

### **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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**FIRST CAPITAL SECURITIES  
CORPORATION LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 JUNE 2004**



**Company Information**

<b>Board of Directors</b>	Salmaan Taseer (Chairman & Chief Executive Officer) Lt. Gen. (R) Humayun Khan Bangash Muhammad Ashraf Ali Sulieman Ahmed Said Al-Hoqani Shaan Taseer Fazeel Asif Jah Syed Kashan Kazmi
<b>Chief Financial Officer</b>	Syed Kashan Kazmi
<b>Audit Committee</b>	Lt. Gen. (R) Humayun Khan Bangash (Chairman) Fazeel Asif Jah (Member) Shaan Taseer (Member)
<b>Company Secretary</b>	Nauman Rehman
<b>Auditors</b>	Taseer Hadi Khalid & Co. Chartered Accountants
<b>Legal Advisers</b>	Rehman Saleem & Tarar Advocates
<b>Bankers</b>	Standard Chartered Bank Prime Commercial Bank Limited Faysal Bank Limited Muslim Commercial Bank Limited PICIC Commercial Bank Limited Bank of Khyber Saudi Pak Commercial Bank Limited
<b>Custodian</b>	Prime Commercial Bank Limited Faysal Bank Limited
<b>Registrar and Shares Transfer Office</b>	THK Associates (Pvt.) Limited Ground Floor Modern Motors House, Beaumont Road Karachi ☎ (021) 5689021
<b>Registered Office/Head Office</b>	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 11<sup>th</sup> Annual General Meeting of the Shareholders of First Capital Securities Corporation Limited will be held on 30 October 2004 at 12:30 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 06 September 2004;
2. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2004 together with the Directors' and Auditors' reports thereon;
3. To appoint Auditors for the year ending 30 June 2005 and fix their remuneration. In compliance of the Code of Corporate Governance, the existing Auditors M/s Taseer Hadi Khalid & Co. (Chartered Accountants), who have been auditors of the Company for more than five years, will required to be retired at the Annual General Meeting. The Board of Directors on recommendation of Audit Committee have recommended the re-appointment after rotating the partner in-charge of M/s. Taseer Hadi Khalid & Co. (Chartered Accountants) subject to the approval by Securities and Exchange Commission of Pakistan;

**Special business**

4. To consider and pass the following special resolutions with or without modifications:

**"RESOLVED THAT** the Chief Executive of the Company be and is hereby authorized to take all necessary steps to make investments on a long term basis in the share capital of WorldCALL Telecom Limited upto Rs. 240 million in accordance with the provisions of section 208 of the Companies Ordinance, 1984."

**"RESOLVED FURTHER THAT** the Chief Executive of the Company be and is hereby authorized to take all necessary steps to make additional investments on a long term basis in the share capital of WorldCALL Telephony (Pvt.) Limited upto Rs. 100 million in accordance with the provisions of section 208 of the Companies Ordinance, 1984. This additional investment alongwith the investment of upto Rs. 60 million, approved by shareholders of the company in their extraordinary general meeting held on 06 September 2004 in WorldCALL Telephony (Pvt.) Limited, shall be transferred to WorldCALL Telecom Limited subject to necessary regulatory and lenders/creditors' approvals and consents. However, in case the required approvals and consents of the regulators, and or lenders/creditors are not available or cannot be obtained within the time-frame as may be allowed by the strategic investors and major lenders, for any reason whatsoever, the above mentioned investments of upto Rs. 160 million shall be made in the share capital of WorldCALL Telephony (Pvt.) Limited and no transfer to WorldCALL Telecom Limited will be effected."

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

5. 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. 500,000,000/- divided into 50,000,000 ordinary shares of Rs. 10/- each to Rs. 850,000,000/- divided into 85,000,000 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 complete the necessary corporate and legal formalities in connection with the above".

6. To consider and pass the following ordinary resolutions with or without modification:

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

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

**By order of the Board**

**Nauman Rehman**  
Company Secretary

Lahore:  
06 October 2004

**Notes:**

1. The Members Register will remain closed from 23 October 2004 to 30 October 2004 (both days inclusive). Transfer 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 22 October 2004 will be considered in time for Annual General Meeting and entitlement of 40% Right Issue at Rs. 15/- per share including premium of Rs. 5/- per share as recommended by the Board of Directors of the Company in their meeting held on 06 October 2004, in the proportion of 4 shares for every 10 shares held by the members as on the entitlement date i.e. 22 October 2004.
2. A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the company at the Registered Office not later than 48 hours before the time for holding the meeting.
3. In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the registered office of the Company, 103-C/II, Gulberg-III, Lahore, not less than 48 hours before the time of the meeting.
4.
  - a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original NIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of meeting.
  - b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with attested copy of their NIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and NIC numbers. The proxy shall produce his/her original NIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of 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 any change in their registered address immediately.

**STATEMENT UNDER SECTION 208 OF THE COMPANIES ORDINANCE, 1984**

**WorldCALL Telecom Limited ("WTL")**

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

Under the de-regulation policy for telecommunication sector, WTL being part of the WorldCALL Group was provided with one of the first **Long Distance and International ("LDI")** fixed line telecommunication license on 14 July 2004. The said LDI license awarded to WTL is valid for 20 years. WTL is permitted to lease infrastructure from PTCL or any other infrastructure owner on mutually agreed commercial terms, non-discriminatory to other licensees seeking the same facility. Contracts for equipment supply and network deployment have been finalized with leading international telecom vendors including Siemens, Digiquant and Nuera etc. WTL have installed its equipment to cater the needs of different market segments in order to offer competitive voice and value added services tailored to the individual requirements. WTL has also entered into agreement with international call carriers. With the LDI network in place, the

end customer will be able to get better quality of service and care. WTL will begin to roll out these services shortly. WTL has selected state of the art-technology to offer next generation services and will be the first operator to deploy a full Next Generation Network (NGN). The total cost of the LDI project undertaken by WTL, is around Rs. 580 million which will be financed through equity of Rs. 350 million and debt of Rs. 230 million. The Company has already invested upto Rs. 52.50 million. Other investors include WorldCALL Communications Limited investing upto Rs. 180 million, WorldCALL Broadband Limited investing upto Rs. 50 million and Sheikh Sulieman Ahmad Said Al-Hoqani investing upto Rs. 70 million. Through interconnects with existing operators, new entrants and other group companies, WTL intends to use its network to offer LDI services to cover complete range of nationwide calling, International calling and International voice termination operations. WTL plans to roll-out its operations with 14 Points of Presence (PoPs) in fourteen (14) different telecom regions of the country, giving nationwide coverage from day one of operations. WTL has already implemented core infrastructure using cutting edge voice compression technology along with NGN soft switches, billing and network management centre. WTL has already made necessary regulatory filing for operational launch of services with the PTA and PTCL.

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

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

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

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

WTPL will provide local, NWD & ISD telephony using wireless infrastructure to meet or exceed the quality of service parameters and guidelines prescribed by the PTA. NWD & ISD access will be provided through interconnect agreement with LDI operator. WTPL using WLL technology will offer limited mobility to its users so that they can roam within a specified range. It can offer all the services that cellular operator provide within a certain area at competitive rates since the call rates will be based on fixed line rates without any airtime charges. Data services can also be offered in the future using the same infrastructure.

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

WTPL intends to obtain market penetration by offering connectivity at rates that are comparable or lower than PTCL's prevailing charges. WTPL can take advantage of lower operating costs and influence wireless infrastructure to gain market share by providing economically priced services. WTPL will focus on not only the major areas (within the prescribed PTA rollout obligations) but also on providing rural telephony to take advantage of the Universal Service Fund ("USF") to promote telecom infrastructure in the rural areas being offered by the PTA. In addition, WTPL will also be entitled to receive Access Promotion Charges ("APC") on international call termination from Long Distance International ("LDI") operators. The initial project cost is estimated around USD 83 million comprising of around USD 42 million equity (including equity through Pre-IPO/IPO) and balance as debt. The Company shall gradually invest in the Share Capital of investee companies on a cash flow requirement and equity call basis. Further capital expenditure from year 2 to year 5 will be financed through additional debt and cash from operations.

The management wishes to request approval of the shareholders of the Company to approve transfer of above investment from WTPL to WTL, however, any such transfer will not be effected unless appropriate approvals and consents are in place from the shareholders, lenders and creditors, and regulators of both WTL and WTPL. Please also see note under "Status of investments" for further details.

**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 30 October 2004.

**1. INVESTMENTS TO BE MADE BY THE COMPANY**

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

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

(i) <b>Name of the investee company</b>	<b>WorldCALL Telecom Limited ("WTL")</b>
(ii) <b>Nature, amount and extent of investment</b>	Additional long term investment in share capital of WTL upto Rs. 240 million.
(iii) <b>Average market price of the shares intended to be purchased during preceding six months in case of listed companies</b>	Not applicable (un-listed public company)
(iv) <b>Break-up value of shares intended to be purchased on the basis of last published financial statements</b>	Rs. 10/- per shares. WTL has not yet started its commercial operations.
(v) <b>Price at which shares will be purchased</b>	At par Rs. 10/- for each ordinary share
(vi) <b>Earning per share of the investee company in last three years</b>	WTL has not started yet its commercial operations hence no profit and loss account is prepared for the year ended 30 June 2004.
(vii) <b>Source of funds from where shares will be purchased</b>	Cash resources from operations and through debt financing.
(viii) <b>Period for which investment will be made</b>	As a long term investment.

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| (ix) <b>Purpose of Investment</b>  | Utilization of the Company's available cash resources for better future returns to shareholders. The purpose of this investment is to ensure lucrative returns to its shareholders by utilization of Company's available resources. In addition, the prospects of telecommunication growth and development are bright in Pakistan and the Government of Pakistan is deeply committed to the ideals of deregulation, liberalization and in promoting Pakistan as an investor-friendly country. New opportunities through deregulation of Pakistan's telecommunications sector and IT infrastructure have enabled WorldCALL Group of Companies ("WorldCALL Group") to diversify its services all across Pakistan. No other private sector entity has such diversified interests within the telecom sector and, an almost all encompassing network of services ensures that in the current deregulation scenario WorldCALL Group becomes a dominant force in the near future. |
| (x) <b>Benefits likely to accrue to the Company and the shareholders from the proposed investments</b> | The Company expects to earn substantial dividends and capital gains on the proposed investments. All the benefits accrued to WTL on the services provided will become part of the returns to the Company in future.  |
| (xi) <b>Interest of Directors and their relatives in the investee company</b>                          | The Directors of the Company and their relatives have no interest in above company except that what has been disclosed under the section "Interest of Directors and their Relatives".  |
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|--|---|
| (i) <b>Name of the investee company</b>  | <b>WorldCALL Telephony (Pvt.) Limited ("WTPL")</b>  |
| (ii) <b>Nature, amount and extent of investment</b>  | Additional Long term Investment in Share Capital of WTPL upto Rs. 100 million. This additional investment along with the investment of upto Rs. 60 million, approved by the shareholders of the Company in their extraordinary general meeting held on 06 September 2004, shall be transferred to WTL subject to necessary regulatory and lenders/creditors' approvals and consents. However, in case of the required approvals and consents of the regulators, and or/lenders/creditors are not available or cannot be obtained within the time frame as may be allowed by the strategic investors and major lenders, for any reason whatsoever, the above mentioned investments shall be made in the share capital of WTPL and no transfer to WTL will be effected. |
| (iii) <b>Average market price of the shares intended to be purchased during preceding six months in case of listed companies</b> | Not applicable (private limited company).   |
| (iv) <b>Break-up value of shares intended to be purchased on the basis of last published financial statements</b>                | Rs. 10/- per share for the year ended 30 June 2004. WTPL was incorporated on 26 March 2004 and has not started its commercial operations yet.   |

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|--|---|
| (v) <b>Price at which shares will be purchased</b>   | Rs. 10/- for each ordinary share  |
| (vi) <b>Earning per share of the investee company in last three years</b>                              | WTPL was recently incorporated on 26 March 2004 and has not yet started its commercial operations.  |
| (vii) <b>Source of funds from where shares will be purchased</b>                                       | Surplus cash resources from operations and through debt financing.  |
| (viii) <b>Period for which investment will be made</b>   | As a long-term investment.  |
| (ix) <b>Purpose of Investment</b>  | The purpose of this investment is to ensure lucrative returns to its shareholders by utilization of Company's available resources. In addition, the prospects of telecommunication growth and development are bright in Pakistan. New opportunities through deregulation of Pakistan's telecommunications sector and IT infrastructure have enabled WorldCALL Group of Companies ("WorldCALL Group") to diversify its services all across Pakistan. No other private sector entity has such diversified interests within the telecom sector and, an almost all encompassing network of services ensures that in the current deregulation scenario WorldCALL Group becomes a dominant force in the near future |
| (x) <b>Benefits likely to accrue to the Company and the shareholders from the proposed investments</b> | The Company expects to earn substantial dividends and capital gains on the proposed investments. All the benefits accrued to WTPL will become part of the returns to the Company in future.   |
| (xi) <b>Interest of Directors and their relatives in the investee company</b>                          | The Directors of the Company and their relatives have no interest in above company except that what has been disclosed under the section "Interest of Directors and their Relatives".   |

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## **2. INCREASE IN THE AUTHORIZED SHARE CAPITAL**

The Board of Directors' in their meeting held on 06 October 2004 has decided to issue 40% Right Shares at Rs. 15/- per share including premium of Rs. 5/- per share in proportion of 4 shares for every 10 shares held by the members on the entitlement day i.e. 22 October 2004. At present the Company has an Authorized Share Capital of Rs. 500,000,000/- divided into 50,000,000 ordinary shares of Rs. 10/- each of which 46,912,575 ordinary shares are issued and fully paid up. In order to facilitate the allotment of 40% right shares, the Board of Directors' have recommended that the Authorized Share Capital of the Company be increased from Rs. 500,000,000/- to Rs. 850,000,000/-. This increase in capital by way of Right shares 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 Share Capital of the Company is Rs. 850,000,000/- (Rupees Eight Hundred Fifty Million Only) divided into 85,000,000 (Eighty Five 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. 850,000,000/- (Rupees Eight Hundred Fifty Million Only) divided into 85,000,000 (Eighty Five Million) ordinary shares of Rs. 10/- (Rupees Ten Only) each.”

**3. PLACEMENT OF QUARTERLY ACCOUNTS OF COMPANY'S WEBSITE**

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

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

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

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

**STATUS OF INVESTMENTS**

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

The Company was granted approval to make long term Investment upto Rs. 60 million in the share capital of WTPL in the Extraordinary General Meeting held on 06 September 2004. Pakistan Telecommunication Authority ("PTA") has awarded WTPL to be the successful bidder of Radio Frequency Spectrum for Wireless Local Loop Project. WTPL has been able to secure following frequencies through bidding for the amount indicated in front of each frequency in respective regions:

<b>PTCL Region</b>	<b>Frequency Type</b>	<b>Price (Rupees in Million)</b>
<i>Faisalabad Telecom Region ("FTR")</i>	1.9 GHz	425
	479 Mhz	3
<i>Central Telecom Region ("CTR")</i>	1.9 GHz	121
	3.5 GHz	0.58 *
<i>Lahore Telecom Region ("LTR")</i>	1.9 GHz	353



<i>Gujranwala Telecom Region ("GTR")</i>	1.9 GHz	295
	479 MHz	25
	3.5 GHz	0.58 *
<i>Multan Telecom Region ("MTR")</i>	1.9 GHz	286
	479 MHz	20
	3.5 GHz	0.58 *
<i>Northern Telecom Region-I ("NTR-I")</i>	1.9 GHz	202
<i>Hazara Telecom Region ("HTR")</i>	479 MHz	10
	3.5 GHz	0.58 *
<i>Northern Telecom Region-II ("NTR-II")</i>	3.5 GHz	0.58 *
<i>Islamabad Telecom Region ("ITR")</i>	479 MHz	7
<i>Rawalpindi Telecom Region ("RTR")</i>	1.9 GHz	199
	479 MHz	17
	3.5 GHz	0.58 *
<i>Western Telecom Region ("WTR")</i>	479 MHz	10
	3.5 GHz	0.58 *
<i>Southern Telecom Region-I ("STR-I")</i>	1.9 GHz	134
	479 MHz	8
	3.5 GHz	0.58 *
<i>Karachi Telecom Region ("KTR")</i>	450 MHz	167
	479 MHz	31
<i>Southern Telecom Region-V ("STR-V")</i>	1.9 GHz	79
	479 MHz	11
	3.5 GHz	0.58 *
	<b>Total commitment</b>	<b>2417.22</b>

\*At base price

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

**(Un audited as at  
30-Sep-2004)  
Rupees in Million**

Operating fixed assets	10.116
Unallocated expenses	70.541
Intangible assets	126.885
Current Assets	659.563
Current liabilities	1.056
Share capital	0.010
Advance against issue of shares	866.040

WTL was awarded the LDI license and while another group company WTPL also has successfully bid and won spectrum in all 14 telecom regions for WLL services for which license shall be issued shortly. Utilizing the above licenses WorldCALL will offer LDI and WLL services to customers across Pakistan. Additionally WorldCALL Group is undertaking Long Haul project to provide infrastructure to its LDI project as well as offer backbone services to other operators as a network provider. Certain strategic investors and potential debt providers have asked the management of WorldCALL Group to consolidate the LDI, LH and WLL projects into one Company, preferably, WTL, to offer a comprehensive basic telephony services and leverage the synergies that will be available by such an exercise. The principal reason for this demand is interlinked businesses and services of the projects and related potential issues with respect to pricing of their respective services as associated companies. Further, this will also provide assured revenues from own operations, innovative packaging and bundling, discounted tariff structuring, range of potential customers, synergy of operations, service provider with network ownership, covered services with large capital base, taxation advantages, times saving, faster decision making and enhanced HR efficiencies.

In view of the said requirement, the management wishes to request approval of the shareholders of the Company to approve transfer of investments from WTPL to WTL. However, any such transfer will not be effected unless appropriate approvals and consents are in place from the shareholders, lenders and creditors, and regulators of both WTL and WTPL.

#### **INSPECTION OF DOCUMENTS**

Copies of Memorandum and Articles of Association, Statement under section 160(1)(b) of the Companies Ordinance, 1984, Companies Ordinance 1984, De-Regulation Policy for the Telecommunication Sector, SECP's Circular No. 19 of 2004 dated 14 April 2004, annual and quarterly accounts alongwith all published or otherwise required accounts of all prior periods of the Company and the investee company(s) as may be applicable in each case along with the financial projections of the investee company(s) including the Company and other related information of the Company, may be inspected during the business hours on any working day at the Registered Office of the Company from the date of publication of this notice till the conclusion of the Annual General Meeting.

**INTEREST OF DIRECTORS AND THEIR RELATIVES**

The Directors of the Company and their relatives are interested to the extent of their shareholdings as hereunder:

	Name of Dir./CEO	Relation- Ship	As at 28-08-2004		As at 28-08-2004		As at 28-08-2004	
			Status in the Company	Shares in the Company	Status in WTL	Shares in WTL	Status in WTPL	Shares in WTPL
1	Salmaan Taseer		CEO/Dir.	86,299	CEO/Dir	500	CEO/Dir	500
	Aamna Taseer	Wife	-	214,817	-	-	-	-
2	Lt. Gen. (R) Humayun Khan Bangash		Director	814	Director	500	-	-
	Shahina Humayun	Wife	-	8,840	-	-	-	-
3	Fazeel Asif Jah		Director	690	Director	500	-	-
4	Shaan Taseer		Director	16,905	Director	500	Director	500
5	Muhammad Ashraf Ali (Nominee of Faysal Bank Ltd.)		Director	-	-	-	-	-
6	Suliman Ahmed Said Al-Hoqani		Director	16,499,518	-	-	-	-
7	Syed Kashan Kazmi		Director	500	-	-	-	-

## 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 ending June 30, 2004.

FCSC's decision to diversify its investments over the years in media and telecom sectors has proven to be a sound one. The new initiatives being launched in the telecom sector are expected to be fruitful for our business as the FCSC / WorldCALL Group of companies is poised for rapid growth. The Group has acquired various telecom licenses, and will be leveraging its existing position to offer a range of basic and value-added telecom services.

Income from brokerage services showed improvement during the year. The Company also received a major portion of its earnings through the encouraging performance of its subsidiaries and associated companies.

### Financial Businesses

Equity Brokerage businesses have performed well in both Sri Lanka and Pakistan and helped secure handsome gains for the company.

*First Capital Equities Limited ("FCEL")* benefitted from the market growth and recorded a 37% increase in its brokerage income and five times growth in capital gain. The net profit of FCEL rose to Rs. 55.7 million compared to Rs. 45.4 million in the last period. 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 led to higher profitability. During the year, FCEL acquired 51% equity stake of Equity Partners Securities Limited ("EPSL") engaged in stock brokerage business in Bangladesh and has corporate membership of both Dhaka and Chittagong stock exchanges.

*Lanka Securities (Pvt.) Ltd ("LSL")* showed an improved performance with profits of SLR 39.5 million, an increase of 54% over last year's profit of SLR 25.6 million. The brokerage income almost doubled this year to SLR 87.3 million from SLR 47.3 million in the previous year. We expect a continuous growth and stable dividends.

*First Capital Investments Limited ("FCIL")* FCIL also showed improved results over the previous year and reported a significant increase in revenues of more than 200%. The status of the company was changed from private to public limited and the Securities & Exchange Commission of Pakistan ("SECP") has issued a license to undertake Investment Advisory Services under the NBFC Rules, 2003.

### Print Media Businesses

*World Press (Pvt.) Limited* was incorporated in September 2003 and started commercial operations from February 2004. World Press is a printing, packaging and publishing company with all modern facilities under one roof. The company is equipped to produce a range of hardbound and paperback books and is a complete publishing house. It is adequately fulfilling the printing demands of FCSC/ WorldCALL Group and also undertaking other printing ventures.

*Media Times (Pvt.) Limited* publishes a daily newspaper "Daily Times" edited by award-winning journalist Mr. Najam Sethi published from Lahore and Karachi. This is the first year of commercial operations. During the year the growth of newspaper is phenomenal and had been able to capture the market of English news paper readers. Each passing month was better than the previous one both in terms of revenue and circulation. The management expects that with in near future Daily Times will be a renowned quality independent news paper as well as strong financial base.

### Property Businesses

*Pace (Pakistan) Limited* since its incorporation had for the first time announced a 30% bonus shares to its shareholders. This stock dividend is a reflection of the results achieved by the management of Pace with a new diversified business plan. This year was a turn-around for Pace as a fully utilized its brand name and quality reputation to launch various similar real estate projects. The construction of Pace super markets has started at Model Town Link Road Lahore and M.M. Alam Road Gulberg, Lahore. Pace is also undertaking a housing scheme project. Pace has received a tremendous response from the general public for the booking of properties in the new projects. The management expects to earn huge profits from the said projects. Keeping in view the

success of these business policies FCSC has decided to enhance its exposure in Pace.

**Telecom Businesses**

**WorldCALL Communications Limited ("WCL")**, the flagship telecom company posted a 41% increase in revenues and a net profit of Rs. 242.4 million. The installed base of the company grew to 34,891 payphones, further cementing its leading position in the industry. WorldCALL Phonecards Limited, a wholly owned subsidiary, merged with the company as its pre-paid calling card division with effect from 01 July 2003.

**WorldCALL Telecom Limited ("WTL")** was awarded the long distance and International ("LDI") fixed line telephony licence by PTA in July 2004. The WorldCALL's LDI network will cater to the need of different market segments by offering competitive voice, data and value added services tailored to their individual requirements. These will include inbound and out bound termination of International traffic, corporate and data solutions offered at competitive rates. With the WorldCALL LDI network in place, the end customer will be able to get better quality of service and care with better pricing. Under the licence, WTL will also be building a Long Haul optic fibre backbone network using SDH/DWDM technology in the form of three self-healing rings covering over 4,000 kilometer. The establishment of the Long Haul network will not only serve WorldCALL's own LDI requirements but also allow it to lease media to other telecom operators, TV Channels, DNOPs, ISPs etc. in Pakistan.

**WorldCALL Telephony (Private) Limited ("WTPL")** has recently won various frequency spectrums in all telecom regions of Pakistan at a cost of over Rs. 2.4 billion. WTPL will offer local, nationwide and international telephony using wireless infrastructure. The main product offered will be limited mobility voice telephony with the option of value-added services like SMS, MMS, Push-to-Talk ("PTT"), Cellular Digital Packet Data ("CDPD") etc. These services will be available to customers in the form of attractive pre-paid and post-paid packages.

WTL was awarded the LDI license and while another group company WTPL also has successfully bid and won spectrum in all 14 telecom regions for WLL services for which license shall be issued shortly. Utilizing the above licenses WorldCALL will offer LDI and WLL services to customers across Pakistan. Additionally WorldCALL Group is undertaking Long Haul project to provide infrastructure to its LDI project as well as offer backbone services to other operators as a network provider. Certain strategic investors and potential debt providers have asked the management of WorldCALL Group to consolidate the LDI, LH and WLL projects into one Company, preferably, WTL, to offer a comprehensive basic telephony services and leverage the synergies that will be available by such an exercise. The principal reason for this demand is interlinked businesses and services of the projects and related potential issues with respect to pricing of their respective services as associated companies. Further, this will also provide assured revenues from own operations, innovative packaging and bundling, discounted tariff structuring, range of potential customers, synergy of operations, service provider with network ownership, covered services with large capital base, taxation advantages, times saving, faster decision making and enhanced HR efficiencies.

In view of the said requirement, the management wishes to request approval of the shareholders of the Company to approve transfer of investments from WTPL to WTL. However, any such transfer will not be effected unless appropriate approvals and consents are in place from the shareholders, lenders and creditors, and regulators of both WTL and WTPL.

The FCSC / WorldCALL Group is gearing itself to become a leading alternative telecoms provider in the country. No other private sector entity has such diversified interests in the country. Such a vast network of services ensures that our group will become a dominant force in the near future.

I am confident that your management team will continue to add value to our various businesses and strive to enhance the image of FCSC a premier financial services, telecom and IT group. I would like to conclude by acknowledging the hard work and dedication of all employees who have been a key catalysts of our growth.

**Salmaan Taseer**

## **DIRECTORS' REPORT TO THE SHAREHOLDERS**

The Directors of First Capital Securities Corporation Limited (the "Company" and/or "FCSC") are pleased to present before the shareholders, the eleventh annual report together with the Company's audited accounts for the year ended 30 June 2004.

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

### **Operating Results**

The operating results of the Company are summarized as follows:

	<b>2004</b>	<b>2003</b>
	<b>Rupees</b>	<b>Rupees</b>
Operating revenue	75,513,719	41,699,306
Operating expenses	45,941,688	41,899,094
Operating profit/(loss)	29,572,031	(199,788)
Other revenues	2,450,996	5,582,383
Financial charges	(11,860,741)	(5,016,779)
	20,162,286	365,816
Share in profit of associated and subsidiary companies	61,856,004	93,368,624
Unrealized gain on fair value adjustment of investment property	9,837,600	10,603,152
Unrealized gain/(loss) on re-measurement of marketable securities	125,270,983	62,528,780
Profit before taxation	217,126,873	166,866,372
Taxation	(5,698,054)	(1,319,607)
Profit after taxation	211,428,819	165,546,765
Interim bonus	-	20%
Final bonus	-	15%

The Company has benefitted from the favorable market and economic conditions. It has earned an after tax profit of Rs. 211 million compared to Rs. 165.5 million of last year. All major revenue-generating activities of the Company, namely portfolio investments, money market brokerage and dividends have significantly improved. This year business desk of the Company has not been able to maintain its last year's performance and reported a decline of Rs. 6.2 million. It is anticipated that, with the advent of deregulation in telecom sector, the Company expects to obtain more consultancy business in the years to come. Money market brokerage has made a valuable addition of Rs. 17.03 million (an increase of 59 %) in the revenue of the Company as compared to 10.70 million of last year. FCSC took full advantage of the bullish market and earned capital gain worth Rs. 36 million. Operating expenses have been kept under strict control except for an extra ordinary item of Rs. 10 million and change in depreciation method - Rs. 3.6 million, all other expenses have maintained lower or same levels. The year under review also witnessed considerable income for the Company from its associated and subsidiaries companies.

During the year National Accountability Bureau recovered Rs. 12.127 million from various parties involved and informed that Company's liability stands reduce by the said amount. During the year the Company paid an addition amount of Rs. 10 million as full and final settlement amount. An amount of Rs. 23.8 million to date has been written off in the Company's accounts. Note 32.1 of the annexed accounts provide further details of the matter.

### **Future outlook**

The real estate market has attracted massive investment from all segments of economy especially foreign remittances. This has resulted in a boom in the sector and this trend is expected to prevail in the foreseeable future. FCSC is increasing its equity stake in Pace (Pakistan) Limited, which is expected to attract capital appreciation but also contribute substantially towards the earnings of the Company.

With the growth in economy continuing, Government's privatization policy, investment friendly budget and new companies coming into the market enhancing the capital-base of the market, the long-term direction of the market seems to be positive. The Brokerage business through subsidiary company is well positioned in market to take the benefits of growing economy with better financial performance in future. The brokerage company in Sri Lanka is enjoying sustainable growth with handsome dividend payout.

The Company is poised to invest in upcoming projects of Telecom sector of the group and the management is of the view that these new investments will attract handsome gains for the Company in future. In view of the latest financial plans of the telecom projects, the company may be required to increase its investments in these projects for which necessary approvals of the company's shareholders will be sought in the upcoming annual general meeting. Certain strategic investors and potential debt providers have asked the management of WorldCALL Group to consolidate the Long Distance and International (LDI), Long Haul (LH) and Wireless Local Loop (WLL) projects into one Company, preferably, WorldCALL Telecom Limited (WTL). The principal reason for this demand is interlinked businesses and services of the projects and related potential issues with respect to pricing of their respective services as associated companies. For further details please refer to different businesses of the Company in Chairman's Review.

### **Payout for Shareholders**

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

### **Right Issue**

The Board of Directors in their meeting held on October 08, 2004 has decided to raise the share capital by way of 40% Right Issue @ Rs. 15 per share including premium of Rs. 5 per share. The basic purpose of this right issue is to increase Company's investment portfolio and to expand its operations to attain the maximum benefits in the growing telecom / IT sector including other opportunities that may exist. Further the funds will also help in retiring/reducing debts and borrowing costs of the Company.

### **Earnings per share**

Earnings per share for the year ended June 30, 2004 was Rs. 4.51 compared to Rs. 3.53 of last year.

### **Changes in the Directors**

Since the last report, there have been changes in the composition of the Board. During the year, Mr. Sardar Ali Wattoo and Mr. Tariq Malik have resigned from the Board of Directors. Syed Kashan Kazmi and Mr. Shaan Taseer have been appointed as Directors in place of Mr. Sardar Ali Wattoo and Mr. Tariq Malik. Currently the Company has seven directors on the 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 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 control 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 a going concern.
7. There has been no material departure from the best practices of corporate governance as detailed in listing regulations.
8. Six years company performance is given in annexure-II.
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**

Seven meetings of the Board of Directors were held during the financial year. The attendance of each director at the meetings of the board of directors is as under:

<b>Directors</b>	<b>Number of Board Meetings Attended</b>
Salmaan Taseer (Chairman & Chief Executive)	6
Lt. Gen. (R) Humayun Khan Bangash	7
Fazeel Asif Jah	7
Muhammad Ashraf Ali (Nominee of Faysal Bank Ltd.)	7
Suliman Ahmed Said Al-Hoqani	4
Shaan Taseer	-
Syed Kashan Kazmi	3
Mumtaz H Syed (Resigned)	1
Sardar Ali Wattoo (Resigned)	4
Tariq Malik (Resigned)	2

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

During the financial year trading in shares of the Company by the Directors, CEO, CFO, Company Secretary and their spouses and 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 following directors:

Lt. Gen. (R) Humayun Khan Bangash	Chairman
Fazeel Asif Jah	Member
Shaan Taseer	Member



**Key Financial Indicators**

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

**Auditors**

The present auditors M/s. Taseer Hadi Khalid & Co. Chartered Accountants have retired. The Board of Directors, on recommendation of audit committee, have recommended the re-appointment after rotating the partner incharge of M/s. Taseer Hadi Khalid & Co. Chartered Accountants, subject to the approval by Securities & Exchange Commission of Pakistan.

**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 Shareholding**

The pattern of shareholding as required under the section 236 of the Companies Ordinance, 1984 and listing regulations of Stock Exchanges are enclosed.

**Consolidated Financial Statements**

Consolidated financial statements of the group are annexed.

**Acknowledgment**

In the end, the Board wishes to place on record their appreciation to the employees at all levels for their dedication and commitment 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 regulation.

For and on behalf of the Board of Directors

Lahore  
06 October 2004

**Salmaan Taseer**  
(Chief Executive Officer)

***Annexure I***

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

	Opening balance as on 10-07-2003	Purchase	Bonus	Sale	Closing balance as on 10-07-2004
<b>Directors</b>					
Mr. Salmaan Taseer (CEO)	100,037	-	23,762	37,500	86,299
Lt. Gen. (R) Humayun Khan Bangash	590	-	224	-	814
Mr. Shaan Taseer	8,084	5,000	3,821	-	16,905
Mr. Muhammad Ashraf Ali (Nominee Director of Faysal Bank Ltd.)	-	-	-	-	-
Mr. Sulieman Ahmed Said Al-Hoqani	13,660,400	553,706	5,198,412	-	19,412,518
Mr. Fazeel Asif Jah	500	-	190	-	690
Syed Kashan Kazmi	-	500	-	-	500
Mr. Mumtaz H Syed (Resigned)	708	-	141	849	-
Mr. Sardar Ali Wattoo (Resigned)	708	-	268	976	-
Mr. Tariq Malik (Resigned)	-	500	75	575	-
<b>Spouses</b>					
Mrs. Aamna Taseer (W/o Mr. Salmaan Taseer)	175,230	-	66,587	-	241,817
Mrs. Shahina Humayun W/o Lt. Gen. (R) Humayun Khan Bangash	36,540	2,500	7,800	38,000	8,840
<b>Minor Children</b>					
	-	-	-	-	-
<b>Chief Financial Officer</b>					
Mr. Sardar Ali Wattoo (Resigned)	708	-	268	976	-
Syed Khasan Kazmi	-	500	-	-	500
<b>Company Secretary</b>					
Mr. Sardar Ali Wattoo (Resigned)	708	-	268	976	-
Syed Khasan Kazmi (Resigned)	-	500	-	-	500
Mr. Adeel K. Bajwa (Resigned)	-	-	-	-	-
Mr. Nauman Rehman	-	-	-	-	-

***Annexure II***

**KEY FINANCIAL DATA FOR LAST 7 YEARS**

<b>FINANCIAL DATA</b>	<b>Rupees in Thousands</b>						
	<b>2004</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>	<b>1998</b>
Operating revenue	75,514	41,699	47,827	78,735	65,004	70,629	35,100
Operating expenses	45,942	41,899	51,673	29,160	43,085	38,420	34,863
Operating profit	29,572	(199)	(3,846)	49,575	21,919	32,209	237
Other revenue	2,451	5,582	13,318	52,049	13,443	13,133	41,284
Financial Expenses	11,861	5,017	2,666	10,566	8,066	5,464	21,441
Taxation	5,698	1,320	3,544	150	663	2,568	248
Profit after Taxation	211,429	165,547	91,153	87,932	26,890	39,185	23,154
Cash Dividend Interim	-	-	-	-	-	-	-
Cash Dividend Final	-	-	-	33,995	-	-	21,340
Bonus Share	-	129,180	-	-	-	48,015	26,675

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS  
AS AT 30 JUNE 2004**

<b>Shareholders' Category</b>	<b>Number of Shares held</b>
<b>Associated Companies, undertaking and related parties</b>	
WorldCALL Communications Limited	742,164
<b>NIT and ICP</b>	
Investment Corporation of Pakistan	4,738
National Bank of Pakistan, Trustee Deptt	1,209,087
<b>Directors, CEO and their Spouse and Minor Children</b>	
Salmaan Taseer (CEO/Director)	86,299
Aamna Taseer W/o Mr. Salmaan Taseer	214,817
Lt. Gen (R) Humayun Khan Bangash (Director)	814
Shahina Humayun W/o Lt. Gen. (R) Humayun Khan Bangash	8,840
Shaan Taseer (Director)	16,905
Sulieman Ahmad Said Al-Hoqani (Director)	13,761,418
Muhammad Ashraf Ali (Nominee Director of Faysal Bank Limited)	-
Fazeel Asif Jah (Director)	690
Syed Kashan Kazmi (Director)	500
<b>Executives</b>	
Kamil Aziz	1,205
<b>Public Sector Companies and Corporations</b>	<b>845,550</b>
<b>Banks, Development Financial Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Fund etc.</b>	<b>5,680,535</b>
<b>Shareholders holding 10% or more voting interest in the Company</b>	
Amythest Limited	18,362,121
Sulieman Ahmad Said Al-Hoqani	13,761,418

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

*INCORPORATION NUMBER: L-07023 OF 1993-94*

No. of Shareholders	Shareholdings		Shares Held
	From	To	
293	1	- 100	13,270
832	101	- 500	212,307
296	501	- 1000	197,142
673	1001	- 5000	997,822
32	5001	- 10000	231,827
21	10001	- 15000	261,481
7	15001	- 20000	121,398
6	20001	- 25000	142,724
2	30001	- 35000	63,669
1	35001	- 40000	36,269
2	40001	- 45000	84,630
3	45001	- 50000	141,734
1	55001	- 60000	55,500
1	60001	- 65000	62,601
2	80001	- 85000	164,400
1	85001	- 90000	87,562
1	95001	- 100000	95,997
1	120001	- 125000	120,908
1	130001	- 135000	131,131
1	165001	- 170000	166,742
1	230001	- 235000	234,600
1	240001	- 245000	241,817
1	425001	- 430000	426,500
1	650001	- 655000	651,360
1	740001	- 745000	742,164
1	1205001	- 1210000	1,209,087
1	1415001	- 1420000	1,419,956
1	2900001	- 2905000	2,904,394
1	4245001	- 4250000	4,245,156
1	5650001	- 5655000	5,651,100
1	7435001	- 7440000	7,435,206
1	18360001	- 18365000	18,362,121
<b>2189</b>			<b>46,912,575</b>

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	14,090,283	30.035
Associated Companies, undertakings and related parties.	742,164	1.582
NIT and ICP	1,213,825	2.587
Banks, Development Financial Institutions, Non Banking Financial Institutions	5,671,598	12.090
Modarabas and Mutual Funds	8,937	0.019
Share holders holding 10% or more	32,123,539	68.475
General Public		
a) Local	5,325,748	11.352
b) Foreign	13,761,418	29.334
Others:		
- Joint Stock Companies	845,550	1.802
- Foreign Companies	19,013,481	40.530

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

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2004**

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 corporate governance.

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

- 1) The board of directors comprise of seven directors. The Company encourages representation of independent non-executive directors on its board. At present the board includes at least 2 independent non-executive 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 or an NBFI. 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 except for September 2003 quarter whose meeting was held in October 2003. 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 two non-executive directors including the chairman of the committee and one executive director.
- 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**  
(Chief Executive Officer)

**Lahore**  
**06 October 2004**



**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON  
TRANSFER PRICING FOR THE YEAR ENDED JUNE 30,2004**

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 of Directors

Lahore  
06 October 2004

**Salmaan Taseer**  
Chief Executive

**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 to comply with the Listing Regulations of the 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 controls 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

**AUDITORS' REPORT TO THE MEMBERS**

We have audited the annexed balance sheet of First Capital Securities Corporation Limited as at 30 June 2004 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the 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 conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatements. 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 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;
  - 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 2004 and of the profit, its cash flows and changes in equity for the year then ended; and
- d) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

**ISLAMABAD**  
**Date: 06 October 2004**

**TASEER HADI KHALID & CO.**  
**CHARTERED ACCOUNTANTS**

**BALANCE SHEET  
AS AT 30 JUNE 2004**

	Note	2004 Rupees	2003 Rupees
<b>NON CURRENT ASSETS</b>			
<b>OPERATING FIXED ASSETS-Tangible</b>	4	4,125,101	7,744,011
<b>LONG TERM INVESTMENTS</b>	5	772,638,632	510,156,290
<b>INVESTMENT PROPERTY</b>	6	65,019,300	55,181,700
<b>LONG TERM DEPOSITS</b>		1,180,050	866,250
		<b>842,963,083</b>	<b>573,948,251</b>
<b>CURRENT ASSETS</b>			
Marketable securities	7	222,434,278	148,078,663
Advances, deposits, prepayments and other receivables	8	43,934,172	43,684,696
Accounts receivable	9	5,855,045	46,780,115
Cash and bank balances	10	7,949,710	24,889,832
		<b>280,173,205</b>	<b>263,433,306</b>
<b>CURRENT LIABILITIES</b>			
Current portion of obligations under finance leases	11	884,132	648,554
Short term borrowings- secured	12	40,000,000	55,000,000
Securities sold under re-purchase agreements	13	110,676,990	50,676,990
Creditors, accrued and other liabilities	14	27,124,847	20,758,246
Unclaimed dividend		1,912,546	13,345,566
Provision for taxation	15	9,846,586	9,248,532
		<b>190,445,101</b>	<b>149,677,888</b>
<b>WORKING CAPITAL</b>		<b>89,728,104</b>	<b>113,755,418</b>
<b>NET CURRENT ASSETS</b>		<b>932,691,187</b>	<b>687,703,669</b>
<b>DEFERRED LIABILITY FOR STAFF RETIREMENT GRATUITY</b>	16	2,531,785	2,108,942
<b>OBLIGATIONS UNDER FINANCE LEASES</b>	11	1,733,364	1,154,646
<b>CONTINGENCIES AND COMMITMENTS</b>	32	-	-
<b>NET CAPITAL EMPLOYED</b>		<b>928,426,038</b>	<b>684,440,081</b>
<b>REPRESENTED BY:</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital			
Authorised			
50,000,000 (2003: 35,000,000) ordinary shares of Rs. 10 each		500,000,000	350,000,000
Issued, subscribed and paid-up capital	17	469,125,760	339,946,200
Share premium		2,643,800	2,643,800
Reserve for issue of bonus shares		-	129,179,560
Revaluation reserve of an associated company		32,557,138	-
Unappropriated profit		424,099,340	212,670,521
		<b>928,426,038</b>	<b>684,440,081</b>

The annexed notes 1 to 34 form an integral part of these accounts.

These financial statements were authorised for issue by the Board of Directors of the company on 06 October, 2004.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 Rupees	2003 Rupees
<b>OPERATING REVENUE</b>			
Financial consultancy services	18	6,000,000	12,248,720
Money market brokerage	19	17,030,964	10,701,420
Capital gain on investments	20	36,058,141	172,143
Dividend income	21	10,136,870	6,428,265
Gain on disposal of investment property		1,000,500	7,687,500
Net rental income from investment property	22	5,287,244	4,461,258
		75,513,719	41,699,306
<b>OPERATING EXPENSES</b>	23	45,941,688	41,899,094
<b>OPERATING PROFIT / (LOSS)</b>		29,572,031	(199,788)
<b>FINANCIAL CHARGES</b>			
	24	11,860,741	5,016,779
		17,711,290	(5,216,567)
<b>OTHER INCOME</b>			
Mark up income	25	1,882,112	5,260,461
Exchange loss		(68,795)	(71,567)
Gain on disposal of fixed assets	4.1	591,518	311,873
Miscellaneous income		46,161	81,616
		2,450,996	5,582,383
		20,162,286	365,816
Share in profit of associated and subsidiary companies	5	61,856,004	93,368,624
Gain on fair value adjustment of investment property		9,837,600	10,603,152
Unrealized gain on remeasurement of marketable securities	7	125,270,983	62,528,780
<b>PROFIT BEFORE TAXATION</b>		217,126,873	166,866,372
<b>Taxation</b>	15	(5,698,054)	(1,319,607)
<b>PROFIT AFTER TAXATION</b>		211,428,819	165,546,765
<b>Earnings per share- Basic</b>	31	4.51	3.53

The annexed notes 1 to 34 form an integral part of these accounts.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 Rupees	2003 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Profit before taxation</b>		217,126,873	166,866,372
<b>Adjustments for:</b>			
Mark-up expense		11,860,741	5,016,779
Share in profit of associated and subsidiary companies		(61,856,004)	(93,368,624)
Unrealized gain on remeasurement of marketable securities		(125,270,983)	(62,528,780)
Gain on disposal of investment property		(1,000,500)	-
Gain on fair value adjustment of investment property		(9,837,600)	(10,603,152)
Provision for impaired debts		951,861	5,767,048
Dividend		(10,136,870)	(6,428,265)
Depreciation		5,298,078	1,628,514
Gain on disposal of fixed assets		(591,518)	(311,873)
Provision for gratuity		766,498	828,655
		(189,816,297)	(159,999,698)
		27,310,576	6,866,674
<b>(Increase)/decrease in current assets</b>			
Marketable securities		50,915,368	105,320,615
Accounts receivable		40,925,070	(24,139,108)
Advances, deposits, prepayments and other receivables		(2,121,175)	59,107,868
		89,719,263	140,289,375
<b>Increase / (decrease) in current liabilities</b>			
Creditors, accrued and other liabilities		59,396,775	34,573,491
<b>Cash generated from operations</b>		176,426,614	181,729,540
Gratuity paid		(343,655)	(403,986)
Mark-up paid		(4,890,915)	(4,257,937)
Taxes paid		(3,172,543)	(2,680,860)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>		168,019,501	174,386,757
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Capital expenditure		(597,150)	(908,225)
Dividend received		9,129,251	7,538,073
Proceeds from disposal of fixed assets		1,275,000	1,782,172
Proceeds from disposal of investment property		9,448,000	-
Investment property acquired		(8,447,500)	(44,578,548)
Long term investments		(168,069,200)	(193,750,790)
Long term deposits		(313,800)	(36,500)
<b>NET CASH USED IN INVESTING ACTIVITIES</b>		(157,575,399)	(229,953,818)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend paid		(11,433,020)	(151,506)
Repayment against lease finance		(951,204)	(1,145,767)
Morabaha Financing		-	40,000,000
<b>NET CASH FLOW (USED IN) / FROM FINANCING ACTIVITIES</b>		(12,384,224)	38,702,727
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		(1,940,122)	(16,864,334)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	26	9,889,832	26,754,166
		7,949,710	9,889,832

The annexed notes 1 to 34 form an integral part of these accounts.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2004**

	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
<b>Balance as at 30 June 2002</b>	339,946,200	2,643,800	-	-	192,550,716	535,140,716
Net profit for the year	-	-	-	-	165,546,765	165,546,765
Adjustment of profits of an associated company on adoption of IAS-12	-	-	-	-	(16,247,400)	(16,247,400)
Transfer to reserve for issue of bonus shares						
-Interim declaration	-	-	67,989,240	-	(67,989,240)	-
-Final declaration	-	-	61,190,320	-	(61,190,320)	-
<b>Balance as at 30 June 2003</b>	<u>339,946,200</u>	<u>2,643,800</u>	<u>129,179,560</u>	<u>-</u>	<u>212,670,521</u>	<u>684,440,081</u>
Net profit for the year	-	-	-		211,428,819	211,428,819
Issuance of share capital	129,179,560	-	(129,179,560)	-	-	-
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
<b>Balance as at 30 June 2004</b>	<u><u>469,125,760</u></u>	<u><u>2,643,800</u></u>	<u><u>-</u></u>	<u><u>32,557,138</u></u>	<u><u>424,099,340</u></u>	<u><u>928,426,038</u></u>

The annexed notes 1 to 34 form an integral part of these accounts.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**1. STATUS AND NATURE OF BUSINESS**

First Capital Securities Corporation Limited ("the company") was incorporated in Pakistan on April 11, 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 Gulberg, Lahore. The company has investments in subsidiaries and associates engaged in brokerage, telecommunication and real state. In addition the company acts as a broker in the money market.

**2. STATEMENT 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 and securities available for sale and held for trading, which are stated at their fair values.

**3.2 Fixed Assets and depreciation.**

**Owned Assets**

Fixed assets 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.

Gain or loss on disposal of fixed assets is included in income currently.

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

With effect from the current year, the company changed its method of computation of depreciation on tangible fixed assets whereby, depreciation is charged to the profit and loss account applying the straight line method at varying rates given in note 4, which are considered appropriate to write off the cost of assets over their useful economic lives to better reflect the pattern of utilization of economic benefits derived from the assets as against the previous method of charging depreciation on the reducing balance method.

The effect of this change in accounting estimate on profit before taxation for the current year is Rs. 3.653 million.

**Leased Assets**

Assets subject to finance leases 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



**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

obligations, under the lease are accounted for as liabilities. Depreciation is charged on the straight line balance 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.

**3.3 Intangible assets**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably.

Generally, costs associated with developing or maintaining computer software programmes are recognized as an expense as incurred. However, cost that are directly associated with identifiable software and have probable economic benefit exceeding the cost beyond one year, are recognized as intangible asset. Direct costs include the purchase cost of software and related overhead cost.

Intangible asset is amortized from the date such asset is put into use on straight-line basis over its useful life.

**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**

a) 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.

b) 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.

c) Investments available for sale

These are investments, which do not fall under the held for trading or held to maturity categories. These represent investment 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 are determined on the basis of year end mid market prices. The investment

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

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.

**3.6 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 3.10.7.

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 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 income statement. 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 income statement.

**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 purchase 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 re-sale 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**

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

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

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

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

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

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

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

3.10.7 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, or minimum taxation under tax laws which ever is higher.

**Deferred**

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purpose and amounts used for taxation purposes. The amount of deferred tax is recognized based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**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**

a) 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 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 are charged to income. The latest valuation was conducted as of 30 June 2004. Significant actuarial assumptions are as follows;

Discount rate	8%
Increase in salary	7%
Mortality rate	EFU 61-66 mortality rate

The amount recognized in the balance sheet represents the present value of defined benefits as adjusted for unrecognized actuarial gains and losses. The company recognizes actuarial gains/losses above the corridor defined in IAS-19 "Employee Benefits" over the expected future service of employees.

b) Compensated absences

The company also provides for compensated absences according to the company's rules.

**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 loses control of the contractual

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

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 are stated in their respective notes.

Financial assets are long term deposits, marketable securities, account receivables, 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 liability under lease finance, murabaha finance utilized under mark up arrangements, short term borrowings, creditors, accrued and other liabilities and long term deposits. 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 equivalents comprise of cash, bank balances and bank borrowings.

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

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**4. OPERATING FIXED ASSETS-Tangible**

Following is the statement of operating fixed assets.

	COST			Depreciation Rate %	DEPRECIATION			NET BOOK VALUE as at 30.06.2004 Rs.	
	As at 01.07.2003 Rs.	Of additions/ (deletions) Rs.	As at 30.06.2004 Rs.		Accumulated as at 01.07.2003 Rs.	On deletions Rs.	Adjustments Rs.		For the year Rs.
<b>Owned assets</b>									
Leasehold improvements	470,315	-	470,315	10	192,598	-	89,591	282,189	188,126
Computers	3,875,633	119,000	3,994,633	33	3,239,877	-	597,677	3,837,554	157,079
Office equipment	3,969,411	48,150	4,017,561	10	1,922,170	-	1,040,899	2,963,069	1,054,492
Furniture and fixtures	2,193,600	6,000	2,199,600	10	1,194,444	-	703,581	1,898,025	301,575
Vehicles	5,380,755	2,189,500 (1,487,000)	4,904,755	20	3,427,815	(803,518)	2,037,973	4,862,326	42,429
	15,889,714	2,362,650 (1,178,500)	15,586,864		9,976,904	(803,518)	4,469,721	13,843,163	1,743,701
<b>Leased assets</b>									
Vehicles	2,664,000	1,765,500 (587,000)	3,842,500	20	832,799	-	(200,056)	1,461,100	2,381,400
<b>Total</b>	<b>18,553,714</b>	<b>4,128,150 (1,487,000)</b>	<b>19,429,364</b>		<b>10,809,703</b>	<b>(803,518)</b>	<b>5,298,078</b>	<b>15,304,263</b>	<b>4,125,101</b>
<b>2003</b>	<b>20,492,349</b>	<b>1,968,225 (3,906,860)</b>	<b>18,553,714</b>		<b>11,617,750</b>	<b>2,436,561</b>	<b>1,628,514</b>	<b>10,809,703</b>	<b>7,744,011</b>

**4.1 Disposal of operating fixed assets**

Particulars	Cost		Accumulated Dep. Rs.	Net book value Rs.	Sale Proceeds Rs.	Profit on disposal Rs.	Mode of sale	Particulars of buyers
	Rs.	Rs.						
Vehicle (Motor Car) Honda Civic	892,000	526,637	365,363	725,000	359,637	By negotiation	Mr. Ahmer Hafeez S/o Abdul Hafeez Karachi	
Vehicle (Motor Car) Suzuki Bolan	295,000	216,881	78,119	230,000	151,881	By negotiation	Mr. Muhammed Ahmed S/o Muhammed Khurshid- Lahore	
Vehicle (Motor Car) Suzuki Margala	300,000	60,000	240,000	320,000	80,000	By negotiation	Mr. Ibtisam Muzaffar S/o Muzaffar Ali- Karachi	
<b>Total</b>	<b>1,487,000</b>	<b>803,518</b>	<b>683,482</b>	<b>1,275,000</b>	<b>591,518</b>			
<b>2003</b>	<b>3,906,860</b>	<b>2,436,561</b>	<b>1,470,299</b>	<b>1,782,172</b>	<b>311,873</b>			

**NOTES TO THE ACCOUNTS  
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	<u>Note</u>	<u>2004</u> <u>Rupees</u>	<u>2003</u> <u>Rupees</u>
<b>5. LONG TERM INVESTMENTS</b>			
<b>Subsidiary company - Listed</b>			
<b>First Capital Equities Limited</b>			
16,179,600 (2003: 8,089,800) ordinary shares of Rs.10/- each		<b>43,211,081</b>	18,641,568
Equity held 67.40 % (2003:67.40 %)			
Shares acquired through exercise of rights		<b>64,993,000</b>	-
Share of profit		<b>30,159,765</b>	24,569,513
	<b>5.1</b>	<b>138,363,846</b>	43,211,081
<b>Subsidiary companies - Unlisted</b>			
<b>First Capital Associates (Private) Limited-Wholly owned</b>			
100,000 ordinary shares of Rs.10/- each		<b>682,822</b>	551,700
Share of (loss) / profit		<b>(682,822)</b>	131,122
		-	682,822
<b>First Capital Investments Limited</b>			
2,500,000 (2003: 1,250,000) ordinary shares of Rs.10/- each		<b>11,093,430</b>	9,789,271
Shares acquired through exercise of 100 % rights		<b>12,500,000</b>	-
Equity held: 79.37 % (2003:65.79%)			
Share of profit		<b>1,833,369</b>	1,304,159
		<b>25,426,799</b>	11,093,430
<b>World Press (Pvt.) Ltd.</b>			
450,125 ordinary shares of Rs.10/- each		<b>4,501,250</b>	-
Equity held 65%			
Share of loss		<b>(121,174)</b>	-
		<b>4,380,076</b>	-
<b>Lanka Securities (Private) Limited-Foreign entity</b>			
3,564,900 ordinary shares @ Sri Lankan Rupees 3.29 (Pak Rs.2.29) each		<b>14,751,945</b>	10,018,944
Equity held: 51%			
Share of profit		<b>11,663,004</b>	7,956,988
Less: Dividend booked during the year		<b>(9,379,641)</b>	(3,223,987)
		<b>17,035,308</b>	14,751,945
<b>Associated companies - Listed</b>			
<b>WorldCALL Communications Limited</b>			
30,328,560 (2003: 33,678,560) ordinary shares of Rs.10/- each		<b>284,130,946</b>	138,982,410
Equity held: 19.04% (2003: 21.15%)			
Acquisition of additional shares		-	156,260,513
Share of profit		<b>44,901,240</b>	45,384,851
Less: Adjustment on account of deferred tax		-	(16,247,400)
Transferred to available for sale investment		-	(40,249,428)
	<b>5.2</b>	<b>329,032,186</b>	284,130,946
<b>Shaheen Insurance Company Limited</b>			
Nil (2003: 1,433,973) ordinary shares of Rs.10/- each		-	16,711,345
Share of profit		-	2,386,416
Less: Dividend received during the year		-	(1,792,466)
Transferred to available for sale investment		-	(17,305,295)
		-	-

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	<u>Note</u>	<u>2004</u> <u>Rupees</u>	<u>2003</u> <u>Rupees</u>
<b>WorldCALL Broadband Limited</b>			
1,500,000 ordinary shares of Rs.10 each		<b>15,000,000</b>	-
Share deposit money		-	15,000,000
Transferred to available for sale investment		<b>(15,000,000)</b>	-
		-	15,000,000
<b>Associated companies - Unlisted</b>			
<b>Pace (Pakistan) Limited</b>			
12,824,162 (2003: 5,007,245) ordinary shares of Rs.10/- each		<b>59,420,806</b>	39,468,778
Equity held: 16.51% (2003: 14.8 %)			
Shares acquired through exercise of right option		<b>48,574,950</b>	-
Share of profit		<b>11,876,138</b>	19,952,028
Adjustment on account of transfer of investment property to inventories		<b>32,557,138</b>	-
Chief Executive Mr. Salmaan Taseer		<b>152,429,032</b>	59,420,806
<b>Bright Star Corporation (Private) Limited</b>			
720,000 ordinary shares of Rs.10 each		<b>1,820,260</b>	5,120,260
Equity held: 15 % (2003: 15 %)			
Chief Executive: Mr.Nadeem Anwar			
Share of loss / Write off		<b>(1,820,260)</b>	(3,300,000)
		-	1,820,260
<b>Media Times (Private) Limited</b>			
8,000,000 ordinary shares of Rs.10 each		<b>80,000,000</b>	-
Share deposit money		-	80,000,000
Equity held 46.03%			
Share of loss		<b>(26,573,616)</b>	-
Chief Executive Mr.Salmaan Taseer		<b>53,426,384</b>	80,000,000
<b>WorldCALL Telecom Limited</b>			
Share deposit money	5.3	<b>52,500,000</b>	-
Chief Executive Mr.Salmaan Taseer			
The company is a subsidiary of WorldCALL Communications Limited			
Subsequent to the year end 5,250,000 shares were issued against			
share deposit money			
<b>Pace Super Mall (Private) Limited</b>			
4,500 ordinary shares of Rs.10 each		<b>45,000</b>	-
Share deposit money		-	45,000
Equity held: 10%			
Chief Executive Mr.Salmaan Taseer			
<b>Total investments</b>		<b>772,638,632</b>	<b>510,156,290</b>
Share of profit of subsidiary and associated companies		<b>61,856,004</b>	<b>93,368,624</b>

**5.1** 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

**NOTES TO THE ACCOUNTS  
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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 out 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.

- 5.2** This includes 2.9 million shares held under lien as security by National Accountability Bureau. Refer to note 32.1.
- 5.3** The Company's shareholders in their Extraordinary General Meetings held on 29 January 2004 and 6 September 2004 have approved to make the under-mentioned aggregate investments in the upcoming telecom projects being undertaken by WorldCALL Group under licenses from Pakistan Telecom Authority (PTA).

1- WorldCALL Telecom Limited (WTL) upto Rs. 52.5 million

2- WorldCALL Telephony (Private) Limited (WTPL) upto Rs. 60 million.

WTL, an associated company, has acquired a license from PTA to develop, own and operate a long distance international (LDI) fixed line telephony service project alongwith long haul optic fiber back bone project (Long Haul-LH). The Company's associated undertakings are also investing in the said projects of WTL.

WTPL, an associated company, is in the process of acquiring a license from PTA to develop, own and operate a wireless in local loop telephony project (WLL). WTPL has won various frequency spectrums in all telecom regions of Pakistan and it is expected that the WLL license will be issued shortly upon payment of the spectrum fees and fulfillment of certain other formalities. The Company's associated undertakings are also investing in the said project of WTPL.

In view of the latest financial plans of the subject telecom projects, the company may be required to increase its investments in these projects for which necessary approval of the company's shareholders will be sought in the upcoming annual general meeting. The said investments will be financed through company's surplus cash resources from operations and through debt financing. The company will gradually invest in the share capital of investee companies on a cash flow requirement and equity call basis.

Certain strategic investors and potential debt providers have asked the management of WorldCALL Group to consolidate the LDI, LH and WLL projects into one Company, preferably, WTL. The principal reason for this demand is interlinked businesses and services of the projects and related potential issues with respect to pricing of their respective services as associated companies. In view of the said requirement, the management wishes to request approval of the shareholders of the Company to approve transfer of investment from WTPL to WTL. However, any such transfer will not be effected unless appropriate approvals and consents are in place from the shareholders, lenders and creditors, and regulators of both WTL and WTPL.

**5.4 Other Associations**

- 5.4.1** The company is associated with First Capital Mutual Fund Limited ("FCMF"), due to having common directors. FCMF is being managed by the company's subsidiary, First Capital Investments Limited.



**NOTES TO THE ACCOUNTS  
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- 5.4.2** The company is associated with WorldCALL Broadband Limited (“WBL”) due to having common directorship. WBL has been setup to provide cable television and interactive broad band services in Karachi.
- 5.4.3** 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.
- 5.4.4** The company is associated with WorldCALL Internet Solutions (Pvt.) Ltd. (“WISL”) due to common directorship. WISL is engaged in portal development.
- 5.4.5** The company is associated with WorldCALL Multimedia Ltd. (“WML”) due to common directorship. WML has been setup to provide cable television and interactive broad band services in Lahore. WML is a subsidiary of WCL.
- 5.4.6** 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 programmes for broadcasting.
- 5.4.7** 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.
- 5.4.8** The company is associated with WorldCALL Telephony Limited (“WTPL”) due to common directorship. WTPL has obtained WLL license and the main activity of WTPL to carry on all or any of the business of Telecommunications including but not limited to systems signal, wireless local Loop, data or messages.
- 5.4.9** The company is associated with WorldCALL Telecom Ltd. (“WTL”) due to common directorship. WTL has obtained LDI license and the principal business of WTL is to carry on all or any of the business of Telecommunications and Interactive Communications.
- 5.4.10** The company is associated with Commercial Property Modaraba Management (Pvt.) Limited (“CPMM”) due to common directorship. CPMM has been managed modaraba funds and Modaraba of all types.
- 5.4.11** 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.

	<b>2004</b>	<b>2003</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>6. INVESTMENT PROPERTY</b>		
Opening balance	<b>55,181,700</b>	57,684,000
Add: Acquisition of additional shops	<b>8,447,500</b>	11,770,548
	<b>63,629,200</b>	69,454,548
Less: Disposal of shops during the year	<b>(8,447,500)</b>	(24,876,000)
	<b>55,181,700</b>	44,578,548
Increase in fair value	<b>9,837,600</b>	10,603,152
Balance as at 30 June 2004	<b><u>65,019,300</u></b>	<b><u>55,181,700</u></b>

The carrying amount of investment property is the fair value of the property as determined by an approved independent valuer Hamid Mukhtar & Co. (Pvt.) Ltd. Fair value was determined having regard to 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. The company's current rental agreements are entered into on an arm's length basis and are comparable to those for similar

**NOTES TO THE ACCOUNTS  
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**7. MARKETABLE SECURITIES**

	2004 Number of Shares/ certificates	2003	Note	2004		2003	
				Carrying Cost Rupees	Fair Value Rupees	Carrying Cost Rupees	Fair Value Rupees
<b>These are made up as under:</b>							
			7a	-	-	3,024,310	3,119,018
			7b	97,163,295	222,434,278	82,525,573	144,959,645
				97,163,295	222,434,278	85,549,883	148,078,663
				125,270,983	-	62,528,780	-
				<u>222,434,278</u>	<u>222,434,278</u>	<u>148,078,663</u>	<u>148,078,663</u>
<b>7a. HELD FOR TRADING</b>							
<u>Listed securities</u>							
<b>Funds</b>							
	-	14,804		-	-	1,500,000	1,504,975
				-	-	1,500,000	1,504,975
<b>Leasing companies</b>							
	-	11,000		-	-	55,550	105,050
				-	-	55,550	105,050
<b>Investment / Sec. Cos. / Banks</b>							
	-	2,242		-	-	13,845	25,850
				-	-	13,845	25,850
<b>Engineering and Allied</b>							
	-	97,000		-	-	1,428,265	1,445,300
				-	-	1,428,265	1,445,300
<b>Miscellaneous</b>							
	-	4,100		-	-	26,650	37,843
				-	-	26,650	37,843
				-	-	<u>3,024,310</u>	<u>3,119,018</u>
<b>7b. AVAILABLE FOR SALE</b>							
	3,181,000	1,590,500		65,290,025	187,679,000	24,970,850	49,385,025
	188,973	1,433,973		4,125,280	4,535,352	17,305,295	31,303,630
	1,500,000	-		15,000,000	18,450,000	-	-
	828,868	4,178,868		12,747,990	11,769,926	40,249,428	64,270,990
				<u>97,163,295</u>	<u>222,434,278</u>	<u>82,525,573</u>	<u>144,959,645</u>

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 Rupees	2003 Rupees
<b>8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advance to employees for expenses-unsecured considered good			
- Executives		315,157	24,906
- Employees	8.1	113,069	191,263
Advance income tax		22,231,926	24,159,383
Deposits against leased assets		116,700	28,700
Due from subsidiary and associated companies-unsecured considered good			
- First Capital Associates (Private) Limited		3,217,401	5,268,639
- WorldCALL Multimedia Limited	8.2	5,432,713	4,528,892
- WorldCALL Broadband Limited	8.2	1,291,990	1,044,072
- First Capital Equities Limited		-	574,901
- World Press (Private) Limited	8.2	1,272,929	-
- Pace (Pakistan) Limited	8.2	-	138,338
- Pace Super Mall (Private) Limited	8.2	8,059,131	7,067,035
		19,274,164	18,621,877
Prepayments		865,850	332,957
Other receivables:			
- Dividend		1,008,869	1,250
- Others		8,437	324,360
<b>Unsecured, considered impaired</b>			
Others		571,267	571,267
First Capital Associates (Private) Limited		4,495,661	3,543,800
		5,066,928	4,115,067
Less: Provision for impaired debts		(5,066,928)	(4,115,067)
		-	-
		43,934,172	43,684,696

**8.1** 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.

**8.2** These unsecured advances carry mark up @ 13.5-14.5% per annum (2003:14-18%)

**8.3** Maximum aggregate balances receivable at the end of any month during the year from the following are:

	2004 Rupees	2003 Rupees
Associated companies	14,783,834	7,831,431
Subsidiary companies (wholly owned)	8,894,319	9,943,439
Subsidiary companies -others	1,272,929	574,901
Executives	412,953	133,076

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 Rupees	2003 Rupees
<b>9. ACCOUNTS RECEIVABLE</b>			
<b>Unsecured, Considered good</b>			
Money market receivables		1,905,695	1,663,537
Receivable against purchase of shares			
Clients		3,949,350	3,949,350
First Capital Equities Limited- a subsidiary company		-	24,612,008
		3,949,350	28,561,358
Receivable against disposal of investment property		-	4,306,500
Receivable against professional services rendered			
- WorldCALL Communications Limited - an associated company		-	12,248,720
<b>Unsecured, considered impaired</b>			
Others		20,044,936	20,044,936
Less: Provision for impaired debts		(20,044,936)	(20,044,936)
		-	-
		5,855,045	46,780,115
<b>10. CASH AND BANK BALANCES</b>			
At bank:			
- Current accounts - Local currency		2,436,042	18,619,278
- PLS accounts - Local currency		3,966,775	6,161,660
- Saving accounts - Foreign currency		1,499,837	47,997
- Foreign Bank accounts-SIERA (out side Pakistan)		45,198	54,820
		7,947,852	24,883,755
Cash in hand		1,858	6,077
		7,949,710	24,889,832

**11. OBLIGATIONS UNDER FINANCE LEASES**

	2004			2003		
	Minimum lease payments Rupees	Finance charge for future periods Rupees	Principal outstanding Rupees	Minimum lease payments Rupees	Finance charge for future periods Rupees	Principal outstanding Rupees
Not later than one year	996,754	112,622	884,132	819,264	170,710	648,554
Later than one year and not later than five years	1,781,403	48,039	1,733,364	1,239,438	84,792	1,154,646
	2,778,157	160,661	2,617,496	2,058,702	255,502	1,803,200

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. Financing rate of 8% to 18% per annum has been used as a discounting factor.

**NOTES TO THE ACCOUNTS  
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	<u>Approved Limit</u> Rupees	<u>Note</u>	<u>2004</u> Rupees	<u>2003</u> Rupees
<b>12. SHORT TERM BORROWINGS - SECURED</b>				
Prime Commercial Bank Limited	-		-	15,000,000
Payable on account of Morabaha facility with Faysal Bank Ltd.	40,000,000	12.1	40,000,000	40,000,000
	<b>40,000,000</b>		<b>40,000,000</b>	<b>55,000,000</b>

12.1 Morabaha facility carries markup @ 7-11% (2003: 11%) per annum and is secured against pledge of shares of associated company and mortgage of three shops at Pace building Lahore.

**13. SECURITIES SOLD UNDER RE-PURCHASE AGREEMENTS**

Represents the sale price of certain listed equity securities sold to Khadim Ali Shah Bukhari Securities 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 on the period of the contract in the books of accounts as cost on repo transactions. The market value of securities pledged as at 30 June 2004 amounted to Rs. 143 million.

	<u>Note</u>	<u>2004</u> Rupees	<u>2003</u> Rupees
<b>14. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Due to associated companies			
- WorldCALL Communications Limited	14.1	<b>11,338,191</b>	15,536,527
- First Capital Equities Limited		<b>4,119,366</b>	-
		<b>15,457,557</b>	15,536,527
Security deposits		<b>655,919</b>	1,375,781
Bills payable		<b>408,345</b>	602,318
Provision for compensated absences		<b>537,261</b>	307,141
Accrued liabilities		<b>1,137,437</b>	954,579
Mark up accrued on short term borrowings-secured		<b>516,035</b>	726,781
Cost accrued on repo transactions-secured		<b>7,259,835</b>	79,263
Withholding tax		<b>139,676</b>	130,334
Other liabilities		<b>1,012,782</b>	1,045,522
		<b>27,124,847</b>	<b>20,758,246</b>

14.1 These are unsecured and carry mark-up @ 14 % (2003: ranging from 14 to 18 %) p.a.

**15. TAXATION**

**Current**

Prior years'	15.1	<b>5,100,000</b>	-
Current year's		<b>598,054</b>	1,319,607
		<b>5,698,054</b>	<b>1,319,607</b>

**15.1 Reconciliation of tax charge for the year**

Accounting profit before taxation		<b>217,126,873</b>	166,866,372
Tax rate		<b>35%</b>	35%

**NOTES TO THE ACCOUNTS  
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	<b>2004</b>	<b>2003</b>
	<b>Rupees</b>	<b>Rupees</b>
Tax on accounting profit	<b>75,994,405</b>	58,403,230
Tax effect of expenses that are admissible	<b>(1,278,417)</b>	(949,050)
Tax effect of expenses that are not admissible	<b>2,132,024</b>	2,933,749
Tax effect of exempt income	<b>(69,907,348)</b>	(58,107,039)
Tax effect of lower tax rate on certain income	<b>(3,547,905)</b>	(961,283)
Tax effect of b/f loss	<b>(3,392,759)</b>	-
Minimum tax required at applicable rates	<b>598,054</b>	-
Prior year tax effect	<b>5,100,000</b>	-
	<b>5,698,054</b>	1,319,607

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

Based on the ITAT decision for the assessment year 1995-96 the Tax Authorities reopened the proceedings for the assessment year 1996-97 which is set a side by the CIT (Appeals). Subsequently based on previous years, tax authorities also reopened the assessment years 1997-98 and 1998-99 and raised a tax demand of Rs.18.5 million against which the company filed appeal in ("ITAT") and ITAT has accepted the company's appeal. Based on reopening u/s 66-A, DCIT also assessed the assessment years 1999-2000 to 2002-2003 by allocating expenses to capital gain. The Company has filed appeals in CIT (Appeals) against these orders. During the year the DCIT passed rectification order u/s 221 of the Income Tax Ordinance, 2001 for the assessment year 2000-2001 to 2002-2003 creating tax demands 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 Provision has not been made in accounts for these tax demands.

The management is hopeful of favorable outcomes of its appeals.

**15.2 Deferred tax**

The Company has a deferred tax debit amounting to Rs. 9,105,325 (2003: Rs.7,402,135). 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.

**16. DEFERRED LIABILITY FOR STAFF RETIREMENT GRATUITY**

The amounts recognized in the balance sheet are as follows:

	<b>2004</b>	<b>2003</b>
	<b>Rupees</b>	<b>Rupees</b>
Present value of obligation	<b>2,348,588</b>	1,925,745
Unrecognized actuarial gain	<b>183,197</b>	183,197
Liability recognized in the balance sheet	<b>2,531,785</b>	2,108,942
Net liability at the beginning of the year	<b>2,108,942</b>	1,684,273
Net expense	<b>766,498</b>	828,655
Benefits paid during the year	<b>(343,655)</b>	(403,986)
	<b>2,531,785</b>	2,108,942
The amounts recognized in the profit and loss account is made up as follows:		
Current Services Cost	<b>612,438</b>	651,769
Interest Cost	<b>154,060</b>	176,886
Total amount charged to profit and loss account.	<b>766,498</b>	828,655

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**17. SHARE CAPITAL**

		<u>2004</u>	<u>2003</u>
		Rupees	Rupees
<u>2004</u>	<u>2003</u>		
<b>19,400,000</b>	19,400,000	<b>194,000,000</b>	194,000,000
<b>27,512,576</b>	14,594,620	<b>275,125,760</b>	145,946,200
<b>46,912,576</b>	<b>33,994,620</b>	<b>469,125,760</b>	<b>339,946,200</b>

17.1 WorldCALL Communications Limited held 742,164 shares (2003:537,800 shares) with a percentage holding of 1.58% (2003:0.34%).

**18. FINANCIAL CONSULTANCY SERVICES**

	<u>Note</u>	<u>2004</u>	<u>2003</u>
		Rupees	Rupees
Associated companies			
- WorldCALL Communications Limited		-	12,248,720
- WorldCALL Telecom Limited		<b>6,000,000</b>	-
		<b>6,000,000</b>	<b>12,248,720</b>

**19. MONEY MARKET INCOME**

Money market income (local currency)	<b>13,370,130</b>	7,620,140
Forex operations (foreign currency)	<b>3,660,834</b>	3,081,280
	<b>17,030,964</b>	<b>10,701,420</b>

**20. CAPITAL GAIN ON INVESTMENTS**

Gain on sale of investments in First Capital Equities Limited	-	240,000
Gain/(loss) on sale of investments held for trading	<b>36,058,141</b>	(67,857)
	<b>36,058,141</b>	<b>172,143</b>

**21. DIVIDEND INCOME**

Dividend from listed associated company	<b>281,960</b>	1,792,466
Dividend from foreign subsidiary company	<b>9,379,641</b>	3,223,987
Dividend from other investments in listed companies	<b>475,269</b>	1,411,812
	<b>10,136,870</b>	<b>6,428,265</b>

**22. NET RENTAL INCOME FROM INVESTMENT PROPERTY**

Gross rental income	<b>7,511,612</b>	6,518,968
Less: Service charges paid to Mall operators Pace (Pakistan) Limited an associated company	<b>(2,224,368)</b>	(2,057,710)
	<b>5,287,244</b>	<b>4,461,258</b>

**23. OPERATING EXPENSES**

Salaries, wages and benefits	23.1	<b>12,040,931</b>	11,731,825
Chief executive's remuneration		<b>880,435</b>	812,585
Directors' remuneration		<b>913,344</b>	-
Rent, rates and taxes		<b>1,293,700</b>	1,154,650
Telephone, fax, etc.		<b>1,524,781</b>	2,010,963
Utilities		<b>588,428</b>	787,970
Insurance		<b>437,712</b>	306,134
Printing and stationery		<b>1,127,594</b>	1,296,985
Traveling and conveyance		<b>2,337,193</b>	1,655,791
Repairs and maintenance		<b>1,655,472</b>	1,068,431
Postage, courier, etc.		<b>289,199</b>	148,513

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 Rupees	2003 Rupees
Vehicle running expenses		1,382,997	584,278
Newspapers and periodicals		25,407	45,867
Entertainment		625,653	699,202
Legal and professional charges		2,378,824	2,227,908
Other office expenses		735,015	826,652
Advertisement		204,864	312,708
Payment to National Accountability Bureau		10,000,000	-
Provision for doubtful debts		951,861	5,767,048
Tenderable gain paid		-	7,715,500
Zakat		-	2,870
Auditors' remuneration	23.2	1,250,200	1,114,700
Depreciation	4	5,298,078	1,628,514
		<b>45,941,688</b>	<b>41,899,094</b>
 <b>23.1</b> These include Rs.766,498 (2003:Rs. 828,655 ) charged on account of staff retirement benefits			
 <b>23.2 Auditors' remuneration</b>			
Annual audit fee		300,000	250,000
Fee for audit of consolidated accounts		300,000	300,000
Half yearly review		100,000	100,000
Other certifications		378,000	315,000
Out of pocket expenses		172,200	149,700
		<b>1,250,200</b>	<b>1,114,700</b>
 <b>24. FINANCIAL CHARGES</b>			
Cost from repo transactions		7,180,572	2,182,949
Markup on Morabaha facility		3,374,821	1,920,809
Markup charged by subsidiary / associated companies		992,398	596,525
Finance charges on leased assets		190,358	263,509
Bank charges and commission		122,592	52,987
		<b>11,860,741</b>	<b>5,016,779</b>
 <b>25. MARK UP INCOME</b>			
Associated companies		1,873,729	4,182,708
PLS / saving accounts		8,383	1,077,753
		<b>1,882,112</b>	<b>5,260,461</b>
 <b>26. CASH AND CASH EQUIVALENTS</b>			
These are made up as follows:			
Cash in hand		1,858	6,077
Bank balances		7,947,852	24,883,755
Short term running finance		-	(15,000,000)
		<b>7,949,710</b>	<b>9,889,832</b>



# FIRST CAPITAL SECURITIES CORPORATION LIMITED

## NOTES TO THE ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2004

### 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, staff retirement fund, directors and key management personnel. The nature of relationship with associated companies is explained in note 5. Balances with related parties are shown elsewhere in the accounts. The transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	Associated and subsidiaries											2004	2003	
	First Capital Equities Limited	First Capital Investments Limited	First Capital Associates Limited	Lanka Securities (Pvt.) Limited	World Press (Pvt.) Limited	WorldCALL Communica- tions Limited	WorldCALL Multimedia Limited	WorldCALL Broad Band Limited	WorldCALL Telecom Limited	Pace (Pakistan) Limited	Pace Super Mall (Pvt.) Limited	Shaheen Insurance Company Limited	Total	
Rupees													Rupees	Rupees
Transaction of shares														
- Purchases	225,105,525	-	-	-	-	-	-	-	-	-	-	-	225,105,525	258,152,750
- Sales	261,699,101	-	-	-	-	-	-	-	-	-	-	-	261,699,101	315,474,565
Payments for/against current accounts	47,366,879	293,316	46,250	-	1,800,000	4,534,648	6,001	42,550,126	-	-	-	-	96,597,220	113,391,205
Sale of vehicles to associated company	-	-	-	-	-	-	-	-	-	-	-	-	-	764,672
Investments in subsidiaries and associated companies	80,898,000	12,500,000	-	-	4,501,250	-	-	-	52,500,000	48,574,950	-	-	198,974,200	251,305,513
Consultancy fee charged	-	-	-	-	-	-	-	-	6,000,000	-	-	-	6,000,000	12,248,720
Mark up income	-	-	-	-	26,646	-	720,932	134,055	-	-	992,096	-	1,873,729	4,182,708
Mark up charged by associated companies	-	-	-	-	-	992,398	-	-	-	-	-	-	992,398	596,525
Dividend from associated companies	-	-	-	9,379,641	-	-	-	-	-	-	-	281,960	9,661,601	5,016,453
Insurance premium	-	-	-	-	-	-	-	-	-	-	-	202,056	202,056	191,443
Insurance claim	-	-	-	-	-	-	-	-	-	-	-	102,491	102,491	192,500
Commission paid	163,343	-	-	-	-	-	-	-	-	-	-	-	163,343	456,360
Service charges paid to associated company	-	-	-	-	-	-	-	-	-	2,224,368	-	-	2,224,368	2,057,710
Purchase of vehicle from associated company	-	-	-	-	-	-	-	-	-	-	-	-	-	825,000

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

### 28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Carrying value of all financial instruments reflected in the financial statements approximate their fair values except for investments in subsidiaries and associates, which are not covered under IAS-32.

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**29 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

**29.1 INTEREST RATE RISK EXPOSURE**

Information about the company's exposure to interest rate risk based on contractual refinancing and maturity dates, which ever is earlier, is as follows:

	2004				
	Interest bearing			Non interest bearing	Total
	Less than one month	One month to one year	One year and above		
(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	
<b>Financial Assets</b>					
Long term deposits	-	-	-	1,180,050	1,180,050
Marketable securities	-	-	-	222,434,278	222,434,278
Advances, deposits and other receivables	-	16,056,763	-	4,654,496	20,711,259
Accounts receivables	-	-	-	5,855,045	5,855,045
Cash and bank balances	5,466,612	-	-	2,483,098	7,949,710
	<u>5,466,612</u>	<u>16,056,763</u>	<u>-</u>	<u>236,606,967</u>	<u>258,130,342</u>
<b>Financial Liabilities</b>					
Obligations under finance leases	-	884,132	1,733,364	-	2,617,496
Short term borrowings	-	40,000,000	-	-	40,000,000
Creditors, accrued and other liabilities	-	11,338,191	-	15,786,656	27,124,847
Securities sold under re-purchase agreements	-	110,676,990	-	-	110,676,990
Unclaimed dividend	-	-	-	1,912,546	1,912,546
	<u>-</u>	<u>162,899,313</u>	<u>1,733,364</u>	<u>17,699,202</u>	<u>182,331,879</u>
	<u><b>5,466,612</b></u>	<u><b>(146,842,550)</b></u>	<u><b>(1,733,364)</b></u>	<u><b>218,907,765</b></u>	<u><b>75,798,463</b></u>

	2003				
	Interest bearing			Non interest bearing	Total
	Less than one month	Less than one year	One year and above		
(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)	
<b>Financial Assets</b>					
Long term deposits	-	-	-	866,250	866,250
Marketable securities	-	-	-	148,078,663	148,078,663
Advances, deposits and other receivables	-	7,067,035	-	9,361,565	16,428,600
Accounts receivables	-	-	-	46,780,115	46,780,115
Cash and bank balances	6,209,657	-	-	18,680,175	24,889,832
	<u>6,209,657</u>	<u>7,067,035</u>	<u>-</u>	<u>223,766,768</u>	<u>237,043,460</u>
<b>Financial Liabilities</b>					
Obligations under finance leases	-	648,554	1,154,646	-	1,803,200
Short term borrowings	-	55,000,000	-	-	55,000,000
Creditors, accrued and other liabilities	-	15,536,527	-	5,221,719	20,758,246
Securities sold under re-purchase agreements	-	50,676,990	-	-	50,676,990
Unclaimed dividend	-	-	-	13,345,566	13,345,566
	<u>-</u>	<u>121,862,071</u>	<u>1,154,646</u>	<u>18,567,285</u>	<u>141,584,002</u>
	<u><b>6,209,657</b></u>	<u><b>(114,795,036)</b></u>	<u><b>(1,154,646)</b></u>	<u><b>205,199,483</b></u>	<u><b>95,459,458</b></u>

	2004	2003
	%	%
<b>Effective interest rates:</b>		
Advances to associated companies	14.50	17.60
Cash and bank balances	5.90	5.90
Obligations under finance leases	13.07	17.41
Short term running finances	10.71	12.89
Advances from associated companies	14.00	15.76

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**29.2 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.

**29.3 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.

**29.4 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.

**30. 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	
	2004	2003	2004	2003	2004	2003
Number of persons	1	1	1	0	16	16
	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>
Managerial remuneration	-	-	863,225	-	7,138,037	7,188,163
Medical	-	-	50,119	-	676,542	331,416
Utilities	880,435	812,585	-	-	-	-
Provision for gratuity	-	-	45,088	-	721,410	779,911
Others	-	-	-	-	806,210	759,065
	<u>880,435</u>	<u>812,585</u>	<u>958,432</u>	<u>-</u>	<u>9,342,199</u>	<u>9,058,555</u>

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

**31. EARNINGS PER SHARE-BASIC**

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

	2004	2003
Net profit for the year (Rupees)	<u>211,428,819</u>	165,546,765
Average ordinary shares (Number)	<u>46,912,576</u>	<u>46,912,576</u>
Earnings per share (Rupees)	<u>4.51</u>	<u>3.53</u>

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

**NOTES TO THE ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**32. CONTINGENCIES AND COMMITMENTS**

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

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

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

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

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

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

**32.4** For contingencies relating to tax matters refer note 15.

**33. NUMBER OF EMPLOYEES**

Total number of employees at the year end was 38 (2003: 42)

**34. GENERAL**

- Figures have been rounded off to the nearest rupee

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR



**FIRST CAPITAL SECURITIES  
CORPORATION LIMITED**

**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 June 2004**



**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 2004 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 2004 and the results of their operations for the year then ended.

**Islamabad:  
06 October 2004**

**TASEER HADI KHALID & CO.  
CHARTERED ACCOUNTANTS**



**CONSOLIDATED BALANCE SHEET  
AS AT 30 JUNE 2004**

	Note	2004 Rupees	2003 Rupees
<b>NON CURRENT ASSETS</b>			
<b>OPERATING FIXED ASSETS</b>	4	41,665,520	43,696,703
<b>CAPITAL WORK IN PROGRESS</b>		-	144,740,517
		41,665,520	188,437,220
<b>NEGATIVE GOODWILL</b>	5	(81,284,938)	(78,109,029)
<b>COST OF CARDS AND ROOMS</b>	6	66,883,935	56,200,000
<b>LONG TERM INVESTMENTS</b>	7	604,962,998	376,594,263
<b>INVESTMENT PROPERTY</b>	8	65,019,300	55,181,700
<b>DEFERRED TAXATION</b>	9	1,434,002	991,487
<b>LONG TERM DEPOSITS</b>	10	7,223,741	7,893,120
<b>DEFERRED COSTS</b>	11	12,054	235,782
		705,916,612	607,424,543
<b>CURRENT ASSETS</b>			
Stock in trade		1,142,650	2,041,931
Marketable securities	12	273,632,990	122,234,220
Advances, deposits, prepayments and other receivables	13	110,845,902	139,027,707
Accounts receivable	14	349,736,201	272,447,990
Cash and bank balances	15	148,045,153	54,651,567
		883,402,896	590,403,415
<b>CURRENT LIABILITIES</b>			
Current portion of obligations under finance leases	16	3,893,279	5,216,435
Short term finances-secured	17	116,770,072	70,744,479
Securities sold under re-purchase agreements	18	110,676,990	50,676,990
Creditors, accrued and other liabilities	19	414,200,252	281,320,253
Provision for taxation		18,188,121	14,717,911
Unclaimed dividend		1,912,546	13,345,566
		665,641,260	436,021,634
<b>NET CURRENT ASSETS</b>		217,761,636	154,381,781
<b>LONG TERM DEPOSITS</b>		-	560,700
<b>DEFERRED LIABILITY FOR STAFF RETIREMENT GRATUITY</b>	20	9,387,153	8,508,214
<b>OBLIGATIONS UNDER FINANCE LEASES</b>	16	8,739,813	10,145,358
<b>CONTINGENCIES AND COMMITMENTS</b>	21	-	-
<b>NET CAPITAL EMPLOYED</b>		905,551,282	742,592,052
<b>REPRESENTED BY:</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital			
Authorized			
50,000,000 (2003: 35,000,000) ordinary shares of Rs- 10/- each		500,000,000	350,000,000
Issued, subscribed and paid up capital	22	469,125,760	339,946,200
Share premium		2,643,800	2,643,800
Reserves for issue of bonus shares		-	129,179,560
Revaluation Reserve of an associated company		32,557,138	-
Unappropriated profit		255,546,510	161,498,350
		759,873,208	633,267,910
<b>MINORITY INTEREST</b>		145,678,074	109,324,142
		905,551,282	742,592,052

The annexed notes 1 to 35 form an integral part of these accounts.

These financial statements were authorized for issue by the Board of Directors of the Parent Company on 6 October 2003.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

**FIRST CAPITAL SECURITIES CORPORATION LIMITED****CONSOLIDATED PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED 30 JUNE 2004**

	<u>Note</u>	<u>2004</u> Rupees	<u>2003</u> Rupees
<b>REVENUES</b>	<b>23</b>	<b>319,799,453</b>	173,958,226
<b>DIRECT COSTS</b>	<b>24</b>	<b>7,506,189</b>	-
<b>GROSS PROFIT</b>		<b>312,293,264</b>	173,958,226
<b>OPERATING COSTS</b>	<b>25</b>	<b>184,206,801</b>	130,709,690
<b>OPERATING PROFIT</b>		<b>128,086,463</b>	43,248,536
<b>OTHER INCOME</b>	<b>26</b>	<b>3,828,328</b>	33,425,498
		<b>131,914,791</b>	76,674,034
<b>FINANCIAL CHARGES</b>	<b>27</b>	<b>14,908,523</b>	6,257,145
		<b>117,006,268</b>	70,416,889
Share in profit of associated companies	7	23,992,278	65,049,784
Gain on fair value adjustment of investment property	8	9,837,600	10,603,152
Unrealized (loss)/ gain on remeasurement of marketable securities	12	<b>(9,186,780)</b>	45,073,172
<b>PROFIT BEFORE TAXATION</b>		<b>141,649,366</b>	191,142,997
<b>TAXATION</b>	<b>28</b>	<b>(16,123,600)</b>	(2,345,156)
<b>PROFIT AFTER TAXATION</b>		<b>125,525,766</b>	188,797,841
<b>MINORITY INTEREST</b>		<b>(30,091,049)</b>	(23,118,198)
<b>PROFIT ATTRIBUTABLE TO HOLDING COMPANY</b>		<b>95,434,717</b>	165,679,643
<b>EARNINGS PER SHARE - BASIC</b>	<b>31</b>	<b>2.03</b>	<b>3.53</b>

The annexed notes 1 to 35 form an integral part of these accounts.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

**CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 Rupees	2003 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		141,649,366	191,142,997
<b>Adjustments for non cash charges and other items:</b>			
Depreciation		10,710,410	6,575,441
Financial charges		14,908,523	6,257,145
Amortization of deferred expenses		3,013	58,946
Loss/(Gain) on disposal of assets		7,540,943	(3,115,311)
Gain on disposal of investment property		(1,000,500)	(7,687,500)
Gain on fair value adjustment of investment property		(9,837,600)	(10,603,152)
Share of loss of associated companies		(23,992,278)	(65,049,785)
Provision for bad debts		1,270,462	8,300,663
Bad debts written off		611,804	-
Bad debts written back		-	(2,107,449)
Unrealized loss / (gain) on remeasurement of marketable securities		9,186,780	(45,073,172)
Gain on partial disposal of subsidiary		-	(8,511,718)
Dividend income		(1,944,481)	(14,110,062)
Provision for gratuity		2,408,118	2,710,501
		9,865,194	(132,355,453)
Adjustments for working capital items:			
(Increase)/decrease in advances, deposits, prepayments and other receivables		28,181,805	(61,858,901)
(Increase) in accounts receivables		(77,288,211)	(188,852,050)
Increase in creditors, accrued and other liabilities		179,956,453	171,023,397
		(14,735,503)	(40,931,375)
Cash inflow from operating activities		136,779,057	17,856,169
Gratuity paid		(1,529,180)	(903,666)
Taxes paid		(13,080,586)	(676,423)
Net cash inflow from operating activities		122,169,291	16,276,080
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Fixed capital expenditure		(13,798,159)	(16,211,295)
Increase in investment property		(8,447,500)	-
Sale proceeds from disposal of investment property-net		9,448,000	20,792,952
Cost of cards and rooms		(10,683,935)	-
Sale proceeds of fixed assets		13,011,387	18,675,321
Dividend received		1,944,481	14,108,812
Effect of dilution of subsidiary company		2,007,081	19,080,000
Adjustment of acquisition of subsidiary		(9,233,443)	(79,581,919)
(Increase) in long term investments		(101,074,950)	(65,044,995)
(Increase)/decrease in long term deposits		(957,317)	803,033
Net cash used in investing activities		(117,784,355)	(87,378,091)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Net proceeds from lease finance facilities		1,047,657	(7,171,364)
Increase in Morabaha finance facility		66,973,597	40,000,000
Increase from Sale against repurchase agreements		60,000,000	-
Financial charges paid		(6,631,580)	(6,257,145)
Dividend paid		(11,433,020)	(151,506)
Net cash inflow from financing activities		109,956,654	26,419,985
<b>NET (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>114,341,590</b>	<b>(44,682,026)</b>
<b>CASH AND CASH EQUIVALENTS IN THE BEGINNING OF THE YEAR</b>		<b>23,907,088</b>	<b>68,589,114</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>29</b>	<b>138,248,678</b>	<b>23,907,088</b>

The annexed notes 1 to 35 form an integral part of these accounts.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

**CONSOLIDATED STATEMENT OF  
CHANGES IN EQUITY AND RESERVES  
FOR THE YEAR ENDED 30 JUNE 2004**

	Issued, subscribed and paid up capital <u>Rupees</u>	Share Premium <u>Rupees</u>	Reserve for Issue of Bonus Shares <u>Rupees</u>	Revaluation Reserve of an associated company <u>Rupees</u>	Unappropriated Profit <u>Rupees</u>	Total <u>Rupees</u>
<b>Balance as at 30 June 2002</b>	339,946,200	2,643,800	-	-	143,594,896	486,184,896
<b>Movement during the year</b>						
Adjustment of profits of an associated company on adoption of IAS-12	-	-	-	-	(16,247,400)	(16,247,400)
Profit for the year	-	-	-	-	165,679,643	165,679,643
Transfer to reserve for issue of bonus shares						
- Interim declaration	-	-	67,989,240	-	(67,989,240)	-
- Final declaration	-	-	61,190,320	-	(61,190,320)	-
Adjustment for exchange difference	-	-	-	-	(2,387,353)	(2,387,353)
Adjustment of dilution of investment in First Capital Equities Limited	-	-	-	-	38,124	38,124
<b>Balance as at 30 June 2003</b>	<u>339,946,200</u>	<u>2,643,800</u>	<u>129,179,560</u>	<u>-</u>	<u>161,498,350</u>	<u>633,267,910</u>
<b>Movement during the year</b>						
Profit for the year	-	-	-	-	95,434,717	95,434,717
Issuance of share capital	129,179,560	-	(129,179,560)	-	-	-
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 equity method	-	-	-	32,557,138	-	32,557,138
<b>Balance as at 30 June 2004</b>	<u><u>469,125,760</u></u>	<u><u>2,643,800</u></u>	<u><u>-</u></u>	<u><u>32,557,138</u></u>	<u><u>255,546,510</u></u>	<u><u>759,873,208</u></u>

The annexed notes 1 to 35 form an integral part of these accounts.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**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 Gulberg, Lahore. The parent company has investments in subsidiaries and associates engaged in brokerage, telecommunication and real state. 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	<u>2004</u>	<u>2003</u>
			Holding %	Holding %
First Capital Associates (Private) Limited (FCAL)	Pakistan	Consultancy/advisory services.	100	100
First Capital Investments Limited (FCIL)	Pakistan	Providing investment advisory services under Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.	79.37	65.79
Lanka Securities (Pvt.) 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
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	Nil
Equity Partners Securities Limited (Subsidiary of FCEL)	Bangladesh	Sale/purchase of shares in stock market	34.37	Nil

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**2. BASIS OF CONSOLIDATION**

- 2.1** The consolidated financial statements include the financial statements of the First Capital Group (First Capital Securities Corporation Limited and its subsidiaries).  
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 subsidiary 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.

**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 securities available for sale and held for trading, which are stated at their fair values.

**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 International Accounting Standards comprise 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 of the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of the Standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives take precedence.

**3.2 Fixed Assets and depreciation**

**Owned assets**

Fixed assets 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 charge on disposals.

Gain or loss on disposal of fixed assets is included in income currently.

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

Depreciation is charged to income on the assets of First Capital Associates (Private) Limited and 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 Investments Limited and Lanka Securities (Private) Limited.

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**Change in accounting estimate**

With effect from the current year, the parent company changed its method of computation of depreciation on tangible fixed assets whereby, depreciation is charged to the profit and loss account applying the straight line method at varying rates given in note 4, which are considered appropriate to write off the cost of assets over their useful economic lives to better reflect the pattern of utilization of economic benefits derived from the assets as against the previous method of charging depreciation on the reducing balance method.

The effect of this change in accounting estimate on profit before taxation of the parent company for the current year is Rs. 3.653 million.

Gains or losses on disposal of fixed assets is dealt with through the profit and loss account.

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

**Leased assets**

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 leases are accounted for as liabilities. Depreciation is charged at the rates specified in note 4. Finance charge is calculated at the interest rate implicit in the lease and charged to income.

**3.3 Intangible assets**

An intangible asset is recognized if it is probable that the future economic benefits that are attributable to the asset will flow to the enterprise and that the cost of such asset can also be measured reliably.

Generally, costs associated with developing or marketing computer software programmes are recognized as an expense as incurred. However, costs that are directly associated with identifiable software and have probable economic benefit exceeding the cost beyond one year, are recognized as intangible asset. Direct costs include the purchase cost of software and related overhead cost.

Intangible asset is amortized from the date such asset is put into use on straight line basis over its useful life.

**3.4 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.

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**3.5 Investments**

a) Long term investments

Investment in associates where significant influence can be established is 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 commence until the date when that control/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.

b) Investments held for trading

Investments, which are acquired principally for the purposes of generating a profit from short term fluctuations in price of 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.

c) 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 mid 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.

**3.6 Investment Property**

The parent 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 3.7.

If any 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 income statement. 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 income statement.



**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**3.7 Revenue recognition**

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

Brokerage, consultancy and advisory fees are recognised 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.

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

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

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

Rental income is recognized on accrual basis.

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

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 thereafter two percent (2%) of such assets.

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

**3.8 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.

**3.9 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, or minimum taxation under tax laws whichever is higher.

**Deferred Tax**

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the amounts attributed to assets and liabilities for financial reporting purpose and amounts used for taxation purposes. The amount of deferred tax is recognized based on the expected manner of realization or settlement of the carrying amount of assets and liabilities using rates enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**3.10 Foreign currency transactions**

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.

**3.11 Staff retirement benefits**

a) 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 are charged to income. Latest valuation was conducted as of 30 June 2004.

Significant actuarial assumptions are as follows:

Discount rate	8%
Expected rate of salary increase in future years	7%
Mortality rate	EFU(61-66)-mortality rate

The amount recognized in the balance sheet represents the present value of benefits as adjusted for unrecognised actuarial gains and losses. The group companies recognize actuarial gains/losses above their 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.

b) Compensated absences

The parent company and its subsidiaries also provide for compensated absences of its employees on un-availed leaves.

**3.12 Financial instruments**

All the financial assets and financial liabilities are recognized at the time when the group companies become a party to the contractual provisions of the instruments. The group companies de-recognize 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. While 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.

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

Financial assets are long term deposits, accounts receivable, 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 liability under lease finance, murabaha finance utilized under mark up arrangements, creditors, accrued and other liabilities and long term deposits. Mark-up bearing finances are recorded at the gross proceeds recovered. Other liabilities are stated at their nominal values.

**3.13 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 a net basis or to realize the assets and settle the liabilities simultaneously.

**3.14 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.

**3.15 Cost of cards and rooms**

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

**Deferred Cost**

These included preliminary expenses for the company's formation and other similar expenses incurred during the period. These are being deferred and amortized over a period of five years from the year of incurrence on straight line basis.

**Stock in Trade**

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

Work in process is valued at the cost of material including appropriate conversion cost.

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

**3.16 Negative goodwill**

Negative goodwill arising on acquisition represents the excess of the fair value of the interest in subsidiary's 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 to the extent of the interest in fair value of non- monetary assets of the subsidiary is recognized immediately in the profit and loss account.

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**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 equivalents comprise of cash, bank balances and bank borrowings

**3.18 Borrowing costs**

Borrowing costs are charged to profit and loss account.

**3.19 Securities purchase 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 re-sale 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.

**3.20 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.

**3.21 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 company to do so.

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**4 OPERATING FIXED ASSETS**  
Following is the statement of operating fixed assets

	As at 01.07.2003		As at 30.06.2004		Depreciation Rate %	Acquisition of Subsidiaries as on 30.06.2004	DEPRECIATION		For the year	Adjustment of Acc dep. of MTL	As at 30.06.2004	NET BOOK VALUE As at 30.06.2004
	Rupees	Of additions/ (deletions)	Of adjustments of Media time/ Others	Rupees			Rupees	Rupees				
<b>Owned assets</b>												
Leasehold Improvements	8,147,917	2,191,855	(2,059,638)	5,538,763	5-14	-	(271,871)	433,804	(165,648)	1,574,058	3,964,705	
Plant & Machinery	-	(3,582,391)	-	2,734,391	10	-	(941,305)	113,933	-	113,933	2,620,458	
Computers	20,595,148	(6,980,006)	-	14,707,432	10-50	-	(6,701,161)	1,602,982	-	8,216,064	6,491,368	
Office equipments	19,405,195	(9,950,145)	53,900	12,554,698	10-12.5	-	(6,886,121)	1,656,095	(518,943)	6,188,443	6,366,255	
Furniture and fixtures	8,950,375	(5,644,374)	(96,000)	7,205,253	10-12.5	-	(2,127,617)	964,681	(227,818)	4,421,878	2,783,375	
Library books	50,656	(761,451)	-	48,214	10	-	(299,370)	-	-	37,937	10,277	
Vehicles	22,190,326	(6,962,480)	(2,442)	22,663,043	20-25	-	(12,715)	4,506,300	(283,691)	15,066,336	7,596,707	
<b>Leased assets</b>												
Plant & Machinery	79,339,617	(13,798,159)	(6,775,697)	65,451,794		-	(415,211)	9,277,795	(1,196,100)	35,618,649	29,833,145	
Computers	-	-	-	6,771,632	10	-	-	282,151	-	282,151	6,489,481	
Office equipment	53,900	-	(53,900)	-	10-33	26,303	(26,303)	-	-	-	-	
Furniture and fixtures	196,000	-	(196,000)	-	10	60,424	(60,424)	-	-	-	-	
Vehicles	7,055,000	(1,940,000)	(3,766,500)	7,154,000	20	1,810,186	(200,144)	1,150,464	(949,400)	1,811,106	5,342,894	
<b>2004</b>	86,644,517	22,400,099	(16,310,659)	79,377,426		-	(702,082)	10,710,410	(2,145,500)	37,711,906	41,665,520	
<b>2003</b>	89,372,318	10,542,197	(33,651,065)	86,644,517		-	(5,867,961)	6,575,441	-	42,947,813	43,696,703	

**4.1 Depreciation for the year has been allocated as under:**

	2004	2003
	Rupees	Rupees
Direct costs	24	6,575,441
Operating costs	25	6,575,441

**4.2 Disposal of operating fixed assets**

Particulars of assets	Cost	Depreciation	Net book value	Sale Proceeds	Profit/(loss)	Mode of sale	Particulars of buyers
	Rupees	Rupees	Rupees	Rupees	Rupees		
Computers	1,770,447	1,322,723	447,724	97,171	(350,553)	Negotiations	Multimedia Business Machines - Lahore
Computers	65,800	39,446	26,354	5,500	(20,854)	Negotiations	Global Tec - Islamabad
Office Equipments	125,000	33,875	91,125	28,000	(63,125)	Negotiations	Power ware Technology - Karachi
Leasehold Improvements	3,582,391	941,502	2,640,889	-	(2,640,889)	Written Off	
Office Equipments	2,948,526	1,052,233	1,896,293	-	(1,896,293)	Written Off	
Computers	7,422,178	4,983,078	2,439,100	-	(2,439,100)	Written Off	
Furniture and Fixtures	761,451	299,370	462,081	-	(462,081)	Written Off	
Vehicle - Accessories (Air Conditioner)	37,788	10,432	27,356	-	(27,356)	Written Off	
Office Equipments	2,200,000	900,922	1,299,078	425,000	(874,078)	Negotiations	Standard Computers - Karachi
Office Equipments	280,000	114,663	165,337	13,700	(151,637)	Negotiations	Power ware Technology - Karachi
Vehicle	567,180	381,327	185,853	425,000	239,147	Negotiations	Assad Butt - (Executive)
Vehicle	672,000	396,749	275,251	525,000	249,749	Negotiations	Ijaz Ahmad Qureshi - Gujranwala
Vehicle	534,000	394,015	139,985	475,000	335,015	Negotiations	WorldCall Broadband Limited (Related party)
Vehicle (Motor Car) Honda Civic	1,276,300	858,082	418,218	1,007,600	589,382	Negotiations	Dawood Ahmad - Karachi
Vehicle (Motor Car) Suzuki Bolan	295,000	216,881	78,119	230,000	359,637	Negotiations	Mr. Ahmer Hafeez S/o Abdul Hafeez Karachi
Vehicle (Motor Car) Suzuki Mangala	300,000	60,000	240,000	320,000	151,881	Negotiation	Mr. Muhammad Ahmed S/o Muhammad Khurshid - Lahore
Plant & Machinery	6,980,006	-	6,980,006	6,771,632	(208,374)	Sale & leaseback	Mr. Ihtisam Muzaffar S/o Muzaffar Ali- Karachi
Vehicles	2,158,430	-	2,158,430	1,940,000	(218,430)	Sale & leaseback	Crescent Leasing Corporation Limited
Office equipment (Mobile Phone)	691,720	-	691,720	22,784	(27,840)	Lost	Faysal Bank Limited
Computers	63,008	540,875	150,845	22,784	(128,061)	Negotiations	Sold in Sri Lanka
Office Equipments		25,925	37,083	-	(37,083)	Negotiations	Sold in Sri Lanka
<b>2004</b>	33,651,065	13,098,735	20,552,330	13,011,387	(7,540,943)		
<b>2003</b>	21,427,971	5,867,961	15,560,010	18,675,321	3,115,311		

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**5 NEGATIVE GOODWILL**

This includes the excess of 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 21.2.1.

	Note	2004 Rupees	2003 Rupees
<b>6 COST OF CARDS AND ROOMS</b>			
Lahore Stock Exchange (Guarantee) Limited		<b>11,000,000</b>	11,000,000
Karachi Stock Exchange (Guarantee) Limited		<b>33,200,000</b>	33,200,000
Dhaka Stock Exchange		<b>6,511,765</b>	-
Chittagong Stock Exchange		<b>3,864,670</b>	-
Others (rooms)		<b>12,307,500</b>	12,000,000
		<b>66,883,935</b>	56,200,000

**7 LONG TERM INVESTMENTS**

**Associated companies-Listed**

**First Capital Mutual Fund Limited**

1,500,000 ordinary shares of Rs. 10/- each  
Equity held 10%  
Share of profit  
Dividend received

<b>13,275,661</b>	8,357,069
<b>2,114,196</b>	4,918,592
<b>(3,750,000)</b>	
<b>11,639,857</b>	13,275,661

**WorldCALL Communications Limited**

30,328,560 (2003: 33,678,560) ordinary shares of Rs.10/- each  
Equity held: 19.04% (2003: 21.15%)  
Acquisition of additional shares  
Share of profit  
Less: Adjustment on account of deferred tax  
Transferred to available for sale investment

<b>284,130,946</b>	138,982,410
-	156,260,513
<b>44,901,240</b>	45,384,851
-	(16,247,400)
-	(40,249,428)
<b>7.2 329,032,186</b>	284,130,946

**Shaheen Insurance Company Limited**

Nil (2003: 1,433,973) ordinary shares of Rs.10/- each  
Share of profit  
Less: Dividend received during the year  
Transferred to available for sale investment

-	16,711,345
-	2,386,416
-	(1,792,466)
-	(17,305,295)
-	-

**WorldCALL Broadband Limited**

1,500,000 ordinary shares of Rs.10 each  
Share deposit money  
Transferred to available for sale investment

<b>15,000,000</b>	-
-	15,000,000
<b>(15,000,000)</b>	-
-	15,000,000

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	Note	2004 Rupees	2003 Rupees
<b><u>Associated companies-Unlisted</u></b>			
<b>Pace (Pakistan) Limited</b>			
12,875,937 (2003: 5,047,072) ordinary shares of Rs.10/- each		<b>59,516,623</b>	39,767,965
Equity held: 16.58% (2003: 14.95 %)			
Shares acquired through exercise of right option		<b>48,574,950</b>	
Share of profit		<b>11,926,491</b>	20,110,724
Adjustment on account of transfer of investment property to inventories		<b>32,557,138</b>	-
Dilution of holding		-	(362,066)
Negative goodwill on acquisition of additional shares		<b>5,744,369</b>	-
Chief Executive: Mr.Salmaan Taseer			
		<b>158,319,571</b>	59,516,623
<b>Bright Star Corporation (Private) Limited</b>			
1,300,000 (2003: 1,300,000 ) ordinary shares of RS. 10/- each		<b>4,626,033</b>	10,584,366
Equity held: 32.5% (2003: 32.5 %)			
Chief Executive : Mr. Nadeem Anwar			
Share of loss		<b>(4,626,033)</b>	(5,958,333)
		-	4,626,033
<b>Media Times (Pvt.) Limited</b>			
8,000,000 ordinary shares of Rs.10 each		<b>80,000,000</b>	-
Equity held 46.03%			
Share of loss		<b>(26,573,616)</b>	-
Chief Executive: Mr.Salmaan Taseer			
	<b>7.3</b>	<b>53,426,384</b>	-
<b>WorldCALL Telecom Limited</b>			
Share deposit money	<b>7.5</b>	<b>52,500,000</b>	-
Chief Executive: Mr.Salmaan Taseer			
The company is a subsidiary of WorldCALL Communications Limited.			
Subsequent to the year end 5,250,000 shares were issued against share deposit money			
<b>Pace Supper Mall (private) Limited</b>			
4,500 ordinary shares of Rs.10 each		<b>45,000</b>	-
Share deposit money		-	45,000
Chief Executive: Mr. Salman Taseer			
Equity held: 10%			
		<b>604,962,998</b>	376,594,263
<b>Share of profit of associated companies</b>		<b>23,992,278</b>	65,049,784

**7.1** Pursuant to the agreement to purchase shares dated 23 September 2000 between ABN AMRO Asia Limited ("ABN AMRO") and the parent company, the parent 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

**NOTES TO THE CONSOLIDATED ACCOUNTS  
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these cases or counter claims is uncertain at this stage. However, the management is confident regarding a favorable outcome out 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.

- 7.2 This includes 2.9 million shares held under lien as security by NAB. Refer to 21
- 7.3 Investment in Media Times (Private) Limited was diluted from 72.17% to 46.03 % due to additional issue of shares to other shareholders due to which the net assets of MTL have not been consolidated in these accounts which at the year end were as follows:

	<b>2004</b>
<b>Assets</b>	<b>Rupees</b>
Operating Fixed Assets	<b>144,428,148</b>
Deferred Cost	<b>307,476</b>
Long Term Deposits	<b>1,503,210</b>
Deferred Tax	<b>30,641,496</b>
Stock in trade	<b>1,593,185</b>
Trade Receivables	<b>36,490,848</b>
Advance, deposits, prepayments and other receivables	<b>6,215,545</b>
Cash and bank balances	<b>(2,007,081)</b>
	<b>219,172,827</b>
<b>Liabilities</b>	
Liabilities against assets subject to finance lease	<b>8,226,322</b>
Creditors, accrued and other liabilities	<b>90,444,339</b>
Provision for taxation	<b>605,405</b>
Long Term Deposits	<b>868,355</b>
Deferred liability for staff retirement gratuity	<b>2,941,316</b>
	<b>103,085,737</b>
<b>Net Assets</b>	<b>116,087,090</b>

- 7.4 World Press (Private) Limited has been acquired during the year by way of payment for share deposit money amounting to Rs. 4.5 million against which shares were issued during the year. The assets and liabilities of the subsidiary acquired, which have been incorporated in these accounts at the year end were as follows:

	<b>2004</b>
<b>Assets</b>	<b>Rupees</b>
Tangible Fixed Assets	<b>12,563,779</b>
Deferred Tax Asset	<b>57,137</b>
Long Term Deposits	<b>975,458</b>
Deferred Cost	<b>12,054</b>
Stores, Spares and Loose tools	<b>10,153</b>
Stock in trade	<b>1,132,497</b>
Trade Receivables	<b>1,908,065</b>
Advance, deposits, prepayments and other receivables	<b>969,793</b>
Cash and bank balances	<b>822,615</b>
	<b>18,451,551</b>
<b>Liabilities</b>	



**NOTES TO THE CONSOLIDATED ACCOUNTS  
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	<b>2004</b>
Liabilities against assets subject to finance lease	<b>Rupees 8,386,653</b>
Creditors, accrued and other liabilities	<b>3,109,980</b>
Provision for taxation	<b>70,624</b>
Deferred liability for staff retirement gratuity	<b>144,716</b>
	<b>11,711,973</b>
<b>Net Assets</b>	<b>6,739,578</b>

**7.5** The Company's shareholders in their Extraordinary General Meetings held on 29 ~~January 2004~~ and 6 September 2004 have approved to make the under-mentioned aggregate investments in the upcoming telecom projects being undertaken by WorldCALL Group under licenses from Pakistan Telecom Authority (PTA).

1. WorldCALL Telecom Limited (WTL) upto Rs.52.5 million
2. WorldCALL Telephony (Private) Limited (WTPL) upto Rs. 60 million.

WTL, an associated company, has acquired a license from PTA to develop, own and operate a long distance international (LDI) fixed line telephony service project alongwith long haul optic fiber back bone project (Long Haul). The Company's associated undertakings are also investing in the said projects of WTL.

WTPL, an associated company, is in the process of acquiring a license from PTA to develop, own and operate a wireless in local loop telephony project (WLL). WTPL has won various frequency spectrums in all telecom regions of Pakistan and it is expected that the WLL license will be issued shortly upon payment of the spectrum fees and fulfillment of certain other formalities. The Company's associated undertakings are also investing in the said project of WTPL.

In view of the latest financial plans of the subject telecom projects, the parent company may be required to increase its investments in these projects for which necessary approval of the parent company's shareholders will be sought in the upcoming annual general meeting. The said investments will be financed though parent company's surplus cash resources from operations and through debt financing. The parent company will gradually invest in the share capital of investee companies on a cash flow requirement and equity call basis.

Certain strategic investors and potential debt providers have asked the management of WorldCALL Group to consolidate the LDI, LH and WLL projects into one Company, preferably, WTL. The principal reason for this demand is interlinked businesses and services of the projects and related potential issues with respect to pricing of their respective services as associated companies. In view of the said requirement, the management wishes to request approval of the shareholders of the parent company to approve transfer of investment from WTPL to WTL. However, any such transfer will not be effected unless appropriate approvals and consents are in place from the shareholders, lenders and creditors, and regulators of both WTL and WTPL.

**7.6 Other associations**

**7.6.1** The parent company is associated with First Capital Mutual Fund Limited ("FCMF"), due to having common directors. FCMF is being managed by the company's subsidiary, First Capital Investments Limited.

**7.6.2** The company is associated with WorldCALL Broadband Limited ("WBL") due to having common directorship. WBL has been setup to provide cable television and interactive broad band services in Karachi.

**7.6.3** 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.

**7.6.4** The company is associated with WorldCALL Internet Solutions (Pvt.) Ltd. ("WISL") due to common

**NOTES TO THE CONSOLIDATED ACCOUNTS  
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directorship. WISL is engaged in portal development.

- 7.6.5** The company is associated with WorldCALL Multimedia Ltd. ("WML") due to common directorship. WML has been setup to provide cable television and interactive broad band services in Lahore. WML is a subsidiary of WCL.
- 7.6.6** 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 preprogrammes for broadcasting.
- 7.6.7** 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.
- 7.6.8** The company is associated with WorldCALL Telephony Limited ("WTPL") due to common directorship. WTPL is in the process of obtaining WLL license and the main activity of WTPL to carry on all or any of the business of Telecommunications including but not limited to systems signal, wireless local Loop, data or messages.
- 7.6.9** The company is associated with WorldCALL Telecom Ltd. ("WTL") due to common directorship. WTL has obtained LDI license and the principal business of WTL is to carry on all or any of the business of Telecommunications and Interactive Communications.
- 7.6.10** The company is associated with Commercial Property Modaraba Management (Pvt.) Limited ("CPMM") due to common directorship. CPMM has been managed modaraba funds and Modaraba of all types.
- 7.6.11** The company is associated with WorldCALL Mobile (Pvt.) Limited ("WMBL") due to common directorship. WMBL to carry on the cellular phones/satellite phones or any related business or part thereof.

	<b>2004</b>	2003
	<b>Rupees</b>	Rupees
<b>8 INVESTMENT PROPERTY</b>		
Opening balance	<b>55,181,700</b>	57,684,000
Add: Acquisition of additional shops	<b>8,447,500</b>	11,770,548
	<b>63,629,200</b>	69,454,548
Less: Disposal of shops during the year	<b>(8,447,500)</b>	(24,876,000)
	<b>55,181,700</b>	44,578,548
Increase in fair value	<b>9,837,600</b>	10,603,152
Balance as at 30 June 2004	<b>65,019,300</b>	55,181,700

The carrying amount of investment property is the fair value of the property as determined by an approved independent valuer Hamid Mukhtar & Co. (Pvt) Ltd. Fair value was determined having regard to 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. The company's current rental agreements are entered into on an arm's length basis and are comparable to those for similar properties in the same location.

**9 DEFERRED TAXATION**

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This is composed of the following:	<b>First Capital Associates (Private) Limited</b>	<b>Lanka Securities (Private) Limited</b>	<b>First Capital Investments Limited</b>	<b>Worldpress (Private) Limited</b>	<b>2004</b>	<b>2003</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>Taxable temporary differences</b>						
Tax depreciation allowance	(6,459)	(618,667)	87,460	(360,757)	(898,423)	2,363,348
	<u>(6,459)</u>	<u>(618,667)</u>	<u>87,460</u>	<u>(360,757)</u>	<u>(898,423)</u>	<u>2,363,348</u>
<b>Deductible temporary differences</b>						
Provision for staff retirement benefits	-	-	-	50,651	50,651	1,529,985
Unused tax losses and tax credits	301,375	-	1,613,156	367,243	2,281,774	1,824,850
	<u>301,375</u>	<u>-</u>	<u>1,613,156</u>	<u>417,894</u>	<u>2,332,425</u>	<u>3,354,835</u>
Deferred tax asset / (liability)	<u>294,916</u>	<u>(618,667)</u>	<u>1,700,616</u>	<u>57,137</u>	<u>1,434,002</u>	<u>991,487</u>

	<b>2004</b>	<b>2003</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>10 LONG TERM DEPOSITS</b>		
Deposits with leasing companies	<b>2,274,158</b>	2,049,310
Stock Exchanges	<b>3,213,468</b>	2,931,046
Bank of Ceylon	<b>847,915</b>	889,734
Central Depository Company (CDC)	<b>325,000</b>	400,000
Utility companies and others	<b>563,200</b>	1,623,030
	<u><b>7,223,741</b></u>	<u>7,893,120</u>
<b>11 DEFERRED COSTS</b>		
Opening balance	<b>235,782</b>	-
Effect of dilution in Media Times (Private) Limited	<b>(235,782)</b>	-
Add: Additions during the year	<b>11.1 15,067</b>	294,728
	<b>15,067</b>	294,728
Less: Amortization for the year	<b>(3,013)</b>	(58,946)
	<u><b>12,054</b></u>	<u>235,782</u>

11.1 These relate to World Press (Private) Limited.

# FIRST CAPITAL SECURITIES CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2004

### 12 MARKETABLE SECURITIES

		Note	2004		2003		
2004	2003		Carrying Cost Rupees	Fair Value Rupees	Carrying Cost Rupees	Fair Value Rupees	
		<b>These are made up as under:</b>					
		12a	142,222,196	134,000,280	9,606,325	10,824,376	
		12b	140,597,574	139,632,710	67,554,723	111,409,844	
			<b>282,819,770</b>	<b>273,632,990</b>	77,161,048	122,234,220	
			<b>(9,186,780)</b>	-	45,073,172	-	
			<b>273,632,990</b>	<b>273,632,990</b>	<b>122,234,220</b>	<b>122,234,220</b>	
<b>12a HELD FOR TRADING</b>							
		<b>Listed securities</b>					
		<b>Mutual Funds</b>					
	14,804				1,500,000	1,504,975	
	125		2,406	2,406	-	-	
	20,000		294,000	309,000	-	-	
	33,500		432,325	433,825	-	-	
	25,000		2,500,000	2,500,000	-	-	
	20,000		202,000	205,000	-	-	
	10,000		173,000	192,000	-	-	
	1,000		2,700	3,400	-	-	
	10,000		67,500	68,500	-	-	
			<b>3,673,931</b>	<b>3,714,131</b>	<b>1,500,000</b>	<b>1,504,975</b>	
		<b>Modarabas</b>					
	8,000		-	-	42,400	60,000	
	1,500		12,000	4,500	-	-	
			<b>12,000</b>	<b>4,500</b>	<b>42,400</b>	<b>60,000</b>	
		<b>Leasing companies</b>					
	11,000		-	-	55,550	105,050	
			-	-	55,550	105,050	
		<b>Insurance Companies</b>					
	5,000		3,734,500	3,918,000	106,975	291,500	
	15,000		-	-	219,000	256,500	
	12,500		806,875	840,000	-	-	
			<b>4,541,375</b>	<b>4,758,000</b>	<b>325,975</b>	<b>548,000</b>	
		<b>Investment companies/Banks</b>					
	2,500		147,275	180,125	-	-	
	5,000		9,793,136	9,967,500	139,000	136,500	
	2,242		-	-	13,845	25,850	
	7,200		377,845	364,320	-	-	
	10,000		108,500	113,000	-	-	
	500		299,000	311,000	-	-	
			<b>10,725,756</b>	<b>10,935,945</b>	<b>152,845</b>	<b>162,350</b>	
		<b>Textile</b>					
	500		-	-	7,750	8,500	
	22,500		-	-	157,500	135,000	
	17,000		-	-	262,100	264,350	
	1,500		7,275	7,950	-	-	
	1,500		10,800	7,125	-	-	
	500		4,500	4,500	-	-	
	116,000		6,227,333	6,124,800	3,825	5,258	
			<b>6,249,908</b>	<b>6,144,375</b>	<b>431,175</b>	<b>413,108</b>	
		<b>Cement</b>					
	200,000		2,030,000	2,480,000	-	-	
	78,000		1,769,600	1,271,400	-	-	
	20,000		320,000	402,000	-	-	
	200,000		8,364,800	7,600,000	-	-	
	50,000		1,530,000	1,572,500	-	-	
			<b>14,014,400</b>	<b>13,325,900</b>	-	-	
		<b>Fuel and Energy</b>					
	5,000		36,750	37,000	-	-	
	8,000		2,281,577	1,668,000	3,073,000	3,152,800	
	800		201,800	205,400	-	-	
	30,000		2,655,005	2,745,000	-	-	
	209,500		4,483,300	4,808,025	-	-	
	400,000		27,667,180	25,800,000	-	-	
	2,000		140,000	129,400	-	-	
			<b>37,465,612</b>	<b>35,392,825</b>	<b>3,073,000</b>	<b>3,152,800</b>	
		<b>Chemicals and Pharmaceuticals</b>					
	231,500		3,715,575	4,016,525	-	-	
	57,000		5,996,277	5,557,500	-	-	
	25,000		1,125,000	1,105,000	-	-	
	5,000		40,500	41,500	-	-	
			<b>10,877,352</b>	<b>10,720,525</b>	-	-	
		<b>Engineering and Allied</b>					
	126,500		-	-	1,821,030	1,884,850	
			-	-	1,821,030	1,884,850	
		<b>Food and Allied</b>					
	400		1,720	1,760	-	-	
	2,000		32,900	38,400	-	-	
	1,000		13,950	13,500	-	-	
			<b>48,570</b>	<b>53,660</b>	-	-	
		<b>Auto and Allied</b>					
	15,000		404,750	372,000	119,700	117,675	
	70,000		6,517,000	6,384,000	-	-	
			<b>6,921,750</b>	<b>6,756,000</b>	<b>119,700</b>	<b>117,675</b>	



**NOTES TO THE CONSOLIDATED ACCOUNTS  
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	<u>Note</u>	<u>2004</u> <u>Rupees</u>	<u>2003</u> <u>Rupees</u>
<b>13 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances to employees for loan and expenses - unsecured considered good			
Executives	13.1	4,872,180	9,513,399
Employees		2,562,907	564,461
		<u>7,435,087</u>	10,077,860
Recoverable from employees		-	530,778
Deposits against leased assets		351,341	283,550
Advances to associated companies - unsecured, considered good	13.2	14,783,834	17,093,804
Prepayments		2,665,800	2,150,787
Advance income tax		52,387,422	52,569,417
Treasury bills		24,898,720	50,972,969
Other receivables:			
Interest/ mark-up receivable		557,893	486,400
Dividends		1,250	1,250
Others		7,764,555	4,860,892
		<u>8,323,698</u>	5,348,542
Unsecured, considered doubtful			
Others		5,066,928	4,115,067
Less: Provision for impaired receivables		<u>(5,066,928)</u>	<u>(4,115,067)</u>
		-	-
		<u><u>110,845,902</u></u>	<u><u>139,027,707</u></u>

**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.

Maximum aggregate balance due from executives at the end of any month during the year was Rs. 5,237,627 (2003: Rs. 9,513,399)

	<u>2004</u> <u>Rupees</u>	<u>2003</u> <u>Rupees</u>
<b>13.2 Advances to associated companies - unsecured, considered good</b>		
WorldCALL Broad Band Limited	1,291,990	1,044,072
WorldCALL Multimedia Limited	5,432,713	4,528,892
Pace ( Pakistan ) Limited	-	138,338
First Capital Mutual Fund Limited	-	4,315,467
Pace Super Mall (Private) Ltd	8,059,131	7,067,035
	<u>14,783,834</u>	<u>17,093,804</u>

**13.2.1** These unsecured advances carry markup @ 13.5 % - 14.5 % per annum.(2003: 14% - 18%)

**13.2.2** Maximum aggregate balance due from associated companies at the end of any month during the year was Rs. 14,783,834 (2003: Rs. 17,093,804)

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004 Rupees	2003 Rupees
<b>14 ACCOUNTS RECEIVABLE</b>			
Unsecured Considered good			
Money market receivables		<b>1,905,695</b>	1,663,537
- Clients - unsecured		<b>230,491,001</b>	47,187,162
-Members		<b>2,718,271</b>	4,653,222
-Stock exchange		<b>53,213,847</b>	81,935,672
		<b>288,328,814</b>	135,439,593
Unsecured Considered doubtful			
- Clients - unsecured		<b>72,858,768</b>	131,488,235
-Members		<b>28,038,605</b>	18,891,574
Less: Provision		<b>(41,963,623)</b>	(43,369,751)
		<b>58,933,750</b>	107,010,058
Receivable against professional services rendered			
- WorldCALL Communications Limited		-	12,248,720
- Others		-	325,000
		-	12,573,720
Unsecured, considered impaired		<b>20,044,936</b>	20,044,936
Less: Provision for impaired receivables		<b>(20,044,936)</b>	(20,044,936)
		-	-
Card sales receivable		-	13,118,119
Receivables against sale of investment property		-	4,306,500
Other receivables		<b>2,473,637</b>	-
		<b>349,736,201</b>	272,447,990
<b>15 CASH AND BANK BALANCES</b>			
Cash in hand		<b>41,467</b>	96,783
At bank:			
Current accounts-Local currency		<b>26,252,654</b>	20,925,329
Saving accounts-Local currency		<b>115,085,543</b>	33,522,878
Saving accounts-Foreign currency		<b>1,910,491</b>	51,757
Foreign Bank account-current (Outside Pakistan)		<b>4,754,998</b>	54,820
		<b>148,045,153</b>	54,651,567

	2004			2003		
	Minimum lease payments Rupees	Financial charges for future periods Rupees	Principal outstanding Rupees	Minimum lease payments Rupees	Financial charges for future periods Rupees	Principal outstanding Rupees
Not later than one year	4,602,626	709,347	3,893,279	6,916,854	1,700,419	5,216,435
Later than one year and not later than five years	9,262,620	522,807	8,739,813	11,348,942	1,203,584	10,145,358
	<b>13,865,246</b>	<b>1,232,154</b>	<b>12,633,092</b>	<b>18,265,796</b>	<b>2,904,003</b>	<b>15,361,793</b>

Rentals are payable in monthly as well as quarterly installments. The group companies have the right to exercise purchase option at the end of the lease term. Financing rate of 8% to 18% (2003: 14% to 18.5%) per annum has been used as a discounting factor.

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	<b>Approved Limit</b>	<b>Note</b>	<b>2004</b>	<b>2003</b>
	<b>Rupees</b>		<b>Rupees</b>	<b>Rupees</b>
<b>17 SHORT TERM RUNNING FINANCE - SECURED</b>				
Prime Commercial Bank Limited			-	15,000,000
KASB Bank Limited	100,000,000	17.1	<b>66,973,597</b>	
Payable on account of Morabaha facility with Faysal Bank Ltd.	40,000,000	17.2	<b>40,000,000</b>	40,000,000
PICIC Commercial Bank Limited			-	1,798,116
Obtained in Bangladesh			<b>133,185</b>	-
Obtained in Sri Lanka			9,663,290	13,946,363
			<b>116,770,072</b>	<b>70,744,479</b>

**17.1** FCEL, a subsidiary company, had a running finance facility of Rs-100 million against shares of listed companies under mark up arrangement. The markup rate is 6% per annum payable on quarterly basis.

**17.2** The parent company also has a Morabaha facility that carries markup @ 7%-11%(2003: 11%) per annum and is secured against pledge of shares of associated company and mortgage of three shops at Pace building Lahore.

**18 SECURITIES SOLD UNDER RE-PURCHASE AGREEMENTS**

Represents the sale price of certain listed equity securities sold to Khadim Ali Shah Bukhari Securities 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 on the period of the contract in the books of accounts as cost on repo transactions. The market value of securities pledged as at 30 June 2004 amounted to Rs. 143 million.

	<b>Note</b>	<b>2004</b>	<b>2003</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>19 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Sundry creditors		<b>5,203,745</b>	132,948,131
Payable to associated companies	19.1	<b>11,338,191</b>	63,223,574
Payable against sale of shares on behalf of:			
Clients		<b>359,111,858</b>	70,542,801
Members		<b>7,403,650</b>	267,813
Accrued expenses		<b>8,037,116</b>	6,898,915
Tax deducted at source		<b>437,251</b>	623,054
Mark up accrued on short term finances-secured		<b>9,082,987</b>	806,044
Other payables		<b>13,585,454</b>	6,009,921
		<b>414,200,252</b>	<b>281,320,253</b>

**19.1 Payable to associated companies**

WorldCALL Communications Limited	<b>11,338,191</b>	15,536,527
WorldCALL Multimedia Limited	-	155,081
WorldCALL Internet Solutions (Private) Limited	-	47,392,805
Shaheen Insurance Company Limited	-	139,160
	<b>11,338,191</b>	<b>63,223,573</b>

19.1.1. These are unsecured and carry mark-up @ 14% (2003: ranging from 14 to 18%) p.a.



**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	Note	2004	2003
		Rupees	Rupees
<b>20 DEFERRED LIABILITY FOR STAFF RETIREMENT GRATUITY</b>			
Present value of obligation		<b>8,542,858</b>	8,108,183
Unrecognized actuarial gains/unrecognized additional liability		<b>844,295</b>	400,031
Liability recognized in balance sheet		<b>9,387,153</b>	<b>8,508,214</b>
Net liability at the beginning of the year		<b>8,508,214</b>	6,168,356
Net expense		<b>2,408,119</b>	4,004,369
Benefits paid		<b>(1,529,180)</b>	(1,664,511)
Net liability at the end of the year		<b>9,387,153</b>	<b>8,508,214</b>
The amount recognized in the profit and loss account is made up as follows:			
Current service cost		<b>1,931,594</b>	3,150,378
Interest cost		<b>454,963</b>	744,506
Liability charged due to application of current ISA-19		<b>21,561</b>	109,486
Total		<b>2,408,118</b>	4,004,370
Less: Expense taken in CWIP by Media Times (Pvt) Limited		-	(1,293,869)
Total amount charged to income		<b>2,408,118</b>	<b>2,710,501</b>

**21 CONTINGENCIES AND COMMITMENTS**

**21.1 First Capital Securities Corporation Limited**

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

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

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

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

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

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

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

**21.2 First Capital Equities Limited**

**21.2.1** During the year 2000 certain clients of the company defaulted on their obligations. ABN AMRO Asia Limited Hong Kong (ABN AMRO), major shareholder of the company at that time, arranged for the requisite financing and assumed the open positions and obligations of the defaulting clients. The loans so arranged by ABN AMRO were secured specifically against the amounts recoverable from these defaulting clients and were repayable only through amounts recovered from such defaulting clients. These loans were interest free and exchange risk had been assumed by ABN AMRO pursuant to the loan agreement signed between the company and ABN AMRO. Accordingly the company had set off these loans and such recoverable amounts. The company had initiated cases against the defaulting clients for the recovery of amounts due from them. The defaulting clients has made a counter claim in the said proceedings. The eventual outcome of these cases or counter claims is uncertain at this stage.

**21.2.2** The company has agreed to indemnify ABN AMRO, its directors and affiliates from any or all claims which may be finalized against the company except for those mentioned in note 21.2.1. The existence and magnitude of any such claims other than mentioned in these accounts, are not presently known.

**21.2.3** Members of Karachi Stock Exchange Mr. Aslam Motiwala and Mr. Sultan Ahmed Zikria have lodged claim of Rs. 187.530 million in arbitration proceedings before the Karachi Stock Exchange and a similar claim before the High Court of Sind relating to the same causes of actions. The company has denied the claims on factual and legal grounds. The final outcome of the matter remains uncertain at this point of time. However, the company is confident of an eventual outcome in its favor.

**21.2.4** The Income Tax Authorities have reopened the assessments of the assessment years 1998-99 and 1999-2000 u/s 66 A of the Income Tax Ordinance 1979 and assessed a tax demand of Rs. 10.08 million by allocating expenditure against capital gains. The Commissioner of Income Tax (Appeals) has finalized the appeal of the assessment year 2000-2001 by partially setting aside the appeal of the assessee on allocation of expenditure to exempt income i.e. capital gains and tax demand comes to Rs. 7.25 million. The company has filed appeals in the Income Tax Appellate Tribunal (ITAT) for above mentioned years. The Income Tax Authorities have also finalized the assessment for the assessment years 2001-2002 by allocating expenditure against capital gains and determined a refund of Rs. 530,345/-. The Income Tax Authorities have also imposed additional tax and penalties u/s 52, 88, and 89 of the Income Tax Ordinance 1979 and assessed tax demand of Rs. 1.26 million for the assessment years 1998-99 to 2001-2002. The company has filed appeals before the Commissioner of Income Tax (Appeals). The management is hopeful for the favourable outcome in the appeals.

**21.2.5** Mr. Asad Ullah Sajid has filed petition with the Securities and Exchange Commission of Pakistan (SECP) against FCEL for refund of deposit worth of Rs. 590,740/- deposited for purchase of shares on his behalf.

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**21.3 World Press (Private) Limited**

**Commitments**

The company entered into an a contract with Pakistan Telecommunications Limited for printing of 5 million calling cards.

**22 SHARE CAPITAL**

		<u>2004</u>	<u>2003</u>
		Rupees	Rupees
<u>2004</u>	<u>2003</u>		
<b>19,400,000</b>	19,400,000	Ordinary shares of Rs. 10/- each fully paid in cash	194,000,000
<b>27,512,576</b>	14,594,620	Ordinary shares of Rs. 10/- each issued as bonus shares	145,946,200
<b>46,912,576</b>	<b>33,994,620</b>		<b>339,946,200</b>

**22.1** WorldCALL Communications Limited held 742,164 shares ( 2003: 537,800 shares) with a percentage holding of 1.58% (2003: 0.34% holding) at the year end.

<b>23 REVENUE</b>	<u>Note</u>	<u>2004</u>	<u>2003</u>
		Rupees	Rupees
Financial consultancy fee		<b>6,000,000</b>	12,248,720
Dividend income		<b>4,507,229</b>	3,204,278
Money market income		<b>17,030,964</b>	10,701,420
Capital gains-net		<b>99,936,561</b>	15,676,641
Investment advisory fee from First Capital Mutual Fund Limited		<b>2,148,637</b>	1,905,571
Brokerage income		<b>173,997,905</b>	118,072,838
Revenue from printing		<b>9,890,413</b>	-
Gain on disposal of investment property		<b>1,000,500</b>	7,687,500
Net Rental income from investment property		<b>5,287,244</b>	4,461,258
		<b>319,799,453</b>	<b>173,958,226</b>

**24 DIRECT COSTS**

Material consumed		<b>2,226,953</b>	-
Direct labour and salaries		<b>1,937,825</b>	-
Folding and binding costs		<b>744,861</b>	-
Electricity consumed		<b>121,909</b>	-
Stores and general items consumed		<b>1,209,186</b>	-
Rent, rates and taxes		<b>177,946</b>	-
Insurance		<b>27,480</b>	-
Repair and maintenance		<b>183,638</b>	-
Vehicle running and maintenance		<b>107,081</b>	-
Mess and staff refreshment charges		<b>121,258</b>	-
Computer consumables		<b>102,158</b>	-
Depreciation	4.1	<b>545,894</b>	-
		<b>7,506,189</b>	-

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

	<u>Note</u>	<u>2004</u> Rupees	<u>2003</u> Rupees
<b>25 OPERATING COSTS</b>			
Salaries, wages and benefits		<b>58,273,243</b>	40,473,209
Chief Executive's Remuneration		<b>2,111,946</b>	1,947,939
Directors' Remuneration		<b>10,616,155</b>	2,707,334
Rent, rates and taxes		<b>4,218,594</b>	3,715,787
Telephone, fax, etc.		<b>10,304,533</b>	7,964,766
Utilities		<b>3,010,607</b>	3,458,823
Insurance		<b>1,237,587</b>	662,192
Printing and stationery		<b>3,041,766</b>	2,771,805
Travelling and conveyance		<b>4,835,015</b>	2,748,660
Repairs and maintenance		<b>3,778,866</b>	3,327,054
Postage, courier etc.		<b>1,296,266</b>	956,363
Vehicle running expenses		<b>1,442,871</b>	628,738
News papers and periodicals		<b>154,656</b>	163,103
Entertainment		<b>2,211,352</b>	2,022,625
Legal and professional charges		<b>9,043,316</b>	6,319,726
Carriage charges		<b>2,007</b>	-
Gratuity		<b>2,408,118</b>	2,710,501
Other office expenses		<b>2,088,551</b>	1,520,239
Advertisement		<b>506,935</b>	541,153
Bad debts written off		<b>611,804</b>	-
Payment to National Accountability Bureau		<b>10,000,000</b>	-
Provision for doubtful / bad debts		<b>1,270,462</b>	8,300,663
Zakat		<b>167</b>	6,695
Stock exchange charges		<b>18,712,329</b>	8,158,464
Fees and subscriptions		<b>951,881</b>	278,037
Auditors' remuneration	<b>25.1</b>	<b>1,809,286</b>	1,497,555
Donations	<b>25.2</b>	<b>91,500</b>	52,475
Depreciation	<b>4.1</b>	<b>10,164,516</b>	6,575,441
Amortization of deferred and pre-operating expenses		<b>3,013</b>	-
Lanka Securities business expenses		<b>20,009,459</b>	13,484,843
Tenderable gain paid		-	7,715,500
		<b><u>184,206,801</u></b>	<b><u>130,709,690</u></b>

**25.1 Auditors' remuneration**

	<b>Auditors of holding company RUPEES</b>	<b>Auditors of subsidiary companies RUPEES</b>	<b><u>2004</u> RUPEES</b>	<b><u>2003</u> RUPEES</b>
Annual audit Fee	300,000	433,679	<b>733,679</b>	561,855
Fee for audit of consolidated accounts	300,000	-	<b>300,000</b>	300,000
Half yearly review	100,000	-	<b>100,000</b>	-
Other certifications	378,000	111,600	<b>489,600</b>	465,000
Out of pocket expenses	172,200	13,807	<b>186,007</b>	170,700
	<b><u>1,250,200</u></b>	<b><u>559,086</u></b>	<b><u>1,809,286</u></b>	<b><u>1,497,555</u></b>

**25.2** The directors or their spouses do not have any interest in any donor fund to which donations were made.

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

		<u>Note</u>	<u>2004</u>	<u>2003</u>
<b>26 OTHER INCOME</b>			<b>Rupees</b>	<b>Rupees</b>
Interest income			<b>5,114,532</b>	5,649,218
Dividend Income			<b>1,944,481</b>	14,110,062
Mark up on advances given to associated companies			<b>1,847,083</b>	4,182,708
Exchange loss			<b>(68,795)</b>	(145,748)
Provisions for bad debts written back			-	2,107,449
Service charges			<b>1,505,000</b>	2,460,000
(Loss)/gain on fixed assets disposed off		<b>4.2</b>	<b>(7,540,943)</b>	3,115,311
Commission received			-	301,111
Others			<b>1,026,970</b>	1,645,387
			<b><u>3,828,328</u></b>	<b><u>33,425,498</u></b>
<b>27 FINANCIAL CHARGES</b>				
Markup on short term running finances			<b>1,981,437</b>	30,994
Markup on borrowings from associated companies			<b>992,398</b>	601,606
Mark up on repurchase agreement			<b>7,180,572</b>	2,182,949
Mark up on Morabaha finance			<b>3,374,821</b>	1,920,809
Finance charge on leased assets			<b>224,411</b>	356,719
Bank charges and commission			<b>1,154,884</b>	564,068
			<b><u>14,908,523</u></b>	<b><u>6,257,145</u></b>

**28. PROVISION FOR TAXATION**

	<b>First Capital Securities Corporation Limited</b>	<b>First Capital Associates (Private) Limited</b>	<b>First Capital Investments Limited</b>	<b>Lanka Securities (Private) Limited</b>	<b>WorldPress (Private) Limited</b>	<b>First Capital Equities Limited</b>	<b>2004</b>	<b>2003</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>This is made up as follows</b>								
Current	598,054	-	385,743	7,811,294	70,624	2,588,924	<b>11,454,639</b>	3,094,394
Prior year's	5,100,000	-	(3,843)	-	-	-	<b>5,096,157</b>	242,249
Deferred	-	(31,175)	(32,706)	633,987	(57,137)	(940,165)	<b>(427,196)</b>	(991,487)
	<b>5,698,054</b>	<b>(31,175)</b>	<b>349,194</b>	<b>8,445,281</b>	<b>13,487</b>	<b>1,648,759</b>	<b><u>16,123,600</u></b>	<b><u>2,345,156</u></b>

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

The parent company's assessments have been finalized up to the Tax year 2003. The tax authorities re-opened the assessment for the assessment year 1995-1996 under section 66-A of the Income Tax Ordinance, 1979 and assessed a tax demand of Rs.4.6 million by allocating expenditure against capital gains exempt from 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 u/s 89, was created. Company has appealed to the High court against the ITAT decision on this issue.

Based on the ITAT decision for the assessment year 1995-96 the Tax Authorities reopened the proceedings for the assessment year 1996-97 which is set a side by the CIT (Appeals). Subsequently based on previous years, tax authorities also reopened the assessment years 1997-98 and 1998-99 and raised a tax demand of Rs.18.5 million against which the company filed appeal in ("ITAT") and ITAT has accepted the parent company appeal. Based on reopening u/s 66-A, DCIT also assessed the assessment years 1999-2000 to 2002-2003 by allocating expenses to capital gain. The Company has filed appeals in CIT (Appeals) against these orders. During the year the DCIT passed rectification order u/s 221 of the Income Tax Ordinance, 2001 for the assessment year 2000-2001 to 2002-2003 creating tax demands 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. Provision has not been made in accounts for these tax demands.

The management is hopeful of favorable outcomes of its appeals.

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004****Deferred tax**

The parent company has a deferred tax debit amounting to Rs. 9,105,325 (2003: Rs.7,402,135). 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.

**29. CASH AND CASH EQUIVALENTS**

These are made up as follows:

	<u>2004</u>	<u>2003</u>
	<b>Rupees</b>	<b>Rupees</b>
Cash in hand	41,467	96,783
Bank balances	148,003,686	54,554,784
Short term running finance	<u>(9,796,475)</u>	<u>(30,744,479)</u>
	<u>138,248,678</u>	<u>23,907,088</u>

**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**30 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, staff retirement fund, directors and key management personnel. The nature of relationship with associated companies is explained in note 5. Balances with related parties are shown elsewhere in the accounts. The transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	Associated and subsidiaries										2004 Total	2003 Total	
	First Capital Mutual Fund Limited	Media Times (Pvt.) Limited	Total Media Limited	WorldCALL Communications Limited	WorldCALL Multimedia Limited	WorldCALL Broad Band Limited	WorldCALL Telecom Limited	WorldCALL Internet Solution Limited	Pace (Pakistan) Limited	Pace Super Mall (Pvt.) Limited			Shahben Insurance Company Limited
Brokerage income	290,203	-	-	-	-	-	-	-	-	-	-	290,203	456,360
Sale	-	-	-	-	-	-	-	-	-	-	-	-	258,152,750
Purchase	-	-	-	-	-	-	-	-	-	-	-	-	315,474,565
Payments for / against current accounts	-	104,327,516	181,185	4,550,434	80,701	42,550,126	-	-	-	-	-	151,689,962	47,909,497
Fixed assets sold	-	-	-	-	-	-	-	-	-	-	-	-	764,672
Investment in associated undertakings	-	-	-	-	-	52,500,000	-	101,074,950	48,574,950	-	-	101,074,950	215,305,513
Consulancy fees charged	-	-	-	-	-	6,000,000	-	-	-	-	-	6,000,000	12,248,720
Mark up income	-	-	-	-	-	720,932	134,055	-	-	-	992,096	1,847,083	4,779,233
Mark up charged	-	-	-	992,398	-	-	-	-	-	-	-	992,398	596,525
Dividend from associated companies	-	-	-	-	-	-	-	-	-	-	281,960	281,960	5,016,453
Insurance premium	-	-	-	-	-	-	-	-	-	-	202,056	202,056	191,443
Insurance claim	-	-	-	-	-	-	-	-	-	-	102,491	102,491	-
Service charges paid to associated companies	-	-	-	-	-	-	-	-	2,224,368	-	-	2,224,368	2,057,710
Investment advisory fees received	2,038,386	-	-	-	-	-	-	-	-	-	-	2,038,386	1,616,618
Investment advisory fee charged	2,148,637	-	-	-	-	-	-	-	-	-	-	2,148,637	1,905,571
Sales of Goods/Services	112,267	2,556,026	43,556	8,281,423	1,180,046	1,359,420	-	5,924	18,859	-	-	13,557,521	-
Group pool expenses	-	-	-	-	-	-	-	-	-	-	-	-	1,542,801
Commission paid	-	-	-	-	-	-	-	-	-	-	-	-	456,360

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

**31. EARNING PER SHARE**

**Basic**

Net profit for the year - Rupees

Average ordinary shares outstanding - Numbers

Earnings per share- Rupees

	2004 Rupees	2003 Rupees
Net profit for the year - Rupees	95,434,717	165,679,643
Average ordinary shares outstanding - Numbers	<u>46,912,576</u>	<u>46,912,576</u>
Earnings per share- Rupees	<u>2.03</u>	<u>3.53</u>

# FIRST CAPITAL SECURITIES CORPORATION LIMITED

## NOTES TO THE CONSOLIDATED ACCOUNTS FOR THE YEAR ENDED 30 JUNE 2004

### 32. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

#### 32.1 INTEREST RATE RISK EXPOSURE

Information about the company's exposure to interest rate risk based on contractual refinancing and maturity dates, which ever is earlier, is as follows:

	2004				
	Interest bearing			Non interest bearing	Total
	Less than one month	One month to one year	One year and above		
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Financial Assets</b>					
Long term deposits	-	-	-	7,223,741	7,223,741
Marketable securities	-	-	-	273,632,990	273,632,990
Advances, deposits and other receivables	-	67,729,149	-	15,200,892	82,930,041
Accounts receivables	-	-	-	349,736,201	349,736,201
Cash and bank balances	116,996,034	-	-	31,049,119	148,045,153
	<u>116,996,034</u>	<u>67,729,149</u>	<u>-</u>	<u>676,842,943</u>	<u>861,568,126</u>
<b>Financial Liabilities</b>					
Obligations under finance leases	-	3,893,279	8,739,813	-	12,633,092
Short term borrowings	-	116,770,072	-	-	116,770,072
Creditors, accrued and other liabilities	-	11,338,191	-	402,862,061	414,200,252
Securities sold under re-purchase agreements	-	110,676,990	-	-	110,676,990
Unclaimed dividend	-	-	-	1,912,546	1,912,546
	<u>-</u>	<u>242,678,532</u>	<u>8,739,813</u>	<u>404,774,607</u>	<u>656,192,952</u>
<b>On balance sheet gap</b>	<u><b>116,996,034</b></u>	<u><b>(174,949,383)</b></u>	<u><b>(8,739,813)</b></u>	<u><b>272,068,336</b></u>	<u><b>205,375,174</b></u>
<b>2003</b>					
	Interest bearing			Non interest bearing	Total
	Less than one month	One month to one year	One year and above		
	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Financial Assets</b>					
Long term deposits	-	-	-	7,893,120	7,893,120
Marketable securities	-	-	-	122,234,220	122,234,220
Advances, deposits and other receivables	-	-	-	67,213,699	67,213,699
Accounts receivables	-	-	-	260,199,270	260,199,270
Cash and bank balances	33,574,635	-	-	21,076,932	54,651,567
	<u>33,574,635</u>	<u>-</u>	<u>-</u>	<u>478,617,241</u>	<u>512,191,876</u>
<b>Financial Liabilities</b>					
Obligations under finance leases	-	5,207,435	10,145,358	-	15,352,793
Short term borrowings	-	70,744,479	-	-	70,744,479
Creditors, accrued and other liabilities	7,521,969	77,626,580	-	132,948,131	218,096,680
Securities sold under re-purchase agreements	-	50,676,990	-	-	50,676,990
Unclaimed dividend	-	-	-	13,345,566	13,345,566
	<u>7,521,969</u>	<u>204,255,484</u>	<u>10,145,358</u>	<u>146,293,697</u>	<u>368,216,508</u>
<b>On balance sheet gap</b>	<u><b>26,052,666</b></u>	<u><b>(204,255,484)</b></u>	<u><b>(10,145,358)</b></u>	<u><b>332,323,544</b></u>	<u><b>143,975,368</b></u>
				<b>2004</b>	<b>2003</b>
				%	%
<b>Effective interest rates:</b>					
Advances to associated companies				13.5-14.5	14-19
Cash and bank balances				1-7	1-7
Obligations under finance leases				8.5-17	16-18.5
Short term running finances				6-13.5	8.5-17.5
Advances from associated companies				14-14.5	14-18.5



**NOTES TO THE CONSOLIDATED ACCOUNTS  
FOR THE YEAR ENDED 30 JUNE 2004**

**32.2 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

**32.3 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.

**32.4 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.

**32.5 FAIR VALUE OF FINANCIAL STATEMENTS**

Carrying value of all financial instruments reflected in the financial statements approximate their fair values except for investments in associates, Refer note 7.

**33 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	
	2004	2003	2004	2003	2004	2003
Total Number	1	1	6	16	48	48
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	1,310,000	680,000	3,339,225	1,478,000	13,653,618	12,485,391
Medical expenses	211,511	115,354	373,249	154,334	1,016,208	749,222
Utilities	948,435	880,585	247,600	147,800	495,558	479,852
House rent	272,000	272,000	990,400	591,200	1,982,231	1,919,409
Provision for gratuity	-	-	5,691,943	-	721,410	-
Others	-	-	-	336,000	9,923,407	9,099,991
	2,741,946	1,947,939	10,642,417	2,707,334	27,792,432	24,733,865

Chief Executive, Directors and certain Executive are also provided company maintained cars. No fees were paid to any Director for attending Board and Audit Committee meetings.

**34 NUMBER OF EMPLOYEES**

The total number of employees at the year end was 195 ( 2003: 324)

**35 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 of
(Name) (Address)

being the member(s) of First Capital Securities Corporation Limited hereby appoint Mr. / Mrs. /

Miss of of
(Name) (Address)

or failing him / her / Mr. / Mrs. / Miss. of 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 30 October 2004 at 12:30 p.m. and at any adjournment thereof.

Signature this Day of 2004

(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.

