u>984,758,275</u>	<u>883,402,896</u>
CURRENT LIABILITIES			
Trade and other payables	8	249,997,688	416,112,798
Mark up accrued on loans and other payables		15,073,369	-
Short term borrowings		503,881,735	227,447,062
Current portion of liabilities against assets subject to finance lease		3,909,907	3,893,279
Provision for taxation	9	18,379,138	18,188,121
		<u>791,241,837</u>	<u>665,641,260</u>
WORKING CAPITAL		193,516,438	217,761,636
NET CURRENT ASSETS		<u>974,511,702</u>	<u>923,678,248</u>
NON CURRENT LIABILITIES			
LONG TERM DEPOSITS		552,116	-
DEFERRED LIABILITY FOR STAFF RETIREMENT GRATUITY	10,936	2,429,387,153	-
OBLIGATIONS UNDER FINANCE LEASES		8,092,588	8,739,813
		<u>19,580,946</u>	<u>18,126,966</u>
CONTINGENCIES AND COMMITMENTS	10	-	-
		<u>954,930,756</u>	<u>905,551,282</u>
REPRESENTED BY:			
SHAREHOLDERS' EQUITY			
Issued, subscribed and paid up capital	11	469,125,760	469,125,760
Share premium		2,643,800	2,643,800
Share deposit money	11.1	18,563,470	-
Revaluation reserves of an associated company		32,557,138	32,557,138
Unappropriated profit		277,995,444	255,546,510
		<u>800,885,612</u>	<u>759,873,208</u>
MINORITY INTEREST		154,045,144	145,678,074
		<u>954,930,756</u>	<u>905,551,282</u>

The annexed notes 1 to 13 form an integral part of these financial statements.

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

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

FIRST CAPITAL SECURITIES CORPORATION LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2004

Note	31 December 2004		31 December 2003	
	Quarter ended	Half year ended	Quarter ended	Half year
	Rupees	Rupees	Rupees	Rupees
ended				
REVENUES	84,082,429	170,305,677	89,042,578	165,789,618
DIRECT COSTS	<u>7,674,338</u>	<u>13,702,840</u>	24,065,371	46,980,723
GROSS PROFIT/(LOSS)	<u>76,408,091</u>	<u>156,602,837</u>	64,977,207	118,808,895
ADMINISTRATIVE EXPENSES	<u>58,689,761</u>	<u>97,734,661</u>	56,340,602	112,113,605
PROFIT FROM OPERATIONS	<u>17,718,330</u>	<u>58,868,176</u>	8,636,605	6,695,290
OTHER OPERATING INCOME	<u>5,414,342</u>	<u>8,632,775</u>	132,674	5,717,697
	<u>23,132,672</u>	<u>67,500,951</u>	8,769,279	12,412,987
FINANCE COST	<u>12,355,067</u>	<u>18,316,229</u>	5,214,465	10,561,959
	<u>10,777,605</u>	<u>49,184,722</u>	3,554,814	1,851,028
Gain on fair value adjustment of investment property	-	-	5,853,800	5,853,800
Unrealized gain/(loss) on remeasurement of marketable securities	<u>12,049,755</u>	<u>(6,030,709)</u>	-	(1,504,705)
Share in profit/(loss) of associated companies	<u>(795,478)</u>	<u>(1,534,762)</u>	12,310,072	17,519,739
PROFIT BEFORE TAXATION	<u>22,031,882</u>	<u>41,619,251</u>	21,718,686	23,719,862
Taxation	9	<u>1,290,421</u>	<u>(7,045,724)</u>	(22,205,215)
		<u>(7,045,724)</u>		(19,277,775)
PROFIT AFTER TAXATION	<u>23,322,303</u>	<u>34,573,527</u>	43,923,901	42,997,637
MINORITY INTEREST	<u>(6,708,812)</u>	<u>(9,991,635)</u>	(8,349,548)	(8,864,087)
PROFIT ATTRIBUTABLE TO HOLDING COMPANY	<u>16,613,491</u>	<u>24,581,892</u>	35,574,353	34,133,550
Earnings per share - Basic	<u>0.35</u>	<u>0.52</u>	0.76	0.73

The annexed notes 1 to 13 form an integral part of these financial statements.

**FIRST CAPITAL SECURITIES CORPORATION LIMITED
CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2004**

	31 December 2004	31 December 2003
	Rupees	Rupees
CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	41,619,251	23,719,862
Adjustments for:		
Depreciation	4,565,781	13,076,495
Unrealized loss on remeasurement of marketable securities	6,030,709	1,504,705
Loss on disposal of investment property	3,916,300	-
Gain on fair value adjustment of investment property	-	(5,853,800)
Gain on disposal of fixed assets	(93,715)	(443,616)
Share in profit/(loss) of associated companies	1,534,762	(17,519,739)
Provision for staff retirement gratuity	1,467,418	1,842,996
	17,421,255	(7,392,959)
(Increase)/decrease in current assets		
Stock in trade	(584,855)	(347,807)
Trade debts	(50,059,321)	283,475,081
Loans and advances	4,331,416	-
Short term prepayments	499,147	-
Other receivables	350,622	-
Short term investments	(53,000,022)	(109,384,665)
Advance for pace shops	-	(6,162,000)
Securities purchased under resale agreement	(20,350,431)	-
	(118,813,444)	167,580,609
Increase/(decrease) in current liabilities		
Trade and other payables	(166,115,110)	70,579,614
Mark up accrued on loans and other payables	15,073,369	-
	(151,041,741)	70,579,614
Cash generated from operations	(210,814,679)	254,487,126
Gratuity paid	(836,745)	(244,980)
Tax paid	(8,354,898)	(785,544)
NET CASH FLOW FROM OPERATING ACTIVITIES:	(220,006,322)	253,456,602
CASH FLOW FROM INVESTING ACTIVITIES:		
Capital expenditure	(22,831,469)	(11,392,790)
Proceeds from disposal of fixed assets	253,993	1,028,021
Long term investments	(121,421,396)	(80,898,000)
Proceeds from disposal of investment property	61,103,000	-
Investment property	-	(5,853,800)
Cost of cards and rooms	(637,776)	-
Long term deposits	(351,480)	(6,023,545)
Deferred expenses incurred	1,506	29,473
NET CASH FLOW FROM INVESTING ACTIVITIES:	(83,883,623)	(103,110,641)
CASH FLOW FROM FINANCING ACTIVITIES:		
Lease rentals paid	(1,925,216)	(1,480,468)
Proceeds from finance lease	1,559,000	-
Long term deposits	552,116	-
Share deposit money	18,563,470	-
Proceeds from advance for issue of shares	-	18,200
Dividend paid	(14,469)	(11,327,118)
NET CASH FLOW/(USED IN) FROM FINANCING ACTIVITIES:	18,734,901	(12,789,386)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(285,155,044)	137,556,575
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	(79,401,909)	(16,092,912)
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	(364,556,953)	121,463,663
CASH AND CASH EQUIVALENTS		
Cash and bank balance	139,324,782	170,245,532
Short term running finance	(503,881,735)	(48,781,869)
	(364,556,953)	121,463,663

The annexed notes 1 to 13 form an integral part of these financial statements.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

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**FIRST CAPITAL SECURITIES CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED 31 DECEMBER 2004**

	Share Capital Rupees	Share Deposit Rupees	Share Premium Rupees	Reserve for Issue of Bonus Shares Rupees	Revaluation Reserve of an associated Company Rupees	Unappropriated Profit Rupees	Total Rupees
Balance as at 30 June 2003	339,946,200	-	2,643,800	129,179,560	-	161,498,350	633,267,910
Net profit for the period ended 31 December 2003	-	-	-	-	-	34,133,550	34,133,550
Adjustment for exchange difference issuance of share capital	129,179,560	-	-	(129,179,560)	-	(1,798,576)	(1,798,576)
Balance as at 31 December 2003	469,125,760	-	2,643,800	-	-	193,833,324	665,602,884
Balance as at 30 June 2004	469,125,760	-	2,643,800	-	32,557,138	255,546,540	759,873,208
Net profit for the period ended 31 December 2004	-	-	-	-	-	24,581,892	24,581,892
Share deposit money received	-	18,563,470	-	-	-	-	18,563,470
Adjustment for exchange difference	-	-	-	-	-	(2,132,957)	(2,132,957)
Balance as at 31 December 2004	469,125,760	18,563,470	2,643,800	-	32,557,138	277,995,444	800,885,612

The annexed notes 1 to 13 form an integral part of these financial statements.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

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FIRST CAPITAL SECURITIES CORPORATION LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS (UN-AUDITED)
FOR THE SECOND QUARTER AND SIX MONTHS PERIOD ENDED 31
DECEMBER 2004

1. STATUS AND NATURE OF BUSINESS

First Capital Securities Corporation Limited ("the parent company") was incorporated in Pakistan on 11 April 1994 as a public limited company under the Companies Ordinance, 1984 and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the parent company is situated at Gulberg, Lahore. The parent company has investments in subsidiaries and associates engaged in brokerage, telecommunication and real estate. In addition, the parent company acts as broker in money market.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the requirements of International Accounting Standards (IAS) - 34 "Interim Financial Reporting". These financial statements are unaudited and are being submitted to the shareholders under Section 245 of the Companies Ordinance, 1984.

3. ACCOUNTING POLICIES

Accounting policies adopted for the preparation of these financial statements are the same as those applied in preparation of the preceding annual accounts of the company for the year ended June 30, 2004.

4. SUBSIDIARY COMPANIES

Following subsidiary companies have been consolidated in the financial statements of the parent company:

	Percentage of Holding	
	31 December 2004	30 June 2004
First Capital Equities Limited (FCEL)	67.39	67.39
Lanka Securities (Pvt.) Limited, Sri Lanka	51	51
First Capital Investments Limited	79.37	79.37
First Capital Associates (Pvt.) Limited	100	100
World Press (Pvt.) Limited	65	65
Equity Partners Securities Limited (Subsidiary of FCEL)	34.37	34.37

5. FIXED ASSETS

	31 December 2004	31 December 2003
	Rupees	Rupees
Opening book value	41,665,520	43,696,703
Add: Additions during the period	22,831,469	180,761,649
	64,496,989	224,458,352
Less: Disposal/ transfer during the period	160,278	25,999,978
Depreciation/ amortization charged during the period	4,565,781	13,076,495
	4,726,059	39,076,473
	59,770,930	185,381,879

6. LONG TERM INVESTMENTS

These shares are of Rs. 10 each unless stated otherwise.

	Note	Holding %		Rupees	
		31 December 2004	30 June 2004	31 December 2004	30 June 2004
Associated companies-Listed					
First Capital Mutual Fund Limited					
1,500,000 ordinary shares of Rs. 10/- each		10	10	12,094,601	11,639,857
WorldCALL Communications Limited					
30,328,560 shares (2004: 30,328,560 shares)		19.04	19.04	344,142,246	329,032,186
Associated companies- Unlisted					
Pace Pakistan Limited					
19,062,372 shares (2004: 12,875,937 shares)		24.53	16.58	220,931,686	158,319,571
Bright Star Corporation (Pvt.) Limited					
1,300,000 Shares (2004: 1,300,000 shares)		32.5	32.5	-	-
Media Times (Pvt.) Limited					
8,000,000 shares (2004: 8,000,000shares)		46.03	46.03	35,136,099	53,426,384
WorldCALL Telecom Limited					
Share deposit money	6.1	-	-	112,500,000	52,500,000
Pace Super Mall (Pvt.) Limited					
4,500 shares (2004: 4,500 shares)		10	10	45,000	45,000
				<u>724,849,632</u>	<u>604,962,998</u>

6.1 As explained in June 2004 financial statement, after obtaining all the necessary approvals, WLL licence has been transferred to WorldCALL Telecom Limited (WTL), which already holds LDI license. WTL has successfully launched its LDI operations and is in the process of setting up its WLL network. Consequently the company has increased its investment in WTL in accordance with the approvals of its shareholders.

7. SHORT TERM INVESTMENTS

	31 December 2004	30 June 2004
	Rupees	Rupees
Held for trading	104,198,734	134,000,280
Available for sale	216,403,569	139,632,710
	<u>320,602,303</u>	<u>273,632,990</u>

8. TRADE AND OTHER PAYABLES

8.1 The members of Karachi Stock Exchange Mr. Aslam Motiwala and Mr. Sultan Ahmed Zikria etc filed a suit against First Capital Equities Limited of Rs. 150 million in the year 2000. The same claim has already been rejected by the KSE Advisory and Arbitration Committee. The Company is of the opinion that the likelihood of an un-favourable decision is remote.

9. TAXATION

The Company's assessment have been finalized upto the tax year 2003. The tax authorities reopened the assessment for the assessment year 1995-96 under section 66-A of the Income Tax Ordinance, 1979 and assessed a tax demand of Rs.4.6 million by allocating expenditure against the capital gains from exempt tax. The Company's appeal in Income Tax Appellate Tribunal ("ITAT") was rejected and as a result an additional tax demand of Rs.1.1 million being the additional tax under section 89, was created. The Company has appealed to the High Court against the ITAT decision on this issue.

Based on the ITAT decision for the assessment year 1995-96 the Tax Authorities reopened the proceedings for the assessment year 1996-97 which is set aside by the CIT (Appeals). Subsequently based on previous years, tax authorities also reopened the assessment years 1997-98 and 1998-99 and raised a tax demand of Rs.18.5 million against which the Company filed appeal in ("ITAT") and ITAT has accepted the Company's appeal. Based on reopening u/s 66-A, DCIT also assessed the assessment years 1999-2000 to 2002-2003 by allocating expenses to capital gain. The Company has filed appeals in CIT (Appeals) against these orders. The DCIT passed rectification order u/s 221 of the Income Tax Ordinance, 2001 for the assessment year 2000-2001 to 2002-2003 creating a tax demand of Rs.9.8 million.

The Company filed appeal in CIT(A) against orders u/s 221 and also filed rectification against the said orders of the DCIT and the management is hopeful of favorable outcomes of its appeals. During the period appeals u/s 62/65 & u/s 62 for assessment year 1995-96, 1999-2000, 2000-2001 to 2002-2003 respectively fixed for hearing before CIT(A). The CIT(A) allowed partial relief against the orders passed by the DCIT. In the light of order of the CIT(A) demand of Rs.9.8 million was reduced to Rs.6.2 million for the assessment year 2000-2001 to 2002-2003. Provision has not been made in accounts for these tax demands.

10. CONTINGENCIES AND COMMITMENTS

10.1 First Capital Securities Corporation Limited

10.1.1 During 2002 the senior management of the Company was contacted by National Accountability Bureau in respect of certain transactions in FIBs carried out by the Company related to WWF during 1999. On review of related records and information and discussions with the senior management, National Accountability Bureau's investigation concluded that two employees of the Company had colluded with WWF officials to defraud WWF.

On the basis of these investigations, National Accountability Bureau required the Company to pay and or guarantee to pay on account of WWF a sum of Rs. 46 million. Keeping in view that public funds were involved and based on legal advise that it was the Company's vicarious liability, the Company had paid National Accountability Bureau an amount of Rs. 13.8 million and had provided adequate security against the balance amount recovered from the parties involved.

National Accountability Bureau recovered Rs. 12.127 million from various parties involved and informed that Company's liability stand reduced by the said amount. Previous year the Company paid an additional amount of Rs. 10 million as full and final settlement amount. The sum of Rs. 23.8 million as discussed above has been written off in the Company's accounts. National Accountability Bureau has asked the Company to deposit the balance amount of Rs. 10.073 million, which remains un-recovered from various parties involved. The Company has informed National Accountability Bureau that the said amounts are not payable. The Company has also lodged a counter claim for sums paid to National Accountability Bureau, which were actually siphoned by the employees of WWF and other parties involved.

The Company remains contingently liable to the extent of Rs. 10.073 million.

10.1.2 The Securities and Exchange Commission of Pakistan has raised demand of Rs. 0.823 million in respect of tenderable gain under section 224 of the Companies Ordinance, 1984, in respect of purchase and sale of shares of Shaheen Insurance Company Limited, an associated company. The Company is contesting this matter and is confident of a favorable outcome.

10.1.3 The Securities and Exchange Commission of Pakistan has raised demand of Rs. 7.67 million in respect of tenderable gain under section 224 of the Companies Ordinance, 1984, in respect of purchase and sale of shares of WorldCALL Communications Limited, an associated company. The Company is contesting this matter by filing of an appeal before Appellate Bench, SECP and is confident of favorable outcome.

10.1.4 For contingencies relating to tax matters refer note 9.

10.2 First Capital Equities Limited

There was no change in the Contingencies and Commitments disclosed in the annual accounts for the year ended June 30, 2004 and quarterly accounts for the period ended 30 September 2004.

11. SHARE CAPITAL

31 December 2004	30 June 2004
Rupees	Rupees

Authorized

85,000,000 (June 2004: 50,000,000) ordinary shares of Rs. 10/- each

<u>850,000,000</u>	<u>500,000,000</u>
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Issued, subscribed and paid-up

46,912,576 (June 2004: 46,912,576) ordinary shares of Rs. 10/- each

<u>469,125,760</u>	<u>469,125,760</u>
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11.1 This represents partial amount received against the 40% right offer at a premium of 50%. The remaining amount was received subsequent to the period end.

12. TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of entities over which the directors are able to exercise significant influence, entities with common directors, major shareholders and key management personnel. Transactions with related parties other than remuneration and benefit to key management personnel under the terms of their employment are as follows:

	31 December 2004	30 June 2004
	Rupees	Rupees
Brokerage income	-	290,203
Sales	57,887,600	-
Purchases	38,887,600	-
Payments for/against current accounts	204,512,061	151,689,962
Investment in associated undertakings	121,876,723	101,074,950
Consultancy fees charged	26,250,000	6,000,000
Mark up income	1,091,777	1,847,083
Mark up charged	724,375	992,398
Dividend from associated companies	-	281,960
Insurance premium	270,857	202,056
Insurance claim	37,600	102,491
Service charges paid to associated companies	552,300	2,224,368
Investment advisory fees received	-	1,616,618
Investment advisory fees charged	1,164,468	2,148,637
Sale of goods/services	-	13,557,521
Commission paid	307,704	-

All transactions involving related parties arising in the normal course of business are conducted at arm's length at normal commercial rates on the same terms and conditions as third party transactions using valuation modes as admissible, except in extremely rare circumstances where, subject to approval of Board of Directors, it is in the interest of the Company to do so.

13. GENERAL

13.1 Figures have been rounded off to the nearest rupee.

13.2 Due to revision of the 4th schedule to the Companies Ordinance, 1984 by the Securities and Exchange Commission of Pakistan vide SRO. 589(1)/2004 dated July 5, 2004, previous period's figures have been rearranged and/or reclassified, where necessary, for the purpose of comparison.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR