



**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.

**C O N T E N T S**

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**FINANCIAL STATEMENTS  
FOR THE YEAR ENDED  
30 JUNE 2006**

## Company Information

<b>Board of Directors</b>	Salmaan Taseer ( <i>Chairman &amp; Chief Executive Officer</i> ) Aamna Taseer Sulieman Ahmed Said Al-Hoqani Sardar Ali Wattoo Jamal Said Al-Ojaili Khawaja Khalil Shah Syed Kashan Kazmi
<b>Chief Financial Officer</b>	Syed Kashan Kazmi
<b>Audit Committee</b>	Sardar Ali Wattoo (Chairman) Aamna Taseer Khawaja Khalil Shah
<b>Company Secretary</b>	Mohammad Naeem Sheikh
<b>Auditors</b>	KPMG Taseer Hadi & Co., Chartered Accountants
<b>Legal Advisers</b>	Rehman Saleem & Tarar Advocates
<b>Bankers</b>	Bank Alfalah Limited Citi Bank N.A. Faysal Bank Limited PICIC Commercial Bank Limited Prime Commercial Bank Limited Standard Chartered Bank
<b>Registrar and Shares Transfer Office</b>	THK Associates (Pvt.) Limited Ground Floor State Life Building No.3, Dr. Zia-ud-Din Ahmed Road Karachi (021) 111-000-322
<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 13<sup>th</sup> Annual General Meeting of the Shareholders of First Capital Securities Corporation Limited ("the Company") will be held on Tuesday, 31 October 2006 at 11:30am 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 26 September 2006;
2. To approve as recommended by the Board of Directors, issue of bonus shares in the proportion of thirty five (35) bonus shares for every one hundred (100) shares held i.e. 35%.
3. To receive, consider and adopt the financial statements of the Company for the year ended 30 June 2006 together with the Directors' and Auditors' reports thereon;
4. To appoint the Auditors of the Company for the year ending 30 June 2007 and to fix their remuneration.

#### Special Business:

5. To consider and if deemed fit, pass the following "Special Resolutions" with or without modification(s):

**"RESOLVED THAT** the Chief Executive of the Company be and is hereby authorized to take all necessary steps to make long term investment upto Rs. 20.00 million in the share capital of Pace Barka Properties Limited ("Pace Barka") in accordance with the provisions of section 208 of the Companies Ordinance, 1984 and to disinvest as and when considered appropriate."

**"RESOLVED FURTHER THAT** till the time the investment in Pace Barka is not translated into share capital, mark-up shall be charged on the investment in Pace Barka at the rate which shall not be less than the borrowing cost of the Company in accordance with the criteria laid down in Section 208 of the Companies Ordinance, 1984. The mark up shall be charged on quarterly basis and paid to the Company within one month of the close of the quarter, if allowed by the cash flows of Pace Barka. In case it is not paid by Pace Barka within one month of the close of quarter, then the mark up shall be automatically settled after one month by adding the same in the principal for calculation of mark-up for the next quarter. The total outstanding amount (including principal and any mark-up/expenses added in the same) from Pace Barka shall be treated for the purpose of translation into share capital of Pace Barka as and when required."

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

6. To consider and if thought fit, approve the increase in Authorized Share Capital of the Company and to pass the following "Special Resolutions" with or without modification(s):

**"RESOLVED THAT** the Authorized Capital of the Company be and is hereby increased from Rs. 1,300,000,000/- divided into 130,000,000 ordinary shares of Rs. 10/- each to Rs. 1,600,000,000/- divided into 160,000,000 ordinary shares of Rs. 10/- each and the words and figures in Clause V of the Memorandum of Association and Clause 4 of the Articles of Association of the Company be and are hereby amended accordingly."

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**FIRST CAPITAL SECURITIES CORPORATION LIMITED**

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**“RESOLVED FURTHER THAT** the Chief Executive and/or the Company Secretary of the Company be and hereby authorized to complete all the necessary corporate and legal formalities in respect of the above.”

By order of the Board

Mohammad Naeem Sheikh  
Company Secretary

Lahore:  
09 October 2006

Notes:

- 1) The register of members will remain closed from 24 October 2006 to 31 October 2006 (both days inclusive). Transfer received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmad Road, Karachi the Registrar and Shares Transfer Office of the Company, by the close of business on 23 October 2006 will be treated in time for the purpose of determining the entitlement of Bonus Issue and Annual General Meeting.
- 2) A member eligible to attend and vote at the meeting may appoint another member as a proxy to attend and vote in the meeting. In order to be effective, proxies must be received by the Company at the Registered Office not later than 48 hours before the time for holding the meeting.
- 3) In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power of attorney, must be deposited at the registered office of the Company, 103-C/II, Gulberg-III, Lahore, not less than 48 hours before the time of the meeting.
- 4)
  - a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original NIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen signatures of nominees shall be produced (unless provided earlier) at the time of meeting.
  - b) For appointing of proxies, the individual beneficial owners of CDC shall submit the proxy form as per above requirement along with participant ID and account/sub-account number together with attested copy of their NIC or Passport. The proxy form shall be witnessed by two witnesses with their names, addresses and NIC numbers. The proxy shall produce his/her original NIC or Passport at the time of meeting. In case of Corporate entity, resolution of the Board of Director/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.
- 5) Members are requested to notify any changes, if any, in their registered address immediately.

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

**Pace Barka Properties Limited**

Pace Barka Properties Limited (“Pace Barka”) was incorporated on 22 November 2005. The main objectives of Pace Barka are to acquire/purchase, construct and develop properties, hotels, shopping malls, apartment buildings, office blocks, commercial buildings, etc. and sales and management thereof.

Pace Barka is mainly a joint venture between Barka Hotels Muscat, Sultanate of Oman/Mr. Sulieman Ahmed Said Al-Hoqani, and Pace (Pakistan) Limited. The capital structure also include other potential investors. Pace Barka is undertaking the construction of a multipurpose complex comprising a grand luxury hotel, shopping mall, apartment blocks and office blocks over an area of approximately 183,000 square feet (40.7 kanals) located at junction of airport access road and Defence road near Allama Iqbal International Airport, Lahore, Cantt.

The total cost of the project is estimated to be around Rs. 5,782 million which will be financed through equity of Rs. 1,000 million, debt of Rs. 900 million, Musharakah financing of Rs. 200 million and balance through internal cash generation in the form of advance from sale of property which shall be developed. It is expected that equity of Rs. 1,000 million would be contributed upto 48.00% by Barka Hotels Muscat/Mr. Sulieman Ahmed Said Al-Hoqani, upto 30.00% by Pace (Pakistan) Limited, upto 10.00% by a high net worth Individual and balance upto 12.00% is earmarked for other potential investors. The Company's investment shall be around 2% of the total expected paid up capital of Pace Barka. The tentative terms and conditions for debt financing have been finalized with a consortium of banks and terms and conditions for Musharakah financing has also been finalized. The Company intends to make long term investment in the share capital of Pace Barka up to Rs. 20.00 million at a price of Rs. 10/- per ordinary share. The funds given to Pace Barka shall be used for working capital or any other requirements of Pace Barka. There shall be no collateral since Pace Barka shall be managed by Pace (Pakistan) Limited which is in turn managed by the Company. Till the time the investment in Pace Barka is not translated into share capital, mark-up shall be charged on the investment in Pace Barka at the rate which shall not be less then the borrowing cost of the Company in accordance with the criteria laid down in Section 208 of the Companies Ordinance, 1984. The mark up shall be charged on quarterly basis and paid to the Company within one month of the close of the quarter, if allowed by the cash flows of Pace Barka. In case it is not paid by Pace Barka within one month of the close of quarter, then the mark up shall be automatically settled after one month by adding the same in the principal for calculation of mark-up for the next quarter. The total outstanding amount (including principal and any mark-up/expenses added in the same) from Pace Barka shall be treated for the purpose of translation into share capital of Pace Barka as and when required. The land for the project valued Rs. 1,068.50 million has been acquired from the Ministry of Defence.

The construction of project undertaken by Pace Barka is being supervised by reputed national and international architects and construction firms. Professional management is being hired for operations and management of the hotel and complex. The shops/apartments, office blocks etc. will be sold out to potential buyers, whereas, management of the complex would remain with Pace Barka. For running the hotel project a franchise arrangement or management contract is being signed with one of the leading hotel Brands. It is expected that shopping mall, apartments and office block will be sold out around a span of 3 years and sale proceeds completely realized by year 4.

**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 Annual General Meeting of the Company to be held on 31 October 2006.

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

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

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FIRST CAPITAL SECURITIES CORPORATION LIMITED

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Following are material facts about the proposed Special Resolutions:

(i)	<b>Name of the investee company;</b>	<b>Pace Barka Properties Limited (“Pace Barka”)</b>
(ii)	<b>Nature, amount and extent of investment</b>	Long term investment in the share capital of Pace Barka upto Rs. 20.00 million. Till the time the investment in Pace Barka is not translated into share capital, mark-up shall be charged on the investment in Pace Barka at the rate which shall not be less than the borrowing cost of the Company in accordance with the criteria laid down in Section 208 of the Companies Ordinance, 1984. The mark up shall be charged on quarterly basis and paid to the Company within one month of the close of the quarter, if allowed by the cash flows of Pace Barka. In case it is not paid by Pace Barka within one month of the close of quarter, then the mark up shall be automatically settled after one month by adding the same in the principal for calculation of mark-up for the next quarter. The total outstanding amount (including principal and any mark-up/expenses added in the same) from Pace Barka shall be treated for the purpose of translation into share capital of Pace Barka as and when required.
(iii)	<b>Average market price of the shares intended to be purchased during preceding six months in case of listed companies;</b>	Not applicable. Pace Barka is an unlisted company which was incorporated in 22 November 2005.
(iv)	<b>Break-up value of shares intended to be purchased on the basis of last published financial statements;</b>	Rs. 10/- per share based on audited accounts for the period ended 30 April 2006.
(v)	<b>Price at which shares will be purchased;</b>	Rs. 10/- per share
(vi)	<b>Earning per share of the investee company in last three years;</b>	Not applicable. Pace Barka has not yet started Commercial operations.
(vii)	<b>Source of funds from where shares will be purchased;</b>	Available cash resources, future internal cash generation from the operations of the Company.
(viii)	<b>Period for which investment will be made;</b>	As a long term investment.
(ix)	<b>Purpose of investment;</b>	The development/construction of multipurpose complex comprising of a grand luxury hotel, shopping mall, apartment blocks and office blocks in Lahore on a prime location at junction of Airport access road and Defence Road near Allama Iqbal International Airport, Lahore, Cantt..



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|---|---|
| (x) <b>Benefits likely to accrue to the company and the Shareholders from the proposed investments;</b> | Utilization of the Company's available cash resources for better future returns to shareholders. The Company expects to earn substantial dividends and capital gains on the proposed investment and all the benefits that accrued to Pace Barka on its operations 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 investee 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 OF THE COMPANY**

In order to facilitate the allotment of 35% bonus shares as recommended by the Board of Directors in their meeting held on 09 October 2006, it is necessary to increase the Authorized Share Capital of the Company. As per recommendations of the Board of Directors, the Authorized Share Capital of the Company be increased from Rs. 1,300,000,000/- to Rs. 1,600,000,000/-. This increase in capital will also necessitate amendments in clause V of the Memorandum of Association and in clause 4 of the Articles of Association of the Company accordingly and after the proposed amendment will be read as under:

### **Clause V of the Memorandum of Association of the Company**

The Authorized Capital of the company is Rs. 1,600,000,000/- (Rupees One Billion and Six hundred million only) divided into 160,000,000/- (One hundred Sixty million only) ordinary shares of Rs. 10/- each. The Company shall have the power to increase, reduce, consolidate or re-organize the said Capital and to divide the shares capital into several classes in accordance with the provisions of the Companies Ordinance 1984.

### **Clause 4 of the Articles of Association of the Company**

The Authorized Capital of the company is Rs. 1,600,000,000/- (Rupees One Billion and Six hundred million only) divided into 160,000,000/- (One hundred Sixty million only) ordinary shares of Rs. 10/- each.

## **INSPECTION OF DOCUMENTS**

Copies of Memorandum and Articles of Association, Companies Ordinance, 1984, recent annual accounts along with all published or otherwise required accounts of all prior periods of the Company and the investee company as may be applicable in each case along with financial projections of the investee company including the Company and other related information of the companies may be inspected/procured 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 (IF ANY)**

The Directors of the Company and their relatives (if any) are interested to the extent of their shareholdings as

Name of Director/CEO	As at 30 June 2006		As at 30 June 2006	
	Status in the Company	Shares in the Company	Status in Pace Barka	Shares in Pace Barka
1. Salmaan Taseer	CEO/Dir.	930,764	CEO/Dir.	500
2. Aamna Taseer	Director	517,123	-	-
3. Sulieman Ahmed Said Al - Hoqani	Director	42,079,210	Director	500
4. Sardar Ali Wattoo	Director	500	-	-
5. Jamal Said Al-Ojaili	Director	587	-	-
6. Syed Kashan Kazmi	Director	1,069	-	-
7. Khawaja Khalil Shah (Nominee of Faysal Bank Ltd.)	Director	-	-	-

## CHAIRMAN'S REVIEW

It is a pleasure for me to present the annual report of First Capital Securities Corporation Limited ("FCSC" or the "Company") for the year ended 30 June 2006.

You would be pleased to note that your Company's investments in diversified areas of financial services, telecommunications, property development, and print & media continue to perform well. In addition to posting strong financial results during the period under review, all investee companies were also actively positioning themselves for a strong growth trajectory for the future.

### Financial Businesses

#### **First Capital Equities Limited ("FCEL")**

Even though performance of KSE during the period under review was somewhat crisis-prone, FCEL, however, due to its prudent risk management and proactive actions, managed to virtually insulate itself from any adverse financial impact. FCEL posted 189% higher net profit at PKR 232.66 million (PKR 9.69 per share) while brokerage income earned remained among the highest in the Company's history. FCEL has achieved the status of having the largest branch and share-shop network in the country. Market share in total trades executed in Karachi Stock Exchange has doubled during the past year. FCEL has also declared 50% bonus issue and 50% right issue at a premium of Rs. 5/- per share

#### **Lanka Securities (Pvt.) Limited ("LSL")**

LSL reported brokerage revenue of SLR 83.474 million and net profit SLR 30.901 million during the current year in spite of some political uncertainty prevailing in Sri Lanka. Its future outlook remains stable and management expects performance to improve. LSL declared 30% dividend to its share holders.

#### **First Capital Associates (Pvt.) Limited ("FCAL")**

FCAL reported loss after tax of PKR 0.197 million as compared to PKR 1.632 million gain during the previous year.

### Telecommunication Businesses

#### **Worldcall Telecom Limited ("WTL")**

WTL successfully effected a merger with Worldcall Multimedia Limited ("WML"), Worldcall Broadband Limited ("WBL") and Worldcall Communications Limited ("WCL"), thereby establishing itself as a premier Multi-Service Operator in the Country. Post-merger WTL is among the top 15 companies, listed on KSE, in terms of paid-up capital. It is continuing its tradition of being a pioneer in introducing innovative services to the market by equipping its HFC network to offer Digital Television and Video On Demand in the next few months. It also became the first operator in Pakistan to offer high speed Evolution Data Optimized (EVDO) internet services over its CDMA network. WTL is also aggressively expanding its WLL services to cover new cities, e.g.

Karachi and Hyderabad, in the near future, as it expands its HFC network within new localities in Karachi and Lahore. WTL has announced 15% bonus share for the year ended 30 June 2006.

All divisions of WTL performed well during the year which is reflected in net revenue of PKR 4.359 billion and a net profit after tax of PKR 0.948 billion.

### **Property Businesses**

#### **Pace (Pakistan) Limited (“Pace”)**

With the aim of expanding briskly to ultimately cover cities across Pakistan, Pace is in the process of a public offering of its shares at a premium price; the first for a property development company in the country. This will increase the paid-up capital of Pace to PKR 1.878 billion and bring it to a position where it can replicate its business model, which has been a resounding success in the Lahore market, on a much larger national scale. The revenues and net profits in Pace have shown an increasing trend in the passed recent years. Pace is also actively engaged with a sister company in the development of a premium / five star hotel project with an international prestigious hotel chain, in Lahore which will further add to its brand equity as a new revenue stream emerges.

### **Print & Media Business**

#### **World Press (Pvt.) Limited (“World Press”)**

World Press continues to successfully offer a high quality printing, packaging and publishing capability under one roof to the group companies as well as outside customers. It posted net revenues of PKR 42.993 million and net profit of PKR 9.608 million during fiscal year 2006.

#### **Media Times (Pvt.) Limited (“Media Times”)**

“The Daily Times”, flagship daily publication of Media Times, continues to earn a respected name as a source for reliable news, and insightful comment and analysis. Its base of readers continues to expand. It plans to launch new publications and expand to new cities and towns in the future.

Media Times posted net revenue of PKR 194.374 million and net loss of PKR 24.505 million during the period under review as compared to loss of PKR 31.560 million during the previous year.

As you would have noted, FCSC / Worldcall Group has made important progress towards enhancing its already stable and respectable standing in all four sectors (financial services, telecommunications, property development, and print & media), during the period under review.

I have complete confidence in the competence and commitment of the management of FCSC/Worldcall Group in their ability as they take the Group further on its path of development and growth in the future.

Lahore  
09 October 2006

**Salmaan Taseer**  
Chairman & Chief Executive Officer

## DIRECTORS' REPORT TO THE MEMBERS

The Directors of First Capital Securities Corporation Limited (the “Company” or “FCSC”) are pleased to present before the shareholders the 13<sup>th</sup> annual report together with the Company's audited accounts for the year ended 30 June 2006. .

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

### Operational Results

The operating results of the Company are summarized as follows:

	<b>2006</b>	<b>2005</b>
	<b>Rupees</b>	<b>Rupees</b> (Restated)
Operating revenue (Net)	426,089,828	1,680,394
Operating expenses	(35,273,992)	(42,898,387)
Operating profit / (loss)	390,815,836	(41,217,993)
Other revenues	8,441,228	2,237,437
Finance cost	(22,425,851)	(23,006,210)
Profit / (loss) before taxation	376,831,213	(61,986,766)
Taxation	(466,618)	-
Profit after taxation	376,364,595	(61,986,766)
Interim bonus	-	30.0%
Final bonus	35%	17.5%

The Company maintained steady operational growth during the year and every segment of its operations reported improvement. The Company's after tax profit is Rs. 376 million which translates into EPS of Rs. 3.75. The Company's operating revenues (net) of Rs. 426 million include unrealized gain on re-measurement of securities amounting to Rs. 297 million. The management took advantage of the sharp movements of the stock market and capitalized market opportunities by earning a net capital gain of Rs. 91.57 million which is double as compared to last year. Consultancy business of the Company posted revenues of Rs. 19.13 million. Money market desk reported stable growth by increasing its earnings from Rs. 7.2 million to Rs. 11.34 million. Operating expenses were strictly monitored by the management and a decrease of Rs. 6.5 million was reported during the current year.

During the year, National Accountability Bureau (NAB) again raised a demand of Rs. 10.07 million, which remains un-recovered from various parties involved. The Company has informed NAB that the said amounts are not payable. The Company has also lodged a counter claim for sums paid by the Company to NAB, which were actually siphoned by the employees of WWF and other parties involved. Note 29.1 of the annexed accounts provide further details of the matter.

### **Change in Accounting Policy**

To ensure better and appropriate presentation of financial statements and to comply with the requirements of Companies Ordinance, 1984 and International Accounting Standards, the company has changed its accounting policy as mentioned in note 3.6 during the current year.

### **Future outlook**

The Company's major investments are in equity market, property and telecom sector. These sectors have performed very well in FY 06 and are expected to have further growth in the future. On the telecom front, WorldCALL Telecom Limited (WTL) is commissioning state of the art technology which will allow it to introduce new services like Video on Demand and Digital Television on its HFC network in the very near future. While being the single largest wire-line payphone operator, the company is also aggressively increasing its presence in the wireless payphone segment by installing more wireless payphones which operate on its own WLL network.

Pace (Pakistan) Limited management plans to sustain growth by following a strategy which involves phase-wise expansion of its operations from Lahore to its nearby cities, followed by a nationwide presence in the future. Pace is also going to undertake a landmark five-star hotel project, in association with an internationally established brand, through its sister concern Pace Barka Properties Limited. The financial sector / equity brokerage companies are also targeting consistent growth in profitability and assets base for the future.

### **Key Financial Indicators**

The key financial indicators of the Company's performance for the last seven years (including the current year) are annexed to the report.

### **Payouts for the Shareholders**

The Company announced final bonus shares in proportion of thirty-five (35) bonus shares for every one hundred (100) shares held i.e. 35% fully paid ordinary shares during the year, which shall also be considered as a final bonus issue.

### **Earnings per share**

Earnings per share of the year ended 30 June 2006 was Rs. 3.75 compared to earnings per share of Rs. 0.62 (restated) during the year 2005.

### **Changes in the Board of Directors**

Subsequent to the year end, there has been one change in the Board of Directors' as a result of Election being conducted in the Extraordinary General Meeting of the Company on 26 September 2006. Mr. Sardar Ali Wattoo has been elected as director in place of retiring

director, Mr. Shaan Taseer. At present, seven Directors are serving on the Board of the Company.

### **Code of Corporate Governance**

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

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in the equity.
2. Proper books of account of the Company have been maintained.
3. Appropriate accounting policies have been consistently applied in preparation of the financial statements and accounting estimates are based on reasonable prudent judgment.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements.
5. The system of internal controls is sound in design and has been implemented and effectively monitored.
6. There are no significant doubts upon the Company's ability to continue as going concern.
7. There has been no material departure from the best practices of Corporate Governance as detailed in Listing Regulations.
8. The key financial data of last six years is summarized in the report.
9. There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding and have not been disclosed in annexed accounts.

### **Board Meetings**

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

<b>Directors</b>	<b>Meetings Attended</b>
Salmaan Taseer (Chairman & Chief Executive)	4
Aamna Taseer	3
Sulieman Ahmed Said Al-Hoqani	3
Shaan Taseer (Retired)	3
Jamal Said Al-Ojaili	-
Syed Kashan Kazmi	4
Khawaja Khalil Shah	3

\*Mr. Sardar Ali Wattoo has been elected in place of Mr. Shaan Taseer subsequent to the year.

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

### **Trading of Directors**

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

### **Audit Committee**

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

Sardar Ali Wattoo	Chairman
Aamna Taseer	Member
Khawaja Khalil Shah	Member

### **Auditors**

The present Auditors, Messrs KPMG Taseer Hadi & Co., Chartered Accountants, shall retire and being eligible to offer themselves for re-appointment. The Board of Directors endorse the recommendation of the Audit Committee for the re-appointment of Messrs KPMG Taseer Hadi & Co., Chartered Accountants as the auditors of the Company for the financial year ending 30 June 2007.

### **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. The Chairman's Review also includes review of the Group Companies Operations.

### **Pattern of Shareholdings**

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

### **Acknowledgement**

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

For and on behalf of the Board

Lahore  
09 October 2006

**Salmaan Taseer**  
Chairman & Chief Executive Officer



*Annexure I*

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

Directors	Opening balance as on 01-07-2005	Purchase	Bonus	Sale	Closing balance as on 30-06-2006
Salmaan Taseer (CEO)	157,064	694,360	79,340	-	930,764
Shaan Taseer (Retired)*	30,767	-	5,383	35,650	500
Aamna Taseer	440,105	-	77,018	-	517,123
Sulieaman Ahmed Said Al-Hoqani	35,812,096	-	6,267,114	-	42,079,210
Jamal Said Al-Ojaili	500	-	87	-	587
Syed Kashan Kazmi	910	-	159	-	1,069
Khawaja Khalil Shah (Nominee Director of Faysal Bank Ltd.)	-	-	-	-	-

\*Mr. Sardar Ali Wattoo was elected as director in place of Mr. Shaan Taseer subsequent to year-end. He holds only 500 shares

**Spouses**

- - - - -

**Minor Children**

- - - - -

**Chief Financial Officer**

Syed Kashan Kazmi 910 - - 159 - - 1,069

**Company Secretary**

Mohammad Naeem Sheikh - - - - -

## KEY FINANCIAL DATA FOR LAST 7 YEARS

**FINANCIAL DATA**

**Rupees in Thousands**

	2006	2005	2004	2003	2002	2001	2000
		<i>Restated</i>					
Operating revenue	164,092	61,535	75,514	41,699	47,827	78,735	65,004
Operating expenses	35,274	42,898	45,942	41,899	51,673	29,160	43,085
Operatin profit	128,818	18,637	29,572	(199)	(3,846)	49,575	21,919
Other revenue	8,441	2,237	2,451	5,582	13,318	52,049	13,443
Financial Expenses	22,426	23,006	11,861	5,017	2,666	10,566	8,066
Taxation	-	-	5,698	1,320	3,544	150	663
Profit/(loss) after Taxation	114,834	(2,132)	211,429	165,547	91,153	87,932	26,890
Cash Dividend Final (%)	-	-	-	-	-	10%	-
Bonus Share (%)	35%	47.5%	-	38%	-	-	-

===== FIRST CAPITAL SECURITIES CORPORATION LIMITED =====

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS  
AS AT 30 JUNE 2006**

<b><u>Shareholders' Category</u></b>	<b><u>Number of Shares held</u></b>
<b>Associated Companies, undertaking and related parties</b>	
Worldcall Telecom Limited	1,264,847
<b>NIT and ICP</b>	
National Bank of Pakistan, Trustee Deptt Investment Corporation of Pakistan	2,585,630 4,768
<b>Directors, CEO and their Spouse and Minor Children</b>	
Salmaan Taseer (CEO/Director)	898,264
Aamna Taseer (Director)	517,123
Mr. Shaan Taseer (Retired)*	500
Syed Kashan Kazmi (Director)	1,069
Mr. Jamal Said Al-Ojaili (Director)	587
Sulieman Ahmad Said Al-Hoqani (Director)	42,079,313
Khawaja Khalil Shah (Nominee Director of Faysal Bank Limited)	-
*Sardar Ali Wattoo was elected as director in place of Mr. Shaan Taseer subsequent to year-end.	
<b>Executives</b>	
Mr. Kamil Aziz	1,840
<b>Public Sector Companies and Corporations</b>	1,760,340
<b>Banks Development Financial Institutions, Non-Banking Finance Institutions, Insurance Companies, Modaraba and Mutual Fund etc.</b>	25,782
<b>Shareholders holding 10% or more voting interest in the Company</b>	
Amythest Limited	40,879,188
Sulieman Ahmad Said Al-Hoqani	42,079,313

**PATTERN OF SHAREHOLDING  
AS AT 30 JUNE 2006**

INCORPORATION NUMBER: L-07023 OF 1993-94

NO. OF SHAREHOLDERS	SHAREHOLDINGS		SHARES HELD
	FROM	TO	
372	1	100	16,195
813	101	500	223,029
366	501	1000	262,224
553	1001	5000	1,106,439
35	5001	10000	228,149
10	10001	15000	129,494
10	15001	20000	171,207
5	20001	25000	111,083
1	30001	35000	30,815
3	35001	40000	111,110
2	40001	45000	85,317
1	45001	50000	50,000
4	50001	55000	204,058
1	55001	60000	55,400
2	60001	65000	129,270
1	80001	85000	84,825
1	100001	105000	103,422
1	170001	175000	170,089
1	250001	255000	251,687
1	295001	300000	299,879
1	340001	345000	345,000
1	355001	360000	358,351
1	425001	430000	428,318
1	495001	500000	500,000
1	515001	520000	517,123
1	545001	550000	547,708
1	875001	880000	875,642
1	950001	955000	950,113
1	990001	995000	994,952
1	1260001	1265000	1,264,847
1	2120001	2125000	2,120,101
1	2585001	2590000	2,585,630
1	3150001	3155000	3,155,000
1	6375001	6380000	6,376,015
1	8630001	8635000	8,632,158
1	8730001	8735000	8,730,305
1	11355001	11360000	11,357,276
1	14610001	14615000	14,611,427
1	32144001	32150000	32,148,883
<b>2202</b>			<b>100,322,541</b>

**PATTERN OF SHAREHOLDING  
AS AT 30 JUNE 2006**

<b>Categories of Shareholders</b>	<b>Shares held</b>	<b>Percentage</b>
Directors, Chief Executive Officer, and their spouse and minor children	43,496,856	43.357
Associated Companies, undertakings and related parties.	1,264,847	1.261
NIT and ICP	2,590,398	2.582
Banks, Development Financial Institutions, Non Banking Financial Institutions	12,400	0.012
Modarabas and Mutual Funds	13,382	0.013
Share holders holding 10% or more	82,958,501	82.692
General Public		
a) Local	10,305,130	10.272
b) Foreign	42,079,313	41.944
Others:		
- Joint Stock Companies	765,388	0.763
- Foreign Companies	41,874,140	41.740

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

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICE ON  
TRANSFER PRICING FOR THE YEAR ENDED 30 JUNE 2006**

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

For and on behalf of the Board

Lahore  
09 October 2006

Salmaan Taseer  
Chief Executive Officer

**STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE  
GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2006**

This statement is being presented to comply with the Code of Corporate Governance contained in listing regulations of the Stock Exchanges where the Company is listed, for the purpose of establishing a framework of Good Governance, whereby a listed company is managed in compliance with the best practice 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 two independent non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has convicted by a Court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a DFI or NBFIs. No one is a member of the Stock Exchange.
4. All casual vacancies occurring in the Board were filled up by the directors within 30 days thereof.
5. The Company has prepared a 'Statement of Ethics and Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transaction, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meeting of the Board were presided over by the Chairman who is a non-executive director and in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the

- Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. Orientation course for directors has been conducted 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 comprises three non-executive directors including the Chairman of the committee.
  16. The meetings of the Audit Committee were held at least once every quarter prior to the 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 for the Company having suitable qualified and experienced personal 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 any 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

Lahore  
09 October 2006

Salmaan Taseer  
Chief Executive Officer

**Review Report to the Members on  
Statement of Compliance with Best Practices of  
Code of Corporate Governance**

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

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance.

Lahore:  
09 October 2006

**KPMG Taseer Hadi & Co.,  
Chartered Accountants**

**Auditors' Report To The Members**

We have audited the annexed balance sheet of **First Capital Securities Corporation Limited (“the Company”)** as at 30 June 2006 and the related profit and loss account, cash flow statement and statement of changes in equity, together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;
- b) in our opinion:
  - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for changes referred to in note 3.6 to the accounts with which we concur;
  - ii) the expenditure incurred during the year was for the purpose of the Company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2006 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 by the Company under Section 7 of the Zakat and Ushr Ordinance, 1980.

Lahore:  
09 October 2006

**KPMG Taseer Hadi & Co.,**  
**Chartered Accountants**

FIRST CAPITAL SECURITIES CORPORATION LIMITED

**BALANCE SHEET**

AS AT 30 JUNE 2006

	<i>Note</i>	<b>2006</b> <b>Rupees</b>	2005 Rupees Restated
<b>Non current assets</b>			
Property and equipment	4	2,965,831	3,547,410
Long term loans	5	11,966,905	9,292,595
Long term investments	6	832,322,101	708,633,791
Long term deposits	7	122,000	926,050
		<b>847,376,837</b>	<b>722,399,846</b>
<b>Current assets</b>			
Trade debts	8	7,995,559	19,132,399
Current portion of long term loans	5	9,292,595	-
Loans and advances	9	205,535	3,791,143
Short term prepayments		150,580	88,116
Taxation recoverable		15,412,502	13,040,490
Other receivables	11	986,944	386,504
Short term investments	12	1,681,354,352	1,266,594,470
Cash and bank balances	13	8,978,128	5,137,377
		<b>1,724,376,195</b>	<b>1,308,170,499</b>
<b>Current liabilities</b>			
Trade and other payables	14	4,749,448	5,097,606
Mark up accrued		2,672,329	4,084,608
Short term borrowings - secured	15	210,000,000	126,877,485
Current portion of liabilities against assets subject to finance lease	16	1,275,728	970,086
		<b>218,697,505</b>	<b>137,029,785</b>
<b>Net current assets</b>		<b>1,505,678,690</b>	<b>1,171,140,714</b>
<b>Net Assets</b>		<b>2,353,055,527</b>	<b>1,893,540,560</b>
<b>Non current liabilities</b>			
Liabilities against assets subject to finance lease	16	154,068	1,429,742
Staff retirement benefits	17	4,257,797	3,320,061
		<b>4,411,865</b>	<b>4,749,803</b>
<b>Contingencies and commitments</b>	19		
<b>Net capital employed</b>		<b>2,348,643,662</b>	<b>1,888,790,757</b>
<b>Represented by:</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid-up capital	18	1,003,225,410	853,808,870
Capital reserves		612,996,894	529,508,584
Unappropriated profit		732,421,358	505,473,303
		<b>2,348,643,662</b>	<b>1,888,790,757</b>

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

Lahore:

\_\_\_\_\_  
**Chairman & Chief Executive Officer**

\_\_\_\_\_  
**Director**

===== FIRST CAPITAL SECURITIES CORPORATION LIMITED =====

**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 30 JUNE 2006

	<i>Note</i>	<b>2006</b>	2005
		<b>Rupees</b>	Rupees
			Restated
<b>Operating revenue</b>			
Financial consultancy services		19,128,520	18,850,000
Money market brokerage	19	11,342,340	7,213,160
Gain on sale of investments		91,571,741	45,121,475
Unrealized gain/(loss) on remeasurement of short term investments	12	297,761,952	(67,597,407)
Dividend income	20	6,285,275	675,188
(Loss) on disposal of investment property		-	(3,916,300)
Net rental income from investment property	21	-	1,334,278
		<b>426,089,828</b>	1,680,394
Operating expenses	22	35,273,992	42,898,387
<b>Operating profit / (loss)</b>		<b>390,815,836</b>	(41,217,993)
Finance costs	23	22,425,851	23,006,210
		<b>368,389,985</b>	(64,224,203)
Other operating income	24	8,441,228	2,237,437
<b>Profit/(loss) before taxation</b>		<b>376,831,213</b>	(61,986,766)
Taxation	10	(466,618)	-
<b>Profit/(loss) after taxation</b>		<b>376,364,595</b>	(61,986,766)
<b>Earnings per share- basic and diluted</b>	28	<b>3.75</b>	(0.62)

Appropriations have been reflected in the statement of changes in equity.

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

Lahore:

\_\_\_\_\_  
**Chairman & Chief Executive Officer**

\_\_\_\_\_  
**Director**

FIRST CAPITAL SECURITIES CORPORATION LIMITED

**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 30 JUNE 2006

	<i>Note</i>	2006 Rupees	2005 Rupees Restated
<b>Cash flows from operating activities</b>			
Profit/loss before taxation		376,831,213	(61,986,766)
Adjustments for:			
Finance cost		22,425,851	23,006,210
Unrealized (gain)/ loss on remeasurement of short term investments		(297,761,952)	67,597,407
Loss on disposal of investment property		-	3,916,300
Provision for doubtful debts		-	3,971,177
Dividend Income		(6,285,275)	(675,188)
Depreciation		1,381,517	1,519,591
Gain on disposal of property and equipment		(634,000)	-
Exchange Loss		115,592	7,339
Provision for doubtful debt written back - Loans and advances		(4,495,661)	-
Mark up income		(3,401,929)	(2,133,301)
Provision for gratuity		1,346,280	971,976
		<u>(287,309,577)</u>	<u>98,181,511</u>
<b>Profit before working capital changes</b>		<b>89,521,636</b>	<b>36,194,745</b>
Effect on cash flow due to working capital changes:			
Trade debts		11,136,840	(13,277,354)
Loans and advances		8,081,269	11,940,070
Short term prepayments		(62,464)	777,734
Other receivables		54,153	(260,117)
Short term investments-net		(116,997,930)	(5,000,000)
Trade and other payables		(339,195)	(40,685,649)
		<u>(98,127,327)</u>	<u>(46,505,316)</u>
<b>Cash used in operations</b>		<b>(8,605,691)</b>	<b>(10,310,571)</b>
Gratuity paid		(408,544)	(183,700)
Finance cost paid		(23,838,130)	(26,697,472)
Long term deposits		301,000	254,000
Taxes paid		(2,838,630)	(655,150)
		<u>(26,784,304)</u>	<u>(27,282,322)</u>
<b>Net cash used in operating activities</b>		<b>(35,389,995)</b>	<b>(37,592,893)</b>
<b>Cash flows from investing activities</b>			
Capital expenditure		(1,065,938)	(96,900)
Long term investments		(40,200,000)	(301,876,723)
Dividend received		6,171,848	1,682,807
Proceeds from disposal of property and equipment		900,000	-
Proceeds from disposal of investment property		-	61,103,000
Payment of long term loan		(11,966,905)	(9,292,595)
Mark up received		3,249,136	2,133,301
<b>Net cash used in investing activities</b>		<b>(42,911,859)</b>	<b>(246,347,110)</b>
<b>Cash flows from financing activities</b>			
Dividend paid		(8,963)	(20,711)
Repayment of liabilities against assets subject to finance lease		(970,032)	(1,062,668)
Issuance of share capital		-	281,475,450
Short term borrowings-net		83,122,515	742,938
<b>Net cash generated from financing activities</b>		<b>82,143,520</b>	<b>281,135,009</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>3,841,666</b>	<b>(2,804,994)</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>5,137,377</b>	<b>7,949,710</b>
<b>Exchange loss on translation of deposit account</b>		<b>(915)</b>	<b>(7,339)</b>
<b>Cash and cash equivalents at the end of the year</b>	<i>13</i>	<b>8,978,128</b>	<b>5,137,377</b>

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

Lahore:

\_\_\_\_\_  
Chairman & Chief Executive Officer

\_\_\_\_\_  
Director

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2006**

	Capital reserves				Revenue reserve	Total Rupees
	Share capital Rupees	Share premium Rupees	Revaluation reserve of an associated company Rupees	Unrealized gain on revaluation of available-for-sale investment Rupees		
<b>Balance as at 30 June 2004 - as previously reported</b>	469,125,760	2,643,800	32,557,138	-	424,099,340	928,426,038
Effect of change in accounting policy for investments in subsidiaries and associates			(32,557,138)	529,508,584	243,924,589	740,876,035
<b>Balance as at 30 June 2004 - restated</b>	469,125,760	2,643,800	-	529,508,584	668,023,929	1,669,302,073
Unrealized loss on revaluation of available for sale investments recognized directly in equity	-	-	-	-	-	-
Loss for the year ending 30 June 2005	-	-	-	-	(61,986,766)	(61,986,766)
<b>Total recognized income and expense for the year</b>	-	-	-	-	(61,986,766)	(61,986,766)
Issuance of share capital						
Right issue	187,650,300	93,825,150	-	-	-	281,475,450
Bonus issue	197,032,810	(96,468,950)	-	-	(100,563,860)	-
	384,683,110	(2,643,800)	-	-	(100,563,860)	281,475,450
<b>Balance as at 30 June 2005 - restated</b>	853,808,870	-	-	529,508,584	505,473,303	1,888,790,757
Unrealized gain on revaluation of available for sale investments recognized directly in equity	-	-	-	83,488,310	-	83,488,310
Profit for the year ending 30 June 2006	-	-	-	-	376,364,595	376,364,595
<b>Total recognized income and expenses for the year</b>	-	-	-	83,488,310	376,364,595	459,852,905
Issuance of share capital against bonus shares	149,416,540	-	-	-	(149,416,540)	-
<b>Balance as at 30 June 2006</b>	<b>1,003,225,410</b>	-	-	<b>612,996,894</b>	<b>732,421,358</b>	<b>2,348,643,662</b>

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

Lahore:

Chairman & Chief Executive Officer

Director

## NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2006

### 1 Status and nature of business

First Capital Securities Corporation Limited (the Company) was incorporated in Pakistan on 11 April 1994 as a public limited company under the Companies Ordinance, 1984 and is listed on the Karachi, Lahore and Islamabad stock exchanges. The registered office of the Company is situated at 103 C/II, Gulberg-III, Lahore. The Company is involved in making long and short term investments, money market operations and financial consultancy services.

### 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 financial statements have been prepared under the historical cost convention, except for investments and certain financial assets that are stated at fair value, and recognition of certain employee benefits at present value.

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions and judgments are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent years are discussed in note 30.

#### 3.2 Change in accounting estimate

During the year the Company has changed its accounting method of charging depreciation whereby depreciation is charged from the month in which assets are put to use upto the month preceding the disposal of asset. Such change, being a change in accounting estimate, has been accounted for prospectively. This change has an effect on current year's profit which has been increased by Rs.43,162.



### **3.3 Property and equipment**

These are stated at cost less accumulated depreciation and impairment loss. Depreciation is charged to income applying the straight-line method whereby the cost is written-off over its estimated useful life at the rates specified in note 4 to the financial statements. Depreciation on additions is charged on a pro-rata basis from the month in which the asset is put to use, while for disposals depreciation is charged up to the month preceding the disposal of the asset. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

Residual value and the useful life of an asset are reviewed at least at each financial year-end.

Maintenance and repairs are charged to income as and when incurred. Renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Company and the cost of the item can be measured reliably, and the assets so replaced, if any, are retired. Gains and losses on disposal of assets are included in income.

Gains or losses on disposal of fixed assets, if any, are taken to income currently.

### **3.4 Leases**

Leases where the Company has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of its fair value and present value of minimum lease payments at the date of commencement of lease, less accumulated depreciation and impairment loss, if any.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment. Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. The interest element of the rental is calculated at the rate implicit in the lease and charged to income over the lease term.

Assets acquired under a finance lease are depreciated over the estimated useful life of the asset on a straight-line method at the rates given in note 4. Depreciation of leased assets is charged to income.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Residual value and the useful life of an asset are reviewed at least at each financial year-end.

### **3.5 Impairment**

The carrying amount 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 asset's recoverable amount is estimated in order to determine the extent of the impairment loss, if any.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss.

Impairment losses are reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been charged.

**3.6 Investments**

***Investments in equity instruments of subsidiaries and associated companies***

During the year the Company has changed its accounting policy with respect to investment in subsidiaries and associated companies. Previously, the Company recognized these investments under the equity method in accordance with superseded International Accounting Standard (IAS)-27 "Consolidated and Separate Financial Statements" and IAS-28 "Investment in Associates". Now after the revision in the said IAS's investments in subsidiaries and associates in separate financial statements of the Company are classified as "Available for Sale" at fair value other than those which have been designated "at fair value through profit and loss" under International Accounting Standard IAS-39 "Financial Instruments: Recognition and Measurement". Those subsidiaries and associates for which quoted market price is not available are measured at cost.

This change in accounting policy has been accounted for retrospectively and comparative financial statements have been restated in accordance with the requirements of revised IAS-8 "Accounting Policies, Change in Accounting Estimates and Errors"

The change in accounting policy has the following impact on these financial statements:

<b>Effect on periods prior to 2005</b>	<b>Rupees</b>
Increase in unappropriated profit	<u>243,924,589</u>
(Decrease) in revaluation reserve of an associated company	<u>(32,557,138)</u>
Increase in unrealized gain on revaluation of available for sale investments	<u>529,508,584</u>
(Decrease) in long term investments	<u>(64,004,841)</u>
Increase in short term investments	<u>804,880,876</u>
 <b>Effect on 2005</b>	
(Decrease) in unappropriated profit	<u>(227,166,205)</u>
(Decrease) in long term investments	<u>(469,188,172)</u>
Increase in short term investments	<u>242,021,967</u>
(Decrease) in earning per share	<u>(2.73)</u>

***Available for sale***

As per IAS 39 investments which are intended to be held for an indefinite period of time but may be sold in response to the need for liquidity are classified as available-for-sale. After initial recognition, these are stated at fair values (except for unquoted investments where active market does not exist) with any resulting gains and losses being taken directly to equity until the investment is disposed or impaired. At the time of disposal, the respective surplus or deficit is transferred to income currently. Fair value of quoted investments is their bid price at the balance sheet date.

Unquoted investments, where active market does not exist, are carried at cost and checked for impairment at each year end. Impairment loss, if any, is taken to income currently.

***Investments at fair value through profit or loss***

These include investments classified as held for trading or upon initial recognition it is designated by the Company as at fair value through profit or loss. Investments which are acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains and losses recognized directly in income currently. Fair value of investments is their quoted bid price at the balance sheet date.

**3.7 Settlement date accounting**

All "regular way" purchases and sales of financial assets are recognized on the settlement date, i.e. the date on which the asset is delivered to or by the Company. Regular way purchases or sales of financial assets are those contracts which requires delivery of assets within the time frame generally established by regulation or convention in the market.

**3.8 Long term loan**

These include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

At initial recognition these financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. After initial recognition these are measured at amortized cost using the effective interest method less impairment loss, if any. A provision for impairment of long term loan is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of loan.

**3.9 Trade debts**

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

**3.10 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 rights that comprise the financial asset or portion of financial asset. A financial liability or part of financial liability is de-recognized from the balance sheet, when and only when, it is extinguished that is when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on the recognition, de-recognition of the financial assets and liabilities is stated in their respective notes.

Significant financial assets include long term loan, long term investments, long term deposits, short term investments, trade debts, advances, other receivables and cash and bank balances.

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

**3.11 Offsetting of financial assets and financial liabilities.**

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

**3.12 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods or services received.

**3.13 Provisions**

Provisions are 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.

**3.14 Securities sold under repurchase agreements**

Investments sold with a simultaneous commitment to repurchase at a specified future date (Repo) continue to be recognized in the balance sheet and are measured in accordance with the accounting policies for investments. Amounts received under these agreements are recorded as "securities sold under repurchase agreements" in short term borrowings. The difference between sale and repurchase price is treated as mark-up on borrowings and is accrued over the life of the repo agreement.

**3.15 Staff retirement benefits**

***Defined benefit plan***

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

The Company recognizes actuarial gains/ losses above the 10% of the higher of fair value of assets and present value of obligation at the end of previous year over the expected remaining average service life of the employees.

**3.16 Revenue recognition**

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

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

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

Dividend income is recognized when the right to receive the dividend is established i.e. at the time of closure of share transfer book of the company declaring the dividend.

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

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

Rental income is recognized on accrual basis.

**3.17 Borrowing costs**

Borrowing costs are recognized as an expense in the period in which these are incurred.

**3.18 Taxation**

***Current***

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

***Deferred***

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

**3.19 Foreign currency**

All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Transactions in foreign currencies are translated into rupees at the spot rate. All non-monetary items are translated into rupees at exchange rates prevailing on the date of transaction or on the date when fair values are determined.

Exchange differences are included in income currently.

**3.20 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 in hand, cash with banks and other short term highly liquid investments (if any) that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

**3.21 Related party transactions**

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

4 Property and equipment

	As at		As at		Depreciation			Net book value as at 30 June 2006			
	01 July 2005		30 June 2006		Rupees						
	As at 01 July 2005	Additions/ (deletions)	As at 30 June 2006	Adjustments	Rate %	Accumulated as at 01 July 2005	Deletions		Adjustments	For the year	Accumulated as at 30 June 2006
<b>Owned assets</b>											
Leasehold improvements	470,315	-	470,315	-	10	329,221	-	-	47,032	376,253	94,062
Computers	4,046,133	142,438	4,188,571	-	33	3,969,064	-	-	68,682	4,037,746	150,825
Office equipment	4,062,961	37,500	4,100,461	-	10	3,234,021	-	-	256,129	3,490,150	610,311
Furniture and fixtures	2,199,600	-	2,199,600	-	10	1,988,193	-	-	80,874	2,069,067	130,533
Vehicles	5,666,755	886,000	6,582,755	1,315,000	20	5,528,155	-	900,000	406,700	5,815,855	766,900
		(1,285,000)					(1,019,000)				
	16,445,764	1,065,938	17,541,702	1,315,000		15,048,654	(1,019,000)	900,000	859,417	15,789,071	1,752,631
		(1,285,000)									
<b>Leased assets</b>											
Vehicles	3,925,500	-	2,610,500	(1,315,000)	20	1,775,200	-	(900,000)	522,100	1,397,300	1,213,200
	20,371,264	1,065,938	20,152,202	-		16,823,854	(1,019,000)	-	1,381,517	17,186,371	2,965,831
	19,429,364	941,900	20,371,264	-		15,304,263	-	-	1,519,591	16,823,854	3,547,410

4.1 Disposal of operating fixed assets

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Profit on disposal	Mode of sale	
						Particulars of buyers	
Vehicle (Motor Car) Honda City	760,000	494,000	266,000	650,000	384,000	Negotiation	Waarhm Wheels, 7 Hamza Areade, Karachi
Vehicle (Motor Car) Honda City	525,000	525,000	-	250,000	250,000	Negotiation	First Capital Investment Limited, Lahore
<b>Total June 30, 2006</b>	<b>1,285,000</b>	<b>1,019,000</b>	<b>266,000</b>	<b>900,000</b>	<b>634,000</b>		

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5	<b>Long term loans - unsecured considered good - related parties</b>	<i>Note</i>	<b>2006 Rupees</b>	2005 Rupees
	Pace Super Mall (Private) Limited	5.1	<b>10,879,500</b>	9,292,595
	Less: Current maturity		<b>(9,292,595)</b>	-
			<b>1,586,905</b>	9,292,595
	Pace Gujrat (Private) Limited	5.2	<b>10,380,000</b>	-
		5.3	<b>11,966,905</b>	9,292,595

**5.1** This represents loan to the associated company and carries minimum mark up rate of 14% or higher as per existing borrowing cost of the Company, subject to the provisions of section 208 of the Companies Ordinance 1984. The total outstanding loan amount (including principal and any markup added in the same) shall be repaid after completion of four years from the date of disbursement which is 30 June 2003.

**5.2** This represents loan to the associated company and carries minimum mark up rate of 15% or higher as per existing borrowing cost of the Company, subject to the provisions of section 208 of the Companies Ordinance 1984. The total outstanding loan amount (including principal and any markup added in the same) shall be repaid after completion of four years from the date of disbursement which is 24 May 2006.

**5.3** The maximum aggregate amount of loan outstanding during the year was Rs. 10,879,500 (2005: Rs. 9,292,595) with respect to Pace Super Mall (Private) Limited and Rs. 10,380,000 (2005: NIL) with respect to Pace Gujrat (Private) Limited.

6	<b>Long term investments available for sale</b>	<i>Note</i>	<b>2006 Rupees</b>	2005 Rupees Restated
	<i>Subsidiary company - Listed</i>			
	<b>First Capital Equities Limited</b>			
	9,998,600 (2005: 9,998,600) fully paid ordinary shares of Rs.10/- each			
	Equity held 41.65% (2005: 41.65%)		<b>589,917,400</b>	589,917,400
	Fair value adjustment		<b>83,488,310</b>	-
		12.4&6.1	<b>673,405,710</b>	589,917,400
	<i>Subsidiary companies - Unlisted</i>			
	<b>First Capital Associates (Private) Limited - wholly owned</b>			
	100,000 fully paid ordinary shares of Rs 10 each		<b>1,000,000</b>	1,000,000
	<b>First Capital Investments Limited</b>			
	2,500,000 (2005: 2,500,000) fully paid ordinary shares of Rs10 each			
	Equity held: 65.79% (2005: 65.79%)		<b>25,000,000</b>	25,000,000
		C/F	<b>699,405,710</b>	615,917,400

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	<i>Note</i>	<b>2006</b>	2005
		<b>Rupees</b>	Rupees Restated
<b>World Press (Private) Limited</b>	<i>B/F</i>	<b>699,405,710</b>	615,917,400
450,125 (2005: 450,125) fully paid ordinary shares of Rs.10/- each			
Equity held 65% (2005: 65%)		<b>4,501,250</b>	4,501,250
<b>Lanka Securities (Private) Limited - foreign entity</b>			
3,564,900 (2005: 3,564,900) fully paid ordinary shares of LKR.10/- each			
Equity held: 51% (2005: 51%)		<b>8,170,141</b>	8,170,141
<b>Associated companies - Unlisted</b>			
<b>Media Times (Private) Limited</b>			
8,000,000 (2005: 8,000,000) fully paid ordinary shares of Rs10 each			
Equity held: 46.03% (2005: 46.03%)		<b>80,000,000</b>	80,000,000
Share deposit money		<b>30,000,000</b>	-
		<b>110,000,000</b>	80,000,000
<b>Pace Super Mall (Private) Limited</b>			
4,500 (2005: 4,500) fully paid ordinary shares of Rs10 each			
Equity held: 10% (2005: 10%)		<b>45,000</b>	45,000
<b>Trident Construct (Private) Limited</b>			
Share deposit money		<b>10,200,000</b>	-
<b>Total investments</b>	6.2	<b>832,322,101</b>	708,633,791

**6.1** 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 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.



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

**6.2** All subsidiaries and associated companies have been incorporated in Pakistan except Lanka Securities (Private) Limited which is incorporated in Sri Lanka.

<b>7 Long term deposits</b>	<i>Note</i>	<b>2006</b>	<b>2005</b>
		<b>Rupees</b>	<b>Rupees</b>
Deposits with leasing companies		<b>888,550</b>	1,189,550
Less: Current maturity		<b>(804,050)</b>	(301,000)
		<b>84,500</b>	888,550
Deposits with others		<b>37,500</b>	37,500
		<b>122,000</b>	926,050
<b>8 Trade debts</b>			
Money market receivables			
Unsecured, considered good		<b>1,331,642</b>	1,247,002
Unsecured, considered doubtful		<b>314,107</b>	314,107
		<b>1,645,749</b>	1,561,109
Less: Provision for doubtful debts	<i>8.1</i>	<b>314,107</b>	314,107
		<b>1,331,642</b>	1,247,002
Receivable against purchase of shares from clients - unsecured, considered doubtful		<b>23,702,007</b>	23,702,007
Less: Provision for doubtful debts	<i>8.2</i>	<b>23,702,007</b>	23,702,007
Receivable against professional services rendered to related parties - unsecured, considered good		-	-
<b>Associated companies</b>			
Worldcall Telecom Limited	<i>8.3</i>	<b>1,750,000</b>	16,850,000
Pace Barka Properties Limited		<b>2,950,000</b>	-
Pace (Pakistan) Limited		<b>1,928,520</b>	-
<b>Subsidiary company</b>			
World Press (Private) Limited		-	1,000,000
		<b>6,628,520</b>	17,850,000
Others - unsecured, considered good		<b>35,397</b>	35,397
		<b>7,995,559</b>	19,132,399
<b>8.1 Provision against money market receivables</b>			
Opening provision for doubtful debts		<b>314,107</b>	292,280
Charge for the year		-	21,827
Closing provision for doubtful debts		<b>314,107</b>	314,107

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		2006	2005
		Rupees	Rupees
<b>8.2</b>	<b>Provision against purchase of shares from clients</b>		
	Opening provision for doubtful debts	23,702,007	19,752,657
	Charge for the year	-	3,949,350
	Closing provision for doubtful debts	<u>23,702,007</u>	<u>23,702,007</u>
<b>8.3</b>	The comparative figure includes fee receivable Rs.2,250,000 and Rs.1,000,000 from former Worldcall Broadband Limited and former Worldcall Multimedia Limited respectively, which have been merged into Worldcall Telecom Limited.		
<b>9</b>	<b>Loans and advances</b>	<b>2006</b>	2005
		<b>Rupees</b>	Rupees
	<b>Unsecured, considered good</b>		
	Advance to employees for expenses		
	Executives	-	250,000
	Others	205,535	52,895
	<i>9.1</i>	<b>205,535</b>	302,895
	<b>Due from related parties</b>		
	First Capital Associates (Private) Limited	-	666,742
	Worldcall Telecom Limited	-	1,337,275
	Pace (Pakistan) Limited	-	8,722
	World Press (Private) Limited	-	1,475,509
	<i>9.2 &amp; 9.3</i>	-	3,488,248
	<b>Unsecured, considered doubtful</b>		
	Others	571,267	571,267
	Due from related parties		
	First Capital Associates (Private) Limited	-	4,495,661
	<i>9.3</i>	<b>571,267</b>	5,066,928
Less:	Provision for doubtful debts	<b>(571,267)</b>	(5,066,928)
	<i>9.4</i>	-	-
		<b>205,535</b>	3,791,143

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

**9.2** The comparative figure comprises Rs.1,172,601 and Rs.164,674 due from former Worldcall Broadband Limited and former Worldcall Multimedia Limited respectively, which have been merged into Worldcall Telecom Limited.

**9.3** These were unsecured advances which carry mark up at the rate of 16% (2005:13.5-16%) per annum.

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	<b>2006</b>	2005
<b>9.4 Provision for doubtful debts</b>	<b>Rupees</b>	Rupees
Opening provision for doubtful debts	<b>5,066,928</b>	5,066,928
Charge for the year	-	-
Provision written back	<b>(4,495,661)</b>	-
Closing provision for doubtful debts	<u><b>571,267</b></u>	<u>5,066,928</u>

**10 Taxation**

<b>Current</b>	<u><b>(466,618)</b></u>	<u>-</u>
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**10.1** In view of the available tax losses, provision for current year taxation represents minimum tax payable under section 113 of the Income Tax Ordinance, 2001.

**10.2** The Company's assessments have been finalized upto tax year 2005. In 2004, the DCIT passed order u/s 221 of the Income Tax Ordinance, 2001 for the assessment years 2000-2001 to 2002-2003 creating a tax demand of Rs.9.8 million on account of disallowance of expenses which relate to exempt income i.e. capital gain. The Company filed appeals in CIT (A) against these orders and also filed rectification against the said orders of DCIT. The CIT (A) allowed partial relief against the orders passed by the DCIT. In the light of order of the CIT (A) the demand of Rs.9.8 million was reduced to Rs.6.2 million for the assessment year 2000-2001 to 2002-2003.

The management is confident that the appeals will be decided in favour of the Company and the addition on account of allocation of expenses will be deleted.

**10.3 Deferred tax**

The Company has a deferred tax asset amounting to Rs.33,397,298 (2005: Rs.27,421,885) arising on unused tax losses and deductible temporary differences amounting to Rs.68,892,530 (2005: Rs.49,525,938) and Rs.26,528,321 (2005: Rs.26,796,800) respectively. Tax losses will be carried forward for six years only, in accordance with the Income Tax Ordinance, 2001. 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 asset in these financial statements.

	<i>Note</i>	<b>2006</b>	2005
<b>11 Other receivables</b>		<b>Rupees</b>	Rupees
Current portion of deposits against lease	7	<b>804,050</b>	301,000
Dividend		-	1,250
Mark up receivable on long term loan		<b>152,793</b>	-
Others		<b>30,101</b>	84,254
		<u><b>986,944</b></u>	<u>386,504</u>

# FIRST CAPITAL SECURITIES CORPORATION LIMITED

## 12 Short term investments - at fair value through profit and loss

	Note	2006		2005	
		Carrying cost	Fair value	Carrying cost	Fair value
		Rupees		Rupees	
				Restated	
These are made up as under:					
Held for trading					
Related parties	12.1	522,196	3,008,975	4,535,352	3,873,947
Others	12.2	55,224,891	55,708,275	5,000,000	5,000,000
Others-related parties	12.3	1,327,845,313	1,622,637,102	1,324,656,525	1,257,720,523
		<u>1,383,592,400</u>	<u>1,681,354,352</u>	1,334,191,877	1,266,594,470
Add: Unrealised gain/(loss) on account of remeasurement to fair value.		297,761,952	-	(67,597,407)	-
		<u>1,681,354,352</u>	<u>1,681,354,352</u>	<u>1,266,594,470</u>	<u>1,266,594,470</u>

	Note	Number of shares		2006		2005	
		2006	2005 restated	Carrying cost	Fair value	Carrying cost	Fair value
				Rupees		Rupees	
<b>12.1 Held for trading - related parties</b>							
Shaheen Insurance Company Limited		31,841	188,973	522,196	3,008,975	4,535,352	3,873,947
Equity held 0.32%							
				<u>522,196</u>	<u>3,008,975</u>	<u>4,535,352</u>	<u>3,873,947</u>
<b>12.2 Held for trading - others</b>							
Cement							
Lucky Cement Limited		31,000	-	3,090,991	3,210,050	-	-
Cable and Electrical goods							
Pak Elektron Limited		495,500	-	52,133,900	52,498,225	-	-
Funds							
1st Dawood Mutual Fund Limited		-	500,000	-	-	5,000,000	5,000,000
				<u>55,224,891</u>	<u>55,708,275</u>	<u>5,000,000</u>	<u>5,000,000</u>
<b>12.3 Others-related parties</b>							
First Capital Equities Limited		6,181,000	6,181,000	364,679,000	416,290,350	364,679,000	364,679,000
Equity held 25.75%	12.4						
Worldcall Telecom Limited		78,538,838	29,250,000	597,555,120	702,922,600	292,500,000	292,500,000
Equity held 12.01%							
Worldcall Broadband Limited	12.4&12.5	-	1,500,000	-	-	18,450,000	14,850,000
Worldcall Communications Limited	12.4&12.5	-	30,328,560	-	-	430,665,552	303,285,600
Pace (Pakistan) Limited	12.6	35,958,868	19,010,597	365,611,193	503,424,152	218,361,973	282,405,923
Equity held 34.55%							
				<u>1,327,845,313</u>	<u>1,622,637,102</u>	<u>1,324,656,525</u>	<u>1,257,720,523</u>

**12.4** As permitted in the transitional provisions to IAS- 39 "Financial Instruments: Recognition and Measurement" the Company has redesignated its entire holding in Worldcall Telecom Limited and Pace (Pakistan) Limited and three million shares in First Capital Equities Limited to "Financial Assets at fair value through profit and loss". Comparatives have also been restated as per the requirements of the said IAS.

**12.5** The share holders of Worldcall Telecom Limited (WTL) in their meetings held on 18 February 2006 and 15 April 2006 had approved the scheme of merger ("the Scheme") of the Company with former Worldcall Multimedia Limited ("WML"), former Worldcall Broadband Limited ("WBL") and former Worldcall Communication Limited ("WCL"). The Scheme was subsequently sanctioned by the Honourable Lahore High Court through its order dated 24 April 2006. The effective date of the Scheme was 01 July 2005 ("Effective Date").

Consequently, each member of WCL, WBL and WML holding ordinary shares on 9 June 2006 are entitled to receive fully paid ordinary shares of Rs.10 each, at par, in WTL in accordance with the swap ratios approved by Honourable Lahore High Court.

In pursuance of the Scheme the Company has received shares of WTL in exchange for its investment in WCL shares.

This includes 2.9 million shares held under lien as security by National Accountability Bureau. Refer to note 29.1.

**12.6** Market value of Pace (Pakistan) Limited represents value guaranteed by underwriters in Initial Public Offer.

**12.7** Face value of each share is Rs 10 each.

===== FIRST CAPITAL SECURITIES CORPORATION LIMITED =====

	<i>Note</i>	<b>2006</b> <b>Rupees</b>	2005 Rupees
<b>13 Cash and bank balances</b>			
Cash in hand		17,877	18,631
At bank			
Current accounts		907,867	875,623
Deposit accounts	<i>13.1</i>	8,052,384	4,243,123
		8,960,251	5,118,746
		8,978,128	5,137,377

**13.1** The balance in deposit accounts bear mark up which ranges from 1.5% to 3.5% (2005: 1.5 - 2.5%) per annum .

	<i>Note</i>	<b>2006</b> <b>Rupees</b>	2005 Rupees
<b>14 Trade and other payables</b>			
Bills payable		193,962	553,803
Accrued liabilities		1,537,614	1,458,846
Withholding tax		52,305	14,860
Unclaimed dividend		1,882,872	1,891,835
Other liabilities		1,082,695	1,178,262
		4,749,448	5,097,606
		4,749,448	5,097,606

**15 Short term borrowings - secured**

Due to related parties

Worldcall Communications Limited *15.1* - 8,942,377

Securities sold under repurchase agreements

Salman Services (Private) Limited *15.2* - 92,935,108

First Capital Equities Limited *15.2* 210,000,000 25,000,000

210,000,000 117,935,108

210,000,000 126,877,485

**15.1** This was unsecured which carry mark up at the rate of 14% (2005: 14%) per annum.

**15.2** Represents the sale price of certain listed equity securities sold 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 over the period of the contract in the books of account as cost on repo transactions. The market value of securities pledged amounts to Rs. 348 million (2005: Rs. 285 million).

=====**FIRST CAPITAL SECURITIES CORPORATION LIMITED**=====

**16 Liabilities against assets subject to finance lease**

The amounts of future payments for the lease and the period in which the lease payments will become due are as follows:

	2006			2005		
	Not later than one year	Later than one year and not later than five years	Total	Not later than one year	Later than one year and not later than five years	Total
	Rupees			Rupees		
Minimum lease payments	1,305,907	156,530	1,462,437	1,051,736	1,462,437	2,514,173
Future finance charge	(30,179)	(2,462)	(32,641)	(81,650)	(32,695)	(114,345)
Present value of minimum lease payments	1,275,728	154,068	1,429,796	970,086	1,429,742	2,399,828

Rentals are payable in monthly as well as quarterly installments. The Company has the right to exercise purchase option at the end of the lease term. The present value of minimum lease payments have been discounted at an effective rate of 7.5% to 17% (2005: 7.5% to 17%) per annum.

===== FIRST CAPITAL SECURITIES CORPORATION LIMITED =====

			<b>2006</b>	2005
	<i>Notes</i>		<b>Rupees</b>	Rupees
<b>17</b>	<b>Staff retirement benefits</b>			
	Net liability at the beginning of the year		<b>3,320,061</b>	2,531,785
	Net expense	<i>17.2</i>	<b>1,191,428</b>	915,912
	Liability transferred from other sister concern		<b>154,852</b>	56,064
	Benefits paid during the year		<b>(408,544)</b>	(183,700)
	<b>Net liability at the end of the year</b>	<i>17.1</i>	<b>4,257,797</b>	3,320,061

**17.1** The amounts recognized in the balance sheet are as follows:

	Present value of obligation		<b>4,807,823</b>	3,136,864
	Unrecognized actuarial gain		<b>(550,026)</b>	183,197
	<b>Liability recognized in the balance sheet</b>		<b>4,257,797</b>	3,320,061

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

	Current services cost		<b>829,535</b>	689,781
	Interest cost		<b>348,308</b>	225,607
	Actuarial loss recognized		<b>13,585</b>	524
	<b>Total amount charged to profit and loss account</b>		<b>1,191,428</b>	915,912

**17.3** The latest valuation was conducted by Nauman Associates (consulting actuaries) as at 30 June 2006. Significant actuarial assumptions are as follows:

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

			<b>2006</b>	2005
			<b>Rupees</b>	Rupees
<b>18</b>	<b>Share capital</b>			
	Authorized			
	130,000,000 (2005: 100,000,000) ordinary			
	shares of Rs 10 each		<b>1,300,000,000</b>	1,000,000,000

===== FIRST CAPITAL SECURITIES CORPORATION LIMITED =====

	Number of shares		2006	2005
	2006	2005	Rupees	Rupees
<b>Issued, subscribed and and paid-up capital</b>				
Ordinary shares of Rs 10 each fully paid in cash	<b>38,165,030</b>	38,165,030	<b>381,650,300</b>	381,650,300
Ordinary shares of Rs 10 each issued as bonus shares	<b>62,157,511</b>	47,215,857	<b>621,575,110</b>	472,158,570
	<b>100,322,541</b>	85,380,887	<b>1,003,225,410</b>	853,808,870
<b>18.1</b>	Worldcall Telecom Limited held 1,264,847 shares ( 2005:1,893,487 shares) with a percentage holding of 1.26% (2005: 2.22%).			
<b>18.2</b>	<b>Movement of Number of shares</b>		<b>Number of shares</b>	
			<b>2006</b>	2005
	Shares outstanding as on 01 July		<b>85,380,887</b>	46,912,576
	Right issue		-	18,765,030
	Bonus issue		<b>14,941,654</b>	19,703,281
	<b>Share out standing as on 30 June</b>		<b>100,322,541</b>	85,380,887
<b>19</b>	<b>Money market brokerage</b>	<i>Note</i>	<b>2006</b>	2005
			<b>Rupees</b>	Rupees
	Money market income - local currency		<b>5,712,440</b>	4,634,950
	Forex operations - foreign currency		<b>5,629,900</b>	2,578,210
<b>20</b>	<b>Dividend income</b>		<b>11,342,340</b>	7,213,160
	Dividend from un-listed subsidiary company		-	675,188
	Dividend from foreign subsidiary company		<b>6,285,275</b>	-
			<b>6,285,275</b>	675,188
<b>21</b>	<b>Net rental income from investment property</b>			
	Gross rental income		-	1,886,578
	Less: Service charges paid to mall operators [Pace (Pakistan) Limited] related party		-	(552,300)
			-	1,334,278



FIRST CAPITAL SECURITIES CORPORATION LIMITED

	<i>Note</i>	<b>2006</b>	2005
		<b>Rupees</b>	Rupees
<b>22 Operating expenses</b>			
Salaries, wages and benefits		<b>17,084,068</b>	15,240,105
Rent, rates and taxes		<b>1,247,677</b>	1,853,644
Telephone, fax, etc.		<b>1,435,608</b>	1,800,732
Utilities		<b>374,850</b>	685,441
Insurance		<b>412,172</b>	368,027
Printing and stationery		<b>645,510</b>	854,616
Traveling and conveyance		<b>1,229,519</b>	3,688,172
Repairs and maintenance		<b>660,885</b>	2,470,110
Postage, courier, etc.		<b>94,371</b>	127,595
Vehicle running expenses		<b>2,058,993</b>	1,667,143
Newspapers and periodicals		<b>24,805</b>	41,030
Entertainment		<b>752,949</b>	871,455
Brokerage commission and capital value tax		<b>1,580,828</b>	343,922
Legal and professional		<b>4,059,532</b>	5,399,230
Advertisement		<b>85,000</b>	191,410
Provision for doubtful debts		-	3,971,177
Donation for earthquake victims	<i>22.1</i>	<b>159,097</b>	-
Auditors' remuneration	<i>22.2</i>	<b>1,012,500</b>	1,089,500
Depreciation	<i>4</i>	<b>1,381,517</b>	1,519,591
Others		<b>974,111</b>	715,487
		<b>35,273,992</b>	42,898,387

**22.1** Directors or their spouses do not have any interest in the donee.

	<b>2006</b>	2005
	<b>Rupees</b>	Rupees
<b>22.2 Auditors' remuneration</b>		
Annual audit fee	<b>400,000</b>	300,000
Fee for audit of consolidated accounts	<b>350,000</b>	300,000
Half yearly review	<b>100,000</b>	100,000
Other certifications	<b>90,000</b>	220,000
Out of pocket expenses	<b>72,500</b>	169,500
	<b>1,012,500</b>	1,089,500

===== **FIRST CAPITAL SECURITIES CORPORATION LIMITED** =====

		2006	2005
		Rupees	Rupees
<b>23</b>	<b>Finance costs</b>		
	Cost of repo transactions	20,400,060	21,096,021
	Markup on morabaha facility	-	649,375
	Markup charged by related parties on short term borrowings	1,004,017	1,023,099
	Finance charges on liabilities against assets subject to finance lease	81,703	150,176
	Custodial charges and loan arrangement fee	894,370	-
	Bank charges and commission	45,701	87,539
		<b>22,425,851</b>	<b>23,006,210</b>
<b>24</b>	<b>Other operating income</b>		
	<b>Income from financial assets</b>		
	Income on deposit accounts	121,218	166,476
	Income from purchase/resale of listed equity securities	-	51,632
	Exchange (Loss)	(115,592)	(7,339)
	<b>Income from loan to related parties</b>		
	Mark-up income	3,280,711	1,966,825
	<b>Income from non-financial instruments</b>		
	Gain on disposal of property and equipment	634,000	-
	Provision for doubtful debt written back - loans and advances	4,495,661	-
	Miscellaneous income	25,230	59,843
		<b>8,441,228</b>	<b>2,237,437</b>

**25 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, associated companies, directors and key management personnel. Balances with related parties are shown in the relevant notes to the accounts. The transactions with related parties other than those which have been disclosed in other notes are as follows:

	2006	2005
	Rupees	Rupees
<b>Subsidiary companies</b>		
Finance cost charged	1,263,014	934,932
Brokerage commission paid	1,657,481	308,379
Mark up income	83,668	194,893
Dividend income	6,285,275	675,188
Income from financial consultancy services	-	1,000,000
Printing expenses	379,171	459,109
<b>Associated companies</b>		
Finance cost charged	1,004,017	1,023,099
Mark up income	3,197,043	1,771,932
Income from financial consultancy services	19,128,520	16,850,000
Short term investments sold	24,714,950	-
Long term investments purchased	113,205,270	301,876,723
Insurance premium	378,636	467,270
Insurance claim	56,220	75,880

26 **Financial risk management objectives and policies**

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

**26.1 Interest rate risk exposure**

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

	2006												
	Interest/mark-up bearing						Non interest/mark-up bearing						
	Within one year	Within two year	Within three year	Within four year	Five year and above	Rupees	Within one year	Within two year	Within three year	Within four year	Five year and above	Rupees	
<b>Financial assets</b>													
Long term investments	-	-	-	-	-	-	-	-	-	-	-	-	832,322,101
Long term loans	9,292,595	-	-	11,966,905	-	-	-	-	-	-	-	-	21,259,500
Long term deposits	-	-	-	-	-	804,050	84,500	84,500	-	-	-	-	926,050
Trade debts	-	-	-	-	-	7,995,559	-	-	-	-	-	-	7,995,559
Other receivables	-	-	-	-	-	182,894	-	-	-	-	-	-	182,894
Short term investments	-	-	-	-	-	1,681,354,352	-	-	-	-	-	-	1,681,354,352
Cash and bank balances	8,052,384	-	-	-	-	925,744	-	-	-	-	-	-	8,978,128
	17,344,979	-	-	11,966,905	-	1,691,262,599	84,500	84,500	-	-	-	-	2,553,018,584
<b>Financial liabilities</b>													
Trade and other payables	-	-	-	-	-	-	-	-	-	-	-	-	-
Mark up accrued	-	-	-	-	-	4,697,143	-	-	-	-	-	-	4,697,143
Short term borrowings	210,000,000	-	-	-	-	2,672,329	-	-	-	-	-	-	2,672,329
Liabilities against assets subject to finance lease	1,275,728	154,068	-	-	-	-	-	-	-	-	-	-	1,429,796
	211,275,728	154,068	-	-	-	7,369,472	-	-	-	-	-	-	218,799,268
	(193,930,749)	(154,068)	-	11,966,905	-	1,683,893,127	84,500	84,500	-	-	-	-	2,334,219,316

2005

	Interest/mark-up bearing					Non interest/mark-up bearing					Total Rupees	
	Within		Within		Within		Within		Within			Five year and above Rupees
	one year Rupees	two year Rupees	three year Rupees	four year Rupees	Five year and above Rupees	one year Rupees	two year Rupees	three year Rupees	four year Rupees			
<b>Financial assets</b>												
Long term investments	-	-	-	-	-	-	-	-	-	-	708,633,791	
Long term loans	-	9,292,595	-	-	-	-	-	-	-	-	9,292,595	
Long term deposits	-	-	-	-	-	-	804,050	84,500	-	37,500	1,227,050	
Trade debts	-	-	-	-	-	-	19,132,399	-	-	-	19,132,399	
Loans and advances	2,812,784	-	-	-	-	-	8,722	666,742	-	-	3,488,248	
Other receivables	-	-	-	-	-	-	85,504	-	-	-	85,504	
Short term investments	-	-	-	-	-	-	1,266,594,470	-	-	-	1,266,594,470	
Cash and bank balances	4,243,123	-	-	-	-	-	894,254	-	-	-	5,137,377	
	7,055,907	9,292,595	-	-	-	-	1,287,016,349	1,470,792	84,500	-	2,013,591,434	
<b>Financial liabilities</b>												
Trade and other payables	-	-	-	-	-	-	-	-	-	-	-	
Mark up accrued	-	-	-	-	-	-	5,082,746	-	-	-	5,082,746	
Short term borrowings	126,877,485	-	-	-	-	-	4,084,608	-	-	-	4,084,608	
Liabilities against assets subject to finance lease	970,086	1,429,742	-	-	-	-	-	-	-	-	2,399,828	
	127,847,571	1,429,742	-	-	-	-	9,167,354	-	-	-	138,444,667	
	(120,791,664)	7,862,853	-	-	-	-	1,277,848,995	1,470,792	84,500	-	1,875,146,767	

The effective interest/ mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

**26.2 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. Out of total financial assets of Rs.2,553,018,584 (2005: Rs.2,013,591,434) the financial assets subject to credit risk amounts to Rs.29,437,953 (2005: Rs.31,998,746).

**26.3 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.

**26.4 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.

**26.5 Fair value of financial assets and liabilities**

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

**27 Remuneration of Chief Executive, Director and Executives**

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

	Chief Executive		Director		Executives	
	2006 Rupees	2005 Rupees	2006 Rupees	2005 Rupees	2006 Rupees	2005 Rupees
Managerial remuneration	-	-	507,000	542,500	7,144,145	5,846,120
Medical	-	-	41,813	38,145	508,235	550,337
Utilities	1,022,880	829,021	-	-	-	-
Provision for gratuity	-	-	96,029	197,153	807,073	395,273
Others	-	-	-	-	400,797	593,286
	<b>1,022,880</b>	829,021	<b>644,842</b>	777,798	<b>8,860,250</b>	7,385,016
Number of persons	<b>1</b>	1	<b>1</b>	1	<b>5</b>	6

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.

===== FIRST CAPITAL SECURITIES CORPORATION LIMITED =====

		2006	2005 Restated
<b>28</b>	<b>Earnings per share - basic and diluted</b>		
	Net profit for the year	<i>Rupees</i> <b>376,364,595</b>	(61,986,766)
	<b>Weighted average number of ordinary shares</b>		
	Issued ordinary shares as at 30 June	<i>Numbers</i> <b>85,380,887</b>	85,380,887
	Effect of bonus shares issued in November 2005	<i>Numbers</i> <b>14,941,654</b>	14,941,654
	Weighted average number of ordinary shares as at 30 June	<i>Numbers</i> <b>100,322,541</b>	100,322,541
	Earnings per share	<i>Rupees</i> <b>3.75</b>	(0.62)

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.

**29 Contingencies and commitments**

**29.1** During 2002 the senior management of the Company was contacted by National Accountability Bureau in respect of certain transactions in FIBs carried out by the Company related to Workers Welfare Fund ("WWF") during the year 1999. On review of related records and information and discussions with the senior management, National Accountability Bureau's investigation concluded that two employees of the Company had colluded with workers welfare fund officials to defraud Workers Welfare Fund.

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

National Accountability Bureau recovered Rs 12.127 million from various parties involved and informed that Company's liability stands reduced by the said amount. The Company had also paid an additional amount of Rs 10 million as full and final settlement during the financial year ended 30 June 2004. Thus a sum of Rs 23.8 million as discussed above has so far been written off in the Company's accounts. However, National Accountability Bureau has again raised a demand of Rs 10 million from the Company, which remains un-recovered from various parties involved. The Company has informed National Accountability Bureau that the said amount is 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.

- 29.2** Securities and Exchange Commission of Pakistan (SECP) 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 now Worldcall Telecom Limited, an associated company. Appellate Bench of SECP passed an order against the Company. The Company filed an appeal in Lahore High Court against the order of the Appellate Bench of SECP, which has been decided in favour of the Company. SECP has filed an appeal in the Supreme Court of Pakistan against the judgment of Honorable Lahore High Court. At present the said appeal is pending adjudication before the August Supreme Court of Pakistan and the Company is confident of its favourable outcome, therefore no provision has been made in the financial statements.
- 29.3** Securities and Exchange Commission of Pakistan (SECP) 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. Appellate Bench of SECP passed an order against the Company. The Company filed an appeal in Lahore High Court against the order of the Appellate Bench of SECP, which has been decided in favour of the Company. SECP has filed an appeal in the Supreme Court of Pakistan against the judgment of Honorable Lahore High Court. At present the said appeal is pending adjudication before the August Supreme Court of Pakistan and the Company is confident of its favourable outcome, therefore no provision has been made in the financial statements.
- 29.4** For contingencies relating to tax matters refer note 10.

### **30 Accounting estimates and judgments**

#### ***Income Tax***

The Company takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Company's view differs from the view taken by the income tax department at the assessment stage and where the Company considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities. Furthermore, the Company may be able to avail the benefit of the payment of turnover tax, provided sufficient taxable profits are available in next five years when this credit can be utilised.

#### ***Provisions for doubtful debts on trade debts and loans and advances***

Management has made provisions against recoverability of its trade debts and advances based on their judgment which is subject to uncertainty. During the year provision amounting to Rs. 4,495,661 has been written back for "due from related party" as the amount has been received.

#### ***Property and equipment***

The estimates relating to useful life of assets are reviewed on an ongoing basis by the management for its assets, therefore depreciation charged is subject to the estimate and judgment made by the management.

***Impairment of available-for sale financial assets***

The Company follows the guidance of IAS 39 on determining when an investment is other-than-temporarily impaired. This determination requires significant judgment. In making this judgment, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

**31 Bonus shares**

The Board of Directors in their meeting held on 9 October 2006 has recommended bonus shares at the rate of 35 shares for each 100 shares held i.e. 35% (2005: 17.5%) as a final dividend.

**32 Date of authorization for issue**

These financial statements were authorized for issue on 9 October 2006 by the Board of Directors of the Company.

**33 Comparative figures**

Previous year's figures have been rearranged, wherever necessary for the purpose of comparison. Material rearrangements are summarized below:

- a) Loan to Pace Super Mall (Pvt.) Limited has been disclosed as long term loan, last year this loan was clubbed in loans and advances (note 5).
- b) Advance income tax and provision for taxation netted off as "Taxation recoverable". Last year advance income tax was shown in other receivables while provision for taxation was shown on the face of the balance sheet.
- c) Brokerage commission and capital value tax have been shown separately in operating expenses, previously these were netted off against capital gains (note 22).

**34 General**

Figures have been rounded off to the nearest rupee.

Lahore:

\_\_\_\_\_  
**Chairman & Chief Executive Officer**

\_\_\_\_\_  
**Director**



**CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED  
30 JUNE 2006**

## **DIRECTORS' REPORT (Consolidated Accounts)**

The Directors of First Capital Securities Corporation Limited are pleased to present the annual audited consolidated accounts of the Group for the year ended June 30, 2006.

### **Financial Overview**

	<b>Rupees in million</b>	
	<b>2006</b>	<b>2005</b>
Revenues	520	488
Direct Costs	36	30
Operating Expenses	268	264
Operating profit	484	458
Shares of profit of associated companies	230	118
Un realized gain on re measurement of investments	146	(30)
Profit after tax	569	217
Minority Interest	(89)	(34)
Earnings per share Basic Rupees	4.78	1.83

### **FCSC Subsidiary Companies:**

FCSC investments in its subsidiaries perform well by posting to posting strong financial results during the period under review; all subsidiary companies were also actively positioning themselves for a strong growth trajectory for the future.

#### **First Capital Equities Limited (“FCEL”)**

FCEL posted after tax profit of PKR 232.658 million with an EPS of Rs. 9.69 as compared to Rs. 80.487 million ( EPS of Rs. 3.35) last year. The company earned a record brokerage income which is highest in company's history. FECL has achieved the status of having the largest branch and share-shop network in the country. Market share in total trades executed in Karachi Stock Exchange has doubled during the past year. FCEL has also declared 50% bonus issue and 50% right issue at a premium of Rs. 5/- per share.

#### **Lanka Securities (Pvt.) Limited (“LSL”)**

Equity Brokerage Lankan subsidiary (LSL) posted growth during the current year in spite of some political uncertainty prevailing in Sri Lanka. LSL reported brokerage revenue of SLR 83.474 million and net profit SLR 30.901 million as compared 23.606 million to last year. Its future outlook remains stable and management expects performance to improve. LSL declared 30% dividend to its share holders.

#### **First Capital Associates (Pvt.) Limited (“FCAL”)**

FCAL reported loss after tax of PKR 0.197 million as compared to PKR 1.632 million gain during the previous year.

#### **World Press (Pvt.) Limited (“World Press”)**

World Press continues to successfully offer a high quality printing, packaging and publishing capability under one roof to the group companies as well as outside customers. It posted revenues of PKR 42.993 million and net profit of PKR 9.608 million during fiscal year 2006. The basic earning of the company for the year is Rs.13.87 as compared to Rs.5.91 last year.

I have complete confidence in the competence and commitment of the professional management of subsidiary companies. They have all the abilities as they take the further on its path of development and growth in the future.

Lahore  
09 October 2006

**Salmaan Taseer**  
Chairman & Chief Executive Officer

### **Auditors' Report to the Members**

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of **First Capital Securities Corporation Limited (the "Holding Company")** and **its subsidiary companies** as at 30 June 2006 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 the Holding Company. 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 was 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 the Holding Company and its Subsidiary companies as at 30 June 2006 and the results of their operations for the year then ended.

Lahore:  
09 October 2006

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KPMG Taseer Hadi & Co.  
Chartered Accountants

FIRST CAPITAL SECURITIES CORPORATION LIMITED

**CONSOLIDATED BALANCE SHEET**

AS AT 30 JUNE 2006

	<i>Note</i>	<b>2006</b> Rupees	2005 Rupees
<b>Non current assets</b>			
Property, plant and equipment	4	86,326,300	65,200,481
Intangible assets	5	(30,193,675)	(12,431,283)
Long term loans	6	22,156,905	9,292,595
Investment in associates	7	1,378,216,591	1,024,502,437
Long term deposits and advances	8	11,513,521	9,115,253
Deferred cost	9	6,028	9,041
		<b>1,468,025,670</b>	<b>1,095,688,524</b>
<b>Current assets</b>			
Inventories		1,595,700	1,194,011
Trade debts	10	751,846,531	388,817,595
Current portion of long term loans	6	9,292,595	-
Loans and advances	11	129,318,059	43,852,468
Short term prepayments		2,053,015	1,852,579
Taxation recoverable		35,779,159	36,700,378
Other receivables	13	13,367,210	11,261,107
Placements	14	467,641,520	200,000,000
Interest receivable		6,832,897	2,140,383
Short term investments	15	303,258,296	120,409,297
Cash and bank balances	16	308,453,860	163,281,840
		<b>2,029,438,842</b>	<b>969,509,658</b>
<b>Current liabilities</b>			
Trade and other payables	17	748,278,732	222,096,915
Mark up accrued		7,914,252	9,347,165
Liability against repurchase agreement	18	515,000,000	100,000,000
Short term borrowings	19	206,939,829	297,647,495
Current portion of liabilities against assets subject to finance lease	20	6,975,990	4,337,137
Current portion of long term finance	21	5,040,000	-
		<b>1,490,148,803</b>	<b>633,428,712</b>
<b>Net current assets</b>		<b>539,290,039</b>	<b>336,080,946</b>
<b>Net assets</b>		<b>2,007,315,709</b>	<b>1,431,769,470</b>
<b>Non current liabilities</b>			
Liabilities against assets subject to finance lease	20	3,678,196	5,727,842
Long term finance	21	8,280,000	-
Deferred tax liability	22	1,815,240	502,362
Staff retirement benefits	23	17,467,854	12,120,923
		<b>31,241,290</b>	<b>18,351,127</b>
<b>Contingencies and commitments</b>	24		
<b>Net capital employed</b>		<b>1,976,074,419</b>	<b>1,413,418,343</b>
<b>Represented by:</b>			
<b>Share capital and reserves</b>			
Issued, subscribed and paid up capital	25	1,003,225,410	853,808,870
Exchange translation reserve		(173,170)	688,290
Revaluation reserve of an associated company		32,557,138	32,557,138
Unappropriated profit		670,009,966	339,825,833
<b>Capital and reserves attributable to equity holders of the parent</b>		<b>1,705,619,344</b>	<b>1,226,880,131</b>
Minority interest		270,455,075	186,538,212
		<b>1,976,074,419</b>	<b>1,413,418,343</b>

The annexed notes 1 to 41 form an integral part of these accounts.

Lahore:

Chairman & Chief Executive Officer

Director

===== FIRST CAPITAL SECURITIES CORPORATION LIMITED =====

**CONSOLIDATED PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED 30 JUNE 2006

	<i>Note</i>	<b>2006</b>	2005
		<b>Rupees</b>	Rupees
Revenue	26	<b>520,223,185</b>	487,785,638
Direct costs	27	<b>36,248,950</b>	30,034,707
<b>Gross profit</b>		<b>483,974,235</b>	457,750,931
Operating expenses	28	<b>268,089,493</b>	264,441,526
<b>Operating profit</b>		<b>215,884,742</b>	193,309,405
Other income	29	<b>102,490,021</b>	48,300,093
		<b>318,374,763</b>	241,609,498
Finance costs	30	<b>79,013,538</b>	69,449,884
		<b>239,361,225</b>	172,159,614
Exchange (loss)/gain		<b>(106,037)</b>	5,118
Share of profit of associated companies	7	<b>230,308,884</b>	117,662,716
Unrealized gain/(loss) on remeasurement of short term investments	15	<b>146,417,158</b>	(29,697,020)
<b>Profit before taxation</b>		<b>615,981,230</b>	260,130,428
Taxation	12	<b>(46,990,693)</b>	(42,934,509)
<b>Profit after taxation</b>		<b>568,990,537</b>	217,195,919
Minority interest		<b>(89,389,864)</b>	(33,739,293)
<b>Profit attributable to holding company</b>		<b>479,600,673</b>	183,456,626
<b>Earnings per share - basic and diluted</b>	31	<b>4.78</b>	1.83

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 41 form an integral part of these accounts.

Lahore:

\_\_\_\_\_  
**Chairman & Chief Executive Officer**

\_\_\_\_\_  
**Director**

FIRST CAPITAL SECURITIES CORPORATION LIMITED

**CONSOLIDATED CASH FLOW STATEMENT**

FOR THE YEAR ENDED 30 JUNE 2006

	<i>Note</i>	<b>2006</b> <b>Rupees</b>	2005 Rupees
<b>Cash flows from operating activities</b>			
Cash generated from operations	33	342,938,857	57,251,616
(Increase) in long term deposits and advances receivable		(2,901,318)	(1,891,512)
Retirement benefits paid		(1,314,979)	(1,367,947)
Finance cost paid		(80,446,451)	(69,185,706)
Taxes paid		(44,756,596)	(45,435,586)
<b>Net cash generated/(used in) from operating activities</b>		<b>213,519,513</b>	<b>(60,629,135)</b>
<b>Cash flows from investing activities</b>			
Fixed capital expenditure		(33,504,366)	(32,466,094)
Proceeds from sale of investment property-net		-	61,103,000
Proceeds from sale of membership cards and licenses		34,200,000	(1,000,202)
Sale proceeds of property, plant and equipment		5,009,802	233,000
Dividend received		8,251,207	1,682,807
Investment in associates		(123,405,270)	(301,876,723)
Long term Loans		(22,156,905)	-
Mark up received		59,405,374	41,462,909
<b>Net cash used in investing activities</b>		<b>(72,200,158)</b>	<b>(230,861,303)</b>
<b>Cash flows from financing activities</b>			
Issue of right shares		-	187,650,300
Share premium		-	93,825,150
Repayment of finance lease liabilities		(3,421,563)	(4,127,113)
Receipt of long term finance		13,320,000	-
Dividend paid to minority		(6,045,516)	-
Dividend paid		(8,896)	(20,711)
<b>Net cash generated from financing activities</b>		<b>3,844,025</b>	<b>277,327,626</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>145,163,380</b>	<b>(14,162,812)</b>
<b>Cash and cash equivalents in the beginning of the year</b>		<b>163,281,840</b>	<b>177,439,534</b>
<b>Exchange loss on translation of deposit account</b>		<b>8,640</b>	<b>5,118</b>
<b>Cash and cash equivalents at the end of the year</b>	34	<b>308,453,860</b>	<b>163,281,840</b>

The annexed notes 1 to 41 form an integral part of these accounts.

Lahore:

\_\_\_\_\_  
Chairman & Chief Executive Officer

\_\_\_\_\_  
Director

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
FOR THE YEAR ENDED 30 JUNE 2006

	Attributable to equity holders of the Parent						Minority Interest	Total Equity
	Capital reserves			Revenue reserve				
	Share capital	Share premium	Revaluation reserve of an associated company	Currency translation reserve	Unappropriated profit	Total		
	Rupees							
<b>Balance as at 30 June 2004</b>	469,125,760	2,643,800	32,557,138	(1,386,557)	256,933,067	759,873,208	145,677,401	905,550,609
Exchange translation difference recognized directly in equity	-	-	-	2,074,847	-	2,074,847	948,180	3,023,027
Profit for the year	-	-	-	-	183,456,626	183,456,626	33,739,293	217,195,919
<b>Total recognized income and expense for the year</b>	-	-	-	2,074,847	183,456,626	185,531,473	34,687,473	220,218,946
Disposal of investment	-	-	-	-	-	-	6,536,953	6,536,953
Dividend paid	-	-	-	-	-	-	(363,615)	(363,615)
Issuance of share capital	187,650,300	93,825,150	-	-	-	281,475,450	-	281,475,450
Right issue	197,032,810	(96,468,950)	-	-	-	-	-	-
Bonus issue	384,683,110	(2,643,800)	-	-	(100,563,860)	-	-	-
<b>Balance as at 30 June 2005</b>	853,808,870	-	32,557,138	688,290	339,825,833	1,226,880,131	186,538,212	1,413,418,343
Exchange translation difference recognized directly in equity	-	-	-	(861,460)	-	(861,460)	(584,744)	(1,446,204)
Profit for the year	-	-	-	-	479,600,673	479,600,673	89,389,864	568,990,537
<b>Total recognized income and expenses for the year</b>	-	-	-	(861,460)	479,600,673	478,739,213	88,805,120	567,544,333
Sale of investment	-	-	-	-	-	-	1,157,259	1,157,259
Dividend paid	149,416,540	-	-	-	(149,416,540)	-	(6,045,516)	(6,045,516)
Issuance of share capital against bonus shares	149,416,540	-	-	-	(149,416,540)	-	-	-
<b>Balance as at 30 June 2006</b>	1,003,225,410	-	32,557,138	(173,170)	670,009,966	1,705,619,344	270,455,075	1,976,074,419

The annexed notes 1 to 41 form an integral part of these accounts.

Lahore:

Chairman & Chief Executive Officer

Director

===== FIRST CAPITAL SECURITIES CORPORATION LIMITED =====

**CONSOLIDATED NOTES TO THE ACCOUNTS**

FOR THE YEAR ENDED 30 JUNE 2006

**1 Status and nature of business**

First Capital Securities Corporation Limited (FCSC) (the Parent Company) was incorporated in Pakistan on 11 April 1994 as a public limited company under the Companies Ordinance, 1984 and is listed on the Karachi, Lahore and Islamabad Stock Exchanges. The registered office of the Parent Company is situated at 103-C/II, Gulberg-III, Lahore. The Parent Company is involved in making long and short term investments, money market operations and financial consultancy services.

The group consists of following subsidiaries:

Company	Country of incorporation	Nature of business	Holding %	
			2006	2005
First Capital Associates (Private) Limited (FCAL)	Pakistan	Consultancy/advisory services.	100.00	100.00
First Capital Investments Limited (FCIL)	Pakistan	Providing investment advisory services under the Non- Banking Finance Companies (Establishment and Regulation) Rules, 2003.	65.79	65.79
Lanka Securities (Private) Limited (LSL)	Sri Lanka	Sale/purchase of shares, consultancy services, money market operations, under- writing, placements and equity research, etc.	51.00	51.00
World Press (Private) Limited (WPL)	Pakistan	Carrying on the business of printers, publishers, packaging, advertisement and specialized directory business, stationers and dealing in all allied products.	65.00	65.00
First Capital Equities Limited (FCEL)	Pakistan	Sale/purchase of shares, consultancy services, money market operations, underwriting, placements and equity research, etc.	67.39	67.39
Equity Partners Securities Limited (EPSL)	Bangladesh	Sale/purchase of shares in stock market	34.37	34.37

EPSL is subsidiary of the Parent Company's subsidiary FCEL.

**2 Basis of consolidation**

**2.1** The consolidated financial statements include the financial statements of the Parent Company and its subsidiary companies the Group. The financial statements of the Subsidiaries have been consolidated on a line by line basis.



#### Subsidiaries

Subsidiaries are entities controlled by the Parent Company. Control exists when the Parent Company has the power, directly or indirectly, to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The financial statements of the Subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Details of subsidiaries are given in note 1.

#### Associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. The consolidated financial statements include the Group's share of the total recognized gains and losses of associates on equity accounting basis, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an associate, the Group's carrying amount is reduced to nil and recognition of further losses is discontinued except to the extent that the group has incurred legal or constructive obligation or made payments on behalf of the associate.

#### Transactions eliminated on consolidation

Intragroup balances and any unrealized gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements. Unrealized gains arising from transactions with associates are eliminated to the extent of the Group's interest in the entity. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

Minority interest is that part of net results of operations and of net assets of Subsidiaries attributable to interests which are not owned by the Parent Company. Minority interest is presented separately in the consolidated financial statements.

### **3 Significant accounting policies**

#### **3.1 Statement of compliance**

The consolidated financial statements have been prepared in accordance with approved International Accounting Standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IASs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan (SECP) differ with the requirements of these standards, requirements of the Companies Ordinance, 1984 or requirements of the said directives take precedence.

#### **3.2 Accounting convention**

These financial statements have been prepared under the historical cost convention, except for investments in associates accounted for under equity method, short-term investments and certain financial assets that are stated at fair value, and recognition of certain employee benefits at present value.

The preparation of consolidated financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in subsequent years are discussed in note 37.

### **3.3 Change in accounting policy**

Consequent upon revisions in IAS 39 Financial Instruments: Recognition and Measurement, FCEL which is one of the Group company has changed its accounting policies in respect of the Investments at fair value through profit and loss. The transaction costs incurred in relation to acquisition of investments, classified as Investments at fair value through profit and loss are now charged to profit and loss account when incurred. Previously such costs incurred on acquisition of all classes of investment were included in the cost of related investment. This change in the accounting policy has been accounted for retrospectively in accordance with the treatment specified in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors".

However, there is no significant impact of the above change in accounting policy on the net profit and the assets and liabilities of the Group for the current and prior period.

### **3.4 Change in accounting estimate**

During the year the Group has changed its accounting method of charging depreciation whereby depreciation is charged from the month in which assets are put to use upto the month preceding the disposal of asset. Such change, being a change in accounting estimate, has been accounted for prospectively. Had this change not been made, the profit for the year and closing balance of property, plant and equipment would have decreased by Rs.3,034,684.

Moreover one of the group company (FCEL) has changed its estimate regarding the useful life of computers during the year. Computers are now depreciated at 30% as compared to 20% previously. Had this change not been made, the profit during the year and property, plant and equipment would have increased by Rs. 457,372.

### **3.5 Property, plant and equipment and depreciation**

These are stated at cost less accumulated depreciation and impairment losses. Depreciation is charged to income applying the straight-line method whereby the cost is written-off over its estimated useful life at the rates specified in note 4 to the financial statements. Depreciation on additions is charged on a pro-rata basis from the month in which the asset is put to use, while for disposals depreciation is charged upto the month preceding the disposal of the asset. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the assets revised carrying amount over its estimated useful life.

Residual value and the useful life of an asset are reviewed at least at each financial year-end.

Maintenance and repairs are charged to income as and when incurred. Renewals and improvements are capitalized when it is probable that respective future economic benefits will flow to the Group and the cost of the item can be measured reliably, and the assets so replaced, if any, are retired. Gains or losses on disposal of fixed assets, if any, are taken to income currently.

### **3.6 Leases**

Leases where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Assets subject to finance lease are stated at the lower of its fair value and present value of minimum lease payments at the date of commencement of lease, less accumulated depreciation and impairment loss, if any.

The related rental obligations, net of finance costs are classified as current and long term depending upon the timing of the payment. Each lease payment is allocated between the liability and finance costs so as to achieve a constant rate on the balance outstanding. The interest element of the rental is calculated at the rate implicit in the lease and charged to income over the lease term.

Assets acquired under a finance lease are depreciated over the estimated useful life of the asset on a straight-line method at the rates given in note 4. Depreciation of leased assets is charged to income.

Depreciation on additions to leased assets is charged from the month in which an asset is acquired while no depreciation is charged for the month in which the asset is disposed off.

Residual value and the useful life of an asset are reviewed at least at each financial year-end.

### **3.7 Intangible assets**

#### ***Goodwill***

Goodwill represents the difference between the fair value of consideration paid at the time of acquisition and the fair value of the groups share in net assets at the date of acquisition.

Goodwill is stated at cost less accumulated amortization and impairment loss, if any. Goodwill is amortized using the straight line method at the rate of 20%.

#### ***Negative goodwill***

Negative goodwill arising on acquisition represents the excess of the fair value of the interest in subsidiarys 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 recognized in the profit and loss account over the weighted average useful life of such non-monetary assets, which is five years. The balance of the negative goodwill in excess of the fair value of non-monetary assets of the subsidiary is recognized immediately in the profit and loss account.

***Other 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.

Intangible assets are stated at cost less accumulated amortization and impairment loss, if any. These are amortized using the straight line method at the rate of 20%.

Subsequent expenditure on intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditures are charged to income as and when incurred.

Gain or loss arising on disposal and retirement of intangible asset is determined as a difference between net disposal proceeds and carrying amount of the asset and is recognized as income or expense in the income statement.

**3.8 Impairment**

The carrying amount of the Groups assets is 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.

An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in the profit and loss.

Impairment loss is reversed when there is an indication that the impairment loss may no longer exist and there has been a change in the estimate used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been charged.

**3.9 Investments**

***Investments in equity instruments of associated companies***

Investments in associated companies where Group has significant influence are accounted for using the equity method.

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

***Investments at fair value through profit or loss***

These include investments classified as held for trading or investments which upon initial recognition are designated by the Company as at fair value through profit or loss. Investments which are acquired principally for the purpose of generating a profit from short term fluctuations in price or dealer's margin are classified as held for trading. After initial recognition, these are stated at fair values with any resulting gains and losses recognized directly in income currently. Fair value of investments is their quoted bid price at the balance sheet date.

**3.10 Settlement date accounting**

All "regular way" purchases and sales of financial assets are recognized on the settlement date, i.e. the date on which the asset is delivered to or by the Group. Regular way purchases or sales of financial assets are those contracts, which requires delivery of assets within the time frame generally established by regulation or convention in the market.

**3.11 Long term loan**

These include non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

At initial recognition these financial assets are measured at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. After initial recognition these are measured at amortized cost using the effective interest method less impairment loss, if any. A provision for impairment of long term loan is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of loan.

**3.12 Deferred cost**

These included preliminary expenses and other similar expenses incurred in connection with incorporation or public offering of Group companies upto the year 2004. In order to comply with the substituted Fourth Schedule to the Companies Ordinance, 1984, the Group has adopted the treatment allowed by Circular No. 1 of 2005 issued by Securities and Exchange Commission of Pakistan whereby deferred costs incurred prior to 01 July 2004 are being amortized over the remaining available period whereas deferred costs incurred subsequent to this date are charged to income currently.

**3.13 Inventories**

Inventories except for stock in transit, is stated at lower of cost and net realizable value. Cost is determined as follows:

Raw materials are valued using weighted average method. Items 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.

Finished goods are valued at cost comprising cost of materials and appropriate conversion cost.

Net realizable value is the estimated selling price in ordinary course of business, less estimated incidental selling cost.

**3.14 Trade debts**

Trade debts are carried at original invoice amount less an estimate made for doubtful debts based on a review of all outstanding amounts at the year end. Bad debts are written off when identified.

**3.15 Trade and other payables**

Liabilities for trade and other amounts payable are carried at cost which is the fair value of the consideration to be paid in future for goods or services received.

**3.16 Securities purchased and sold under resale/ purchase agreements**

***Repurchase agreements***

Investments sold with a simultaneous commitment to repurchase at a specified future date (Repo) continue to be recognized in the balance sheet and are measured in accordance with the accounting policies for investments. Amounts received under these agreements are recorded as "securities sold under repurchase agreements" in short term borrowings. The difference between sale and repurchase price is treated as mark-up on borrowings and is accrued over the life of the repo agreement.

***Reverse repurchase agreements***

Investments purchased with a corresponding commitment to resell at a specified future date (Reverse repo) are not recognized in the balance sheet. Amounts paid under these obligations are recorded as fund placements. The difference between purchase and resale price is treated as mark-up/interest income on placements and is accrued over the life of the reverse repo agreement.

**3.17 Mark up bearing borrowings**

Mark up bearing borrowings are recognized initially at cost being the fair value of consideration received, less attributable transaction cost. Subsequent to the initial recognition, mark up bearing borrowings is stated at original cost less subsequent repayments.

**3.18 Staff retirement benefits**

***Defined benefit plan***

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

The Group recognizes actuarial gains/ losses above the 10% of the higher of fair value of assets and present value of obligation at the end of previous year over the expected remaining average service life of the employees.

Lanka Securities (Private) Limited operates an un-funded gratuity scheme for those employees who have completed specific period of service with the Subsidiary and provision is made annually to cover the obligations under the scheme. These benefits are calculated with reference to last drawn salary and prescribed qualifying periods of services of the employees.

**3.19 Financial instruments**

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

Financial assets are long term loan, long term deposits, short term investments, trade debts, advances, other receivables and cash and bank balances.

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

**3.20 Offsetting of financial assets and financial liabilities.**

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

**3.21 Provisions**

Provisions are recognized when the Group 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.

**3.22 Revenue recognition**

- a) Capital gains or losses on sale of investments are recognized in the year in which they arise.
- b) Brokerage income, consultancy and advisory fees are recognized as and when such services are provided.
- c) Underwriting commission is recognized as and when the contract is executed. Take up commission is recognized at the time of actual take-up.
- d) Income from bank deposits, loans and advances is recognized on accrual basis.
- e) Dividend income is recognized when the right to receive the dividend is established i.e. at the time of closure of share transfer book of the company declaring the dividend.
- f) Return on securities other than shares is recognized as and when it is due on time proportion basis.
- g) Income on placements on account of continuous funding system is recognized on accrual basis.
- h) Mark-up/interest income is recognized on accrual basis.
- i) Investment advisory fee is accounted for on accrual basis.
- j) Rental income is recognized on accrual basis.
- k) Revenue from printing services are accounted for at the time of acceptance of goods by the customers.

**3.23 Borrowing cost**

Borrowing costs are recognized as an expense in the period in which these are incurred.

**3.24 Taxation**

***Current***

Provision for current taxation is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

***Deferred***

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

**3.25 Foreign currency translation**

Transactions in foreign currencies are translated into rupees at exchange rates prevailing at the date of transaction. All monetary assets and liabilities in foreign currencies are translated into rupees at exchange rates prevailing at the balance sheet date. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated into rupees at exchange rates prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currency that are stated at fair value are translated into rupees at exchange rates prevailing at the date when fair values are determined. Exchange gains and losses are included in the income currently.

The results and financial position of Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- a) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of balance sheet;
- b) income and expenses for each income statement are translated at average exchange rates.
- c) all resulting exchange differences are recognized as a separate component of equity.

When a foreign operation is sold, exchange differences that were recorded in equity are recognized in the income statement as part of gain or loss on sale.

**3.26 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 in hand, cash with banks and other short term highly liquid investments (if any) that are readily convertible to known amounts of cash and which are subject to insignificant risk of change in value.

**3.27 Transactions with related parties**

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



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**4 Property, plant and equipment**

Following is the statement of operating fixed assets

	Cost				Rate %	Depreciation				Net book value as at 30 June 2006 Rupees
	As at 01 July 2005		As at 30 June 2006			As at 01 July 2005		As at 30 June 2006		
	Exchange adjustments	Additions/ (deletions)	Transfers	As at 30 June 2006		Exchange adjustments	Additions/ (deletions)	For the year	As at 30 June 2006	
<b>Owned assets</b>										
Freehold building	17,000,000	-	-	17,000,000	5	850,000	-	807,500	1,657,500	15,342,500
Leasold improvements	5,629,186	23,309	1,746,083	7,398,578	5-14	1,600,252	(227,268)	757,607	2,130,591	5,267,987
Plant and machinery	5,170,661	-	-	2,770,661	10	619,606	-	419,106	798,712	1,971,949
			(2,400,000)				(240,000)			
Computers	17,300,787	117,694	5,608,950	22,297,635	10-50	9,996,668	(149,928)	3,108,194	12,452,408	9,845,227
			(729,796)				(502,526)			
Office equipments	14,101,923	30,168	4,275,278	18,302,219	10-12.5	7,079,430	(24,325)	1,006,601	7,956,556	10,345,663
			(105,150)				(105,150)			
Furniture and fixtures	7,441,708	29,598	1,529,919	8,823,145	10-12.5	4,742,705	(13,310)	396,646	5,126,041	3,697,104
			(178,080)							
Vehicles	31,956,962	62,644	20,344,136	50,312,742	20-25	19,537,493	383,910	4,996,917	23,392,819	26,919,923
			(3,436,500)				(2,467,801)			
	98,601,227	263,413	33,504,366	126,904,980		44,426,154	(30,921)	11,492,571	53,514,627	73,390,353
			(6,849,526)				(3,315,477)			
<b>Leased assets</b>										
Plant and machinery	6,771,632	-	4,010,770	10,782,402	10	931,099	-	633,476	1,564,575	9,217,827
Vehicles	7,951,000	-	-	6,565,500	20-25	2,766,125	-	1,023,555	2,847,380	3,718,120
	14,722,632	-	4,010,770	17,347,902		3,697,224	-	1,657,031	4,411,955	12,935,947
			(1,385,500)				(942,300)			
			(1,385,500)				(942,300)			
<b>2006</b>	<b>113,323,859</b>	<b>263,413</b>	<b>37,515,136</b>	<b>144,252,882</b>		<b>48,123,378</b>	<b>(30,921)</b>	<b>13,149,602</b>	<b>57,926,582</b>	<b>86,326,300</b>
			<b>(6,849,526)</b>				<b>(3,315,477)</b>			
<b>2005</b>	<b>79,377,428</b>	<b>(78,663)</b>	<b>34,578,908</b>	<b>113,323,859</b>		<b>37,711,906</b>	<b>(218,447)</b>	<b>10,974,701</b>	<b>48,123,378</b>	<b>65,200,481</b>
			<b>(553,814)</b>				<b>(344,782)</b>			

**4.1 Disposal of operating fixed assets**

Particulars of assets	Cost Rupees	Depreciation Rupees	Net book			Particulars of buyers
			value Rupees	Sale proceeds Rupees	Profit/(loss) Rupees	
Plant and machinery	2,400,000	240,000	2,160,000	1,920,000	(240,000)	Security Leasing Corporation Limited
Computers	211,792	3,885	207,907	207,907	-	A.S Electronics, Karachi
Furniture and fixtures	178,080	-	178,080	178,080	-	First Capital Investments Limited, Lahore
Vehicle	760,000	494,000	266,000	650,000	384,000	Branded Cars, Shop No.145/3, Bismillah Tarace, Khalid Bin Waleed Road, Karachi
Vehicle	525,000	525,000	-	250,000	250,000	Dawood Car Corner, Lahore
Vehicle	250,000	37,500	212,500	300,000	87,500	Dawood Car Corner, Lahore
Vehicle	490,000	361,549	128,451	328,800	200,349	Mr. Harris, Lahore
Vehicle	490,000	361,549	128,451	326,800	198,349	Mr. Harris, Lahore
Vehicle	426,500	337,056	89,444	301,800	212,356	Muhammad Azam Iqbal, Lahore
Vehicle	495,000	351,146	143,854	325,300	181,446	Muhammad Azam Iqbal, Lahore
Assets with book value below Rs.50,000	623,154	603,792	19,362	221,115	201,753	Negotiations
<b>2006</b>	<b>6,849,526</b>	<b>3,315,477</b>	<b>3,534,049</b>	<b>5,009,802</b>	<b>1,475,753</b>	
2005	505,600	298,844	206,756	233,000	26,244	

**4.2** Charge for depreciation has been allocated as follows:

	2006 Rupees	2005 Rupees
Direct costs	1,437,372	1,639,837
Operating expenses	11,712,230	9,334,864
	<b>13,149,602</b>	<b>10,974,701</b>

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5 Intangible assets

	<i>Note</i>	<b>Goodwill</b>	<b>Membership cards</b>	<b>Licenses - rooms</b>	<b>Total</b>
			<b>Rupees</b>		<b>Rupees</b>
<b>Cost</b>					
Balance as at 01 July 2004		(81,105,583)	54,576,435	12,307,500	(14,221,648)
Acquisition/(deletion) during the year		-	(53,169)	1,053,370	1,000,201
Balance as at 30 June 2005		(81,105,583)	54,523,266	13,360,870	(13,221,447)
Balance as at 01 July 2005		(81,105,583)	54,523,266	13,360,870	(13,221,447)
Acquisition/(deletion) during the year	5.1	-	(11,000,000)	(5,860,870)	(16,860,870)
Balance as at 30 June 2006		(81,105,583)	43,523,266	7,500,000	(30,082,317)
<b>Amortization</b>					
Balance as at 01 July 2004		179,355	-	-	179,355
Amortization for the year		(969,519)	-	-	(969,519)
Balance as at 30 June 2005		(790,164)	-	-	(790,164)
Balance as at 01 July 2005		(790,164)	-	-	(790,164)
Amortization for the year		(969,519)	-	-	(969,519)
Adjustment for disposal		1,871,041	-	-	1,871,041
Balance as at 30 June 2006		111,358	-	-	111,358
<b>Carrying amounts</b>					
At 01 July 2004		(80,926,228)	54,576,435	12,307,500	(14,042,293)
At 30 June 2005		(80,315,419)	54,523,266	13,360,870	(12,431,283)
At 01 July 2005		(80,315,419)	54,523,266	13,360,870	(12,431,283)
At 30 June 2006	5.2	(81,216,941)	43,523,266	7,500,000	(30,193,675)

5.1 During the year, FCEL sold its Membership of Lahore Stock Exchange (Guarantee) Limited along with leasehold rights of Lahore, Faisalabad and Sialkot rooms to Guardian Securities (Private) Limited for Rs. 34,200,000 and earned a gain of Rs. 17,339,130 on sale of these assets through negotiations as per the approval of shareholders in their extraordinary general meeting held on 24 January 2006.

5.2 This includes Rs.78,129,029 in respect of 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 24.1.5.

===== FIRST CAPITAL SECURITIES CORPORATION LIMITED =====

	<i>Note</i>	<b>2006</b>	2005
		<b>Rupees</b>	Rupees
<b>6 Long term loans - unsecured considered good</b>			
<i>Related parties</i>			
Pace Super Mall (Private) Limited	6.1	<b>10,879,500</b>	9,292,595
Less: Current portion		<b>(9,292,595)</b>	-
		<b>1,586,905</b>	9,292,595
Pace Gujrat (Private) Limited	6.2	<b>20,570,000</b>	-
		<b>22,156,905</b>	9,292,595
		<b>22,156,905</b>	9,292,595

**6.1** This represents loan to the associated company and carries minimum mark up rate of 14% or higher as per existing borrowing cost of the Parent Company, subject to the provisions of section 208 of the Companies Ordinance 1984. The total outstanding loan amount (including principal and any markup added in the same) shall be repaid after completion of four years from the date of disbursement which is 30 June 2003. The maximum aggregate amount of loan outstanding during the year was Rs. 10.879 million (2005: Rs.9.292 million).

**6.2** This includes two unsecured loans disbursed to Pace Gujrat (Private) Limited, an associated company, by the Parent Company and its subsidiary First Capital Equities Limited amounting to Rs.10.380 million and Rs.10.190 million respectively. The loans are repayable after four years and carry mark-up at the rate ranging from 12% to 15 % or higher provided such markup shall not be less than the borrowing cost of the Group. The maximum aggregate amount due from the associated company at the end of any month during the year was Rs. 20.570 million.

	<i>Note</i>	<b>2006</b>	2005
		<b>Rupees</b>	Rupees
<b>7 Investment in associates</b>			
<i>Associated companies-Listed</i>			
<b>Worldcall Telecom Limited</b>			
29,250,000 (2005:5,250,000) ordinary shares of Rs.10 each		<b>290,455,242</b>	292,500,000
Transfer of investment from WCL due to merger of WCL in WTL		<b>410,297,597</b>	
Share of profit/(loss)		<b>112,197,024</b>	(2,044,758)
77,422,997 (2005: 29,250,000) ordinary shares of Rs.10 each			
Equity held 11.84%	7.1	<b>812,949,863</b>	290,455,242
	<i>C/F</i>	<b>812,949,863</b>	290,455,242

===== FIRST CAPITAL SECURITIES CORPORATION LIMITED =====

	<i>Note</i>	<b>2006</b> Rupees	2005 Rupees
	<b>B/F</b>	<b>812,949,863</b>	290,455,242
<b>Worldcall Communication Limited</b>			
NIL (2005: 29,499,692) ordinary shares of Rs.10 each		<b>410,297,597</b>	329,032,186
Share of profit		-	81,265,411
Transferred to WTL as a result of merger		<b>(410,297,597)</b>	-
	<i>7.1</i>	-	410,297,597
<b>First Capital Mutual Fund Limited</b>			
1,500,000 ordinary shares of Rs. 10 each		<b>14,049,321</b>	11,639,857
Equity held:10% (2005: 10%)			
Share of profit		<b>4,826,937</b>	2,409,464
Dividend received		<b>(1,500,000)</b>	-
		<b>17,376,258</b>	14,049,321
<b>Associated companies - Unlisted</b>			
<b>Pace (Pakistan) Limited</b>			
35,958,868 (2005: 19,010,597) ordinary shares of Rs.10/- each		<b>353,961,280</b>	220,196,294
Equity held: 34.55% (2005: 24.74 %)		<b>126,064,753</b>	50,559,716
Share of profit	<i>7.2</i>	<b>480,026,033</b>	270,756,010
<b>Media Times (Private) Limited</b>			
8,000,000 ordinary shares of Rs. 10 each		<b>38,899,267</b>	53,426,384
Equity held: 46.03% (2005: 46.03%)			
Share deposit money		<b>30,000,000</b>	
Share of loss		<b>(11,279,830)</b>	(14,527,117)
		<b>57,619,437</b>	38,899,267
<b>Pace Super Mall (Private) Limited</b>			
4,500 ordinary shares of Rs. 10 each	<i>7.3</i>	<b>45,000</b>	45,000
Equity held: 10% (2005: 10%)			
<b>Trident Construction (Private) Limited</b>			
Share deposit money		<b>10,200,000</b>	-
<b>Total investments</b>		<b>1,378,216,591</b>	1,024,502,437
<b>Share of profit of associated companies</b>		<b>230,308,884</b>	117,662,716

===== **FIRST CAPITAL SECURITIES CORPORATION LIMITED** =====

**7.1** The share holders of Worldcall Telecom Limited (WTL) in their meetings held on 18 February 2006 and 15 April 2006 had approved the scheme of merger ("the Scheme") of the Company with former Worldcall Multimedia Limited ("WML"), former Worldcall Broadband Limited ("WBL") and former Worldcall Communication Limited ("WCL"). The Scheme was subsequently sanctioned by the Honourable Lahore High Court through its order dated 24 April 2006. The effective date of the Scheme was 01 July 2005 ("Effective Date").

Consequently , each member of WCL, WBL and WML holding ordinary shares on 9 June 2006 are entitled to receive fully paid ordinary shares of Rs.10 each, at par, in WTL in accordance with the swap ratios approved by Honourable Lahore High Court.

In pursuance of the Scheme the Parent Company has received shares of WTL in exchange for its investment in WCL shares.

This includes 2.9 million shares held under lien as security by National Accountability Bureau. Refer to note 24.1.

**7.2** Market value of Pace (Pakistan) Limited represents value guaranteed by underwriters in Initial Public Offer.

**7.3** The Company was not in operation as at 30 June 2006.

**7.4 Summary financial information of associates**

	<b>2006</b>			
	<b>Assets</b>	<b>Liabilities</b>	<b>Revenues</b>	<b>Profit/(loss)</b>
	<b>Rupees</b>			
Worldcall Telecom Limited	15,923,909,000	4,693,977,000	4,355,859,000	947,610,000
Pace (Pakistan) Limited	2,705,457,245	1,180,535,068	551,347,071	364,876,274
Media Times (Private) Limited	272,292,441	122,370,845	194,373,535	(24,505,387)
First Capital Mutual Fund Limited	181,430,714	5,387,936	56,029,007	48,269,365
Pace Super Mall (Private) Limited	105,655,966	105,205,966	-	-
	<b>19,188,745,366</b>	<b>6,107,476,815</b>	<b>5,157,608,613</b>	<b>1,336,250,252</b>
	<b>2005</b>			
	<b>Assets</b>	<b>Liabilities</b>	<b>Revenues</b>	<b>Profit/(loss)</b>
	<b>Rupees</b>			
Worldcall Telecom Limited	5,958,914,000	3,228,132,000	677,853,716	(19,217,652)
Worldcall Communication Limited	3,881,533,426	1,206,421,990	2,246,474,199	438,798,115
Pace (Pakistan) Limited	1,671,947,705	518,077,936	375,039,000	206,053,327
Media Times (Private) Limited	259,299,393	103,572,410	147,569,322	(31,560,106)
First Capital Mutual Fund Limited	159,806,298	17,194,885	29,916,712	24,094,637
Pace Super Mall (Private) Limited	91,149,935	90,699,935	-	-
	<b>12,022,650,757</b>	<b>5,164,099,156</b>	<b>3,476,852,949</b>	<b>618,168,321</b>

FIRST CAPITAL SECURITIES CORPORATION LIMITED

	<i>Note</i>	<b>2006</b> <b>Rupees</b>	2005 Rupees
<b>8 Long term deposits and advances</b>			
<i>Deposits with:</i>			
Leasing companies		2,667,585	2,574,408
Less: Current portion		(804,050)	(301,000)
		1,863,535	2,273,408
Stock exchanges		610,000	3,407,962
Bank of Ceylon		2,877,990	2,669,583
Advances for leasehold property	8.1	4,756,000	-
Others		1,405,996	764,300
		<b>11,513,521</b>	<b>9,115,253</b>

**8.1** This represents amount paid to Islamabad Stock Exchange (Guarantee) Limited on account of property for which possession will be transferred to the Group in the year 2008.

	<i>Note</i>	<b>2006</b> <b>Rupees</b>	2005 Rupees
<b>9 Deferred cost</b>			
Opening balance		9,041	12,054
Less: Amortization for the year		(3,013)	(3,013)
		<b>6,028</b>	<b>9,041</b>

<b>10 Trade debts</b>			
Money market receivables			
Unsecured, considered good		1,331,642	1,247,002
Unsecured, considered doubtful		314,107	314,107
		1,645,749	1,561,109
Less: Provision for doubtful debts	10.1	314,107	314,107
		1,331,642	1,247,002
Receivables against purchase of shares by clients			
Unsecured, considered good	10.2	732,904,143	365,112,377
Unsecured, considered doubtful		29,064,641	30,654,025
		761,968,784	395,766,402
Less: Provision for doubtful debts	10.3	29,064,641	30,654,025
		732,904,143	365,112,377
Receivable against professional services rendered - related parties			
Unsecured, considered good	10.4	10,506,437	22,422,819
Others			
Unsecured, considered good		7,104,309	35,397
Unsecured, considered doubtful		65,832,879	52,177,966
		72,937,188	52,213,363
Less: Provision for doubtful debts	10.5	65,832,879	52,177,966
		7,104,309	35,397
		<b>751,846,531</b>	<b>388,817,595</b>

===== FIRST CAPITAL SECURITIES CORPORATION LIMITED =====

	<i>Note</i>	<b>2006</b>	2005
		<b>Rupees</b>	Rupees
<b>10.1</b>	<b>Provision against money market receivables</b>		
	Opening provision for doubtful debts	314,107	314,107
	Charge for the year	-	-
	<b>Closing provision for doubtful debts</b>	<b>314,107</b>	<b>314,107</b>
<b>10.2</b>	It includes an amount of Rs. 140,849,871 (2005: Rs.79,450,956) receivable from related party, Mr.Sulieman Ahmad Said Al-Hoqani.		
	<i>Note</i>	<b>2006</b>	2005
		<b>Rupees</b>	Rupees
<b>10.3</b>	<b>Provision against purchase of shares by clients</b>		
	Opening provision for doubtful debts	30,654,025	28,457,797
	Charge for the year	316,579	2,196,228
	Provision written back	(1,905,963)	-
	<b>Closing provision for doubtful debts</b>	<b>29,064,641</b>	<b>30,654,025</b>
<b>10.4</b>	<b>Receivable against professional services-related parties</b>		
	Worldcall Telecom Limited	1,750,000	19,541,234
	First Capital Mutual Fund Limited	3,877,917	2,677,462
	First Capital Investments Limited	-	4,140
	Pace (Pakistan) Limited	1,928,520	199,983
	Pace Barka (Private) Limited	2,950,000	-
		<b>10,506,437</b>	<b>22,422,819</b>
<b>10.4.1</b>	The comparative figure includes fee receivable of Rs.2,372,806, Rs.1,341,595 and Rs.1,357,039 from former Worldcall Broadband Limited, former Worldcall Multimedia Limited and former Worldcall Communications Limited respectively, which have been merged into Worldcall Telecom Limited.		
		<b>2006</b>	2005
		<b>Rupees</b>	Rupees
<b>10.5</b>	<b>Provision against others</b>		
	Opening provision for doubtful debts	52,177,966	37,432,010
	Charge for the year	15,664,671	14,745,956
	Provision written back	(2,009,758)	-
	<b>Closing provision for doubtful debts</b>	<b>65,832,879</b>	<b>52,177,966</b>



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	<i>Note</i>	<b>2006</b>	2005
		<b>Rupees</b>	Rupees
<b>11 Loans and advances</b>			
Unsecured, considered good			
Advances to suppliers		2,709,541	271,850
Advances to employees for expenses			
Executives		300,631	462,831
Others		5,090,675	2,926,670
	<i>11.1</i>	5,391,306	3,389,501
Due from related parties	<i>11.2</i>	-	1,345,997
Stock Exchanges	<i>11.3</i>	119,717,212	38,192,486
Receivable on account of sale of			
LSE cards and rooms		1,500,000	-
Other deposits		-	652,634
		121,217,212	40,191,117
Unsecured, considered doubtful			
Others		571,267	571,267
Less: Provision for doubtful debts	<i>11.4</i>	571,267	571,267
		-	-
		129,318,059	43,852,468

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

	<b>2006</b>	2005
	<b>Rupees</b>	Rupees
<b>11.2 Due from related parties</b>		
Worldcall Telecom Limited	-	1,337,275
Pace (Pakistan) Limited	-	8,722
	-	1,345,997

The comparative figure of Worldcall Telecom Limited comprises of Rs.1,172,601 and Rs.164,674 due from former Worldcall Broadband Limited and former Worldcall Multimedia Limited respectively, which have now been merged into Worldcall Telecom Limited.

===== FIRST CAPITAL SECURITIES CORPORATION LIMITED =====

These were unsecured advances which carried mark up @ 16% (2005:13.5-16%) per annum.

- 11.3** This represents exposure deposit with the Karachi Stock Exchange (Guarantee) Limited (2005: Karachi Stock Exchange (Guarantee) Limited and Lahore Stock Exchange (Guarantee) Limited ) under the exposure Rules.

	<i>Note</i>	<b>2006</b>	2005
		<b>Rupees</b>	Rupees
<b>11.4 Provision for doubtful debts</b>			
Opening provision for doubtful debts		<b>571,267</b>	571,267
Charge for the year		-	-
Provision written back		-	-
<b>Closing provision for doubtful debts</b>		<b>571,267</b>	571,267

**12 Taxation**

Current year	<i>12.1</i>	<b>45,649,268</b>	40,402,121
Deferred		<b>1,341,425</b>	2,532,388
		<b>46,990,693</b>	42,934,509

- 12.1** Current year tax charge reconciliation has not been prepared as some group companies have provided minimum tax under applicable tax law.

- 12.2** The Parent Company's assessments have been finalized upto tax year 2005. In 2004, the DCIT passed order u/s 221 of the Income Tax Ordinance, 2001 for the assessment years 2000-2001 to 2002-2003 creating a tax demand of Rs.9.8 million on account of disallowance of expenses which relate to exempt income i.e. capital gain. The Parent Company filed appeals in CIT (A) against these orders and also filed rectification against the said orders of DCIT. The CIT (A) allowed partial relief against the orders passed by the DCIT. In the light of order of the CIT (A) the demand of Rs.9.8 million was reduced to Rs.6.2 million for the assessment year 2000-2001 to 2002-2003.

The management is confident that the appeals will be decided in favour of the Parent Company and the addition on account of allocation of expenses will be deleted.

FIRST CAPITAL SECURITIES CORPORATION LIMITED

	<i>Note</i>	<b>2006</b>	2005
		<b>Rupees</b>	Rupees
<b>13 Other receivables</b>			
Divided		<b>456,800</b>	1,250
Others	<i>13.1</i>	<b>12,106,360</b>	10,958,857
Current portion of deposits against lease	<i>8</i>	<b>804,050</b>	301,000
		<b>13,367,210</b>	11,261,107
<b>13.1</b>			
Unsecured, considered good		<b>12,106,360</b>	10,958,857
Unsecured, considered doubtful		<b>1,500,000</b>	-
		<b>13,606,360</b>	10,958,857
Less: Provision for bad debts		<b>(1,500,000)</b>	-
		<b>12,106,360</b>	10,958,857

**14 Placements**

Secured, considered good

Placement on account of continuous funding system		<b>7,641,520</b>	-
Securities purchased under resale agreement			
of quoted shares			
Related party	<i>14.1</i>	<b>350,000,000</b>	200,000,000
Others	<i>14.2</i>	<b>110,000,000</b>	-
		<b>467,641,520</b>	200,000,000

**14.1** Rs. 100,000,000 have been placed for a period of four months and carries mark up rate of 15% per annum (2005: 12%). Fair value of quoted shares held as collateral is Rs 187,045,737. The remaining balance of Rs. 250,000,000 has been given at a rate which varies from 12.75% to 15% per annum (2005: 12.4%) against collateral of listed equity securities having a market value of Rs 398,824,172 for a period that ranges from thirty days to ninety days which was further placed as collateral to a financial institution by the Group under repurchase transaction refer to Note 18.

**14.2** Rs. 30,000,000 have been placed for a period of three months and carries mark up rate of 15% per annum (2005: Nil). Fair value of quoted shares held as collateral is Rs 68,800,000. The remaining balance of Rs. 80,000,000 has been given at a rate of 14% per annum (2005: Nil) against collateral of listed equity securities having a market value of Rs 110,003,882 for a period of three months which was further placed as collateral to a financial institution by the Group under repurchase transaction refer to Note 18.

# FIRST CAPITAL SECURITIES CORPORATION LIMITED

## 15 Short term investments - at fair value through profit and loss

	Note	2006		2005	
		Carrying		Carrying	
		cost	Fair value	cost	Fair value
		Rupees		Rupees	
These are made up as under:					
Held for trading					
Others	15.1	74,797,807	73,882,747	10,780,715	11,961,960
Related parties	15.2	82,043,331	229,375,549	139,325,602	108,447,337
		<b>156,841,138</b>	<b>303,258,296</b>	150,106,317	120,409,297
Add: Unrealized gain/(loss) on account of remeasurement to fair value		146,417,158	-	(29,697,020)	-
		<b>303,258,296</b>	<b>303,258,296</b>	120,409,297	120,409,297

### 15.1 Held for trading - others

	Number of shares/ certificates		2006		2005	
	2006	2005	Carrying		Carrying	
			cost	Fair value	cost	Fair value
			Rupees		Rupees	
<b>Listed securities</b>						
Mutual funds						
First Dawood Mutual Fund Limited	-	500,000	-	-	5,000,000	5,000,000
PICIC Growth Mutual Fund Limited	218,200	4,000	7,683,800	6,895,120	196,000	214,800
Unit UTP Fund of Funds	60,000	-	3,000,000	3,241,800	-	-
Unit Trust of Pakistan Units	162	142	1,153,608	1,508,965	-	-
First Capital Mutual Fund	454,500	-	3,908,700	3,181,500	-	-
			<b>15,746,108</b>	<b>14,827,385</b>	5,196,000	5,214,800
Insurance companies						
Pak Guarantee Insurance Company Limited	474	474	1,351	2,370	948	1,351
Adamjee Insurance Company Limited	50	-	7,315	6,125	-	-
			<b>8,666</b>	<b>8,495</b>	948	1,351
Leasing company						
Saudipak Leasing Company Limited	330	-	3,911	3,960	-	-
Investment companies/banks						
My Bank Limited (formerly Bolan Bank Limited)	10,800	8,000	137,600	215,460	124,500	109,600
MCB Bank Limited	2,010	5,500	373,100	422,703	350,164	436,150
			<b>510,700</b>	<b>638,163</b>	474,664	545,750
Textile						
Nishat Chunian Limited			1,616,700	832,150	763,200	1,616,700
Cement						
Lucky Cement Company Limited	31,000	-	3,090,991	3,210,050	-	-
Maple Leaf Cement factory Limited	7	77	140	179	3,005	1,679
Al Abbas Cement Industries Limited	212	-	3,180	4,834	-	-
			<b>3,094,311</b>	<b>3,215,063</b>	3,005	1,679
		<i>C/F</i>	<b>20,980,396</b>	<b>19,525,216</b>	6,437,817	7,380,280

# FIRST CAPITAL SECURITIES CORPORATION LIMITED

Number of shares/ certificates		2006		2005	
		Carrying cost	Fair value	Carrying cost	Fair value
2006	2005	Rupees		Rupees	
	<i>B/F</i>	<b>20,980,396</b>	<b>19,525,216</b>	6,437,817	7,380,280
Cable and electrical goods					
Pak Electron Limited	495,500	-	52,133,900	52,498,225	-
Fuel and Energy					
Kot Addu Power Company limited	30,000	20,000	1,134,915	1,263,000	715,572
Chemicals and Pharmaceuticals					
Fauji Fertilizer Company Limited	-	95,000	-	-	2,488,831
Fauji Fertilizer Bin Qasim Limited	20,000	-	538,000	585,000	-
			<b>538,000</b>	<b>585,000</b>	2,488,831
Food and Allied					
Mirza Sugar Mills Limited	350	350	892	1,015	1,720
Faran Sugar Mills Limited	39	39	404	858	49
Tandliwala Sugar Mills Limited	250	-	3,550	4,088	-
Al Abbas Sugar Mills Limited	100	-	5,750	5,345	-
			<b>10,596</b>	<b>11,306</b>	1,769
					1,297
Communications					
Pakistan Telecommunication Company Limited	-	1,000	-	-	70,657
					65,950
Miscellaneous					
Morafco Industries Limited	-	5,500	-	-	50,325
UTP Units	-	142	-	-	1,015,744
					1,066,069
			<b>74,797,807</b>	<b>73,882,747</b>	10,780,715
					11,961,960
<b>15.2 Held for trading - related parties</b>					
<b>Listed securities</b>					
Worldcall Telecom Limited	8,287,634	-	53,976,110	74,174,324	-
Worldcall Broadband Limited	-	2,637,000	-	-	29,942,875
Worldcall Communications Limited	-	5,220,659	-	-	74,133,358
Shaheen Insurance Company Limited	1,642,341	1,469,973	28,067,221	155,201,225	35,249,369
			<b>82,043,331</b>	<b>229,375,549</b>	139,325,602
					108,447,337

**15.3** Face value of each share is Rs 10 each except for Unit Trust of Pakistan and UTP funds having face value of Rs.5,000 and Rs.50 each respectively.

FIRST CAPITAL SECURITIES CORPORATION LIMITED

	<i>Note</i>	<b>2006</b>	2005
		<b>Rupees</b>	Rupees
<b>16 Cash and bank balances</b>			
Cash in hand		73,465	59,473
At bank			
Current accounts-local and foreign currency		<b>68,059,474</b>	31,243,556
Saving accounts-local and foreign currency	<i>16.1</i>	<b>240,320,921</b>	131,978,811
		<b>308,380,395</b>	163,222,367
		<b>308,453,860</b>	163,281,840

**16.1** The balance in saving accounts bears mark-up which ranges from 0.5% to 4.5% (2005: 1% to 4%) per annum.

	<i>Note</i>	<b>2006</b>	2005
		<b>Rupees</b>	Rupees
<b>17 Trade and other payables</b>			
Payable against sale of shares on behalf of:			
Members		<b>566,594,229</b>	135,508,689
Clients		<b>128,872,667</b>	37,832,027
		<b>695,466,896</b>	173,340,716
Trade creditors		<b>2,711,911</b>	5,614,095
Advances from customers		<b>1,569,842</b>	17,094
Accrued liabilities		<b>32,532,530</b>	31,724,998
Withholding tax		<b>2,303,082</b>	537,448
Sales tax		<b>1,358,072</b>	365,741
Unclaimed dividend		<b>1,882,939</b>	1,891,835
Other liabilities		<b>10,453,460</b>	8,604,988
		<b>748,278,732</b>	222,096,915

**18 Liability against repurchase agreement - secured**

Payable to financial institution	<i>18.1</i>	<b>515,000,000</b>	100,000,000
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**18.1** This represents amount payable to a financial institution under repurchase agreement against securities given under the arrangement as explained in note 14. The effective interest rate is 12.75 % to 15% per annum and is for a period of one to three months.

**19 Short term borrowings - secured**

These facilities are obtained from various commercial banks under mark up arrangements amounting to Rupees 1,005 million (2005 : Rs.480 million). These facilities carry mark up at the rate ranging from 6 months KIBOR plus 2 % to 4.25 % (2005: 1.5 % 4.25 %) per annum. There are floor limits on certain facilities ranging from 10% to 13% (2005: 8 % to 12 %) per annum. These facilities are secured against pledge of shares of listed companies owned by the Group having fair value of Rs. 18,159,550 and third party shares of listed companies having fair value of Rs. 303,442,701.

FIRST CAPITAL SECURITIES CORPORATION LIMITED

**20 Liabilities against assets subject to finance lease**

	2006		
	Not later than one year	Later than one year and not later than five years	Total
	Rupees		
Minimum lease payment	7,559,719	4,019,224	11,578,943
Future finance charge	(583,729)	(341,028)	(924,757)
<b>Present value of minimum lease payments</b>	<b>6,975,990</b>	<b>3,678,196</b>	<b>10,654,186</b>
	2005		
	Not later than one year	Later than one year and not later than five years	Total
	Rupees		
Minimum lease payment	4,805,475	5,883,306	10,688,781
Finance charge present value	(468,338)	(155,464)	(623,802)
<b>Present value of minimum lease payments</b>	<b>4,337,137</b>	<b>5,727,842</b>	<b>10,064,979</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 . The present value of minimum lease payments have been discounted at an effective rate of 8% to 18.14% (7.5% to 18%) per annum.

	<i>Note</i>	2006 Rupees	2005 Rupees
<b>21 Long term finance</b>			
Term finance facility		13,320,000	-
Less: Current portion		(5,040,000)	-
<b>Long term portion</b>		<b>8,280,000</b>	-

Term finance facility has been availed from a commercial bank at mark-up rate of three months KIBOR plus 2.75% and is repayable over a period of three years from the date of disbursement in thirty six equal monthly installments. The arrangement is secured by the legal mortgage of Rs. 500,000 and equitable mortgage of Rs. 28,000,000 on property.

	<i>Note</i>	2006 Rupees	2005 Rupees
<b>22 Deferred tax liability</b>			
This comprises the following:			
Taxable temporary differences			
Tax depreciation allowance		2,989,971	2,543,520
Deductible temporary differences			
Provision for staff retirement benefits		-	126,627
Unused tax losses and tax credits		1,174,731	1,914,531
		<b>1,174,731</b>	<b>2,041,158</b>
		<b>1,815,240</b>	<b>502,362</b>

=====**FIRST CAPITAL SECURITIES CORPORATION LIMITED**=====

**22.1** The Parent Company has a deferred tax asset amounting to Rs.33,397,298 (2005: Rs.27,421,885) arising on unused tax losses and deductible temporary differences amounting to Rs.68,892,530 (2005: Rs.49,525,938) and Rs.26,528,321 (2005: Rs.26,796,800) respectively. Tax losses will be carried forward for six years only in accordance with the Income Tax Ordinance, 2001. However, in view of taxable profits not available in foreseeable future owing to the effect of exempt income, the Parent Company has not incorporated the deferred tax asset in these financial statements.

	<i>Note</i>	<b>2006</b>	2005
		<b>Rupees</b>	Rupees
<b>23 Staff retirement benefits</b>			
Net liability at the beginning of the year		<b>12,120,923</b>	9,387,153
Net expense	23.2	<b>6,359,058</b>	3,918,266
Liability transferred from sister concern		<b>302,852</b>	183,451
Benefits paid during the year		<b>(1,314,979)</b>	(1,367,947)
<b>Net liability at the end of the year</b>	<b>23.1</b>	<b>17,467,854</b>	<b>12,120,923</b>

		<b>2006</b>	2005
		<b>Rupees</b>	Rupees

**23.1** The amounts recognized in the balance sheet are as follows:

Present value of obligation		<b>13,744,619</b>	9,356,525
Unrecognized actuarial losses		<b>(2,064,924)</b>	(600,478)
Benefits due but not paid		<b>289,600</b>	311,200
		<b>11,969,295</b>	9,067,247
Subsidiary's gratuity obligations - LSL		<b>5,498,559</b>	3,053,676
<b>Liability recognized in balance sheet</b>		<b>17,467,854</b>	<b>12,120,923</b>

**23.2** The amounts recognized in the profit and loss are as follows:

Current service cost		<b>5,443,637</b>	3,276,490
Interest cost		<b>1,019,867</b>	605,955
Actuarial loss recognized		<b>39,554</b>	35,821
Payable from previous years written off		<b>(144,000)</b>	-
<b>Total amount charged to the profit and loss account</b>		<b>6,359,058</b>	<b>3,918,266</b>

The latest valuation was conducted by Nauman Associates (consulting actuaries) as of 30 June 2006. Significant actuarial assumptions are as follows:

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



## 24 Contingencies and commitments

### 24.1 Contingencies

#### *Parent Company*

24.1.1 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 Workers Welfare Fund ("WWF") during the year 1999. On review of related records and information and discussions with the senior management, National Accountability Bureau's investigation concluded that two employees of the Company had colluded with workers welfare fund officials to defraud Workers Welfare Fund.

On the basis of these investigations, National Accountability Bureau required the Company to pay and or guarantee to pay on account of WWF a sum of Rs. 46 million. Keeping in view that public funds were involved and based on legal advise that it was the Companys 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 Companys liability stands reduced by the said amount. The Company had also paid an additional amount of Rs 10 million as full and final settlement during the financial year ended 30 June 2004. Thus a sum of Rs 23.8 million as discussed above has so far been written off in the Companys accounts. However, National Accountability Bureau has again raised a demand of Rs 10 million from the Company, which remains un-recovered from various parties involved. The Company has informed National Accountability Bureau that the said amount is 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.

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

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

**24.1.4** For contingencies relating to tax matters, refer note 12.2.

***First Capital Equities Limited (FCEL)***

**24.1.5** During the year 2000 certain clients of the company defaulted on their obligations. ABN AMRO Asia Limited Hong Kong (ABN AMRO), major shareholder of FCEL at that time, arranged for the requisite financing and assumed the open positions and obligations of the defaulting clients. The loans so arranged by ABN AMRO were secured specifically against the amounts recoverable from these defaulting clients and were repayable only through amounts recovered from such defaulting clients. These loans were interest free and exchange risk had been assumed by ABN AMRO pursuant to the loan agreements signed between the company and ABN AMRO. Accordingly FCEL had set off these loans and such recoverable amounts.

FCEL had initiated cases against the defaulting clients for recovery of the amounts due from them. Based on the legal opinion, the management considers if the recovery suits succeed entirely or partially and result in recovery of an amount from clients, the only obligation of FCEL is to remit the same to ABN AMRO. Whereas in case of recovery suit is unsuccessful, the aforesaid loan will lapse for all purposes and it will extinguish the recovery of loans from clients and this will not affect, in any manner, the financial situation of FCEL, as it does not have any obligation to pay any amounts to ABN AMRO from its own sources. The defaulting clients had made a counter claim in the said proceedings. The eventual outcome of these cases or counter claims is uncertain at this stage.

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 above. The existence and the magnitude of any such claims, other than mentioned in these accounts, are not presently known.

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

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## FIRST CAPITAL SECURITIES CORPORATION LIMITED

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A Claim of Rs. 176,594,240 by the above mentioned members of the Karachi Stock Exchange Guarantee Limited (KSE) was also filed with the KSE Advisory and Arbitration Committee and the same was not entertained by the committee as it was not in their legal jurisdiction. The claimant then filed a civil suit before the Honourable Sindh High Court in the year 2000, which is pending. The management is of the opinion that the likelihood of an un-favourable decision is remote.

**24.1.7** The Income Tax Authorities finalized the assessment for the assessment years 2000-2001 and 2001-2002 in previous years by allocating expenditures against capital gains and determined a demand of Rs. 8,485,909 and refund of Rs. 362,513 respectively. The company filed the appeal before the Commissioner Income Tax CIT (Appeals) who set aside the order of assessing officer on issue of capital gain. The company filed the appeal before the Honourable Income Tax Appellate Tribunal against the order of CIT (Appeals) who has directed the assessing officer to allocate expenses as were wholly and exclusively incurred in connection with the transfer of shares. In the light of direction given by the Honourable Income Tax Appellate Tribunal, the management is confident that no such demand will exist after issuance of appeal effect.

**24.1.8** Mr. Assad Ullah Sajid has filed petition with Securities and Exchange Commission of Pakistan against the Company for refund of deposit worth of Rs. 590,740/- (2005 : Rs.590,740) deposited for purchase of shares on his behalf.

### 24.2 Commitments

#### *First Capital Equities Limited (FCEL)*

- a) Commitments include Rs 52,500,000 against underwriting of right issue of First Capital Mutual Fund Limited for 5,250,000 shares.
- b) FCEL has agreed to pay a further sum of Rs 42,804,000 on account of property to be acquired as explained in Note 8.1 to the financial statements.
- c) Commitment includes giving delivery of shares of various listed companies having fair value of Rs. 7,641,520 against placements under Continuous Funding System as disclosed in note 14 to the financial statements.

#### *First Capital Investments Limited (FCIL)*

FCIL has entered into an underwriting agreement with First Capital Mutual Fund Limited (FCMF) to underwrite FCMF's right issue to the extent of Rs.15 million i.e. 10% of right issue. The last date for subscription was 24 June 2006. The underwriting fee of 1% on the amount of right offerings underwritten by FCIL has been received before the balance sheet date. Subsequent to the balance sheet date, FCIL has made payment of Rs.14,983,800 to FCMF to subscribe against the shares actually subscribed by the FCIL by virtue of their underwriting commitment.

## 25 Share capital

### Authorized

130,000,000 (2005: 100,000,000) ordinary  
shares of Rs 10 each

	2006	2005
	Rupees	Rupees

	1,300,000,000	1,000,000,000
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FIRST CAPITAL SECURITIES CORPORATION LIMITED

Issued, subscribed and paid - up capital	Number of shares		2006	2005
	2006	2005	Rupees	Rupees
Ordinary shares of Rs 10 each fully paid in cash	38,165,030	38,165,030	381,650,300	381,650,300
Ordinary shares of Rs 10 each issued as bonus shares	62,157,511	47,215,857	621,575,110	472,158,570
	<b>100,322,541</b>	<b>85,380,887</b>	<b>1,003,225,410</b>	<b>853,808,870</b>

25.1 Worldcall Telecom Limited held 1,264,847 shares ( 2005:1,893,487 shares) with a percentage holding of 1.26% (2005: 2.22%).

	Number of shares	
	2006	2005
<b>25.2 Movement of number of shares</b>		
Shares outstanding as on 01 July	85,380,887	46,912,576
Right issue	-	18,765,030
Bonus issue	14,941,654	19,703,281
<b>Share out standing as on June 30</b>	<b>100,322,541</b>	<b>85,380,887</b>

	2006	2005
	Rupees	Rupees
<b>26 Revenue</b>		
Financial consultancy fee	19,128,520	17,850,000
Dividend income	7,785,275	675,188
Money market income	11,342,340	7,213,160
Gain on sale of investments	94,085,562	94,364,140
Investment advisory fee from First Capital Mutual Fund Limited	9,150,690	2,624,117
Profit from carry over transactions	3,505,075	18,358,868
Brokerage income	332,082,548	303,757,996
Underwriting commission	150,000	-
Revenue from printing	42,993,175	41,607,891
Net Rental income from investment property	-	1,334,278
	<b>520,223,185</b>	<b>487,785,638</b>

FIRST CAPITAL SECURITIES CORPORATION LIMITED

	<i>Note</i>	<b>2006</b> <b>Rupees</b>	2005 Rupees
<b>27 Direct costs</b>			
Materials Consumed		<b>25,029,242</b>	18,238,232
Salaries and benefits		<b>5,868,733</b>	4,862,616
Folding and binding costs		<b>1,820,070</b>	2,641,510
Electricity consumed		<b>325,000</b>	1,150,679
Rent, rates and taxes		<b>188,400</b>	292,435
Insurance		<b>173,875</b>	168,172
Repair and maintenance		<b>724,725</b>	232,248
Vehicle running and maintenance		<b>313,173</b>	263,562
Depreciation	4	<b>1,437,372</b>	1,639,837
Others		<b>368,360</b>	545,416
		<b>36,248,950</b>	30,034,707
<b>28 Operating expenses</b>			
Salaries, wages and benefits		<b>113,542,182</b>	108,806,192
Stock exchange charges		<b>27,756,935</b>	39,371,051
Rent, rates and taxes		<b>6,513,894</b>	6,641,057
Telephone, fax, etc.		<b>10,204,541</b>	9,610,478
Utilities		<b>3,799,483</b>	3,544,990
Insurance		<b>1,889,849</b>	1,653,606
Printing and stationery		<b>3,017,160</b>	3,277,694
Traveling and conveyance		<b>9,578,761</b>	8,550,223
Repairs and maintenance		<b>5,336,322</b>	6,771,182
Postage, courier etc.		<b>1,701,193</b>	1,652,504
Vehicle running		<b>2,154,241</b>	1,734,920
News papers and periodicals		<b>172,479</b>	180,386
Entertainment		<b>3,414,674</b>	4,942,585
Brokerage commission and capital value tax		<b>1,580,828</b>	-
Legal and professional charges		<b>7,197,209</b>	14,344,650
Advertisement		<b>1,672,686</b>	1,599,216
Provision for doubtful debts		<b>17,451,243</b>	20,605,619
Bad debts written off directly		<b>706,950</b>	895,905
Fees and subscriptions		<b>9,300,166</b>	976,124
Auditors' remuneration	28.1	<b>2,433,679</b>	1,959,919
Donations	28.2	<b>607,199</b>	90,400
Depreciation	4	<b>11,712,230</b>	9,334,864
Amortization of deferred cost		<b>3,013</b>	3,013
Amortization of goodwill		<b>(969,519)</b>	(969,519)
Lanka Securities business expenses		<b>26,210,249</b>	17,201,776
Other office expenses		<b>1,101,846</b>	1,662,691
		<b>268,089,493</b>	264,441,526

FIRST CAPITAL SECURITIES CORPORATION LIMITED

**28.1 Auditors' remuneration**

	Auditors of		2006 Rupees	2005 Rupees
	holding	subsidiary		
	company	companies		
	Rupees	Rupees		
Annual audit	400,000	750,424	1,150,424	1,129,419
Consolidated accounts	350,000	-	350,000	300,000
Half yearly review	100,000	270,000	370,000	120,000
Other certifications	90,000	386,955	476,955	233,200
Out of pocket expenses	72,500	13,800	86,300	177,300
	<b>1,012,500</b>	<b>1,421,179</b>	<b>2,433,679</b>	<b>1,959,919</b>

**28.2** Directors or their spouses do not have any interest in the donee.

	Note	2006 Rupees	2005 Rupees
<b>29 Other income</b>			
<i>Income from financial assets</i>			
Return on deposit accounts		8,507,394	5,207,785
Dividend Income		1,036,159	4,121,590
Interest on term deposits		685,027	1,486,746
Income from placements	29.1	51,534,217	35,136,829
<i>Income from loan to related parties</i>			
Mark-up income		3,371,250	1,771,932
<i>Income from other than financial assets</i>			
Underwriting commission		2,646,735	1,425,000
Provision for bad debts written back		3,915,721	-
Gain on sale of membership card and licenses		17,339,130	(3,916,300)
Gain on sale of fixed assets		1,475,754	23,968
Others		11,978,634	3,042,543
		<b>102,490,021</b>	<b>48,300,093</b>

**29.1** This includes interest income earned on placements to related parties Mr.Sulieman Ahmad Said Al-Hoqani Rs 41,129,395 (2005: Rs 24,048,950).

FIRST CAPITAL SECURITIES CORPORATION LIMITED

		2006	2005
		Rupees	Rupees
<b>30 Finance costs</b>			
Markup on short term borrowings		7,510,830	20,942,041
Mark-up on repurchase agreements		47,072,061	-
Markup charged by related parties		1,004,017	1,023,099
Cost of repo transactions		20,400,060	45,144,968
Mark up on Morabaha facility		-	649,375
Finance charges on assets subject to finance lease		486,334	778,078
Term finance markup		671,962	-
Custodial charges and loan arrangement fee		894,370	-
Bank charges and commission		973,904	912,323
		<u>79,013,538</u>	<u>69,449,884</u>
<b>31 Earnings per share - basic and diluted</b>			
Net profit for the year	<i>Rupees</i>	<u>479,600,673</u>	<u>183,456,626</u>
Weighted average number of ordinary shares			
Issued ordinary shares as at 30 June	<i>Numbers</i>	<u>85,380,887</u>	<u>85,380,887</u>
Effect of bonus shares issued in November 2005	<i>Numbers</i>	<u>14,941,654</u>	<u>14,941,654</u>
Weighted average number of ordinary shares as at 30 June	<i>Numbers</i>	<u>100,322,541</u>	<u>100,322,541</u>
Earnings per share	<i>Rupees</i>	<u>4.78</u>	<u>1.83</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.

**32 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, associated companies, directors and key management personnel. Balances with related parties are shown in the relevant notes to the accounts. The transactions with related parties other than those which have been disclosed in other notes are as follows:

		2006	2005
		Rupees	Rupees
<b>Associated companies</b>			
Brokerage income		37,131,721	34,612
Placements entered		350,000,000	-
Income earned on placements		41,129,395	-
Long term loans		10,190,000	-
Finance cost charged		1,004,017	1,023,099
Mark up Income		3,371,430	1,771,932
Income from Financial Consultancy Services		19,128,520	16,850,000
Short term investments sold		24,714,950	-
Investment in associates		113,205,270	301,876,723
Advisory fee		9,120,690	2,624,117
Underwriting commission received		150,000	-
Insurance premium		378,636	467,270
Insurance claim		56,220	75,880
Services charged paid		-	552,300
Sale of Goods and services		36,483,015	-
Shared expenses charged		-	4,683,358

FIRST CAPITAL SECURITIES CORPORATION LIMITED

	2006	2005
	Rupees	Rupees
<b>33 Cash generated from operations</b>		
Profit before taxation	615,981,230	260,130,428
Adjustments for:		
Depreciation	13,149,602	10,974,701
Finance cost	79,013,538	69,449,884
(Gain)/ loss on remeasurement of short term investments	(146,417,158)	29,697,020
Dividend Income	(8,821,434)	-
Exchange Loss	106,037	(5,118)
Amortization of deferred cost	3,013	3,013
Amortization of goodwill	(969,519)	(969,519)
Gain on disposal of property, plant and equipment	(1,475,754)	(23,968)
Gain on disposal of investment property	-	3,916,300
Exchange translation difference	(1,740,537)	-
Gain on sale of membership card and licenses	(17,339,130)	-
Provision for doubtful debts	17,451,243	20,605,619
Bad debts written off directly	706,950	895,905
Retirement benefits	6,661,910	3,918,266
Loss of profit of associated companies	(230,308,884)	(117,662,716)
Provision for doubtful debt written back	(3,915,721)	(4,796,778)
Mark up income	(64,097,888)	(43,603,292)
	<b>(357,993,732)</b>	<b>(27,600,683)</b>
<b>Profit before working capital changes</b>	<b>257,987,498</b>	<b>232,529,745</b>
Effect on cash flow due to working capital changes:		
Inventories	(401,689)	(51,361)
Trade debts	(374,387,515)	(43,792,142)
Loans and advances	(85,465,591)	(30,830,186)
Short term prepayments	(200,436)	760,758
Other receivables	(1,147,503)	(3,422,093)
Short term investments - net	(36,287,434)	123,526,673
Placements	(267,641,520)	(200,000,000)
Increase/(decrease) in:		
Trade and other payables	526,190,713	(120,332,020)
Liability against repurchase agreement	415,000,000	-
Short term borrowings	(90,707,666)	98,862,242
	<b>84,951,359</b>	<b>(175,278,129)</b>
	<b>342,938,857</b>	<b>57,251,616</b>
<b>34 Cash and cash equivalents</b>		
These are made up as follows:		
Cash in hand	73,465	59,473
Bank balances	276,724,850	121,840,061
Treasury bills	31,655,545	41,382,306
	<b>308,453,860</b>	<b>163,281,840</b>





2005

	Interest / Mark up bearing					Non interest / Mark up bearing					Total	
	Rupees					Rupees						
	Within one year	Within two year	Within three year	Within four year	Within five year	Within one year	Within two year	Within three year	Within four year	Within five year		
<b>Financial assets</b>												
Long term loans	-	9,292,595	-	-	-	-	-	-	-	-	-	9,292,595
Long term deposits and advances	-	-	-	-	-	-	301,000	2,273,408	-	6,841,845	-	9,416,253
Trade debts	-	-	-	-	-	388,817,595	-	-	-	-	-	388,817,595
Loans and advances	1,345,997	-	-	-	-	42,506,471	-	-	-	-	-	43,852,468
Other receivables	-	-	-	-	-	11,261,107	-	-	-	-	-	11,261,107
Placements	200,000,000	-	-	-	-	-	-	-	-	-	-	200,000,000
Interest receivables	-	-	-	-	-	2,140,383	-	-	-	-	-	2,140,383
Short term investments	-	-	-	-	-	120,409,297	-	-	-	-	-	120,409,297
Cash and bank balances	131,978,811	-	-	-	-	31,303,029	-	-	-	-	-	163,281,840
	333,324,808	9,292,595	-	-	-	596,437,882	301,000	2,273,408	-	6,841,845	-	948,471,538
<b>Financial liabilities</b>												
Trade and other payables	-	-	-	-	-	-	-	-	-	-	-	-
Mark up accrued	-	-	-	-	-	-	-	-	-	-	-	-
Liability against repurchase agreement	100,000,000	-	-	-	-	222,096,915	-	-	-	-	-	222,096,915
Short term borrowings	297,647,495	-	-	-	-	9,347,165	-	-	-	-	-	9,347,165
Liabilities against subject to finance lease	4,337,137	-	-	-	-	-	-	-	-	-	-	100,000,000
	401,984,632	5,727,842	-	-	-	231,444,080	-	-	-	-	-	297,647,495
<b>On balance sheet Gap</b>	(68,659,824)	3,564,753	-	-	-	364,993,802	301,000	2,273,408	-	6,841,845	-	10,064,979

The effective interest/mark-up rates for the monetary financial assets and liabilities are mentioned in respective notes to the financial statements.

**35.2 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. Out of total financial assets of Rs.1,818,374,381 (2005: Rs.1,818,374,381) the financial assets subject to credit risk amounts to Rs.926,618,841 (2005: Rs.455,364,148).

**35.3 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.

**35.4 Liquidity risk**

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

**35.5 Fair value of financial assets and liabilities**

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

**36 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 Group is as follows:

	Chief Executive		Director		Executives	
	2006 Rupees	2005 Rupees	2006 Rupees	2005 Rupees	2006 Rupees	2005 Rupees
Managerial remuneration	3,197,200	2,976,467	4,877,000	5,829,278	12,457,745	8,710,320
Medical	280,370	230,230	351,687	446,692	610,901	604,424
Utilities	1,229,913	994,328	468,313	388,338	411,360	202,420
House rent	366,880	348,587	1,412,000	1,240,711	1,645,440	809,680
Provision for gratuity	-	-	96,029	597,153	807,073	691,273
Others	1,873,253	695,228	4,424,197	9,285,889	4,722,493	9,810,368
	<b>6,947,616</b>	<b>5,244,840</b>	<b>11,629,226</b>	<b>17,788,061</b>	<b>20,655,012</b>	<b>20,828,485</b>
Number of persons	4	4	8	8	13	9

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

### **37 Accounting estimates and judgments**

#### ***Income tax***

The Group takes into account the current income tax law and decisions taken by appellate authorities. Instances where the Group's view differs from the view taken by the income tax department at the assessment stage and where the Group considers that its view on items of material nature is in accordance with law, the amounts are shown as contingent liabilities. Furthermore, the Group may be able to avail the benefit of the payment of turnover tax, provided sufficient taxable profits are available in next five years when this credit can be utilized.

#### ***Provisions for doubtful debts on trade debts and loans and advances***

Management has made provisions against recoverability of its receivables and advances based on their judgment which is subject to uncertainty. During the year provision amounting to Rs. 4,495,661 has been written back for "due from related party" as the amount has been received.

#### ***Property, plant and equipment***

The estimates relating to useful life of assets are reviewed on an ongoing basis by the management for its assets, therefore depreciation charged is subject to the estimate and judgment made by the management.

### **38 Bonus shares**

The Board of Directors of Parent Company in their meeting held on 9 October 2006 has recommended bonus shares at the rate of 35 shares for each 100 shares held i.e. 35% (2005: 17.5%) as a final dividend.

### **39 Date of authorization for issue**

These financial statements were authorized for issue on 9 October 2006 by the Board of Directors.

### **40 Comparative figures**

Previous year's figures have been rearranged, wherever necessary for the purpose of comparison. Material rearrangements are summarized below:

- a) Loan to Pace Super Mall (Pvt.) Limited has been disclosed as long term loan, last year this loan was clubbed in loans and advances (note 11).
- b) Currency translation reserve has been shown as a separate line item in the statement of changes in equity, whereas previously this amount was shown in unappropriated profit.

- c) Goodwill and Membership cards and licenses have been clubbed in intangible assets, whereas previously these were disclosed as a separate line item on the face of the balance sheet.

**41 General**

Figures have been rounded off to the nearest rupee.

*Lahore:*

\_\_\_\_\_  
**Chairman & Chief Executive Officer**

\_\_\_\_\_  
**Director**



**FORM OF PROXY**

The Company Secretary  
First Capital Securities Corporation Limited  
103-C/II, Gulberg-III  
Lahore

Folio No. \_\_\_\_\_  
Shares Held : \_\_\_\_\_

I/We \_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

being the member (s) of **First Capital Securities Corporation Limited** (FCSC) hereby appoint

Mr. /Mrs. / Miss \_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

or falling him/ her /Mr. /Mrs. / Miss \_\_\_\_\_ of \_\_\_\_\_  
(Name) (Address)

[who is also member of the Company vide Registered Folio No. \_\_\_\_\_ (being the member of the Company)] as my / our proxy to attend at and vote for me / us and on my / our behalf at an Annual General Meeting of the Company to be held at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, on Tuesday, 31 October 2006 at 11:30a.m. and at any adjournment thereof.

Signature this \_\_\_\_\_ Day of \_\_\_\_\_ 2006

(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 to follow the guidelines as laid down on Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

