VISION

First Capital Securities Corporation Limited aspires to become a well-diversified and successful conglomerate and develop its image as a premier telecom and financial services group.

MISSION

At First Capital Securities Corporation Limited we are committed to provide high quality services in a positive environment that encourages innovation, creativity and teamwork, promotes ethical and efficient behavior and enables shareholders to maximize the returns on their investments.

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FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 JUNE 2005

Company Information

Board of Directors	Salmaan Taseer (Chairman & Chief Executive Officer) Aamna Taseer Sulieman Ahmed Said Al-Hoqani Shaan Taseer Jamal Said Al-Ojaili Khawaja Khalil Shah Syed Kashan Kazmi
Chief Financial Officer	Syed Kashan Kazmi
Audit Committee	Shaan Taseer (Chairman) Aamna Taseer (Member) Khawaja Khalil Shah (Member)
Company Secretary	Nauman Rahman
Auditors	Taseer Hadi Khalid & Co. Chartered Accountants
Legal Advisers	Rehman Saleem & Tarar Advocates
Bankers	Citi Bank N.A. Faysal Bank Limited Muslim Commercial Bank Limited PICIC Commercial Bank Limited Prime Commercial Bank Limited Standard Chartered Bank
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 Fax: (042) 5757590, 5877920

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the 12th Annual General Meeting of the Shareholders of First Capital Securities Corporation Limited ("the Company") will be held on 31 October 2005 at 4:00 p.m. at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, to transact the following business:

Ordinary business

1. To confirm the minutes of last Extraordinary General Meeting held on 08 April 2005;

2. To approve as recommended by the Board of Directors, issue of bonus shares in the proportion of seventeen and a half (17.5) bonus shares for every one hundred (100) shares held i.e. 17.5%. This is in addition to 30% interim bonus shares declared and issued on 28 February 2005 by the Company, thus making a total bonus issue of 47.5% fully paid ordinary shares during the year, which shall also be considered as a final bonus issue;

3. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2005 together with the Directors' and Auditors' reports thereon;

4. To appoint Auditors for the year ending 30 June 2006 and to fix their remuneration;

Special business

5. **To consider and, if deemed fit, pass the following "Special Resolutions" with or without modifications:**

   "**RESOLVED THAT** the Chief Executive of the Company be and is hereby authorized to take all necessary steps to make additional long-term investments in the share capital of the following investee companies, in accordance with the provisions of section 208 of the Companies Ordinance, 1984 and to disinvest as and when considered appropriate :

Pace (Pakistan) Limited	Upto Rs. 130 million
Media Times (Pvt.) Limited	Upto Rs. 35 million

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

6. **To consider and, if deemed fit, pass the following "Special Resolutions" with or without modifications:**

   "**RESOLVED THAT** the Authorized Share Capital of the Company be and is hereby increased from Rs. 1,000,000,000/- divided into 100,000,000 ordinary shares of Rs. 10/- each to Rs. 1,300,000,000/- divided into 130,000,000 ordinary shares of Rs. 10/- each and the words and figures in clause V of Memorandum of Association and clause 4 of Articles of Association of the Company be and are hereby amended accordingly."

   "**RESOLVED FURTHER THAT** any one of the Directors or the Chief Executive or the Company Secretary be and is hereby authorized to do legal needful in connection with the above and to file the documents with the Company Registration Office, Lahore accordingly."

By order of the Board

Lahore:
08 October 2005

Nauman Rahman
Company Secretary

Notes:

1) The register of members will remain closed from 24 October 2005 to 31 October 2005 (both days inclusive). Transfers received at THK Associates (Pvt.) Limited, Ground Floor, Modern Motors House, Beaumont Road Karachi the Registrar and Shares Transfer Office of the Company, by the close of business on 23 October 2005 will be treated in time for the purpose of determining the entitlement of Bonus Issue and Annual General Meeting.

2) A member eligible to attend and vote at the meeting may appoint another member as a proxy to attend and vote in the meeting. In order to be effective, proxies must be received by the Company at the Registered Office not later than 48 hours before the time for holding the meeting.

3) In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power of attorney, must be deposited at the registered office of the Company, 103-C/II, Gulberg-III, Lahore, not less than 48 hours before the time of the meeting.

4) a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original NIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of meeting.

   b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with attested copy of their NIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and NIC numbers. The proxy shall produce his/her original NIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Director/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.

5) Members are requested to notify changes, if any, in their registered address immediately.

STATEMENT UNDER SECTION 208 OF THE COMPANIES ORDINANCE, 1984

Pace (Pakistan) Limited ("Pace")

PACE was incorporated on 21 November 1992 in Pakistan as a public limited company under the Companies Ordinance, 1984, and started its commercial operations in 1995. The main activity of PACE is to build departmental stores, shopping plazas, super markets, utility stores and to carry out commercial, industrial and other related activities. The current paid-up capital of PACE is Rs. 776,742,970/- divided into 77,674,297 ordinary shares of Rs. 10/-. The Company holds 19,009,597 shares (24.47%) in the total paid-up capital of PACE. Other major shareholders of PACE include affiliates of the Company (17.20%), Pioneer Services Limited and its affiliates (35.78%), Pacemaker (Jersey) Limited ("Pacemaker") and its affiliates (12.16%) and other individual shareholders (10.38%).

Pacemaker intends to sell its 9,443,218 (12.16%) shares of Pace to the other shareholders of Pace in accordance with the provisions of the Shareholders' agreement ("the Agreement") signed between Pacemaker, Pioneer Services and the Company on May 1998. The total value of these shares computes to be Rs. 95.56 million based on the value of Rs. 10.12 per share as determined by the independent firm of chartered accountants as per provisions of the Agreement. The Company and Pioneer have pre-emptive right as per the Agreement to purchase the shares sold by Pacemaker. In addition to the above purchase of shares from Pacemaker, the Company intends to make further investment in the share capital of PACE, by acquiring further shares from the other share holders of the PACE who intend to sell their shareholding. PACE has recently announced 34% bonus shares to its shareholders for the year ended 30 June 2005. The Company has already invested Rs. 144.009 million in PACE. The total additional investment which the Company intends to make is of upto Rs. 130 million in the share capital of PACE.

PACE was completely rehabilitated after a fire broke on 13 September 2001. Through reconstruction of entire building using, modern techniques, imported quality material and striking interior design, the management of PACE gained valuable experience in the field of construction, sale and management of property. In order to enhance the business of PACE through utilization of its experience, the management of PACE strategically decided to undertake business activities in the field of real estate development, construction, sale and management beside its existing operations of consumer retailing and super mall.

PACE started constructing and developing for sale a chain of modern shopping malls with quality brands in a spacious beautiful designed environment at convenient locations for general public in Lahore. The shopping malls will feature everything from popular fashions, electronics, household accessories, home furnishing, gifts, leather goods, consumer products etc. along with food cafes.

PACE located at Model Link Road has been completed and is open for general public, which received a tremendous response from the public of Lahore. Another project of Pace located at M.M. Alam Road, Gulberg and 27 H Gulberg, Lahore is in the process of completion. PACE is also undertaking housing scheme through a separate company namely Pace Woodlands (Pvt.) Limited over a 20 acres land acquired near Bedian Road, Lahore. In addition, PACE also intends to construct/develop/sale of a shopping mall/plaza on land measuring 15 Kanals located at G.T. Road, Gujrat. This project would be undertaken by a separate company namely Pace Gujrat (Pvt.) Limited.

The real estate sector has recently assumed considerable importance with the expectation that this could soon emerge as the critical catalyst for stimulating investment and industrial activity in Pakistan. The real estate business offers promising prospects through capital gains on property investment which has generally been high, in relation to financial assets. Economics and demographics fundamentally suggests that the trend rate of property appreciation is likely to remain high in future. Historically, in real terms, Property assets experienced rapid appreciation. This has reinforced their attraction to investors, who have continued to invest in real estate. A Large number of Pakistani expatriates have provided a huge boost to the real estate market through continued investments. These factors are likely to sustain strong gains in real estate prices over the period of time.

Media Times (Pvt.) Limited ("MTL" or "Daily Times")

MTL was incorporated on 26 June 2001. The main objective of MTL is to carry on the business of proprietor, printer and publisher of newspapers in Pakistan and elsewhere. MTL started its commercial operations on 01 July 2003. MTL publishes a daily English newspaper namely "The Daily Times" is edited by award winning journalist Mr. Najam Aziz Sethi assisted by an aggressive team of journalist/reporters and technicians. The official web site of "Daily Times" is http://www.dailytimes.com.pk. MTL began publication from Lahore in the April 2002 and later started publication from Karachi. The total paid-up capital of MTL is Rs. 173,818,170/- divided into 17,381,817 ordinary shares of Rs. 10/- each. The main shareholders of MTL includes the Company holding around 46%, Mr. Salmaan Taseer holding around 7%, Mr. Najam Aziz Sethi & his family holding around 6% and other shareholders holding 41%.

Due to its rich content and opinion editorials, features and customized layout, MTL has in a very short period of time established a loyal readership across the country. The weekly "SUNDAY" magazine has become the largest circulated English Magazine of the country. MTL has also started showing encouraging financial results. The revenues for the year 2005 has increased by more than 76 percent as compared to the previous year which helps it to achieve the break even during the last quarter of the financial year ending June 30, 2005. The management is now planning to publish a daily edition from the capital city of Islamabad to make it a complete national daily. The management is also considering publication of URDU newspapers simultaneously from all the cities from where it is already publishing English daily. It is expected that Daily Times will be a profitable venture in near future. The Company intends to make further investment upto Rs. 35 million in the share capital of MTL in addition to already made investment of Rs. 80 million.

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

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

1. Investments to be made by the Company

The Company is fully authorized by its Memorandum of Association to make such investment(s). The investment(s) 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**	**Pace (Pakistan) Limited ("PACE")**
(ii)	**Nature, amount and extent of investment**	Long-term Investment in share capital of PACE upto Rs. 130 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 company)
(iv)	**Break-up value of shares intended to be purchased on the basis of last published financial statements**	Rs. 14.85 per share for the year ended 30 June 2005.
(v)	**Price at which shares will be purchased**	Upto Rs. 10.12/- for each ordinary share in respect of shares acquired from Pacemaker. The balance shares shall be purchased upto the break up value of PACE's shares or fair market value.
(vi)	**Earning per share of the investee company in last three years**	**30-June-05** Rs. 2.65; **30-June-04** Rs. 1.61; **30-June-03** Rs. 3.99
(vii)	**Source of funds from where shares will be purchased**	Available cash resources, future internal cash generation from the operations of the Company and debt raising, if required.
(viii)	**Period for which investment will be made**	As a long-term investment
(ix)	**Purpose of Investment**	The real estate business in Pakistan is very encouraging and has great potential. Since previous years the business community in Pakistan has grown in major cities including Lahore, Karachi and Islamabad and there is growing need of office spaces and plazas. The capital gains on real estate investment generally have been high. Economics and demographic fundamentals suggest that the trend rate of property appreciation is likely to remain high in future. Property assets have historically experienced rapid appreciation in real terms. This has reinforced their attraction to investors, who have continued to invest in real estate. Therefore, management intends to utilize Company's cash resources for better future returns to shareholders.
(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 and all the benefits accrued to PACE 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 what has been disclosed under the section "Interest of Directors and their Relatives".

(i)	**Name of the investee company**	**Media Times (Pvt.) Limited ("MTL")**	
(ii)	**Nature, amount and extent of investment**	Long-term Investment in share capital of MTL upto Rs. 35 million.	
(iii)	**Average market price of the shares intended to be purchased during preceding six months in case of listed companies**	Not applicable.	
(iv)	**Break-up value of shares intended to be purchased on the basis of last published financial statements**	**30-June-05** Rs. 4.86	**30-June-04** Rs. 6.68
(v)	**Price at which shares will be purchased**	Rs. 10/- for each ordinary share.	
(vi)	**Earning per share of the investee company in last three years**	**30-June-05** Rs. (3.14)	**30-June-04** Rs. (5.06)
		Earning per share for the year ended 30-06-2003 is not available due as MTL started its commercial operation on 01 July 2003.	
(vii)	**Source of funds from where shares will be purchased**	Available cash resources, future internal cash generation from the operations of the Company and debt raising, if required.	
(viii)	**Period for which investment will be made**	As a long-term investment.	
(ix)	**Purpose of Investment**	Over the last few years FCSC has diversified its investments into the media and telecom sectors which have proved to be sound decisions, maximizing shareholders' interest. It was concluded that investment in newspaper and related business would fit in well with the group's vision of providing a range of media, IT and telecom services under one umbrella. In order to achieve this objective FCSC's management decided to invest in MTL. Due to its rich contents & opinion editorials, features and customized layouts, Daily Times has in a very short time of one year established a strong following across various classes of readers. It has experienced rapid growth in its circulation not only in Lahore but around Pakistan. The management is now planning to publish a daily edition from the capital city of Islamabad to make it a complete national daily. The management is also considering publication of URDU newspapers simultaneously from all the cities from where it is already publishing English daily. It is expected that Daily Times will be a profitable venture in near future. The purpose of the investment in MTL is to provide necessary funds for	

		its working capital requirements and to enhance operations of MTL. All of the benefits accrued to MTL will form part of returns to the Company in future.
(x)	**Benefits likely to accrue to the Company and the shareholders from the proposed investments**	Utilization of the Company's available cash resources for better future returns to shareholders. Within a short period of time MTL has been able to capture the market through its publications. The proposed investment will help in enhancing its circulation and advertisement revenues. All the benefits accrued to MTL will form part of the future returns to the Company. The Company expects substantial gains and dividends in future.
(xi)	**Interest of Directors and their relatives in the investee company**	The Directors of the Company and their relatives have no interest in above company except what has been disclosed under the section "Interest of Directors and their Relatives".

2. Increase in Authorized Share Capital

The Board of Directors' in their meeting held on 08 October 2005 have declared 17.5% Bonus Shares in proportion of 17.5 bonus shares for every 100 shares held by the members on the entitlement day i.e. 23 October 2005. At present the Company has an Authorized Share Capital of Rs. 1,000,000,000/- divided into 100,000,000 ordinary shares of Rs. 10/- each of which 85,380,886 ordinary shares are issued and fully paid-up. In order to facilitate the allotment of 17.5% Bonus Shares, the Board of Directors' have recommended that the Authorized Share Capital of the Company be increased from Rs. 1,000,000,000/- to Rs. 1,300,000,000/- divided into 130,000,000 ordinary shares of Rs. 10/- each. This increase in capital will also necessitate amendments in clause V of the Memorandum of Association and in clause 4 of the Articles of Association of the Company accordingly and will be read as under:

Clause-V of the Memorandum of Association

The Authorized Capital of the Company is Rs. 1,300,000,000/- (Rupees One billion and three hundred million only) divided into 130,000,000 (One Hundred Thirty Million) ordinary shares of Rs. 10/- (Rupees Ten only) each. The Company shall have the power to increase, reduce, consolidate or re-organize the said capital and to divide the shares in the capital into several classes in accordance with the provisions of the Companies Ordinance, 1984.

Clause-4 of the Articles of Association

The Authorized Capital of the Company is Rs. 1,300,000,000/- (Rupees One billion and three hundred million only) divided into 130,000,000 (One Hundred Thirty Million) ordinary shares of Rs. 10/- (Rupees Ten only) each.

INSPECTION OF DOCUMENTS

Copies of Memorandum and Articles of Association, Statement under section 160(1)(b) of the Companies Ordinance, 1984, Companies Ordinance 1984, annual and quarterly accounts along with 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 companies 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:

		As at 01 September 2005		As at 01 September 2005		As at 01 September 2005	
		Status in the Company	Shares in the Company	Status in PACE	Shares in PACE	Status in MTL	Shares in MTL
	Name of Directors/CEO						
1	Salmaan Taseer	CEO/Dir.	157,064	CEO/Dir	500	CEO/Dir	1,260,500
2	Aamna Taseer	Director	440,105	-	-	Director	500
3	Sulieman Ahmed Said Al-Hoqani	Director	34,512,096	Director	13,929,173	-	-
4	Shaan Taseer	Director	30,767	-	-	Director	500
5	Jamal Said Al-Ojaili	Director	500	Director	500	-	-
6	Khawaja Khalil Shah (Nominee of Faysal Bank Limited)	Director	-	-	-	-	-
7	Syed Kashan Kazmi	Director	910	-	-	-	-

CHAIRMAN'S REVIEW

It gives me immense pleasure to present the annual review of First Capital Securities Corporation Limited ("FCSC" or "the Company") for the year ended June 30, 2005.

Your company has now been operating successfully for over a decade. Starting in 1994 as a brokerage house, it has diversified its investments in areas ranging from financial services to print media, telecom and real estate/ property management. With the grace of Almighty, the overall performance of the investee companies has been remarkable. During the year property business and print media has shown encouraging performances while the telecom division has launched Long Distance International (LDI) and Wireless Local Loop (WLL) services.

Pace (Pakistan) Limited has also launched a number of new projects including "Pace Towers" a high rise in the heart of Lahore and "Pace Gujranwala", thus expanding the brand outside Lahore as well.

Financial Business

The KSE-100 index recorded a gain of more than 50% during the year which enabled the equity brokerage business to improve its performance.

First Capital Equities Limited ("FCEL") benefited from the market growth and recorded a 111% increase in its brokerage income. The net profit of FCEL rose to Rs. 80.454 million as compared to Rs. 55.707 million for the same period in the last year. Improvement in the stock market, aggressive sales and marketing activities undertaken by the company along with proactive investment strategies have resulted in enhanced clientele and investment base, which in turn has let to higher profitability.

Lanka Securities (Pvt.) Limited ("LSL") posted profits of SLR 23.606 million during the current year. We expect these good results to continue in the future.

First Capital Associates (Pvt.) Limited ("FCAL") showed improved results over the previous year. FCAL posted a profit-after-tax of Rs. 1.633 million as compared to a net loss of Rs. 1.634 million in the last year.

Print Media Business

World Press (Pvt.) Limited is a printing, packaging and publishing company with all modern facilities under one roof. It is adequately fulfilling the printing demands of FCSC/ Worldcall Group and is also undertaking third party printing assignments. This was the first full year of operations for the company during which profits of Rs. 4.1 million were recorded. It has also declared an interim dividend of 15% during the financial year ended June 30, 2005. The EPS of the company was Rs. 5.91.

Media Times (Pvt.) Limited publishes a daily newspaper "Daily Times" from Lahore & Karachi. During the year it posted revenues of Rs. 147.569 million, an increase of 76% over last year. The growth of newspaper has been phenomenal and it has been able to capture the interest of English newspaper readers.

Property Business

Pace (Pakistan) Limited ("PACE"), continued accumulation of profits for the sixth consecutive year, mainly attributable to property gains. The company earned an after tax profit of Rs. 206.055 million during the current year which shows an increase of 1.86 times compared to last year. The main contributor to this significant increase is sales of Model Town Link Road Project, which has now become fully operational and is one of the very successful shopping malls in the vicinity. Construction activity is ongoing at the M. M. Alam Road Shopping Mall and Pace Towers at 27-H Gulberg II. Subsequent to the year end "Pace Gujranwala" project was launched and has received the same kind of enthusiasm, as has been the hallmark of all the previous projects. The Board of Directors of Pace has recommended Bonus Shares @ 34% i.e. 34 bonus shares for every 100 shares held, for the year ended 30 June 2005.

Telecom Business

Worldcall Communications Limited ("WCL"), the flagship telecom company posted Rs. 2.246 billion in revenues and a net profit of Rs. 439 million, an increase of 80.987%. The Board of Directors of WCL has recommended Bonus Shares @ 15% i.e. 15 bonus shares for every 100 shares held, for the year ended 30 June 2005.

Worldcall Telecom Limited ("WTL") has been successfully running its LDI (Long Distance & International) operations for the last nine months and WLL (Wireless Local Loop) operations for the last 4 months. WTL earned total revenue of Rs. 678 million during the year under review. WTL was the first private operator to start LDI services in Pakistan after deploying a state of the art Next Generation Network ("NGN") from top of the line global vendors including Siemens, Cisco and Nuera. In a record time of seven months, the company's WLL service has been launched in eight cities of Punjab: Lahore, Gujrat, Kharian, Sheikhupura, Sargodha, Sialkot, Gujranwala and Multan. WTL was listed on the stock exchanges in September 2005 and offers public an opportunity to invest in the fast growing telecommunications sector.

FCSC/Worldcall Group is poised to become a significant player and the alternative operator of choice in the telecom sector. The telecom division of your group has the most extensive and diversified deployments by a private operator in Pakistan.

I am confident that our management team will continue to add value to our various businesses and strive to enhance the image of FCSC as premier financial services, telecom and property development group.

I would like to thank our management and employees whose commitment to deliver results transforms our vision into reality.

Lahore
08 October 2005

Salmaan Taseer
Chairman & Chief Executive Officer

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of First Capital Securities Corporation Limited ("the Company" or "FCSC") are pleased to present before the shareholders the 12th annual report together with the Company's audited accounts for the year ended 30 June 2005. This Report contains review on the group companies affairs.

In addition to these accounts, consolidated financial statements incorporating the results of subsidiaries / associated companies are also a part of the said accounts.

Operating Results

The operating results of the Company are summarized as follows:

	2005 **Rupees**	2004 Rupees
Revenues	**68,933,879**	75,513,719
Operating Expenses	**(42,554,465)**	45,941,688
Operating Profit	**26,379,414**	29,572,031
Other revenues	**2,237,437**	2,450,996
Finance cost	**(23,006,210)**	(11,860,741)
Share of profit of associated and subsidiary companies	**167,311,449**	61,856,004
Unrealized gain on fair value of investment property	**-**	9,837,600
Unrealized (loss)/gain on re-measurement of short-term investments	**(7,742,651)**	125,270,983
Profit before taxation	**165,179,439**	217,126,873
Taxation	**-**	(5,698,054)
Profit after taxation	**165,179,439**	211,428,819
Interim bonus	**30.0%**	-
Final bonus	**17.5%**	-

In the year under review, the Company posted a profit after tax of Rs. 165.179 million as compared to Rs. 211.429 million for the same period last year. The deregulation of telecom sector, the consultancy business of the Company which posted revenues of Rs. 16.850 million, has contributed well towards the showing a growth of more than 200%. Money market desk was unable to maintain its last year's performance and reported a decline of Rs. 9.818 million. The bullish market trend of the capital market; contributed capital gains of Rs 44.778 million as compared to Rs. 36.058 million last year. The subsidiary and the associated companies have also showing encouraging results for the year thus contributing favorably towards the income of the group.

National Accountability Bureau again raised a demand 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. Note 31.1 of the annexed accounts provide further details of the matter.

Future outlook

The Company expects that on the back of the sustainable economic growth of the country. All the sectors in which the company has an interest namely property, telecom and financial market will continue on their positive trend and will show the better result for the coming year. The Company has also decided to increase its stakes in the media and property division by increasing its investments.

Please refer to the Chairman's Review for a detailed review of the Company's associated & subsidiary companies and future outlooks.

Key Financial Indicators

The key financial indicators of the Company's performance for the seven years are annexed to the report.

Payouts for the Shareholders

The Company announced final bonus shares in proportion of seventeen and a half (17.5) bonus shares for every one hundred (100) shares held i.e. 17.5%. This is in addition to 30% interim bonus shares declared and issued on 28 February 2005 by the Company, thus making a total bonus issue of 47.5% fully paid ordinary shares during the year, which shall also be considered as a final bonus issue.

Earnings per share

Earnings per share for the year ended 30 June, 2005 was Rs. 2.11 as compared to Rs 2.94 last year.

Changes in the Board of Directors

Since the last report, there have been the following changes in the composition of the Board. During the period, Lt. Gen. (R) Humayun Khan Bangash and Mr. Muhammad Ashraf Ali have resigned from the Board of Directors of the Company. Mrs. Aamna Taseer and Khawaja Khalil Shah have been appointed as Directors in place of Lt. Gen. (R) Humayun Khan Bangash and Mr. Muhammad Ashraf Ali. Mr. Jamal Said Al-Ojaili has also been appointed as Director in place of Mr. Fazeel Asif Jah who has been removed from Directorship by the Shareholders of the Company. At present, the Company has seven Directors on its Board.

Code of Corporate Governance

This statement is being presented to comply with the "Code of Corporate Governance" (Code) contained in the Listing Regulations of the Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of Code. The directors hereby confirm the following as required by clause (xix) of the Code.

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in the equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal controls is sound in design and has been implemented and effectively monitored.
6. There are no significant doubts upon the Company's ability to continue as going concern.
7. There has been no material departure from the best practices of Corporate Governance as detailed in Listing Regulations.
8. The key financial data of seven years is summarized in the report.

9. There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding and have not been disclosed in annexed accounts.

Board Meetings

Five meetings of Board of the Directors were held during the financial year. The attendance of each director is as follows:

Directors	Meetings Attended
Salmaan Taseer (Chairman & Chief Executive)	5
Aamna Taseer	-
Sulieman Ahmed Said Al-Hoqani	5
Shaan Taseer	4
Jamal Said Al-Ojaili	1
Syed Kashan Kazmi	5
Khawaja Khalil Shah	-
Lt. Gen. (R) Humayun Khan Bangash (Resigned)	4
Fazeel Asif Jah (Removed)	-
Muhammad Ashraf Ali (Resigned)	4

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

Trading of Directors

During the financial year, the trading in shares of the Company by the Directors, CEO, CFO, Company Secretary and their spouses and any minor children is given in Annexure-I.

Audit Committee

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

Shaan Taseer	Chairman
Aamna Taseer	Member
Khawaja Khalil Shah	Member

Auditors

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

Chairman's Review

The Directors of your Company endorse the contents of the Chairman's Review dealing with the Company's affairs, which is included in the Annual Report.

Pattern of Shareholdings

The pattern of shareholdings as required under the section-236 of the Companies Ordinance, 1984 as well as per Listing Regulations of Stock Exchanges are enclosed.

Acknowledgement

In the end, the Board wishes to place on record their appreciation to the employees at all levels for their dedication and commitments and thanks all shareholders of the company for the trust and confidence reposed in us. Finally, we would like to thank the Securities and Exchange Commission of Pakistan for its continued guidance and constant improvement of the regulation.

For and on behalf of the Board of Directors

Lahore
08 October 2005

Salmaan Taseer
Chairman & Chief Executive Officer

Annexure I

TRADING BY BOARD MEMBERS, COMPANY SECRETARY, CFO AND THEIR SPOUSE & IF ANY MINOR CHILDREN

	Opening balance as on 01-07-2004	Purchase	Bonus	Sale	Closing balance as on 30-06-2005
Directors					
Salmaan Taseer **(CEO)**	86,299	34,520	36,245	-	157,064
Shaan Taseer	16,905	6,762	7,100	-	30,767
Aamna Taseer	241,817	96,726	101,562	-	440,105
Sulieman Ahmed Said Al-Hoqani	19,412,518	8,239,750	8,264,328	104,500	35,812,096
Jamal Said Al-Ojaili	-	500	-	-	500
Syed Kashan Kazmi	500	200	210	-	910
Khawaja Khalil Shah	-	-	-	-	-
(Nominee Director of Faysal Bank Ltd.)					
Fazeel Asif Jah (Removed)	690	276	289	-	1,255
Lt. Gen. (R) Humayun Khan Bangash (Resigned)	814	325	341	1,480	-
Muhammad Ashraf Ali (Nomination Changed)	-	-	-	-	-
Spouses	-	-	-	-	-
Minor Children	-	-	-	-	-
Chief Financial Officer					
Syed Kashan Kazmi	500	200	210	-	910
Company Secretary					
Nauman Rahman	-	-	-	-	-

Annexure II

KEY FINANCIAL DATA FOR LAST 7 YEARS

FINANCIAL DATA **Rupees in Thousands**

	2005	2004	2003	2002	2001	2000	1999
Operating revenue	68,934	75,514	41,699	47,827	78,735	65,004	70,629
Operating expenses	42,554	45,942	41,899	51,673	29,160	43,085	38,420
Operation profit	26,379	29,572	(199)	(3,846)	49,575	21,919	32,209
Other revenue	2,237	2,451	5,582	13,318	52,049	13,443	13,133
Financial Expenses	23,006	11,861	5,017	2,666	10,566	8,066	5,464
Taxation	-	5,698	1,320	3,544	150	663	2,568
Profit after Taxation	149,979	211,429	165,547	91,153	87,932	26,890	39,185
Cash Dividend Final	-	-	-	-	33,995	-	-
Bonus Share Interim	197,033	-	129,180	-	-	-	48,015
Bonus Share Final	14,942	-	-	-	-	-	-

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

Shareholders' Category	Number of Shares held
Associated Companies, undertaking and related parties	
Worldcall Communications Limited	1,893,487
NIT and ICP	
Investment Corporation of Pakistan	10,312
National Bank of Pakistan, Trustee Deptt	2,200,537
Directors, CEO and their Spouse and Minor Children	
Salmaan Taseer (CEO/Director)	157,064
Aamna Taseer (Director)	440,105
Sulieman Ahmad Said Al-Hoqani (Director)	35,812,096
Shaan Taseer (Director)	30,767
Jamal Said Al-Ojaili (Director)	500
Syed Kashan Kazmi (Director)	910
Khawaja Khalil Shah (Nominee Director of Faysal Bank Limited)	-
Executives	
Kamil Aziz	1,566
Public Sector Companies and Corporations	84,155
Banks Development Financial Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Fund etc.	3,356,708
Shareholders holding 10% or more voting interest in the Company	
Amythest Limited	34,177,608
Sulieman Ahmad Said Al-Hoqani	35,812,096

PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2005

INCORPORATION NUMBER: L-07023 OF 1993-94

No. of Shareholders	Shareholdings			Shares Held
	From		To	
357	1	-	100	16,392
775	101	-	500	201,663
459	501	-	1000	317,005
615	1001	-	5000	1,144,503
42	5001	-	10000	294,192
20	10001	-	15000	238,822
9	15001	-	20000	156,360
4	20001	-	25000	86,558
3	25001	-	30000	78,870
1	30001	-	35000	31,435
1	35001	-	40000	36,117
4	40001	-	45000	170,581
1	45001	-	50000	47,149
3	55001	-	60000	167,836
2	60001	-	65000	125,742
2	110001	-	115000	226,901
1	145001	-	150000	147,427
1	210001	-	215000	214,202
1	215001	-	220000	217,100
1	225001	-	230000	225,657
1	300001	-	305000	304,980
2	440001	-	445000	882,982
1	675001	-	680000	676,000
1	845001	-	850000	846,768
1	1295001	-	1300000	1,300,000
1	1800001	-	1805000	1,804,342
1	1890001	-	1895000	1,893,487
1	2090001	-	2095000	2,092,896
1	2200001	-	2205000	2,200,537
1	3325001	-	3330000	3,330,000
1	6045001	-	6050000	6,046,430
1	6815001	-	6820000	6,816,856
1	9665001	-	9670000	9,665,767
1	16010001	-	16015000	16,014,577
1	27360001	-	27365000	27,360,752
2318				**85,380,886**

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	36,441,442	42.681
Associated Companies, undertakings and related parties.	1,893,487	2.218
NIT and ICP	2,221,161	2.601
Banks, Development Financial Institutions, Non-Banking Financial Institutions	3,344,825	3.918
Modarabas and Mutual Funds	11,883	0.014
Shareholders holding 10% or more	69,989,704	81.974
General Public		
a) Local	6,359,557	7.448
b) Foreign	35,812,096	41.944
Others		
- Joint Stock Companies	84,155	0.099
- Foreign Companies	35,024,376	41.021

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

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

The Company has fully complied with the best practices on Transfer Pricing as contained in the Listing Regulations of Stock Exchanges where the Company is listed.

For and on behalf of the Board

Lahore
08 October 2005

Salmaan Taseer
Chairman & Chief Executive Officer

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

This statement is being presented to comply with the Code of Corporate Governance contained in Listing Regulations of Stock Exchanges for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of the Corporate Governance.

The Company has applied the principles contained in the Code in following manner:

1. The Board of Directors comprise of seven Directors. The Company encourages representation of independent non-executive directors on its board. At present, the Board includes at least two independent non-executive directors.

2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

3. All the resident directors of the Company are registered as taxpayers and none of them has convicted by a Court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a DFI's or NBFI's. No one is a member of Stock Exchange.

4. All casual vacancies occurring in the Board were filed 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.

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 course for its directors during the year to apprise them of their duties and responsibilities.

10. The Board has approved appointment of Company Secretary including remuneration and terms and conditions of employment, as determined by the CEO.

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an Audit Committee. At present, the committee includes three non-executive directors including the chairman of the committee.

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 the Board

Salmaan Taseer
Chairman & Chief Executive Officer

Lahore
08 October 2005

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of First Capital Securities Corporation Limited ("the Company") to comply with the Listing Regulations of the respective Stock Exchanges, 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.

Lahore
08 October 2005

Taseer Hadi Khalid & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **First Capital Securities Corporation Limited** ("the Company") as at 30 June 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conduct our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

b) in our opinion:

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied, except for the changes as stated in note 3.2 with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2005 and of the profit, its cash flows and changes in equity for the year then ended; and

d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Lahore	**Taseer Hadi Khalid & Co.**
08 October 2005	Chartered Accountants

BALANCE SHEET
AS AT 30 JUNE 2005

	Note	2005 Rupees	2004 Rupees
NON CURRENT ASSETS			
Property and equipment	4	**3,547,410**	4,125,101
Investment property	5	**-**	65,019,300
Long term investments	6	**1,241,826,804**	772,638,632
Long term deposits	7	**926,050**	1,180,050
		1,246,300,264	842,963,083
CURRENT ASSETS			
Trade debts	8	**19,132,399**	5,855,045
Loans and advances	9	**13,083,738**	19,702,390
Short term prepayments		**88,116**	865,850
Other receivables	10	**23,273,580**	23,365,932
Short term investments	11	**219,691,627**	222,434,278
Cash and bank balances	12	**5,137,377**	7,949,710
		280,406,837	280,173,205
CURRENT LIABILITIES			
Trade and other payables	13	**5,097,606**	45,803,966
Mark up accrued on loans and other payables		**4,084,608**	7,775,870
Short term borrowings	14	**126,877,485**	126,134,547
Current portion of obligations under finance leases	15	**970,086**	884,132
Provision for taxation		**9,846,586**	9,846,586
		146,876,371	190,445,101
WORKING CAPITAL		**133,530,466**	89,728,104
NET ASSETS		**1,379,830,730**	932,691,187
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	15	**1,429,742**	1,733,364
Deferred liability for staff gratuity	17	**3,320,061**	2,531,785
		4,749,803	4,265,149
CONTINGENCIES AND COMMITMENTS	31		
NET CAPITAL EMPLOYED		**1,375,080,927**	928,426,038
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid-up capital	18	**853,808,870**	469,125,760
Reserves	19	**521,272,057**	459,300,278
		1,375,080,927	928,426,038

The annexed notes 1 to 36 form an integral part of these accounts.

Lahore: **Chairman & Chief Executive Officer** **Director**

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 Rupees	2004 Rupees
OPERATING REVENUE			
Financial consultancy services	20	**18,850,000**	6,000,000
Money market brokerage	21	**7,213,160**	17,030,964
Capital gain on investments		**44,777,553**	36,058,141
Dividend income	22	**675,188**	10,136,870
(Loss)/gain on disposal of investment property		**(3,916,300)**	1,000,500
Net rental income from investment property	23	**1,334,278**	5,287,244
		68,933,879	75,513,719
OPERATING EXPENSES	24	**42,554,465**	45,941,688
OPERATING PROFIT		**26,379,414**	29,572,031
FINANCE COST	25	**23,006,210**	11,860,741
		3,373,204	17,711,290
OTHER INCOME			
Mark up income	26	**2,133,301**	1,882,112
Gain on disposal of property and equipment		**-**	591,518
Income from purchase/resale of listed equity securities		**51,632**	-
Miscellaneous income		**59,843**	46,161
		2,244,776	2,519,791
		5,617,980	20,231,081
Exchange loss		**(7,339)**	(68,795)
Share in profit of associated and subsidiary companies	6	**167,311,449**	61,856,004
Gain on fair value adjustment of investment property		**-**	9,837,600
Unrealized (loss)/gain on remeasurement of short term investments	11	**(7,742,651)**	125,270,983
		159,561,459	196,895,792
PROFIT BEFORE TAXATION		**165,179,439**	217,126,873
Taxation	16	**-**	(5,698,054)
PROFIT AFTER TAXATION		**165,179,439**	211,428,819
Earnings per share- Basic	30	**2.11**	2.94

The annexed notes 1 to 36 form an integral part of these accounts.

Lahore: **Chairman & Chief Executive Officer** **Director**

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 Rupees	2004 Rupees
Cash flow from operating activities			
Profit before taxation		**165,179,439**	217,126,873
Adjustments for:			
Finance cost		**23,006,210**	11,860,741
Share in profit of associated and subsidiary companies		**(167,311,449)**	(61,856,004)
Unrealized loss / (gain) on remeasurement of short term investments		**7,742,651**	(125,270,983)
Loss / (gain) on disposal of investment property		**3,916,300**	(1,000,500)
Gain on fair value adjustment of investment property		**-**	(9,837,600)
Provision for doubtful debts		**3,971,177**	951,861
Dividend		**(675,188)**	(10,136,870)
Depreciation		**1,519,591**	5,298,078
Gain on disposal of property and equipment		**-**	(591,518)
Provision for gratuity		**971,976**	766,498
		(126,858,732)	(189,816,297)
		38,320,707	27,310,576
(Increase)/decrease in current assets			
Trade debts		**(13,277,354)**	16,313,062
Loans and advances		**2,647,475**	(1,816,205)
Short term prepayments		**777,734**	(532,893)
Other receivables		**(260,117)**	227,923
Short term investments		**(5,000,000)**	50,915,368
Securities purchased under resale agreements		**-**	24,612,008
		(15,112,262)	89,719,263
Increase / (decrease) in current liabilities			
Trade and other payables		**(40,685,649)**	(524,255)
Short term borrowings		**742,938**	59,921,030
Cash generated from operations		**(39,942,711)**	59,396,775
		(16,734,266)	176,426,614
Gratuity paid		**(183,700)**	(343,655)
Finance cost paid		**(26,697,472)**	(4,890,915)
Taxes paid		**(655,150)**	(3,172,543)
		(27,536,322)	(8,407,113)
Net cash (used in) / generated from operating activities		**(44,270,588)**	168,019,501
Cash flow from investing activities			
Capital expenditure		**(96,900)**	(597,150)
Dividend received		**1,682,807**	9,129,251
Proceeds from disposal of property and equipment		**-**	1,275,000
Proceeds from disposal of investment property		**61,103,000**	9,448,000
Investment property acquired		**-**	(8,447,500)
Long term investments		**(301,876,723)**	(168,069,200)
Long term deposits		**254,000**	(313,800)
Net cash used in investing activities		**(238,933,816)**	(157,575,399)
Cash flow from financing activities			
Dividend paid		**(20,711)**	(11,433,020)
Repayment against lease finance		**(1,062,668)**	(951,204)
Issuance of share capital		**281,475,450**	-
Net cash flow (used in) / generated from Financing activities		**280,392,071**	(12,384,224)
Net decrease in cash and cash equivalents		**(2,812,333)**	(1,940,122)
Cash and cash equivalents at the beginning of the year		**7,949,710**	9,889,832
Cash and cash equivalents at the end of the year	12	**5,137,377**	7,949,710

The annexed notes 1 to 36 form an integral part of these accounts.

Lahore: **Chairman & Chief Executive Officer** **Director**

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2005

	Share Capital 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 as previously reported	339,946,200	2,643,800	129,179,560	-	212,670,521	684,440,081
Effect of change in accounting policy due to the revision of the Fourth Schedule to the Companies Ordinance, 1984.	-	-	(61,190,320)	-	61,190,320	-
Balance as at 30 June 2003 (Restated)	339,946,200	2,643,800	67,989,240	-	273,860,841	684,440,081
Issuance of share capital	129,179,560	-	(67,989,240)	-	(61,190,320)	-
Profit for the year	-	-	-	-	211,428,819	211,428,819
Company's share of revaluation reserve on valuation of investment property of an associated company accounted for under the equity method.	-	-	-	32,557,138	-	32,557,138
Balance as at 30 June 2004	469,125,760	2,643,800	-	32,557,138	424,099,340	928,426,038
Profit for the year	-	-	-	-	165,179,439	165,179,439
Issuance of share capital against						
right issue	187,650,300	93,825,150	-	-	-	281,475,450
bonus shares announced in 2004	197,032,810	(96,468,950)	-	-	(100,563,860)	-
Balance as at 30 June 2005	**853,808,870**	**-**	**-**	**32,557,138**	**488,714,919**	**1,375,080,927**

The annexed notes 1 to 36 form an integral part of these accounts.

Lahore: **Chairman & Chief Executive Officer** **Director**

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2005

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 the Karachi, Lahore and Islamabad stock exchanges. The registered office of the Company is situated at 103 C/II, Gulberg-III, Lahore. The Company has investments in subsidiaries and associates engaged in brokerage, telecommunication and real estate. In addition the Company acts as a broker in the money market.

2. State of compliance

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

3. Summary of significant accounting policies

3.1 Accounting convention

These accounts have been prepared under the historical cost convention except for investment property, securities available for sale and held for trading, which are stated at their fair values.

3.2 Change in accounting policy

Subsequent to the revision of the Fourth Schedule to the Companies Ordinance, 1984, the Company, during the current year, revised its policy to recognize dividend as a liability in the period in which it is declared.

Similarly, appropriations to reserves for bonus issue are now made in the period in which these are appropriated. Previously, appropriations made after the balance sheet date but before the financial statements were authorized for issue were recorded as appropriation in reserve for bonus issue.

The said changes in the accounting policies have been applied retrospectively in order to conform with the benchmark treatment prescribed by IAS 8 "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies", which requires that any resulting adjustment should be reported as an adjustment to the opening balance of retained earnings of the earliest period presented and comparative information should be restated as if the new policy had always been in use. Accordingly, the reserve for issue of bonus shares as at 30 June, 2003, has been reduced by Rs.61.190 million (Bonus declared after the balance sheet date) and the opening balance of unappropriated profit has been adjusted with the same amount.

Had there been no change in the policy the current year balance of reserve for issue of bonus and un-appropriated profit would have been higher and lower by Rs. 149.417 million (2004: Nil) respectively.

3.3 Property and equipment and depreciation

Owned

Property and Equipment are stated at cost less accumulated depreciation. Capital work in progress is stated at cost.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

Depreciation is charged to income applying the straight-line method at the rates mentioned in note 4 to the accounts whereby the cost of an asset is written off over its useful life.

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

Gain or loss on disposal of property and equipment is included in current year income.

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

Leased

Assets subject to finance lease are stated at the lower of present value of minimum lease payments under the lease agreements and the fair value of the assets less accumulated depreciation. Related obligations, under the lease are accounted for as liabilities. Amortization is charged on the straight-line method at the rates given in note 4 to the accounts.

Finance charge is calculated at the rates implicit in the lease and charged to income.

3.4 Impairment

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists the assets' recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

3.5 Investments

Long term investments

Investments in subsidiaries and, associates where significant influence can be established, are accounted for under the equity method.

In case of investments accounted for under the equity method, the method is applied from the date when control/significant influence commences until the date when that control/significant influence ceases. When the Company's share of losses exceeds the carrying amount of the subsidiaries /associates, 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 /associates.

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.

Investments available for sale

These are investments, which do not fall under the held for trading or held to maturity categories. These represent investments in equity instruments (including listed and un-listed securities) and except for investment in un-listed securities, are stated at fair values with any gains or losses recognized directly in the profit and loss account. The fair value of those investments representing listed equity securities is

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determined on the basis of year end closing market prices. The investment representing un-listed shares are stated at cost, as relevant financial information is not available to determine their fair values. Hence, provision for permanent diminution is made, if any.

3.6 Investment property

The Company carries its investment property at fair value determined annually by an independent approved valuer.

Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognized in the profit and loss account. Rental income from investment property is accounted for as described in note 3.10.

If an item of property and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognized in the equity as a revaluation reserve for investment property. However, if a fair value gain reverses a previous impairment loss, the gain is recognized in profit and loss account. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through the profit and loss account.

3.7 Trade and other receivables

These are stated net of provision, if any, for impairment. Full provision is made for impaired receivables.

3.8 Trade and other payables

Trade and other payables are stated at cost.

3.9 Securities purchased and sold under resale / purchase agreements

The Company presents listed equity securities purchased and simultaneously sold under forward sale agreements to the same counter party as securities purchased under the resale agreements and listed equity sold and repurchased simultaneously under forward purchase agreements to the same counter party as securities sold under repurchased agreements. The income/loss from such transactions is presented as income/(cost) from repo transactions of listed equity shares.

3.10 Revenue recognition

Capital gains or losses on sale of investments are taken to income in the year in which they arise.

Money market brokerage, consultancy and advisory fees are recognized as and when services are provided.

Underwriting commission is recognized as and when the contract is executed. Take up commission is recognized at the time of actual take-up.

Dividend income is recognized at the time of book closure of Company declaring dividend.

Return on securities other than shares is recognized as and when it is due on time proportion basis.

Mark-up/interest income is recognized on accrual basis.

Rental income is recognized on accrual basis

3.11 Taxation

Current

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

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized on all deductible temporary differences to the extant that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is measured at tax rates that are expected to apply to the period when the temporary differences are reversed, based on tax rates and tax laws that have been and enacted or substantively enacted by the balance sheet date.

3.12 Foreign currency translation

Foreign currency transactions during the year are recorded at the rate of exchange ruling on the transaction date. All monetary assets and liabilities denominated in foreign currency are translated at exchange rates prevailing at the year end. Exchange differences are taken to income currently.

3.13 Staff retirement benefits

Defined benefit plan

The Company operates an un-funded gratuity plan for its eligible staff under which benefits are paid on cessation of employment subject to a minimum qualifying period of service that is, one year. The liability under the plan is determined on the basis of actuarial valuations carried out by using the projected Unit Credit Method and are charged to income.

The Company recognizes actuarial gains/ losses above the corridor defined in IAS-19 “Employee Benefits” over the expected future services of employees.

3.14 Financial Instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. The Company de-recognizes a financial asset or a portion of financial asset when, and only when, the enterprise looses control of the contractual rights that comprise the financial asset or portion of financial asset. A financial liability or part of financial liability is de-recognized from the balance sheet, when and only when, it is extinguished that is when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the recognition, de-recognition of the financial assets and liabilities is stated in their respective notes.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

Financial assets are long term deposits, short term investments, trade debts, advances and other receivables and cash and bank balances. These are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amount.

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are liability against assets subject to finance lease, short term borrowings, Trade and other payables. Mark-up bearing finances are recorded at the gross proceeds recovered. Other liabilities are stated at their nominal value.

3.15 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.

3.16 Provisions

A provision is recognized 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.

3.17 Cash and cash equivalents

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

3.18 Borrowing costs

Borrowing costs are charged to the profit and loss account.

3.19 Mark-up bearing borrowings

Mark-up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark-up bearing borrowings are stated at original cost less subsequent repayments.

3.20 Transactions with Related Parties

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.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

4. Property and equipment

	COST					DEPRECIATION/AMORTIZATION					NET BOOK VALUE
	As at 01 July 2004	additions/ (deletions)	Adjustments	As at 30 June 2005	Depreciation Rate	Accumulated as at 01 July 2004	Deletions	Adjustments	For the year	Accumulated as at 30 June 2004	as at 30 June 2005
	Rs.	Rs.		Rs.	%	Rs.	Rs.		Rs.	Rs.	Rs.
Owned assets											
Leasehold improvements	470,315	-	-	470,315	10	282,189	-	-	47,032	329,221	**141,094**
Computers	3,994,633	51,500	-	4,046,133	33	3,837,554	-	-	131,510	3,969,064	**77,069**
Office equipment	4,017,561	45,400	-	4,062,961	10	2,963,069	-	-	270,952	3,234,021	**828,940**
Furniture and fixtures	2,199,600	-	-	2,199,600	10	1,898,025	-	-	90,168	1,988,193	**211,407**
Vehicles	4,904,755	-	762,000	5,666,755	20	4,862,326	-	471,000	194,829	5,528,155	**138,600**
	15,586,864	96,900	762,000	16,445,764		13,843,163	-	471,000	734,491	15,048,654	**1,397,110**
Leased assets											
Vehicles	3,842,500	845,000	(762,000)	3,925,500	20	1,461,100	-	(471,000)	785,100	1,775,200	**2,150,300**
2005	**19,429,364**	**941,900**	**-**	**20,371,264**		**15,304,263**	**-**	**-**	**1,519,591**	**16,823,854**	**3,547,410**
2004	18,553,714	4,128,150 (1,487,000)	(1,765,500)	19,429,364		10,809,703	(803,518)	-	5,298,078	15,304,263	4,125,101

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2005

	2005 Rupees	2004 Rupees
5. Investment property		
Opening balance	**65,019,300**	55,181,700
Add: Acquisition of shops	**-**	8,447,500
	65,019,300	63,629,200
Less: Disposal of shops during the year	**(65,019,300)**	(8,447,500)
	-	55,181,700
Increase in fair value	**-**	9,837,600
Closing balance	**-**	65,019,300

Last year the carrying amount of investment property was the fair value of the property as determined by an approved independent valuer Hamid Mukhtar & Co. (Pvt) Ltd. Fair value was determined taking into account recent market transactions for similar properties in the same location as the Company's investment property.

Investment property comprises a number of commercial properties that are rented to third parties. However, during the year all shops have been sold out at an aggregate amount of Rs.61,103,000/-

	Note	2005 Rupees	2004 Rupees
6. Long term investments			
Subsidiary company - Listed			
First Capital Equities Limited			
16,179,600 (2004: 16,179,600) ordinary shares of Rs.10 each		**138,363,847**	43,211,081
Equity held 67.40 %			
Shares acquired through exercise of rights		**-**	64,993,000
Share of profit		**43,558,011**	30,159,766
	6.1	**181,921,585**	138,363,847
Subsidiary companies - Unlisted			
First Capital Associates (Private) Limited-Wholly owned			
100,000 ordinary shares of Rs.10 each		**-**	682,822
Share of profit/(loss)		**680,771**	(682,822)
		680,771	-
First Capital Investments Limited			
2,500,000 (2004: 2,500,000) ordinary shares of Rs.10 each		**25,426,799**	11,093,430
Shares acquired through exercise of 100 % rights		**-**	12,500,000
Equity held: 65.79% (2004: 79.37 %)			
Share of (loss)/profit		**(1,002,651)**	1,833,369
		24,424,148	25,426,799
World Press (Private) Ltd.			
450,125 ordinary shares of Rs.10 each		**4,380,076**	4,501,250
Equity held: 65%			
Share of profit/(loss)		**2,661,667**	(121,174)
Less: Dividend booked during the year		**(675,188)**	-
		6,366,555	4,380,076

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 Rupees	2004 Rupees
Lanka Securities (Private) Limited-Foreign entity			
3,564,900 ordinary shares @ Sri Lankan Rupees 3.29 (Pak Rs.2.29) each		**17,035,308**	14,751,945
Equity held: 51%			
Share of profit		**6,973,644**	11,663,004
Less: Dividend booked during the year		**-**	(9,379,641)
		24,008,952	17,035,308
Associated companies - Listed			
Worldcall Communications Limited			
30,328,560 ordinary shares of Rs.10 each		**329,032,186**	284,130,946
Equity held: 19.04%			
Share of profit		**81,365,411**	44,901,240
	6.2	**410,297,597**	329,032,186
Worldcall Broadband Limited			
1,500,000 ordinary shares of Rs.10 each		**-**	15,000,000
Transferred to available for sale investment		**-**	(15,000,000)
		-	-
Worldcall Telecom Limited			
29,250,000 ordinary shares of Rs.10 each		**292,500,000**	-
Share deposit money		**-**	52,500,000
Equity held: 10.64%			
Share of loss		**(2,044,758)**	-
	6.3	**290,455,242**	52,500,000
Associated companies - Unlisted			
Pace (Pakistan) Limited			
19,010,597 (2004: 12,824,162) ordinary shares of Rs.10 each		**152,429,032**	59,420,806
Equity held: 24.47% (2004: 16.51 %)			
Shares acquired through exercise of right option		**-**	48,574,950
Acquisition of 6,186,435 additional shares		**61,876,723**	-
Share of profit		**50,421,659**	11,876,138
Adjustment on account of transfer of investment property to inventories		**-**	32,557,138
		264,727,414	152,429,032
Bright Star Corporation (Private) Limited			
720,000 ordinary shares of Rs.10 each		**-**	1,820,260
Equity held: 15 %			
Share of loss / Write off		**-**	(1,820,260)
		-	-

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

	2005 Rupees	2004 Rupees
Media Times (Private) Limited		
8,000,000 ordinary shares of Rs.10 each	**53,426,384**	80,000,000
Equity held: 46.03%		
Share of loss	**(14,527,117)**	(26,573,616)
	38,899,267	53,426,384
Pace Super Mall (Private) Limited		
4,500 ordinary shares of Rs.10 each	**45,000**	45,000
Equity held: 10%		
Total investments	**1,241,826,804**	772,638,632
Share of profit of subsidiary and associated companies	**167,311,449**	61,856,004

6.1 This represent total 67.40% holding is First Capital Equities Limited, consisting of 54.14% as long term investment and 13.26% as available for sale investment. Pursuant to the agreement to purchase shares dated 23 September 2000 between ABN AMRO Asia Limited ("ABN AMRO") and the Company, the Company acquired ABN AMRO's entire stake in First Capital Equities Limited ("FCEL") formerly First Capital ABN AMRO Equities (Pakistan) Limited ("FCABN ") for a total sum of Rs. 1.0 million. Accordingly FCABN became a wholly owned subsidiary of the Company and its name was changed to First Capital Equities Limited ("FCEL") in January 2001.

As agreed between the Company and ABN AMRO, loans arranged for FCEL (formerly FCABN) to discharge the obligations of FCEL are secured specifically against defaulting clients and are repayable only out of amount received from such defaulting clients. The Company has provided a guarantee to ABN AMRO that FCEL will remit all amounts received from defaulting clients to ABN AMRO.

FCEL together with ABN AMRO have initiated cases against certain clients. The eventual outcome of these cases or counter claims is uncertain at this stage. However, the management is confident regarding a favourable outcome of these claims or counter claims. Furthermore, FCEL being a limited liability company, the management is of the view that the company has no exposure beyond its investment in FCEL.

6.2 This includes 2.9 million shares held under lien as security by National Accountability Bureau. Refer to note 31.1.

6.3 The Company's shareholders in their Annual General Meeting held on 30 October 2004 have approved to transfer the Investment of Rs.160 million in Worldcall Telephony Limited ("WTPL") to Worldcall Telecom Limited ("WTL") including Rs. 60 million already approved in Extra Ordinary General Meeting held on 06 September 2004. Additionally, investment on a long term basis in the share capital of WTL up to Rs. 240 million was also approved in this meeting. WTL has been listed on Stock Exchanges subsequent to the balance sheet date.

6.4 Other Associations

6.4.1 The Company is associated with First Capital Mutual Fund Limited ("FCMF"), due to having common directors. The objective of the FCMF is to carry on the business of a closed-end mutual fund. FCMF is being managed by the Company's subsidiary, First Capital Investments Limited.

6.4.2 The Company is associated with Worldcall Broadband Limited ("WBL") due to having common directorship. WBL has been setup to provide re-broadcast international / national satellite / terrestrial wireless, cable television and interactive broad band services in Karachi.

6.4.3 The Company is associated with Worldcall Telecommunications Lanka (Pvt.) Ltd. ("WTLL") due to common directorship. WTLL is providing payphone services in Sri Lanka and is a subsidiary of WCL.

6.4.4 The Company is associated with Worldcall Internet Solutions (Pvt.) Ltd. ("WISL") due to common directorship. WISL is engaged in portal development.

6.4.5 The Company is associated with Worldcall Multimedia Ltd. ("WML") due to common directorship. WML has been setup to provide re-broadcast international / national satellite / terrestrial wireless, cable television and interactive broad band services in Lahore. WML is a subsidiary of WCL.

6.4.6 The Company is associated with Total Media Ltd. ("TML") due to common directorship. TML has been setup to establish and operate television broadcast station and production of programs for broadcasting.

6.4.7 The Company is associated with Equity Partners Securities Limited ("EPSL") due to common directorship. EPSL has been set up to provide services related to stock brokerage business in Bangladesh. It has corporate membership of Dhaka and Chittagong Stock Exchanges Limited.

6.4.8 The Company is associated with Worldcall Telephony Limited ("WTPL") due to common directorship. The main activity of WTPL is to carry on all or any of the business of Telecommunications including but not limited to systems signal, wireless local loop, data or messages.

6.4.9 The Company is associated with Worldcall Telecom Ltd. ("WTL") due to common directorship. The principal business of WTL is to provide Wireless Local Loop (WLL) and Long Distance & International (LDI) services and to carry on all or any of the business of Telecommunications and Interactive Communications.

6.4.10 The Company is associated with Commercial Property Modaraba Management (Pvt.) Limited ("CPMM") due to common directorship. CPMM has managed modaraba funds and Modaraba of all types.

6.4.11 The Company is associated with Worldcall Mobile (Pvt.) Limited ("WMBL") due to common directorship. WMBL has been setup to carry on the cellular phones/satellite phones or any related business or part there of.

6.4.12 The Company is associated with Pace Woodlands (Pvt.) Limited ("PWL") due to common directorship. PWL has been setup to carry on the business of buying, constructing and selling housing schemes, colonies, houses, land and buildings, and to hire and manage immovable property.

6.4.13 The Company is associated with Shaheen Insurance Company Limited ("SICL") due to common directorship. SICL has been setup to carry out non life insurance business.

6.4.14 The Company is associated with PICIC Commercial Bank Limited ("PICIC") due to common directorship. The PICIC Commercial Bank Ltd. received a license from State Bank of Pakistan to undertake and carry on the business of banking in Pakistan.

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FOR THE YEAR ENDED 30 JUNE 2005

		Note	2005 Rupees	2004 Rupees
7.	**Long term deposits**			
	Deposit with leasing companies		**1,189,550**	1,221,750
	Less current maturity		**(301,000)**	(116,700)
			888,550	1,105,050
	Deposit with others		**37,500**	75,000
			926,050	1,180,050
8.	**Trade debts**			
	Money market receivables			
	Unsecured, considered good		**1,247,002**	1,905,695
	Unsecured, considered doubtful		**314,107**	292,280
			1,561,109	2,197,975
	Less: Provision for doubtful debts	8.1	**314,107**	292,280
			1,247,002	1,905,695
	Receivable against purchase of shares from clients			
	Unsecured, considered good		**-**	3,949,350
	Unsecured, considered doubtful		**23,965,006**	20,015,656
			23,965,006	23,965,006
	Less: Provision for doubtful debts	8.1	**23,965,006**	20,015,656
			-	3,949,350
	Receivable against professional services rendered related parties - unsecured, considered good			
	Worldcall Broad Band Limited - an associated company		**2,250,000**	-
	Worldcall Telecom Limited - an associated company		**13,600,000**	-
	Worldcall Multimedia Limited - an associated company		**1,000,000**	-
	World Press (Pvt.) Limited - a subsidiary company		**1,000,000**	-
			17,850,000	-
	Others			
	Unsecured, considered good		**35,397**	-
			19,132,399	5,855,045

		2005 Rupees	2004 Rupees
8.1	Provision against money market and other debts	**20,044,936**	20,044,936
	Charge for the year		
	Money market	**21,827**	-
	Receivables against purchase of shares	**3,949,350**	-
		3,971,177	-
	Closing provision for doubtful debts	**24,016,113**	20,044,936

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2005

9. Loans and advances	Note	2005 Rupees	2004 Rupees
Unsecured, considered good			
Advance to employees for expenses			
- Executives		**250,000**	315,157
- Employees		**52,895**	113,069
	9.1	**302,895**	428,226
Due from related parties			
First Capital Associates (Private) Limited		**666,742**	3,217,401
Worldcall Multimedia Limited	9.2	**164,674**	5,432,713
Worldcall Broadband Limited	9.2	**1,172,601**	1,291,990
World Press (Private) Limited	9.2	**1,475,509**	1,272,929
Pace (Pakistan) Limited		**8,722**	-
Pace Super Mall (Private) Limited	9.2	**9,292,595**	8,059,131
		12,780,843	19,274,164
Unsecured, considered doubtful			
Others		**571,267**	571,267
Due from related parties			
First Capital Associates (Private) Limited		**4,495,661**	4,495,661
		5,066,928	5,066,928
Less: Provision for doubtful debts		**(5,066,928)**	(5,066,928)
		-	-
		13,083,738	19,702,390

9.1 Advances given to employees and executives for expenses are in accordance with the company's policy. Such advances are unsecured, interest free and are adjusted against salary / expense claims.

9.2 These are unsecured advances which carry mark up @ 13.5-16% (2004:13.5-14.5%) per annum

10. Other receivables	Note	2005 Rupees	2004 Rupees
Advance income tax		**22,887,076**	22,231,926
Current portion of deposits against lease	7	**301,000**	116,700
Dividend		**1,250**	1,008,869
Others		**84,254**	8,437
		23,273,580	23,365,932

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

11. Short term investments

	Note	2005 Carrying Cost Rupees	2005 Fair Value Rupees	2004 Carrying Cost Rupees	2004 Fair Value Rupees
These are made up as under:					
Available for sale - related parties	11.1	**222,434,278**	**214,691,627**	97,163,295	222,434,278
Held for trading - others	11.2	**5,000,000**	**5,000,000**	-	-
		227,434,278	**219,691,627**	97,163,295	222,434,278
Add: Unrealised (loss)/gain on account of remeasurement to fair value.		**(7,742,651)**	**-**	125,270,983	-
		219,691,627	**219,691,627**	222,434,278	222,434,278

11.1 Available sale - related parties

	Number of shares 2005	Number of shares 2004	2005 Carrying Cost Rupees	2005 Fair Value Rupees	2004 Carrying Cost Rupees	2004 Fair Value Rupees
Listed securities						
First Capital Equities Limited	**3,181,000**	3,181,000	**187,679,000**	**187,679,000**	65,290,025	187,679,000
Shaheen Insurance Company Limited	**188,973**	188,973	**4,535,352**	**3,873,947**	4,125,280	4,535,352
Worldcall Broadband Limited	**1,500,000**	1,500,000	**18,450,000**	**14,850,000**	15,000,000	18,450,000
Worldcall Communications Limited	**828,868**	828,868	**11,769,926**	**8,288,680**	12,747,990	11,769,926
			222,434,278	**214,691,627**	97,163,295	222,434,278

11.2 Held for trading - others

	Number of shares 2005	Number of shares 2004	2005 Carrying Cost Rupees	2005 Fair Value Rupees	2004 Carrying Cost Rupees	2004 Fair Value Rupees
Funds						
1st Dawood Mutual Fund Ltd.	**500,000**	-	**5,000,000**	**5,000,000**		
			5,000,000	**5,000,000**	-	-

11.3 Face value of each share is Rs.10 each.

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 Rupees	2004 Rupees
12. Cash and bank balances			
Cash in hand		**18,631**	1,858
At bank:			
- Current accounts		**875,623**	2,436,042
- Deposit accounts	12.1	**4,243,123**	5,511,810
		5,118,746	7,947,852
		5,137,377	7,949,710

12.1 The balance in saving accounts bear mark up which ranges from 1.5% to 2.5% (2004:5.9%) per annum.

	Note	2005 Rupees	2004 Rupees
13. Trade and other payables			
Morabaha facility with Faysal Bank Ltd.	13.1	**-**	40,000,000
Security deposits		**-**	655,919
Bills payable		**553,803**	408,345
Accrued liabilities		**1,458,846**	1,674,698
Withholding tax		**14,860**	139,676
Unclaimed dividend		**1,891,835**	1,912,546
Other liabilities		**1,178,262**	1,012,782
		5,097,606	45,803,966

13.1 Morabha facility was expired during the year on 01 October, 2004 and carried mark-up at the rate 7% (2004: 7-11%).per annum and was secured against the pledge of shares of associated company and mortgage of three shops at Pace building Lahore.

	Note	2005 Rupees	2004 Rupees
14. Short term borrowings - secured			
Due to related parties			
- Worldcall Communications Limited	14.1	**8,942,377**	11,338,191
- First Capital Equities Limited		**-**	4,119,366
		8,942,377	15,457,557
Securities sold under Re-Purchase agreements			
- KASB Securities (Pvt.) Ltd.		**-**	110,676,990
- Salman Services (Pvt.) Ltd.		**92,935,108**	-
- First Capital Equities Ltd.		**25,000,000**	-
	14.2	**117,935,108**	110,676,990
		126,877,485	126,134,547

14.1 These are unsecured and carry mark-up @ 14 % p.a. payable on quarterly basis.

14.2 Represents the sale price of certain listed equity securities sold to Salman Services (Pvt.) Ltd. and First Capital Equities Ltd. under the contracts whereby the securities would be repurchased by the Company at a fixed price.

The difference between the sale price and the purchase price is accrued in the books of account on the commencement of the contract as cost on repo transactions. The market value of securities pledged as at 30 June 2005 amounted to Rs. 285 million (30 June 2004: Rs. 143 million).

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2005

15. Liabilities against assets subject to finance lease

The Company has acquired vehicles under finance lease agreements. The amounts of future payments for the lease and the period in which the lease payments will become due are as follows:

	2005			2004		
	Not later than one year	**Later than one year and not later than five years**	**Total**	Not later than one year	Later than one year and not later than five years	Total
Minimum lease payments	**1,051,736**	**1,462,437**	**2,514,173**	996,754	1,781,403	2,778,157
Finance charge	**(81,650)**	**(32,695)**	**(114,345)**	(112,622)	(48,039)	(160,661)
Present value of minimum lease payments	**970,086**	**1,429,742**	**2,399,828**	884,132	1,733,364	2,617,496
Current portion	**(970,086)**	**-**	**(970,086)**	(884,132)	-	(884,132)
	-	**1,429,742**	**1,429,742**	-	1,733,364	1,733,364

Rentals are payable in monthly as well as quarterly installments. The Company has the right to exercise purchase option at the end of the lease term. The present value of minimum lease payments have been discounted at an effected rate of 8% to 18% (2004:8 to 18%) per annum.

	2005 Rupees	**2004 Rupees**
16. Taxation		
Current	**-**	*598,054*
Current year's	**-**	5,100,000
Prior year's	**-**	5,698,054

16.1 The Company's assessments have been finalized upto Tax year 2004. During the year the Income Tax proceedings were amended u/s 122 of the Income Tax Ordinance 2001 for the tax year 2003 & 2004 and expenses were allocated to capital gain. The Company filed appeal before CIT (A) and the CIT (A) in its order deleted the addition on account of capital gain. 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. Company has appealed to the High Court against the ("ITAT ") decision on this issue.

16.2 Based on the ("ITAT") decision for the assessment year 1995-96 the Tax Authorities reopened the proceedings for the assessment year 1996-97 which was set a side by the CIT (Appeals). The company has filed appeal against the order of CIT(A) in ("ITAT") and the management is confident that appeal will be decided in favour of the Company . Subsequently based on previous years, tax authorities also reopened the assessment year 1997-98 and 1998-99 and raised a tax demand of Rs.18.5 million against which the company filed appeal in ("ITAT"). The ITAT has decided the appeal in favour of the Company for the assessment year 1997-1998 & 1998-1999, which resulted into deletion of demand of 18.5 Million. 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 ("ITAT") against these orders and orders of the same are expected shortly. Provision has not been made in accounts for these tax demands. The management is confident that the appeal will be decided in favour of the Company and the addition on account of allocation of expenses will be deleted. Last year the DCIT passed 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 has filed appeal in CIT (A) against these orders and also filed rectification against the said orders of DCIT. 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.

16.3 The Company was also contesting in ("ITAT") for Tax of Rs.5.1 million recovered by tax authorities against gain on sale of KSE and LSE memberships by the Company during the assessment year 1997-98 as the department has filed appeal in ("ITAT") against the order of CIT (A). The departmental appeal against the order of the CIT (A) has been dismissed by the ("ITAT").

The management is hopeful of favourable outcome of its appeals.

16.4 Deferred tax

The Company has a deferred tax debit amounting to Rs. 27,421,885 (2004: Rs.9,105,325). However, in view of taxable profits not available in foreseeable future owing to the effect of exempt income, the Company has not incorporated the deferred tax debit in these financial statements.

17. Deferred liability for staff gratuity

	2005 Rupees	2004 Rupees
17.1 Net liability at the beginning of the year	**2,531,785**	2,108,942
Net expense	**915,912**	766,498
Liability transferred from other sister concern	**56,064**	-
Benefits paid during the year	**(183,700)**	(343,655)
Net liability at the end of the year	**3,320,061**	2,531,785
The amounts recognized in the balance sheet are as follows:		
Present value of obligation	**3,136,864**	2,348,588
Unrecognized actuarial gain	**183,197**	183,197
Liability recognized in the balance sheet	**3,320,061**	2,531,785

17.2 The amounts recognized in the profit and loss account is as follows:

	2005 Rupees	2004 Rupees
Current services cost	**689,781**	612,438
Interest cost	**225,607**	154,060
Actuarial loss recognized	**524**	-
Total amount charged to profit and loss account.	**915,912**	766,498

17.3 The latest valuation was conducted by Nauman Associates (consulting actuaries) as of 30 June 2005. Significant actuarial assumptions are as follows:

Discount rate	9%
Increase in salary	8%
Mortality rate	EFU 61-66 mortality rate

18. Share capital

Authorised

	2005 Rupees	2004 Rupees
100,000,000 (2004: 50,000,000) ordinary shares of Rs. 10 each	**1,000,000,000**	500,000,000

Issued, subscribed and paid-up

	Number of shares 2005	Number of shares 2004	2005 Rupees	2004 Rupees
Ordinary shares of Rs. 10/- each fully paid in cash	**38,165,030**	19,400,000	**381,650,300**	194,000,000
Ordinary shares of Rs. 10/- each issued as bonus shares	**47,215,857**	27,512,576	**472,158,570**	275,125,760
	85,380,887	46,912,576	**853,808,870**	469,125,760

Worldcall Communications Limited held 1,893,487 shares (2004:742,164 shares) with a percentage holding of 2.22% (2004: 1.58%).

19. Reserves

	Note	2005 Rupees	2004 Rupees
Share premium reserve - Capital		**-**	2,643,800
Revaluation reserve of an associated company	19.1	**32,557,138**	32,557,138
Unappropriated profit - Revenue		**488,714,919**	424,099,340
		521,272,057	459,300,278

19.1 Company's share of revaluation reserve on valuation of investment property of Pace (Pakistan) Ltd. accounted for under the equity method.

	2005 Rupees	2004 Rupees
20. Financial consultancy services		
Related parties		
Worldcall Telecom Limited	**13,600,000**	6,000,000
Worldcall Broad Band Limited	**2,250,000**	-
Worldcall Multimedia Limited	**1,000,000**	-
World Press (Pvt.) Limited	**1,000,000**	-
	17,850,000	6,000,000
Others	**1,000,000**	-
	18,850,000	6,000,000

21. Money market brokerage

Money market income - local currency	**4,634,950**	13,370,130
Forex operations - foreign currency	**2,578,210**	3,660,834
	7,213,160	17,030,964

22. Dividend income

Dividend from listed associated company	**-**	281,960
Dividend from un-listed subsidiary company	**675,188**	-
Dividend from foreign subsidiary company	**-**	9,379,641
Dividend from other investments in listed companies	**-**	475,269
	675,188	10,136,870

23. Net rental income from investment property

Gross rental income	**1,886,578**	7,511,612
Less: Service charges paid to Mall operators [Pace (Pakistan) Limited] related party	**(552,300)**	(2,224,368)
	1,334,278	5,287,244

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 Rupees	2004 Rupees
24. Operating expenses			
Salaries, wages and benefits		**13,830,439**	12,040,931
Chief executive's remuneration		**829,021**	880,435
Directors' remuneration		**580,645**	913,344
Rent, rates and taxes		**1,853,644**	1,293,700
Telephone, fax, etc.		**1,800,732**	1,524,781
Utilities		**685,441**	588,428
Insurance		**368,027**	437,712
Printing and stationery		**854,616**	1,127,594
Traveling and conveyance		**3,688,172**	2,337,193
Repair and maintenance		**2,470,110**	1,655,472
Postage, courier, etc.		**127,595**	289,199
Vehicle running		**1,667,143**	1,382,997
Newspapers and periodicals		**41,030**	25,407
Entertainment		**871,455**	625,653
Legal and professional		**5,399,230**	2,378,824
Others		**715,487**	735,015
Advertisement		**191,410**	204,864
Payment to National Accountability Bureau		**-**	10,000,000
Provision for doubtful debts		**3,971,177**	951,861
Auditors' remuneration	24.1	**1,089,500**	1,250,200
Depreciation	4	**1,519,591**	5,298,078
		42,554,465	45,941,688

24.1 Auditors' remuneration

	2005 Rupees	2004 Rupees
Annual audit fee	**300,000**	300,000
Fee for audit of consolidated accounts	**300,000**	300,000
Half yearly review	**100,000**	100,000
Other certifications	**220,000**	378,000
Out of pocket expenses	**169,500**	172,200
	1,089,500	1,250,200

25. Finance costs

	2005 Rupees	2004 Rupees
Cost from repo transactions	**21,096,021**	7,180,572
Markup on Morabaha facility	**649,375**	3,374,821
Markup charged by related parties	**1,023,099**	992,398
Finance charges on leased assets	**150,176**	190,358
Bank charges and commission	**87,539**	122,592
	23,006,210	11,860,741

26. Mark up income

	2005 Rupees	2004 Rupees
Mark up from related parties	**1,966,825**	1,873,729
Return of deposit accounts	**166,476**	8,383
	2,133,301	1,882,112

27. 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. The nature of relationship with associated companies is explained in note 6. Balances with related parties are shown elsewhere in the accounts. The transactions with related parties other than those which have been disclosed in other notes are as follows:

	2005 Rupees	2004 Rupees
First Capital Equities Limited		
Transaction of shares		
- Sales	**754,389,259**	225,105,525
- Purchases	**737,317,648**	261,699,101
Investments	**-**	80,898,000
Finance cost charged	**934,932**	-
Brokerage commission paid on trading in shares and purchase/resale of securities	**308,379**	163,343
Shared expenses received	**(5,856,055)**	(2,289,218)
First Capital Investments Limited		
Investments	**-**	12,500,000
Shared expenses charged	**694,399**	615,835
First Capital Associates Limited		
Shared expenses received/charged	**(796,159)**	89,280
Lanka Securities (Pvt.) Limited		
Dividend income	**-**	9,379,641
World Press (Pvt.) Limited		
Investments	**-**	4,501,250
Dividend income	**675,188**	-
Mark up Income	**194,893**	26,646
Income from Financial Consultancy Services	**1,000,000**	-
Shared expenses charged	**7,687**	105,324
Worldcall Communication Limited		
Finance cost charged	**1,023,099**	992,398
Shared expenses	**3,921,087**	4,513,565

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2005

	2005 Rupees	2004 Rupees
Worldcall Multimedia Limited		
Mark up Income	**356,698**	720,932
Income from Financial Consultancy Services	**1,000,000**	-
Shared expenses charged	**415,263**	410,889
Worldcall Broad Band Limited		
Mark up Income	**181,770**	134,055
Income from Financial Consultancy Services	**2,250,000**	-
Shared expenses received/charged	**(301,159)**	113,863
Worldcall Telecom Limited		
Investments	**240,000,000**	52,500,000
Income from Financial Consultancy Services	**13,600,000**	6,000,000
Pace (Pakistan) Limited		
Investments	**61,876,723**	48,574,950
Services charged	**552,300**	2,224,368
Shared expenses charged	**45,849**	3,030
Pace Super Mall (Pvt.) Limited		
Mark up Income	**1,233,464**	992,096
Shaheen Insurance Company Limited		
Dividend income	**-**	281,960
Insurance premium	**467,270**	202,056
Insurance claim	**75,880**	102,491

All transactions with related parties are entered into at arm's length generally determined in accordance with "Comparable Uncontrolled Price Method".

28. Financial risk management objectives and policies

The company's activities expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates such as State Bank of Pakistan's repo rate and treasury bills rate, credit and liquidity risk associated with various financial assets and liabilities. The Company manages its exposure to financial risk in the following manner:

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2005

28.1 Interest rate risk exposure

Interest / mark-up rate risk arise from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The Company manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. Information about the Company's exposure to interest rate risk based on contractual refinancing and maturity dates, which ever is earlier, is as follows:

	2005				
	Interest / Mark up bearing		Non interest / Mark up bearing		
	With in one year	More than one year and less than 5 years	With in one year	More than one year and less than 5 years	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Financial Assets					
Long term deposits	-	-	-	926,050	926,050
Trade debts	-	-	19,132,399	-	19,132,399
Loans and advances	12,105,379	-	311,617	666,742	13,083,738
Other receivables	-	-	1,250	-	1,250
Short term investments	-	-	219,691,627	-	219,691,627
Cash and bank balances	4,199,367	-	938,010	-	5,137,377
	16,304,746	-	240,074,903	1,592,792	257,972,441
Financial Liabilities					
Trade and other payables	-	-	5,097,606	-	5,097,606
Mark up accrued on loans and other payables	-	-	4,084,608	-	4,084,608
Short term borrowings	126,877,485	-	-	-	126,877,485
Obligations under finance leases	970,086	1,429,742	-	-	2,399,828
	127,847,571	1,429,742	9,182,214	-	138,459,527
	(111,542,825)	(1,429,742)	230,892,689	1,592,792	119,512,914

	2004				
	Interest / Mark up bearing		Non interest / Mark up bearing		
	With in one year	More than one year and less than 5 years	With in one year	More than one year and less than 5 years	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Financial Assets					
Long term deposits	-	-	-	1,180,050	1,180,050
Trade debts	-	-	5,855,045	-	5,855,045
Loans and advances	16,056,763	-	428,226	3,217,401	19,702,390
Other receivables	-	-	1,008,869	-	1,008,869
Short term investments	-	-	222,434,278	-	222,434,278
Cash and bank balances	5,466,612		2,483,098	-	7,949,710
	21,523,375	-	232,209,516	4,397,451	258,130,342
Financial Liabilities					
Trade and other payables	40,000,000	-	5,803,966	-	45,803,966
Mark up accrued on loans and other payables	-	-	7,775,870	-	7,775,870
Short term borrowings	122,015,181	-	4,119,366	-	126,134,547
Obligations under finance leases	884,132	1,733,364	-	-	2,617,496
	162,899,313	1,733,364	17,699,202	-	182,331,879
	(141,375,938)	(1,733,364)	214,510,314	4,397,451	75,798,463

The Company's exposure to interest rate risk with regards to financial instruments maturing over five years in Nil.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004
	%	%
Effective interest rates:		
Advances to related parties	**13.5 to 16**	13.5 to 14.5
Cash and bank balances	**1.5 to 2.5**	5.90
Obligations under finance leases	**8 to 18**	8 to 18
Short term borrowings	**13.52**	10.71
Advances from related parities	**14.00**	14.00

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

The Company attempts to control credit risk by applying and monitoring approved limits of credit exposure to any one counter party, limiting transactions with specific counter parties and continually assessing the credit worthiness of the counter parties. The Company believes that it is not exposed to major concentration of credit risk.

28.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk mainly arises from investment in foreign entity. As at year end, the Company is not exposed to any significant currency risk.

28.4 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in funds to meet commitments associated with financial instruments. The Company believes that it is not exposed to any significant level of liquidity risk.

28.5 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in financial statements approximate their fair value.

29. Remuneration of Chief Executive, Directors and Executives

The aggregate amount charged in the accounts for remuneration, including certain benefits, to the Chief Executive, Directors and Executives of the company is as follows:

	Chief Executive		Director		Executives	
	2005	2004	2005	2004	2005	2004
Number of persons	1	1	1	1	6	16
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	-	-	**542,500**	863,225	**5,846,120**	7,138,037
Medical	-	-	**38,145**	50,119	**550,337**	676,542
Utilities	**829,021**	880,435	-	-	-	-
Provision for gratuity	-	-	**197,153**	45,088	**395,273**	721,410
Others	-	-	-	-	**593,286**	806,210
	829,021	880,435	**777,798**	958,432	**7,385,016**	9,342,199

The Company has also provided few executives with company maintained cars. No fees were paid to any director for attending Board and Audit Committee meetings.

Pursuant to revision in Fourth Schedule to the Companies Ordinance 1984, Executive means whose basic salary is Rs.500,000

NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

30. Earnings Per Share - Basic

		2005 Rupees	2004 Rupees
Net profit for the year	*Rupees*	**165,179,439**	211,428,819
Weighted average number of ordinary shares outstanding during the year	*Number*	**78,141,147**	71,893,074
Earnings per share	*Rupees*	**2.11**	2.94

For the purpose of computing earnings per share, the number of shares of the previous year have been adjusted for the effect of bonus and right shares issued during the year.

31. Contingencies and commitments

31.1 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 Workers Welfare Fund ("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 workers welfare fund officials to defraud Workers Welfare Fund.

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. The Company had also paid an additional amount of Rs. 10 million as full and final settlement during the financial year 30 June 2004. Thus is some sum of Rs. 23.8 million as discussed above has so far been written off in the Company's accounts. However, National Accountability Bureau has again raised a demand of Rs. 10 million from the Company which remain 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 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.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2005

31.2 Securities and Exchange Commission of Pakistan (”SECP”) in the year 2003 raised a 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. Appellate Bench of SECP passed an order against the Company. The Company filed an appeal in Lahore High Court against the order of the Appellate Bench of SECP, which has been decided in favour of the Company. SECP has filed an appeal in the Supreme Court of Pakistan against the judgment of Honorable Lahore High Court. At present the said appeal is pending adjudication before the August Supreme Court of Pakistan and the Company is confident of its favourable outcome, therefore no provision has been made in the financial statements.

31.3 Securities and Exchange Commission of Pakistan (”SECP”) in the year 2002 raised a 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. Appellate Bench of SECP passed an order against the Company. The Company filed an appeal in Lahore High Court against the order of the Appellate Bench of SECP, which has been decided in favour of the Company. SECP has filed an appeal in the Supreme Court of Pakistan against the judgment of Honorable Lahore High Court. At present the said appeal is pending adjudication before the august Supreme Court of Pakistan and the Company is confident of its favourable outcome, therefore no provision has been made in the financial statement.

31.4 For contingencies relating to tax matters refer note 16.

32. Number of employees

Total number of employees at the year end was 31 (2004: 38)

33. Bonus shares

The Board of Directors in its meeting held on 08 October 2005 has recommended bonus shares at the rate of 17.5 shares for each 100 shares held, i.e. 17.5% as a final dividend.

34. Date of authorisation for issue

These financial statements were authorised for issue on 8 October, 2005 by the Board of Directors of the Company.

35. Comparative figures

The corresponding figures have been re-arranged where necessary due to revisions in Fourth Schedule to the Companies Ordinance, 1984.

36. General

Figures have been rounded off to the nearest rupee.

Lahore: **Chairman & Chief Executive Officer** **Director**

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
30 June 2005

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of First Capital Securities Corporation Limited ("Holding Company") and its subsidiary companies as at 30 June 2005 and the related consolidated profit and loss account, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof, for the year then ended. We have also expressed separate opinion on the financial statements of First Capital Securities Corporation Limited. The financial statements of subsidiary companies, First Capital Investments Limited, First Capital Associates (Private) Limited, First Capital Equities Limited and World Press (Private) Limited were audited by and that of Lanka Securities (Private) Limited were reviewed under Sri Lanka Auditing Practice Statement by other firms of auditors whose reports have been furnished to us and our opinion in so far as it relates to the amounts included for such companies, 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 audit.

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

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

Lahore:
08 October 2005

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2005

	Note	2005 Rupees	2004 Rupees
NON CURRENT ASSETS			
Property, plant and equipment	4	**65,060,695**	41,665,520
Goodwill	5	**(80,315,419)**	(81,284,938)
Membership cards and licenses	6	**67,884,136**	66,883,935
Investment property	7	**-**	65,019,300
Long term investments	8	**1,024,502,437**	604,962,998
Deferred tax asset	9	**-**	1,434,002
Long term deposits	10	**9,115,253**	7,223,741
Deferred costs	11	**9,041**	12,054
		1,086,256,143	705,916,612
CURRENT ASSETS			
Stock in trade		**1,194,011**	1,142,650
Trade debts	12	**388,817,595**	345,025,453
Loans, advances and deposits	13	**53,446,063**	22,615,877
Short term prepayments		**1,852,579**	2,613,337
Other receivables	14	**69,656,457**	60,933,055
Placements	15	**200,000,000**	-
Interest receivable		**2,140,383**	-
Short term investments	16	**120,409,297**	273,632,990
Cash and bank balances	17	**163,281,840**	177,439,534
		1,000,798,225	883,402,896
CURRENT LIABILITIES			
Trade and other payables	18	**322,096,915**	435,691,620
Mark up accrued		**9,347,165**	9,082,987
Short term borrowings	19	**297,647,495**	198,785,253
Current maturity of liabilities against assets subject to finance lease	20	**4,337,137**	3,893,279
Provision for taxation		**21,995,972**	18,188,121
		655,424,684	665,641,260
NET CURRENT ASSETS		**345,373,541**	217,761,636
NET ASSETS		**1,431,629,684**	923,678,248
NON CURRENT LIABILITIES			
Liabilities against assets subject to finance lease	20	**5,727,842**	8,739,813
Deferred tax liability	9	**502,362**	-
Deferred liabilities for staff gratuity	21	**12,120,923**	9,387,153
		18,351,127	18,126,966
CONTINGENCIES AND COMMITMENTS	22		
NET CAPITAL EMPLOYED		**1,413,278,557**	905,551,282
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Issued, subscribed and paid up capital	23	**853,808,870**	469,125,760
Reserves	24	**372,931,476**	290,747,448
		1,226,740,346	759,873,208
MINORITY INTEREST		**186,538,211**	145,678,074
		1,413,278,557	905,551,282

The annexed notes 1 to 40 form an integral part of these accounts.

Lahore: **Chairman & Chief Executive Officer** **Director**

CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 Rupees	2004 Rupees
Revenue	25	**483,869,338**	319,799,453
Direct costs	26	**30,034,708**	7,506,189
GROSS PROFIT		**453,834,630**	312,293,264
Operating expenses	27	**265,408,032**	184,203,788
OPERATING PROFIT		**188,426,598**	128,089,476
Other income	28	**53,185,912**	11,438,066
		241,612,510	139,527,542
Finance and other cost	29	**69,452,897**	22,452,479
		172,159,613	117,075,063
Exchange gain/(loss)		**5,118**	(68,795)
Share in profit of associated companies	8	**117,662,716**	23,992,278
Gain on fair value adjustment of investment property	7	**-**	9,837,600
Unrealized loss on remeasurement of short term investments	16	**(29,697,020)**	(9,186,780)
PROFIT BEFORE TAXATION		**260,130,427**	141,649,366
Taxation	30	**(42,934,509)**	(16,123,600)
PROFIT AFTER TAXATION		**217,195,918**	125,525,766
Minority interest		**(33,739,293)**	(30,091,049)
PROFIT ATTRIBUTABLE TO HOLDING COMPANY		**183,456,625**	95,434,717
Earnings per share - Basic	33	**2.35**	1.33

The annexed notes 1 to 40 form an integral part of these accounts.

Lahore: **Chairman & Chief Executive Officer** **Director**

CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 Rupees	2004 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**260,130,427**	141,649,366
Adjustments for non cash charges and other items:			
Depreciation		**10,974,701**	10,710,410
Finance costs		**69,449,884**	14,908,523
Amortization of deferred costs		**3,013**	3,013
Amortization of goodwill		**(969,519)**	-
Gain on disposal of assets		**(23,968)**	7,540,943
Loss on disposal of investment property		**3,916,300**	(1,000,500)
Gain on fair value adjustment of investment property		**-**	(9,837,600)
Share of profit of associated companies		**(117,662,716)**	(23,992,278)
Provision for bad debts		**5,859,663**	1,270,462
Bad debts written off		**15,641,861**	611,804
Unrealized gain on remeasurement of short-term investments		**29,697,020**	9,186,780
Dividend income		**(4,796,778)**	(1,944,481)
Provision for gratuity		**3,918,266**	2,408,118
		16,007,727	9,865,194
Adjustments for working capital items:			
(Increase)/decrease in:			
Stock in trade		**(51,361)**	899,281
Trade debts		**(43,792,142)**	(77,288,211)
Loans advances and deposits		**(30,830,186)**	59,985,079
Short term prepayments		**760,758**	(515,013)
Other receivables		**(3,422,093)**	(2,793,161)
Short term investments		**123,526,673**	(145,585,550)
Placements		**(200,000,000)**	-
Interest receivable		**(2,140,383)**	-
Increase/(decrease) in:			
Trade and other payables		**(120,332,020)**	179,956,453
Short term borrowings		**98,862,242**	136,770,072
		(177,418,512)	151,428,950
Cash inflow from operating activities		**98,719,642**	302,943,510
Gratuity paid		**(1,367,947)**	(1,529,180)
Finance costs paid		**(69,185,706)**	(6,631,580)
Taxes paid		**(45,435,586)**	(13,080,586)
		(115,989,239)	(21,241,346)
Net cash inflow from operating activities		**(17,269,597)**	281,702,164
CASH FLOWS FROM INVESTING ACTIVITIES:			
Fixed capital expenditure		**(32,466,094)**	(13,798,159)
Increase in investment property		**-**	(8,447,500)
Sale proceeds from disposal of investment property-net		**61,103,000**	9,448,000
Membership cards and licences		**(1,000,201)**	(10,683,935)
Sale proceeds of property, plant and equipment		**233,000**	13,011,387
Dividend received		**1,682,807**	1,944,481
Dilution of subsidiary company		**-**	2,007,081
Acquisition of subsidiary		**-**	(9,233,443)
Long term investments		**(301,876,723)**	(101,074,950)
Long term deposits		**(1,891,512)**	(957,317)
Net cash used in investing activities		**(274,215,723)**	(117,784,355)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Issue of right shares		**187,650,300**	-
Share premium		**93,825,150**	-
Obligation under finance lease		**(4,127,113)**	1,047,657
Dividend paid		**(20,711)**	(11,433,020)
Net cash generated from/(used) in financing activities		**277,327,626**	(10,385,363)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(14,157,694)**	153,532,446
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**177,439,534**	23,907,088
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	*31*	**163,281,840**	177,439,534

The annexed notes 1 to 40 form an integral part of these accounts.

Lahore: **Chairman & Chief Executive Officer** **Director**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2005

	Share capital Rupees	Share premium Rupees	Reserve for issue of bonus shares Rupees	Revaluation reserves Rupees	Unappropriated profit Rupees	Total Rupees
Balance as at 30 June 2003 as previously reported	339,946,200	2,643,800	129,179,560	-	161,498,350	633,267,910
Effect of change in accounting policy due to the revision of the Fourth Schedule to the Companies Ordinance, 1984.	-	-	(61,190,320)	-	61,190,320	-
Balance as at 30 June 2003 (Restated)	339,946,200	2,643,800	67,989,240	-	222,688,670	633,267,910
Issuance of bonus share capital	129,179,560	-	(67,989,240)	-	(61,190,320)	-
Profit for the year	-	-	-	-	95,434,717	95,434,717
Adjustment for exchange difference	-	-	-	-	(1,386,557)	(1,386,557)
Company's share of revaluation reserve on valuation of investment property of an associated company accounted for under the equity method.	-	-	-	32,557,138	-	32,557,138
Balance as at 30 June 2004	469,125,760	2,643,800	-	32,557,138	255,546,510	759,873,208
Profit for the year	-	-	-	-	183,456,625	183,456,625
Issuance of share capital against						
Right issue	187,650,300	93,825,150	-	-	-	281,475,450
Bonus issue	197,032,810	(96,468,950)	-	-	(100,563,860)	-
Adjustment for exchange difference	-	-	-	-	1,935,063	1,935,063
Balance as at 30 June 2005	**853,808,870**	**-**	**-**	**32,557,138**	**340,374,338**	**1,226,740,346**

The annexed notes 1 to 40 form an integral part of these accounts.

Lahore: **Chairman & Chief Executive Officer** **Director**

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

1. Status and nature of business

First Capital Securities Corporation Limited (FCSC) ("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 103 C/II, Gulberg III, Lahore. The Parent Company has investments in subsidiaries and associates engaged in brokerage, telecommunication and real estate. In addition, the Parent Company acts as a broker in the money market.

FCSC's subsidiaries comprise the following companies:

Company	Country of incorporation	Nature of business	2005 Holding %	2004 Holding %
First Capital Associates (Private) Limited (FCAL)	Pakistan	Consultancy/advisory services.	**100**	100
First Capital Investments Limited (FCIL)	Pakistan	Providing investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.	**65.79**	79.37
Lanka Securities (Private) Limited (LSL)	Sri Lanka	Sale/purchase of shares, consultancy services, money market operations, underwriting, placements and equity research, etc.	**51**	51
First Capital Equities Limited (FCEL)	Pakistan	Sale/purchase of shares, consultancy services, money market operations, underwriting, placements and equity research, etc.	**67.39**	67.39
Equity Partners Securities Limited (Subsidiary of FCEL)	Bangladesh	Sale/purchase of shares in stock market.	**34.37**	34.37
World Press (Private) Limited	Pakistan	Carrying on the business of printers, publishers, packaging, advertising specialized directory business, stationers and dealing in all allied products.	**65**	65

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

2. Basis of consolidation

2.1 The consolidated financial statements include the financial statements of the First Capital Securities Corporation Limited "the Parent Company" and its subsidiary companies – "the Group".

Subsidiaries are those enterprises in which Parent Company directly or indirectly controls, beneficially owns or holds more than 50 percent of the voting securities or otherwise has power to elect and appoint more than 50 percent of its directors. The financial statements of the subsidiaries are included in the consolidated financial statements from the date the control commences, until the date when that control ceases. The financial statements of each subsidiary company have been consolidated on a line-by-line basis. Details of subsidiaries are given in note 1.

All material inter-company balances, transactions and resulting unrealised profits/losses have been eliminated.

Minority interest are that part of the net results of operation and of net assets of subsidiaries attributable to interest which are not owned by the Parent Company. Minority interest is presented as a separate item in consolidated financial statements.

3. Significant accounting policies

3.1 Accounting convention

These consolidated financial statements have been prepared under the historical cost convention except for investment property and short term investments available for sale and held for trading, which are stated at their fair values.

3.2 Statement of compliance

These consolidated financial statements have been prepared in accordance with the approved International Accounting Standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IASs) 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 (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

3.3 Change in accounting policy

Subsequent to the revision of the Fourth Schedule to the Companies Ordinance, 1984, the Group, during the current year, revised its policy to recognize dividend as a liability in the period in which it is declared.

Similarly, appropriations to reserves for bonus issue are now made in the period in which these are appropriated. Previously, appropriations made after the balance sheet date but before the financial statements were authorized for issue were recorded as appropriation in reserve for bonus issue.

The said changes in the accounting policies have been applied retrospectively in order to conform with the benchmark treatment prescribed by IAS - 8 "Net Profit or Loss for the Period, Fundamental Errors and

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

Changes in Accounting Policies", which requires that any resulting adjustment should be reported as an adjustment to the opening balance of retained earnings of the earliest period presented and comparative information should be restated as if the new policy had always been in use. Accordingly, the reserve for issue of bonus shares as at 30 June, 2003, has been reduced by Rs.61.190 million (Bonus declared after the balance sheet date) and the opening balance of unappropriated profit has been adjusted with the same amount.

Had there been no change in the policy the current year balance of reserve for issue of bonus and un-appropriated profit would have been higher and lower by Rs. 149.417 million (2004: Nil) respectively.

3.4 Property, plant and equipment and depreciation

Owned

Property plant and equipment are stated at cost less accumulated depreciation. Capital work in progress is stated at cost.

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

In case of Lanka Securities (Private) Limited and Equity Partners Securities Limited, no depreciation is charged on assets acquired during the year, whereas full year's depreciation is charged on disposals.

Gain or loss on disposal of property plant and equipment is included in income currently.

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

Depreciation at the rates defined in note 4 to the accounts is charged to income on the assets of First Capital Associates (Private) Limited, First Capital Equities Limited and World Press (Private) Limited on reducing balance method, whereas it is charged using the straight line method on the assets of First Capital Securities Corporation Limited, First Capital Investments Limited and Lanka Securities (Private) Limited.

Leased

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of assets less accumulated depreciation. Related obligations, under the lease are accounted for as liabilities. Amortization is charged at the rates specified in note 4 to the accounts.

Finance charge is calculated at the interest rate implicit in the lease and charged to income.

3.5 Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment loss. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the profit and loss account.

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

3.6 Investments

Long term investments

Investments in associates, where significant influence can be established, are accounted for under the equity method.

In case of investments accounted for under the equity method, the method is applied from the date when significant influence commences until the date when that significant influence ceases. When the Parent Company's share of losses exceeds the carrying amount of the associates, the carrying amount is reduced to nil and the recognition of further losses is discontinued except to the extent that the Parent Company has incurred obligations in respect of the associates.

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.

Investments available for sale

These are investments, which do not fall under held for trading or held to maturity categories. These represent investments in equity instruments (including listed and un-listed securities) and except for investments in un-listed securities, are stated at fair values with any gains or losses recognized directly in the profit and loss account. The fair value of those investments representing listed equity securities is determined on the basis of year end closing market prices. The investments representing un-listed shares are stated at cost, as relevant financial information is not available to determine their fair values. Hence provisions for permanent diminution is made, if any.

3.7 Investment Property

Investment property is carried out at fair value determined annually by an independent approved valuer.

Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognized in the profit and loss account. Rental income from investment property is accounted for as described in note 3.8.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and fair value of this item at the date of transfer is recognized in the equity as a revaluation reserve for investment property. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in profit and loss account. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings, the transfer is not made through the profit and loss account.

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

3.8 Revenue recognition

3.8.1 Capital gains or losses on sale of investments and money market operations are taken to income in the year in which they arise.

3.8.2 Brokerage, consultancy and advisory fees are recognised as and when services are provided.

3.8.3 Income on carry over transaction ("COT") is recognized on accrual basis.

3.8.4 Underwriting Commission is recognized as and when the contract is executed. Take up commission is recognized at the time of actual take up.

3.8.5 Income from bank deposits, loans and advances is recognized on accrual basis.

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

3.8.7 Return on securities other than shares are recognised as and when it is due on a time proportion basis.

3.8.8 Rental income is recognized on accrual basis.

3.8.9 Investment advisory fee is charged to the Mutual Fund at the prescribed rates.

3.8.10 Investment advisory fee is charged at three percent (3%) of the average annual net assets of the fund during the first five years of the Fund's existence and thereinafter two percent (2%) of such assets.

3.8.11 World Press (Private) Limited recognizes the revenue at the time of acceptance of goods by the customers.

3.9 Trade and other receivables

These are stated net of provisions, if any, for impairment. Full provision is made for impaired receivables. Bad debts are written off when identified.

3.10 Trade and other payables

Trade and other payables are stated at cost.

3.11 Taxation

Current

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

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized on all deductible temporary differences to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is measured at tax rates that are expected to apply to the period when the temporary differences are reversed, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

3.12 Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated at exchange rates prevailing at the year-end. Foreign currency transactions during the year are recorded at the rate of exchange ruling on the transaction date. Exchange differences are taken to the profit and loss account.

For the purpose of consolidation, income and expense items of the foreign subsidiary are translated at annual average exchange rates, items of balance sheet of the foreign subsidiary company are translated at the closing rates. Exchange differences arising on consolidation are taken to equity.

3.13 Staff retirement benefits

Defined benefit plan

The Group companies except for Lanka Securities (Private) Limited operates un-funded gratuity plans for their eligible staff under which benefits are paid on cessation of employment subject to a minimum qualifying period of service i.e. one year. The liability under the plan is determined on the basis of actuarial valuations carried out by using the Projected Unit Credit Method and charged to income.

The Group companies recognize actuarial gains/losses above the corridor as defined in IAS- 19 “Employee Benefits” over the expected future service of employees.

Lanka Securities (Private) Limited provides for gratuity annually on the basis of terminal values.

3.14 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Group become a party to the contractual provisions of the instruments. The Group de-recognizes a financial asset or a portion of financial asset when and only when, the Group loses control of the contractual rights that comprise the financial asset or portion of financial asset. A financial liability or part of financial liability is de-recognized from the balance sheet, when and only when, it is extinguished i.e. when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the recognition, de-recognition of the financial assets and liabilities is stated in their respective notes.

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

Financial assets are deposits, trade debts, short-term investment, placements, short-term loans, advances, other receivables and cash and bank balances. These are stated at their nominal value as reduced by appropriate allowances for estimated irrecoverable amount.

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are liabilities against assets subject to finance lease , short-term borrowings, trade and other payables and long term deposits. Mark-up bearing finances are recorded at the gross proceeds recovered. Other liabilities are stated at their nominal values.

3.15 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 Group have a legally enforceable right to set off the recognized amounts and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

3.16 Provisions

A provision is recognized when the Group have 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.

3.17 Membership cards and licenses

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

3.18 Deferred costs

These include share issue expenses incurred on increasing the authorised capital of the Group and expenses incurred in connection with the public offering / placements. These are being written off over a period of five years from the date of incurrence. In order to comply with the substituted Fourth Schedule to the Companies Ordinance, 1984 as referred to in note 3.2, the Group has adopted the treatment allowed by Circular No. 1 of 2005 issued by Securities and Exchange Commission of Pakistan whereby the existing amount of deferred costs will be amortized over the remaining available period and no further amounts will be included in deferred costs.

3.19 Stock in trade

Raw materials are valued at the lower of cost (using weighted average method) and net realisable value. Items in transit are valued at cost comprising invoice value and other charges incurred thereon.

Semi finished and finished goods are valued at the lower of cost (comprising cost of materials and appropriate conversion cost) and net realisable value.

3.20 Goodwill

On acquisition of an entity, the difference between the purchase consideration and the fair value of the identifiable assets and liabilities acquired, is initially recognized as goodwill and amortized on a straight line basis over the estimated useful life of the acquired depreciable assets.

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

Negative goodwill arising on acquisition represents the excess of the fair value of the interest in subsidiaries' net assets acquired over its cost of acquisition. To the extent that negative goodwill relates to the proportionate fair values of the depreciable/amortizable non-monetary assets of the subsidiary, it is recognised in the profit and loss account over the weighted average useful life of such non-monetary assets, which is five years. The balance of the negative goodwill in excess of the fair value of non- monetary assets of the subsidiaries is recognized immediately in the profit and loss account.

3.21 Cash and cash equivalents

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

3.22 Borrowing costs

Borrowing costs are charged to profit and loss account.

3.23 Securities sold under repurchase/purchased under resale agreements

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

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

3.24 Mark up bearing borrowings

Mark up bearing borrowings are recognized initially at cost, less attributable transaction cost. Subsequent to initial recognition, mark up bearing borrowings are stated at original cost less subsequent repayments.

3.25 Transactions with related parties

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 the Board of Directors, it is in the interest of the Group to do so.

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

4 Property, plant and equipment

	COST					DEPRECIATION							NET BOOK VALUE
	As at 01.07.2004	Acquisition of Subsidiary	Additions/ (deletions) Adjustments	Adjustments of Media time/ Others	As at 30.06.2005	Depreciation Rate %	As at 01.07.2004	Acquisition of Subsidiary	Adjustments/ (deletions)	For the year	Adjustment of Acc. Dep. of MTL	As at 30.06.2005	As at 30.06.2005
	Rupees						Rupees						Rupees
Owned assets													
Freehold Building	-	-	17,000,000	-	17,000,000	5	-	-	-	850,000	-	850,000	**16,150,000**
Leasehold Improvements	5,538,763	-	90,378	-	5,629,141	5-10	1,574,058	-	-	286,813	-	1,860,871	**3,768,270**
Plant and Machinery	2,734,391	-	2,488,270 (52,000)	-	5,170,661	10	113,933	-	-	505,673	-	619,606	**4,551,055**
Computers	14,707,432	-	2,671,466	-	17,378,898	10-33.33	8,216,064	-	-	2,005,385	-	10,221,449	**7,157,449**
Office equipments	12,554,698	-	1,703,984 (156,600)	-	14,102,082	10-12.5	6,188,443	-	- (64,129)	1,003,439	-	7,127,753	**6,974,329**
Furniture and fixtures	7,205,253	-	237,830 -	-	7,443,083	10-12.5	4,421,878	-	-	363,121	-	4,784,999	**2,658,084**
Library books	48,214	-	- (48,214)	-	-	10	37,937	-	(45,938)	8,001	-	-	**-**
Vehicles	22,663,043	-	8,827,980 (297,000)	- 762,000	31,956,023	20-25	15,066,336	-	471,000 (234,715)	3,877,302	-	19,179,923	**12,776,100**
	65,451,794	-	32,466,094	762,000	98,679,888		35,618,649	-	126,218	8,899,734	-	44,644,601	**54,035,287**
Leased assets													
Plant and Machinery	6,771,632	-	-	-	6,771,632	10	282,151	-	-	648,948	-	931,099	**5,840,533**
Vehicles	7,154,000	-	1,559,000	- (762,000)	7,951,000	20-25	1,811,106	-	- (471,000)	1,426,019	-	2,766,125	**5,184,875**
	13,925,632	-	1,559,000	(762,000)	14,722,632		2,093,257	-	(471,000)	2,074,967	-	3,697,224	**11,025,408**
2005	**79,377,426**	**-**	**34,025,094**	**-**	**113,402,520**		**37,711,906**	**-**	**(344,782)**	**10,974,701**	**-**	**48,341,825**	**65,060,695**
2004	86,644,517	22,400,099	16,310,659 (33,651,065)	(10,542,197) (1,784,587)	79,377,426		42,947,813	-	(702,082) (13,098,735)	10,710,410	(2,145,500)	37,711,906	41,665,520

4.1 Disposal of operating fixed assets

Particulars of assets	Cost	Depreciation	Net book value	Sale Proceeds	(Profit)/ loss	Mode of sale	Particular of buyers
Plant and Machinary	52,000	-	52,000	23,000	29,000	Return to Supplier	Faizan Machinery Store
Office Equipments	156,600	64,129	92,471	25,000	67,471	Negotiations	Xerox - Lahore
Vehicle	297,000	234,715	62,285	185,000	(122,715)	Negotiations	Muhammad Amin - Karachi
Library books	48,214	45,938	2,276	-	2,276	Books written off	
2005 RUPEES	**553,814**	**344,782**	**209,032**	**233,000**	**(23,968)**		
2004 RUPEES	33,651,065	13,098,735	20,552,330	13,011,387	(7,540,943)		

4.2 Charge for depreciation has been allocated as follows:

	Note	2005 Rupees	2004 Rupees
Direct costs	26	**1,639,837**	545,894
Operating costs	27	**9,334,864**	10,164,516
		10,974,701	10,710,410

4.3 World Press (Pvt.) Limited assets were acquired in 2004.

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

		Note	2005 Rupees	2004 Rupees
5.	**Goodwill**			
	Negative goodwill on investment in FCEL	*5.1*	**(76,257,988)**	(76,257,988)
	Negative goodwill on investment in Pace		**(5,744,369)**	(5,744,369)
	Less: Amount recognized during the year		**1,148,874**	-
			(4,595,495)	(5,744,369)
	Goodwill on acquisition of EPSL		**717,419**	896,774
	Less: Amortisation		**(179,355)**	(179,355)
			538,064	717,419
			(80,315,419)	(81,284,938)
	The amount charged to Profit and Loss account is as under:			
	Amortisation of Goodwill on EPSL		**179,355**	179,355
	Amount of Negative goodwill on Pace (Pakistan) Limited recognized during the year		**(1,148,874)**	-
			(969,519)	179,355

5.1 This represents the excess of the Parent Company's interest in FCEL's net assets on the date of acquisition. The amount of negative goodwill in excess of the fair value of the group's share of non- monetary assets is being carried forward in view of the contingencies existing at the year end, as disclosed in note 22.2.

		2005 Rupees	2004 Rupees
6.	**Membership cards and licenses**		
	Membership		
	Lahore Stock Exchange (Guarantee) Limited	**11,000,000**	11,000,000
	Karachi Stock Exchange (Guarantee) Limited	**33,200,000**	33,200,000
	Dhaka Stock Exchange	**6,478,399**	6,511,765
	Chittagong Stock Exchange	**3,844,867**	3,864,670
		54,523,266	54,576,435
	Licenses - rooms	**13,360,870**	12,307,500
		67,884,136	66,883,935
7.	**Investment property**		
	Opening carrying value	**65,019,300**	55,181,700
	Add: Acquisition of shops	**-**	8,447,500
		65,019,300	63,629,200
	Less: Disposal of shops during the year	**(65,019,300)**	(8,447,500)
		-	55,181,700
	Increase in fair value	**-**	9,837,600
	Closing carrying value	**-**	65,019,300

Investment property companies of a number of commercial properties that are rented to third parties. However, during the year all shops have been sold out at an aggregate amount of Rs 61,103,000.

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 Rupees	2004 Rupees
8. Long term investments			
Associated companies - Listed			
First Capital Mutual Fund Limited			
1,500,000 ordinary shares of Rs 10 each		**11,639,857**	13,275,661
Equity held 10%			
Share of profit		**2,409,464**	2,114,196
Dividend received		**-**	(3,750,000)
		14,049,321	11,639,857
Worldcall Communications Limited			
30,328,560 (2004: 33,678,560) ordinary shares of Rs 10 each		**329,032,186**	284,130,946
Equity held: 19.04% (2004: 21.15%)			
Share of profit		**81,265,411**	44,901,240
	8.1	**410,297,597**	329,032,186
Worldcall Broadband Limited			
1,500,000 (2004: Nil) ordinary shares of Rs 10 each		**-**	15,000,000
Transferred to available for sale investment		**-**	(15,000,000)
		-	-
Worldcall Telecom Limited			
29,250,000 ordinary shares of Rs 10 each		**292,500,000**	-
Share deposits money		**-**	52,500,000
Equity held: 10.64%			
Share of loss		**(2,044,758)**	-
	8.2	**290,455,242**	52,500,000
Associated companies - Unlisted			
Pace (Pakistan) Limited			
19,010,597 (2004: 12,875,937) ordinary shares of Rs 10 each		**158,319,571**	59,516,623
Equity held: 24.47% (2004: 16.58%)			
Share acquired through exercise of right option		**-**	48,574,950
Acquisition of 6,186,435 additional shares		**61,876,723**	-
Share of profit		**50,559,716**	11,926,491
Adjustment on account of transfer of investment property to inventories		**-**	32,557,138
Negative goodwill on acquisition of additional shares		**-**	5,744,369
		270,756,010	158,319,571

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 Rupees	2004 Rupees
Bright Star Corporation (Private) Limited			
1,300,000 ordinary shares of Rs 10 each		-	-
Equity held: 32.5%		-	4,626,033
Share of loss		-	(4,626,033)
		-	-
Media Times (Private) Limited			
8,000,000 ordinary shares of Rs 10 each		53,426,384	80,000,000
Equity held: 46.03%			
Share of loss		(14,527,117)	(26,573,616)
		38,899,267	53,426,384
Pace Super Mall (Private) Limited			
4,500 ordinary shares of Rs 10 each		45,000	45,000
Equity held: 10%			
Total investments		1,024,502,437	604,962,998
Share of profit of associated companies		117,662,716	23,992,278

8.1 This includes 2.9 million shares held under lien as security by National Accountability Bureau. Refer to note 22.1.

8.2 The Company's shareholders in their Annual General Meeting held on 30 October 2004 have approved to transfer the Investment of Rs.160 million in Worldcall Telephony Limited ("WTPL") to Worldcall Telecom Limited ("WTL") including Rs. 60 million already approved in Extra Ordinary General Meeting held on 06 September 2004. Additionally, investment on a long term basis in the share capital of WTL up to Rs. 240 million was also approved in this meeting. WTL has been listed on Stock Exchanges subsequent to the balance sheet date.

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

8.3 Other associations

8.3.1 The Parent Company is associated with First Capital Mutual Fund Limited ("FCMF"), due to having common directors. The objective of the FCMF is to carry on the business of a closed-end mutual fund. FCMF is being managed by the Parent Company's subsidiary, First Capital Investments Limited.

8.3.2 The Parent Company is associated with Worldcall Broadband Limited ("WBL") due to having common directorship. WBL has been setup to provide re-broadcast international/national satellite/ terrestrial wireless, cable television and interactive broad band services in Karachi.

8.3.3 The Parent Company is associated with Worldcall Telecommunications Lanka (Private) Limited ("WTLL") due to common directorship. WTLL is providing payphone services in Sri Lanka and is a subsidiary of WCL.

8.3.4 The Parent Company is associated with Worldcall Internet Solutions (Private) Limited ("WISL") due to common directorship. WISL is engaged in portal development.

8.3.5 The Parent Company is associated with Worldcall Multimedia Limited ("WML") due to common directorship. WML has been setup to provide re-broadcast international/national satellite/terrestrial wireless, cable television and interactive broad band services in Lahore. WML is a subsidiary of WCL.

8.3.6 The Parent Company is associated with Media Times (Private) Limited ("MTL") due to common directorship. MTL has been setup as a publication company.

8.3.7 The Parent Company is associated with Total Media Limited ("TML") due to common directorship. TML has been setup to establish and operate television broadcast station and production of programs for broadcasting.

8.3.8 The Parent Company is associated with Equity Partners Securities Limited ("EPSL") due to common directorship. EPSL has been set up to provide services related to stock brokerage business in Bangladesh. It has corporate membership of Dhaka and Chittagong Stock Exchanges Limited.

8.3.9 The Parent Company is associated with Worldcall Telephony Limited ("WTPL") due to common directorship. The main activity of WTPL is to carry on all or any of the business of Telecommunications including but not limited to systems signal, wireless local loop, data or messages.

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

8.3.10 The Parent Company is associated with Worldcall Telecom Limited ("WTL") due to common directorship. The principal business of WTL is to provide Wireless Local Loop (WLL) and Long Distance & International (LDI) services and to carry on all or any of the business of Telecommunications and Interactive Communications.

8.3.11 The Parent Company is associated with Commercial Property Modaraba Management (Private) Limited ("CPMM") due to common directorship. CPMM has managed modaraba funds and Modaraba of all types.

8.3.12 The Parent Company is associated with WorldCALL Mobile (Private) Limited ("WMBL") due to common directorship. WMBL has been setup to carry on the cellular phones/satellite phones or any related business or part there of.

8.3.13 The Parent Company is associated with Pace Woodlands (Private) Limited ("PWL") due to common directorship. PWL has been setup to carry on the business of buying, constructing and selling housing schemes, colonies, houses, land and buildings, and to hire and manage immovable property.

8.3.14 The Parent Company is associated with Shaheen Insurance Company Limited ("SICL") due to common directorship. SICL has been setup to carry out non life insurance business.

8.3.15 The Parent Company is associated with PICIC Commercial Bank Limited ("PICIC") due to common directorship. The PICIC Commercial Bank Limited received a license from State Bank of Pakistan to undertake and carry on the business of banking in Pakistan.

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

		2005 Rupees	2004 Rupees
9.	**Deferred tax**		
	This is the composed of the following:		
	Taxable temporary differences		
	Tax depreciation allowance	**2,543,520**	898,423
	Deductible temporary differences		
	Provision for staff retirement benefits	**(126,627)**	(50,651)
	Unused tax losses and tax credits	**(1,914,531)**	(2,281,774)
	Deferred tax liability/(asset)	**502,362**	(1,434,002)

9.1 The Parent Company and First Capital Equities Limited (FCEL) has a deferred tax debit amounting to Rs. 31,102,649 (2004: Rs.9,105,325). However, in view of taxable profits not available in foreseeable future owing to the effect of exempt income, the Parent Company and FCEL have not incorporated the deferred tax debit in these financial statements.

		Note	2005 Rupees	2004 Rupees
10.	**Long term deposits**			
	Deposits with leasing companies		**2,574,408**	2,390,858
	Less: Current maturity		**(301,000)**	(116,700)
			2,273,408	2,274,158
	Stock Exchanges		**3,407,962**	3,213,468
	Bank of Ceylon		**2,669,583**	847,915
	Deposit with others		**764,300**	888,200
			9,115,253	7,223,741
11.	**Deferred costs**			
	Opening balance		**12,054**	235,782
	Effect of dilution of Media Times (Private) Limited		**-**	(235,782)
	Add: Additions during the year		**-**	15,067
			12,054	15,067
	Less: Amortization for the year		**(3,013)**	(3,013)
		11.1	**9,041**	12,054

11.1 These relate to World Press (Private) Limited.

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

	Note	2005 Rupees	2004 Rupees
12. Trade debts			
Money market receivables			
Unsecured, considered good		**1,247,002**	1,905,695
Unsecured, considered doubtful		**314,107**	292,280
		1,561,109	2,197,975
Less: Provision for bad debts		**314,107**	292,280
		1,247,002	1,905,695
Receivables against purchase of shares from clients			
Unsecured, considered good	*12.1*	**365,112,377**	286,533,032
Unsecured, considered doubtful		**30,654,025**	-
		395,766,402	286,533,032
Less: Provision for bad debts		**(30,654,025)**	-
		365,112,377	286,533,032
Receivable against professional services rendered - related parties			
Unsecured, considered good	*12.2*	**22,422,819**	2,148,637
Others			
Unsecured, considered good		**35,397**	54,438,089
Unsecured, considered doubtful		**52,177,966**	62,008,559
Less: Provision for bad debts		**(52,177,966)**	(62,008,559)
		-	-
		388,817,595	345,025,453

12.1 It includes an amount of Rs. 79,450,956 (2004: Rs.91,171,782) and Rs.Nil (2004: Rs.1,799,322) receivable from related parties, Mr.Sulieman Ahmad Said Al-Hoqani and Mrs.Uzma Farooq respectively.

12.2 Receivable against professional services - Related parties

	2005 Rupees	2004 Rupees
Worldcall Broadband Limited	**2,372,806**	-
Worldcall Telecom Limited	**14,469,794**	-
Worldcall Multimedia Limited	**1,341,595**	-
First Capital Mutual Fund Limited	**2,677,462**	2,148,637
Worldcall Communications Limited	**1,357,039**	-
First Capital Investments Limited	**4,140**	-
Pace (Pakistan) Limited	**199,983**	-
	22,422,819	2,148,637

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

13. Loans and advances

	Note	2005 Rupees	2004 Rupees
Unsecured, considered good			
Advances to suppliers		**271,850**	52,465
Advances to employees for expenses to:			
Executives		**462,831**	4,872,180
Employees		**2,926,670**	2,562,907
	13.1	**3,389,501**	7,435,087
Due from related parties	*13.2*	**10,638,592**	14,783,834
Deposits with Stock Exchanges	*13.3*	**38,192,486**	-
Other deposits		**652,634**	227,791
Deposits against leased assets		**301,000**	116,700
Others-Unsecured ,considered doubtful		**571,267**	5,066,928
Less: Provision for doubtful debts		**(571,267)**	(5,066,928)
		-	-
		53,446,063	22,615,877

13.1 Advances given to employees and executives for expenses are in accordance with the company's policy. Such advances are unsecured, interest free and are adjusted against salary/expense claims.

13.2 Due from related parties

	2005 Rupees	2004 Rupees
Worldcall Broadband Limited	**1,172,601**	1,291,990
Worldcall Multimedia Limited	**164,674**	5,432,713
Pace (Pakistan) Limited	**8,722**	-
Pace Super Mall (Private) Limited	**9,292,595**	8,059,131
	10,638,592	14,783,834

These are unsecured advances which carry mark up @ 13.5-16% (2004:13.5-14.5%) per annum.

13.3 This represents exposure deposit with Karachi Stock Exchange and Lahore Stock Exchange (Guarantee) Limited under the Exposure Rules.

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

	2005 Rupees	2004 Rupees
14. Other receivables		
Divided	**1,250**	1,008,869
Others	**10,958,857**	7,536,764
Advance income tax	**58,696,350**	52,387,422
	69,656,457	60,933,055
15. Placements		
First Capital Equities Limited		
Secured - Considered good		
Securities purchased under the resale agreement of quoted shares - Mr. Sulieman Said Al-Hoqani, related party	**200,000,000**	-
	200,000,000	-

15.1 Out of the above placements Rs 100,000,000 has been placed for a period of three months and carries mark-up rate of 12% per annum. Fair value of quoted shares held as collateral is Rs 127,813,471. The remaining balance of Rs 100,000,000 has been given at a rate of 12.40% per annum against collateral of listed equities securities having a market value of Rs 203,750,000 which was further placed as collateral to a financial institution by First Capital Equities Limited under repurchase transaction. (refer to Note 18.2).

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

16. Short term investments

These are made up as under:

	Note	2005 Carrying Cost Rupees	2005 Fair Value Rupees	2004 Carrying Cost Rupees	2004 Fair Value Rupees
Held for trading - others	*16.1*	**115,351,039**	**93,396,669**	250,946,500	238,877,712
Available for sale - related parties	*16.2*	**34,755,278**	**27,012,627**	31,873,270	34,755,278
		150,106,317	**120,409,296**	282,819,770	273,632,990
Unrealized gain on account of remeasurement to fair value		**(29,697,020)**	**-**	(9,186,780)	-
		120,409,297	**120,409,296**	273,632,990	273,632,990

16.1 Held for trading - others

Listed securities	2005 Number of shares/certificates	2004 Number of shares/certificates	2005 Carrying Cost Rupees	2005 Fair Value Rupees	2004 Carrying Cost Rupees	2004 Fair Value Rupees
Mutual funds						
First Dawood Mutual Fund Limited	500,000	-	**5,000,000**	**5,000,000**	-	-
PICIC Growth Mutual Fund Limited	4,000	-	**196,000**	**214,800**	-	-
19th ICP Mutual Fund Limited	-	125	**-**	**-**	2,406	2,406
Al Mezan Mutual Fund Limited	-	20,000	**-**	**-**	294,000	309,000
BSJS Balance Fund Limited	-	33,500	**-**	**-**	432,325	433,825
Faysal Balance Growth Fund Limited	-	25,000	**-**	**-**	2,500,000	2,500,000
Pakistan Capital Market Fund Limited	-	20,000	**-**	**-**	202,000	205,000
Pakistan Premier Fund Limited	-	10,000	**-**	**-**	173,000	192,000
Dominion Stock Fund Limited	-	1,000	**-**	**-**	2,700	3,400
Unit Trust of Pakistan	142	118	**1,015,744**	**1,153,608**	933,010	1,015,744
First Capital Mutual Fund	-	10,000	**-**	**-**	67,500	68,500
			6,211,744	**6,368,408**	4,606,941	4,729,875
Modaraba						
First Tri Star Modaraba	-	1,500	**-**	**-**	12,000	4,500
Insurance Companies						
Pakistan Reinsurance Company Limited	-	60,000	**-**	**-**	3,734,500	3,918,000
Pak Guarantee Insurance Company Limited	474	-	**948**	**1,351**	-	-
Shaheen Insurance Company Limited	1,281,000	1,268,500	**30,714,017**	**26,260,500**	31,576,581	30,444,000
Adamjee Insurance Company Limited	-	12,500	**-**	**-**	806,875	840,000
			30,714,965	**26,261,851**	36,117,956	35,202,000
Investment Companies, Banks and Securities						
PICIC Limited	-	2,500	**-**	**-**	147,275	180,125
National Bank of Pakistan	-	150,000	**-**	**-**	9,793,136	9,967,500
Mybank Limited (Formerly Bolan Bank Limited)	8,00	-	**124,500**	**109,600**	-	-
Muslim Commercial Bank Limited	5,500	7,200	**350,164**	**436,150**	377,845	364,320
Trust Commercial Bank Limited	-	10,000	**-**	**-**	108,500	113,000
JOV & Co. Limited	-	500	**-**	**-**	299,000	311,000
			474,664	**545,750**	10,725,756	10,935,945
Textile						
Colony Thal Textile Mills Limited	-	1,500	**-**	**-**	7,275	7,950
Data Textiles Limited	-	1,500	**-**	**-**	10,800	7,125
Shaheen Cotton Mills Limited	-	500	**-**	**-**	4,500	4,500
Nishat Chunian Limited	17,000	-	**763,200**	**1,616,700**	-	-
Nishat Mills Limited	-	116,000	**-**	**-**	6,227,333	6,124,800
			763,200	**1,616,700**	6,249,908	6,144,375
Cement						
Zeal Pak Cement Limited	-	200,000	**-**	**-**	2,030,000	2,480,000
Fauji Cement Company Limited	-	78,000	**-**	**-**	1,769,600	1,271,400
Pioneer Cement Limited	-	20,000	**-**	**-**	320,000	402,000
Maple Leaf Cement Factory Limited	77	200,000	**3,005**	**1,679**	8,364,800	7,600,000
Dewan Cement Limited (Formerly Pakland Cement Limited)	-	50,000	**-**	**-**	1,530,000	1,572,500
			3,005	**1,679**	14,014,400	13,325,900

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FOR THE YEAR ENDED 30 JUNE 2005

	2005	2004	2005 Carrying Cost	2005 Fair Value	2004 Carrying Cost	2004 Fair Value
	Number of shares/certificates		Rupees	Rupees	Rupees	Rupees
Fuel and Energy						
Kot Addu Power Company Limited	20,000	-	715,572	755,000	-	-
Karachi Electric Supply Company Limited	-	5,000	-	-	36,750	37,000
Pakistan Oil fields Limited	-	8,000	-	-	2,281,577	1,668,000
Pakistan State Oil Company Limited	-	800	-	-	201,800	205,400
Attock Refinery Limited	-	30,000	-	-	2,655,005	2,745,000
Bosicar Pakistan Limited	-	209,500	-	-	4,483,300	4,808,025
Oil and Gas Development Company Limited	-	400,000	-	-	27,667,180	25,800,000
Sui Northern Gas Pipelines Limited	-	2,000	-	-	140,000	129,400
			715,572	755,000	37,465,612	35,392,825
Chemicals and Pharmaceuticals						
PTA Pakistan Limited	-	231,500	-	-	3,715,575	4,016,525
Engro Chemical Pakistan Limited	-	57,000	-	-	5,996,277	5,557,500
Rupali Polyester Limited	-	25,000	-	-	1,125,000	1,105,000
Fauji Fertilizer Company Limited	95,000	-	2,488,831	2,555,500	-	-
Sardar Chemicals Limited	-	5,000	-	-	40,500	41,500
			2,488,831	2,555,500	10,877,352	10,720,525
Food and Allied						
Mirza Sugar Mills Limited	350	400	1,720	892	1,720	1,760
Faran Sugar Mills Limited	39	-	49	404	-	-
Tandliawala Sugar Mills Limited	-	2,000	-	-	32,900	38,400
United Sugar Mills Limited	-	1,000	-	-	13,950	13,500
			1,769	1,296	48,570	53,660
Auto and Allied						
Dewan Farooque Motors Company Limited	-	15,000	-	-	404,750	372,000
Indus Motor Company Limited	-	70,000	-	-	6,517,000	6,384,000
			-	-	6,921,750	6,756,000
Miscellaneous						
Baluchistan Glass Limited	-	10,000	-	-	129,000	130,500
General Tyre Limited and Rubber Company Limited	-	50,000	-	-	2,225,000	2,300,000
Haidery Construction Co. Limited	-	500	-	-	2,275	3,750
Marfco Industries Limited	5,500	5,500	50,325	50,325	38,500	50,325
Macpack Films Limited	-	10,000	-	-	375,000	381,500
Salman Noman Enterprises Limited	-	1,000	-	-	6,025	7,000
			50,325	50,325	3,775,800	2,873,075
Technology and Communications						
Pakistan International Airlines Corporation	-	967,000	-	-	22,076,789	17,309,300
Callmate Telips Limited	-	10,000	-	-	154,000	152,500
Pakistan International Container Terminal Ltd	-	20,000	-	-	441,000	460,000
Worldcall Broadband Limited	1,137,000	-	11,492,875	11,256,300	-	-
Worldcall Communications Limited	4,391,791	5,241,791	62,363,432	43,917,910	77,147,723	74,433,432
TRG Pakistan Limited	-	65,000	-	-	1,108,250	1,121,250
Pakistan Telecommunication Company Limited	1,000	457,000	70,657	65,950	20,202,693	19,262,550
			73,926,964	55,240,160	121,130,455	112,739,032
			115,351,039	93,396,669	250,946,500	238,877,712

16.2 Available for sale - related parties

	2005	2004	2005 Carrying Cost	2005 Fair Value	2004 Carrying Cost	2004 Fair Value
Worldcall Broadband Limited	1,500,000	1,500,000	18,450,000	14,850,000	15,000,000	18,450,000
Shaheen Insurance Company Limited	188,973	188,973	4,535,352	3,873,947	4,125,280	4,535,352
Worldcall Communications Limited	828,868	828,868	11,769,926	8,288,680	12,747,990	11,769,926
			34,755,278	27,012,627	31,873,270	34,755,278

Par value of all the above shares is Rs. 10 each except for Unit Trust of Pakistan and Faysal Balanced Growth Fund which have par value of Rs. 5,000 per unit and Rs. 100 per certificate respectively.

CONSOLIDATED NOTES TO THE ACCOUNTS
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17 Cash and bank balances

	Note	2005 Rupees	2004 Rupees
Cash in hand		**59,473**	41,467
At bank:			
Current accounts-local and foreign currency	17.1	**31,243,556**	31,007,652
Saving accounts-local and foreign currency	17.2	**131,978,811**	146,390,415
		163,281,840	177,439,534

17.1 This includes Rs. 4,407,250 retained by Faysal Bank Limited as margin against guarantee for Pakistan Telecommunication Company Limited bid and performance.

17.2 The balance in saving accounts bear mark-up which ranges from 1.5% to 2.% (2004: 5.9 %) per annum.

18. Trade and other payables

	Note	2005 Rupees	2004 Rupees
Morahaba facility with Faysal Bank Limited	18.1	**-**	40,000,000
Payable against sale of shares on behalf of:			
Clients		**37,832,027**	7,403,650
Members		**135,508,689**	359,111,858
Bills payable/creditors		**5,631,189**	5,203,745
Payable to related parties		**423,500**	-
Payable to financial institution	*18.2*	**100,000,000**	-
Accrued liabilities		**31,301,498**	8,037,116
Withholding tax		**537,448**	437,251
Sales tax		**365,741**	-
Unclaimed dividend		**1,891,835**	1,912,546
Other liabilities		**8,604,988**	13,585,454
		322,096,915	435,691,620

18.1 Morahaba facility expired during the year on 01 October 2004 and carried mark-up at the rate 7% (2004: 7-11%) per annum and was secured against the pledge of shares of associated company and mortgage of three shops at Pace building Lahore.

18.2 This represents the amount payable to a financial institution under the repurchase agreement against the securities given under the arrangement as explained in the note 15.1. The effective interest rate is 12% per annum and is for a period of three months.

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	Note	2005 Rupees	2004 Rupees
19. Short term borrowings - secured			
Short term borrowings from financial institutions			
Muslim Commercial Bank Limited		**38,901,584**	-
KASB Bank Limited		**-**	66,973,597
The Bank of Punjab		**1,300,000**	-
PICIC Commercial Bank Limited		**35,951,584**	-
Bank Alfalah Limited		**112,630,247**	-
	19.1	**188,783,415**	66,973,597
Due to related parties			
Worldcall Communications Limited	*19.2*	**8,942,377**	11,338,191
Others			
KASB Securities (Private) Limited	*19.3*	**-**	110,676,990
Salman Services (Private) Limited	*19.3*	**92,935,108**	-
Payable in Bangladesh		**132,503**	133,185
Payable in Srilanka		**6,854,092**	9,663,290
		99,921,703	120,473,465
		297,647,495	198,785,253

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

19.2 These are unsecured and carry mark-up @ 14 % p.a. payable on quarterly basis.

19.3 Includes the sale price of certain listed equity securities sold to KASB Securities (Private) Limited and Salman Services (Private) Limited under the contracts whereby the securities would be repurchased by the Parent Company at a fixed price. The difference between the sale price and the purchase price is accrued in the books of account on the commencement of the contract as cost on repo transactions. The market value of securities pledged as at 30 June 2005 amounted to Rs. 285 million (2004: Rs. 143 million).

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20 Liabilities against assets subject to finance lease

The Group has acquired plant and machinery and vehicles under finance lease agreements. The amounts of future payments for the lease and the period in which the lease payments will become due are as follows:

	2005			**2004**		
	Not later than one year	**Later than one year and not later than five years**	**Total**	**Not later than one year**	**Later than one year and not later than five years**	**Total**
	Rupees	**Rupees**	**Rupees**	**Rupees**	**Rupees**	**Rupees**
Minimum lease payment	**4,805,475**	**5,883,306**	**10,688,781**	4,602,626	9,262,620	13,865,246
Finance charge	**(468,338)**	**(155,464)**	**(623,802)**	(709,347)	(522,807)	(1,232,154)
Present value of minimum lease payment	**4,337,137**	**5,727,842**	**10,064,979**	3,893,279	8,739,813	12,633,092
Current portion	**(4,337,137)**	**-**	**(4,337,137)**	(3,893,279)	-	(3,893,279)
	-	**5,727,842**	**5,727,842**	-	8,739,813	8,739,813

Rentals are payable in monthly as well as quarterly installments. The Group has the right to exercise purchase option at the end of the lease term . Financing rate of 7.5% to 18% (2004: 8% - 18%)per annum has been used as a discounting factor.

	2005 Rupees	2004 Rupees
21. Deferred liability for staff gratuity		
Net liability at the beginning of the year	**9,387,153**	8,508,214
Net expense	**3,918,266**	2,408,119
Liability transferred from sister concern	**183,451**	-
Benefits paid during the year	**(1,367,947)**	(1,529,180)
Net liability at the end of the year	**12,120,923**	9,387,153
The amounts recognized in the balance sheet are as follows:		
Present value of obligation	**12,410,201**	8,542,858
Unrecognized actuarial gains	**(600,478)**	(844,295)
Benefits due but not paid	**311,200**	**-**
Liability recognized in balance sheet	**12,120,923**	9,387,153

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21.1 The amounts recognized in the profit and loss account are as follows:

	Note	2005 Rupees	2004 Rupees
Current service cost		**3,276,490**	1,931,594
Interest cost		**605,955**	454,963
Actuarial loss recognized		**35,821**	21,561
Total amount charged to income		**3,918,266**	2,408,118

The latest valuation was conducted by Nauman Associates (consulting actuaries) as of 30 June 2005. Significant actuarial assumptions are as follows:

Discount rate	0.09 - 0.11
Increase in salary	0.08 - 0.10
Mortality rate	EFU 61-66 mortality rate
Expected average remaining working period	11 Years

22. Contingencies and commitments

Contingencies

22.1 First Capital Securities Corporation Limited (FCSC)

(a) During 2002 the senior management of the FCSC was contacted by National Accountability Bureau in respect of certain transactions in FIBs carried out by FCSC related to Workers' Welfare Fund 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 FCSC had colluded with workers welfare fund officials to defraud workers welfare fund.

On the basis of these investigations, National Accountability Bureau required FCSC to pay and or guarantee to pay on account of Workers' Welfare Fund a sum of Rs. 46 million. Keeping in view that public funds were involved and based on legal advise that it was FCSC's vicarious liability, FCSC 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 FCSC's liability stands reduced by the said amount. FCSC had also 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 FCSC's accounts. National Accountability Bureau has asked FCSC to deposit the balance amount of Rs. 10.073 million, which remains un-recovered from

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various parties involved. FCSC has informed National Accountability Bureau that the said amounts are not payable. FCSC 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.

FCSC remains contingently liable to the extent of Rs. 10.073 million.

(b) Securities and Exchange Commission of Pakistan ("SECP") in the year 2003 raised a 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. Appellate Bench of SECP passed an order against FCSC. FCSC filed an appeal in Lahore High Court against the order of the Appellate Bench of SECP, which has been decided in favour of FCSC. SECP has filed an appeal in the Supreme Court of Pakistan against the judgment of Honorable Lahore High Court. At present the said appeal is pending adjudication before the august Supreme Court of Pakistan and FCSC is confident of its favourable outcome, therefore no provision has been made in the financial statements.

(c) Securities and Exchange Commission of Pakistan ("SECP") in the year 2002 raised a 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. Appellate Bench of SECP passed an order against FCSC. FCSC filed an appeal in Lahore High Court against the order of the Appellate Bench of SECP, which has been decided in favour of FCSC. SECP has filed an appeal in the Supreme Court of Pakistan against the judgment of Honorable Lahore High Court. At present the said appeal is pending adjudication before the august Supreme Court of Pakistan and FCSC is confident of its favourable outcome, therefore no provision has been made in the financial statement.

For contingencies relating to tax matters, refer note 30.

22.2 First Capital Equities Limited (FCEL)

(a) During the year 2000 certain clients of FCEL defaulted on their obligations. ABN AMRO Asia Limited Hong Kong (ABN AMRO), major shareholder of FCEL 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 FCEL and ABN AMRO. Accordingly FCEL had set off these loans and such recoverable amounts. FCEL 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.

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

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

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

(d) Mr. Assad ullah Sajid has filed petition with Securities and Exchange Commission of Pakistan against FCEL for refund of deposit worth of Rs. 590,740/- (2004 : Rs. 590,740) deposited for purchase of shares on his behalf before the Honourable Sindh High Court in the year 2000, which is pending. The management is of the opinion that the likelihood of an un-favorable decision is remote.

For contingencies relating to tax matters, refer note 30.

23. Share capital	**2005 Rupees**	2004 Rupees
Authorised		
100,000,000 (2004: 50,000,000) ordinary shares of Rs 10 each	1,000,000,000	500,000,000

	2005 Number of shares/certificates	2004 Number of shares/certificates	**2005 Rupees**	2004 Rupees
Issued, subscribed and paid-up				
Ordinary shares of Rs 10 each fully paid in cash	**38,165,030**	19,400,000	**381,650,300**	194,000,000
Ordinary shares of Rs 10 each issued as bonus shares	**47,215,857**	27,512,576	**472,158,570**	275,125,760
	85,380,887	46,912,576	**853,808,870**	469,125,760

Worldcall Communication Limited held 1,893,487 shares (2004:742,164 shares) with a percentage holding of 2.22% (2004: 1.58%).

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24. Reserves

	Note	2005 Rupees	2004 Rupees
Share premium reserve		**-**	2,643,800
Revaluation reserve of an associated company	*24.1*	**32,557,138**	32,557,138
Unappropriated profit		**340,374,338**	255,546,510
		372,931,476	290,747,448

24.1 This represents Parent Company's share of revaluation reserve on valuation of investment property of Pace (Pakistan) Limited accounted for under the equity method.

25. Revenues

	2005 Rupees	2004 Rupees
Financial consultancy fee	**17,850,000**	6,000,000
Dividend income	**675,188**	4,507,229
Money market income	**7,213,160**	17,030,964
Capital gains-net	**94,312,508**	99,936,561
Investment advisory fee from First Capital Mutual Fund Limited	**2,624,117**	2,148,637
Profit on carry over transactions	**18,410,500**	-
Brokerage income	**303,757,996**	173,997,905
Revenue from printing	**41,607,891**	9,890,413
(Loss)/gain on disposal of investment property	**(3,916,300)**	1,000,500
Net Rental income from investment property	**1,334,278**	5,287,244
	483,869,338	319,799,453

26. Direct costs

	2005 Rupees	2004 Rupees
Materials consumed	**18,238,232**	2,226,953
Direct labour and salaries	**4,862,616**	1,937,825
Folding and binding costs	**2,641,510**	744,861
Electricity consumed	**1,150,679**	121,909
Stores and general items consumed	**-**	1,209,186
Rent, rates and taxes	**292,435**	177,946
Insurance	**168,172**	27,480
Repair and maintenance	**232,249**	183,638
Vehicle running and maintenance	**263,562**	107,081
Mess and staff refreshment charges	**270,110**	121,258
Computer consumables	**275,306**	102,158
Depreciation	**1,639,837**	545,894
	30,034,708	7,506,189

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27. Operating expenses

	Note	2005 Rupees	2004 Rupees
Salaries, wages and benefits		**107,386,389**	60,681,361
Chief Executive's Remuneration		**829,021**	2,111,946
Directors' Remuneration		**590,782**	10,616,155
Rent, rates and taxes		**6,641,057**	4,218,594
Telephone, fax, etc.		**9,610,478**	10,304,533
Utilities		**3,544,990**	3,010,607
Insurance		**1,653,606**	1,237,587
Printing and stationery		**3,277,694**	3,041,766
Traveling and conveyance		**8,550,223**	4,835,015
Repairs and maintenance		**6,771,182**	3,778,866
Postage, courier etc.		**1,652,504**	1,296,266
Vehicle running		**1,734,920**	1,442,871
News papers and periodicals		**180,386**	154,656
Entertainment		**4,942,585**	2,211,352
Legal and professional charges		**14,344,650**	9,043,316
Other charges		**1,662,691**	1,911,370
Advertisement		**1,599,216**	506,935
Bad debts written off.		**15,641,861**	611,804
Payment to National Accountability Bureau		**-**	10,000,000
Stock exchange charges		**39,371,051**	18,712,329
Fees and subscriptions		**976,124**	951,881
Auditors' remuneration	*27.1*	**1,959,919**	1,809,286
Donations	*27.2*	**90,400**	91,500
Depreciation	*4*	**9,334,864**	10,164,516
Amortization of goodwill		**-**	179,355
Lanka Securities business expenses		**17,201,776**	20,009,459
Provision for doubtful debts		**5,859,663**	1,270,462
		265,408,032	184,203,788

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27.1 Auditors' remuneration

	Auditors of holding company Rupees	Auditors of subsidiary companies Rupees	2005 Rupees	2004 Rupees
Annual audit fee	**300,000**	**829,419**	**1,129,419**	733,679
Fee for audit of consolidated accounts	**300,000**	**-**	**300,000**	300,000
Half yearly review	**100,000**	**20,000**	**120,000**	100,000
Other certifications	**220,000**	**13,200**	**233,200**	489,600
Out of pocket expenses	**169,500**	**7,800**	**177,300**	186,007
	1,089,500	**870,419**	**1,959,919**	1,809,286

27.2 The directors and their spouses do not have any interest in any donor fund to which donations were made.

28. Other income

	2005 Rupees	2004 Rupees
Income from financial assets		
Return on deposit accounts	**5,207,785**	5,114,532
Dividend Income	**4,121,590**	1,944,481
Interest on term deposits	**1,486,746**	-
Income from placements	**35,136,829**	-
Mark up due from related parties	**1,771,932**	1,847,083
Income from other than financial assets		
Underwriting commission	**1,425,000**	-
Service charges	**-**	1,505,000
Gain on disposal of property, plant and equipment	**23,968**	-
Amortization of negative goodwill	**969,519**	-
Others	**3,042,543**	1,026,970
	53,185,912	11,438,066

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	2005 Rupees	2004 Rupees
29. Finance and other costs		
Finance Costs		
Markup on short term borrowings	**20,942,041**	1,981,437
Markup charged by related parties	**1,023,099**	992,398
Cost from repo transactions	**45,144,968**	7,180,572
Mark up on Morabaha facility	**649,375**	3,374,821
Finance charges on leased assets	**778,078**	224,411
Bank charges and commission	**912,323**	1,154,884
	69,449,884	14,908,523
Other charges		
Loss on disposal of property, plant and equipment	**-**	7,540,943
Amortization of deferred cost	**3,013**	3,013
	69,452,897	22,452,479

30. Provision for taxation

This is made up as follows

	2005 Rupees	2004 Rupees
Current	**40,402,121**	11,454,639
Prior year's	**-**	5,096,157
Deferred	**2,532,388**	(427,196)
	42,934,509	16,123,600

Numeric tax rate reconciliation has not been given as certain subsidiaries are liable to minimum tax only.

30.1 First Capital Securities Corporation Limited

(a) The Parent Company's assessments have been finalized upto Tax year 2004. During the year the Income Tax proceedings were amended u/s 122 of the Income Tax Ordinance 2001 for the tax year 2003 & 2004 and expenses were allocated to capital gain. The Parent Company filed appeal before CIT (A) and the CIT (A) in its order deleted the addition on account of capital gain. 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 Parent 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. Parent Company has appealed to the High Court against the ("ITAT") decision on this issue.

(b) Based on the ("ITAT") decision for the assessment year 1995-96 the Tax Authorities reopened the proceedings for the assessment year 1996-97 which was set a side by the CIT (Appeals). The Parent Company has filed appeal against the order of CIT(A) in ("ITAT") and the management is confident that appeal will be decided in favour of the Parent Company . Subsequently based on previous years, tax authorities also reopened the assessment year 1997-98 and 1998-99 and raised a tax demand of Rs.18.5 million against which the company filed appeal in ("ITAT"). The ITAT has decided the

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appeal in favour of the Parent Company for the assessment year 1997-1998 & 1998-1999, which resulted into deletion of demand of 18.5 Million. 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 Parent Company has filed appeals in ("ITAT") against these orders and orders of the same are expected shortly. Provision has not been made in accounts for these tax demands.

The Parent Company has filed appeals in ("ITAT") against these orders and orders of the same are expected shortly. Provision has not been made in accounts for these tax demands. The management is confident that the appeal will be decided in favour of the Parent Company and the addition on account of allocation of expenses will be deleted. Last year the DCIT passed 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 Parent Company has filed appeal in CIT (A) against these orders and also filed rectification against the said orders of DCIT. 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.

(c) The Parent Company was also contesting in ("ITAT") for Tax of Rs.5.1 million recovered by tax authorities against gain on sale of KSE and LSE memberships by the Parent Company during the assessment year 1997-98 as the department has filed appeal in ("ITAT") against the order of CIT (A). The departmental appeal against the order of the CIT (A) has been dismissed by the ("ITAT").

The management is hopeful of favourable outcome of its appeals.

30.2 First Capital Equities Limited (FCEL)

The Income Tax Authorities finalized the assessment for the assessment years 2000-2001 and 2001-2002 in previous years by allocating expenditures against capital gains and determined a demand of Rs. 8,485,909 and refund of Rs. 362,513 respectively. FCEL filed the appeal before the Commissioner Income Tax CIT (Appeals) who set aside the order of assessing officer on issue of capital gain. FCEL has filed the appeal before Income Tax Appellate Tribunal against the order of CIT Appeals and the management is confident of favourable outcome.

31. Cash and cash equivalents	**2005 Rupees**	2004 Rupees
These are made up as follows:		
Cash in hand	**59,473**	41,467
Bank balances	**121,840,061**	148,003,686
Treasury bills	**41,382,306**	29,394,381
	163,281,840	177,439,534

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32. Transactions with related parties

Related parties comprise of entities over which the Group is able to exercise significant influence, entities with common directors, major shareholders, directors and key management personnel. The nature of relationship with associated companies is explained in note 6. Balances with related parties are shown elsewhere in the accounts. The transactions with related parties other than those which have been disclosed in other notes are as follows:

	2005 Rupees	2004 Rupees
First Capital Mutual Fund Limited		
Brokerage income	**34,612**	290,203
Investment advisory fee charged	**2,624,117**	2,148,636
Worldcall Communication Limited		
Finance cost charged	**1,023,099**	992,398
Shared expenses	**3,921,087**	4,513,565
Worldcall Multimedia Limited		
Mark up Income	**356,698**	720,932
Income from Financial Consultancy Services	**1,000,000**	-
Shared expenses charged	**415,263**	410,889
Worldcall Broad Band Limited		
Mark up Income	**181,770**	134,055
Income from Financial Consultancy Services	**2,250,000**	-
Shared expenses received/charged	**301,159**	113,863
Worldcall Telecom Limited		
Investments	**240,000,000**	52,500,000
Income from Financial Consultancy Services	**13,600,000**	6,000,000
Pace (Pakistan) Limited		
Investments	**61,876,723**	48,574,950
Services charged	**552,300**	2,224,368
Shared expenses charged	**45,849**	3,030
Pace Super Mall (Private) Limited		
Mark up Income	**1,233,464**	992,096
Shaheen Insurance Company Limited		
Dividend income	**-**	281,960
Insurance premium	**467,270**	202,056
Insurance claim	**75,880**	102,491

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		2005	2004
33. Earnings per share - basic			
Net profit for the year	***Rupees***	**183,456,625**	95,434,717
Weighted average number of ordinary shares outstanding during the year	***Numbers***	**78,141,147**	71,893,074
Earnings per share	***Rupees***	**2.35**	1.33

For the purpose of computing earnings per share, the number of shares of the previous year have been adjusted for the effect of bonus and right shares issued during the year.

34. Financial instruments and related disclosures

The activities of Group companies expose it to a variety of financial risks, including the effects of changes in foreign exchange rates, market interest rates such as State Bank of Pakistan's repo rate and treasury bills rate, credit and liquidity risk associated with various financial assets and liabilities. The Group manages its exposure to financial risk in the following manner:

34.1 Interest rate risk exposure

Interest/mark-up rate risk arise from the possibility that changes in interest / mark-up rates will affect the value of financial instruments. The Group companies' manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. Information about the Group companies' exposure to interest rate risk based on contractual refinancing and maturity dates, which ever is earlier, is as follows:

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	2005				
	Interest / Mark up bearing		Non interest / Mark up bearing		
	With in one year	More than one year and less than 5 years	With in one year	More than one year and less than 5 years	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Financial Assets					
Long term deposits	-	-	953,634	9,115,253	10,068,887
Trade debts	-	-	388,817,595	-	388,817,595
Loans, advances and deposits	10,638,592	-	38,192,486	-	48,831,078
Other receivables	-	-	10,960,107	-	10,960,107
Placements	200,000,000	-	-	-	200,000,000
Interest receivable	-	-	2,140,383	-	2,140,383
Short term investments	-	-	120,409,297	-	120,409,297
Cash and bank balances	131,978,811	-	31,303,029	-	163,281,840
	342,617,403	-	592,776,531	9,115,253	944,509,187
Financial liabilities					
Trade and other payables	100,000,000	-	221,193,726	-	321,193,726
Mark up accrued	-	-	9,347,165	-	9,347,165
Short term borrowings	297,647,495	-	-	-	297,647,495
Liabilities against assets subject to finance lease	4,337,137	5,727,842	-	-	10,064,979
	401,984,632	5,727,842	230,540,891	-	638,253,365
On balance sheet gap	**(59,367,229)**	**(5,727,842)**	**362,235,640**	**9,115,253**	**306,255,822**

	2004				
	Interest / Mark up bearing		Non interest / Mark up bearing		
	With in one year	More than one year and less than 5 years	With in one year	More than one year and less than 5 years	Total
	Rupees	Rupees	Rupees	Rupees	Rupees
Financial Assets					
Long term deposits	-	-	344,491	7,223,741	7,568,232
Trade debts	-	-	345,025,453	-	345,025,453
Loans, advances and deposits	14,783,834	-	-	-	14,783,834
Other receivables	-	-	8,545,633	-	8,545,633
Short term investments	-	-	273,632,990	-	273,632,990
Cash and bank balances	146,390,415	-	31,049,119	-	177,439,534
	161,174,249	-	658,597,686	7,223,741	826,995,676
Financial liabilities					
Trade and other payables	40,000,000	-	395,254,369	-	435,254,369
Mark up accrued	-	-	9,082,987	-	9,082,987
Short term borrowings	198,785,253	-	-	-	198,785,253
Liabilities against assets subject to finance lease	3,893,279	8,739,813	-	-	12,633,092
	242,678,532	8,739,813	404,337,356	-	655,755,701
On balance sheet gap	(81,504,283)	(8,739,813)	254,260,330	7,223,741	171,239,975

The Group's exposure to interest rate risk with regards to financial instruments maturing over five years is Nil (2004: Nill)

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

	2005 %	2004 %
Effective interest rates:		
Advances to related parties	**13.5 to 16**	13.5 to 14.5
Cash and bank balances	**1.5 to 2.5**	1 to 7
Obligations under finance leases	**7.5 to 18.14**	8.5 to 17
Short term borrowings	**13.5 to 16**	6 to 13.5
Advances from related parities	**14 to 14.5**	14 to 14.5

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

The Group attempts to control credit risk by applying and monitoring approved limits of credit exposure to any one counter party, limiting transactions with specific counter parties and continually assessing the credit worthiness of the counter parties. The Group believes that it is not exposed to major concentration of credit risk.

34.3 Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. Currency risk mainly arises from investment in foreign entity. As at year end, the Group is not exposed to any significant currency risk.

34.4 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in funds to meet commitments associated with financial instruments. The Group believes that it is not exposed to any significant level of liquidity risk.

34.5 Fair value of financial statements

The carrying value of all financial assets and liabilities reflected in financial statements approximate their fair value.

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

35. Remuneration of Chief Executives, Directors and Executives

The aggregate amount charged in the accounts for remuneration, including certain benefits, to the Chief Executive, Directors and Executives of the company is as follows:

	Chief Executive		Director		Executives	
	2005	**2004**	**2005**	**2004**	**2005**	**2004**
Managerial remuneration	2,976,467	1,310,000	4,989,278	3,339,225	8,710,320	9,035,624
Medical expenses	230,230	211,511	446,692	373,249	604,424	676,542
Utilities	916,168	948,435	310,178	247,600	202,420	52,900
House rent	348,587	272,000	1,240,711	990,400	809,680	236,800
Provision for gratuity	-	-	597,153	45,088	691,273	721,410
Others	639,000	-	9,285,889	5,646,855	9,810,368	806,210
	5,110,452	**2,741,946**	**16,869,901**	**10,642,417**	**20,828,485**	**11,529,486**
Number of persons	**1**	1	**8**	11	**13**	19

The Group has also provided cars to few executives. No fees were paid to any director for attending Board and Audit Committee meetings.

Pursuant to revision in Fourth Schedule to the Companies Ordinance, 1984, Executive means whose basic salary is Rs.500,000 (2004:Rs.100,000).

36. Number of employees

The total number of employees at the year end was 343 (2004: 211)

37. Bonus shares

The Board of Directors of the Parent Company in its meeting held on 08 October 2005 has recommended bonus shares at the rate of 17.5 shares for each 100 shares held, i.e. 17.5% as a final bonus, subject to the approval of shareholders in Annual General Meeting.

CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2005

38. Date of authorization for issue

These financial statements were authorised for issue on 8 October 2005 by the Board of Directors of the Parent Company.

39. Comparative figures

The corresponding figures have been re-arranged where necessary due to revisions in Fourth Schedule to the Companies Ordinance, 1984.

40. General

Figures have been rounded off to the nearest rupee.

LAHORE **CHAIRMAN AND CHIEF EXECUTIVE OFFICER** **DIRECTOR**

FORM OF PROXY

The Company Secretary
First Capital Securities Corporation 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 Securities Corporation Limited** hereby appoint Mr. / Mrs./

Miss ______________________________________ of ______________________________________
(Name) *(Address)*

or failing him / her / Mr. / Mrs. / Miss. ____________________________ of _________________________
(Name) *(Address)*

[who is also member of the Company vide Registered Folio No. _____________ (being the member of the Company)] as my / our proxy to attend at and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held at Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, on 31 October 2005 at 4:00 p.m. and at any adjournment thereof.

Signature this ___________________ Day of _________________ 2005

(Witnesses)

1.___________________

2.___________________

Affix Revenue Stamp
of Rupees Five

Signature _____________________________
(signature appended should agree with the specimen signature registered with the Company)

Notes:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
2. No person shall act as 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 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.