




VISION

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

MISSION

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



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FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 JUNE 2007**

Company Information

Board of Directors	Salmaan Taseer (Chairman & Chief Executive Officer) Aamna Taseer Sheikh Sulieman Ahmed Said Al-Hoqani Sardar Ali Wattoo Jamal Said Al-Ojaili Khawaja Khalil Shah Syed Kashan Kazmi
Chief Financial Officer	Syed Kashan Kazmi
Audit Committee	Sardar Ali Wattoo (Chairman) Aamna Taseer Khawaja Khalil Shah
Company Secretary	Mohammad Naeem Sheikh
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants
Legal Advisers	Rehman Saleem & Tarar Advocates
Bankers	Allied Bank Limited Bank Alfalah Limited Citi Bank N.A. Faysal Bank Limited PICIC Commercial Bank Limited Prime Commercial Bank Limited Standard Chartered Bank (Pakistan) Limited
Registrar and Shares Transfer Office	THK Associates (Pvt.) Limited Ground Floor, State Life Building No. 3 Dr. Ziauddin Ahmed Road, Karachi. ☎ (021) 111 000 322, 5689021
Registered Office/Head Office	103-C/II, Gulberg-III Lahore, Pakistan ☎ (042) 5757591-4 Fax: (042) 5757590, 5877920

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that 14th Annual General Meeting of the Shareholders of First Capital Securities Corporation Limited (“the Company” or “FCSC”) will be held on 31 October 2007 at 2:30 p.m. at the Registered Office of the Company, 103-C/II, Gulberg-III, Lahore to transact the following business:

Ordinary business

1. To confirm the minutes of last Extraordinary General Meeting held on 14 May 2007;
2. To approve as recommended by the Board of Directors, issue of bonus shares in the proportion of Twenty (20) bonus shares for every one hundred (100) shares held i.e. 20%.
3. To receive, consider and to adopt the financial statements of the Company for the year ended 30 June 2007 together with the Directors' and Auditors' reports thereon; and
4. To appoint the Auditors of the Company for the year ending 30 June 2008 and to fix their remuneration.

Special Business

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

RESOLVED THAT the Chief Executive of the Company be and is hereby authorized to take all necessary steps to make long term investment (s) in the share capital of the following associated companies in accordance with the provisions of section 208 of the Companies Ordinance, 1984 and to disinvest such investments as and when considered appropriate:

Name of the company	Amount of Investment
Pace (Pakistan) Limited	Upto Rs. 500 million
Pace Barka Properties Limited	Upto Rs. 120 million
World Press (Pvt.) Limited	Upto Rs. 15 million
Manayuru Lanka Assets Management Company (Pvt.) Limited*	Upto Rs. 25 million

**A company incorporated under the laws of Sri Lanka*

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

RESOLVED FURTHER THAT Chief Executive of the Company be and are hereby authorized to complete all necessary corporate and legal formalities for the purpose of investment and disinvestment as and when required in respect of the above mentioned investments.

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

RESOLVED THAT the Authorized Capital of the Company be and is hereby increased from Rs.1600,000,000/- divided into 160,000,000 ordinary shares of Rs.10/- to Rs.1,700,000,000/- divided into 170,000,000 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.

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

By order of the Board

Lahore:
10 October 2007

Muhammad Naeem Sheikh
Company Secretary

Notes:

- 1) The Members Register will remain closed from 24 October 2007 to 31 October 2007 (both days inclusive). Transfers received at THK Associates (Pvt.) Limited, Ground Floor, State Life Building No. 3, Dr. Ziauddin Ahmad Road, Karachi, the Registrar and Share Transfer Office of the Company, by the close of business on 23 October 2007 will be considered in time for the purpose of Annual General Meeting.
- 2) A member eligible to attend and vote at the meeting may appoint another member as proxy to attend and vote in the meeting. Proxies in order to be effective must be received by the Company at the Registered Office not later than 48 hours before the time for holding the meeting.
- 3) In order to be valid, an instrument of proxy and the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power of attorney, must be deposited at the registered office of the Company, 103-C/II, Gulberg-III, Lahore, not less than 48 hours before the time of the meeting.
- 4) a) Individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub-account number along with original NIC or passport to authenticate his/her identity. In case of Corporate entity, resolution of the Board of Directors/Power of attorney with specimen 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 Directors/Power of attorney along with specimen signatures shall be submitted (unless submitted earlier) along with the proxy form.
- 5) Members are requested to notify any change in their registered address immediately.

STATEMENT UNDER SECTION 208 OF THE COMPANIES ORDINANCE, 1984

Pace (Pakistan) Limited

Pace (Pakistan) Limited ("Pace") was incorporated on 21 November 1992 as public limited company under the Companies Ordinance, 1984 and obtained its commencement of business certificate on January 12, 1993. The principal business of Pace is development, sale and management of properties/real estate including but not limited to shopping malls, apartments, office blocks, housing scheme, hotels etc. Pace's registered office is situated at 103 C-II, Gulberg III, Lahore, whereas the project office is situated at 57-C II, Gulberg III, Lahore.

In October 1995, Pace started its operations at Main Boulevard, Gulberg, Lahore in consumer retailing and mall management. This was based on the concept of "one stop" shopping which included with other value added services for its customers. Pace at that time managed on its own all aspects of operating the departmental store. The properties at the Mall were owned by Pace and license fee was charged to the shop keepers at the Mall. Since this type of departmental store was a rising concept in the country, Pace initially faced financial and operational limitation. Later in the year 1998

the management of the Company was shifted to FCSC belonging to First Capital/Worldcall Group acquiring around 25% equity stake in Pace. Simultaneously FCSC also entered into Shareholders' agreement with other majority shareholders of Pace for undertaking this management control. At this time of undertaking management control, Pace was suffering from weakening financial health and also faced debt servicing issues. The management team appointed by FCSC took strong steps to turn around Pace. One of its strategies was to sell Pace's shops to service the debt obligations. While these strategies were followed, initiatives were taken by the new management to convert this departmental store into a modern shopping mall catering for the needs of the consumers. This new management also took other strategic measures in order to reduce operational costs and laid new policies for enhancing the operations of Pace.

In September 2001 unfortunately a fire broke out in Pace, however, the management was able to rehabilitate shopping mall by undergoing extensive efforts. The shopping mall was once again operational with new innovative and modern facilities. These extensive efforts provided the management with additional capabilities and exposures in Real Estate sector. Thereafter, a series of constructing and development of shopping malls was started by the Pace's management. Pace also entered into other avenues available in the Real Estate sector such as multi-complex, apartments, housing, hotels etc. Pace has now shown a series of positive returns over some period of time. During 2007 Pace was also listed on the KSE and LSE and foreign investment was also solicited by Pace from Millennium Global High Yield Fund ("Millennium"). The management of Pace along with other strategic shareholders of Pace entered into a management agreement with Millennium for management and operations of Pace. In the recent years 'PACE' has become a recognized brand name in the country for real estate development and property management.

Currently, the main business line of Pace consists of development, construction and sale of real estate projects. This has grown out from Pace's early years operations of licensing out Pace's owned shops to licensees. Pace buys lands out-right or enters into Joint Venture agreements with the owners of the land for development. Pace then designs and constructs the project(s) on the acquired land. Thereafter, it engages into sale of property under construction, while maintaining a portion of the developed property for supermarket, food court, open area and car parks etc. Certain portion of the constructed area is also retained by Pace for its management control of the project being undertaken. Other revenue streams consists of licensing, advertisement, property managements/service charges etc. Pace also retains ownership of certain property areas like supermarket, recreational areas, food courts, play land etc. in each project and collects licensee income not only to exert additional control but also to maintain a sustainable line of revenue stream in addition to providing a traffic circulation for the rest of the project. Pace is considering its plans to increase retained percentage of properties such as shops for purposes of larger capital gains and/other revenue streams. The total revenue stream also includes revenue from window display and advertisement by other firms who wish to advertise their products at the premises of Pace's projects.

In certain cases where management has identified and expects to be an ideally located land for undertaking Pace's project and the land owner is not interested in outright sale to Pace, the management enters into a joint venture project on a suitable terms and conditions which might include incorporating of a new company. In such projects Pace desires to retain management control of the project whereas main return on such investments by Pace comes through, interest, dividend and capital gains.

The operations of Pace comprise of projects that are directly undertaken in Pace, whereas there are certain projects that are undertaken through joint venture/subsidiary companies. As the projects are developed in due course of time and issuance of equity upon soliciting investments from strategic shareholders/partners who are interested in these projects, the status of subsidiary changes to an associated company. The management of these projects is usually retained by the management of Pace.

Following are the projects that are directly undertaken by Pace:

- Gulberg shopping mall (completed & operational)
- Model Town shopping mall (completed & operational)
- M.M Alam Road shopping mall (completed & operational)
- Gujranwala shopping mall (completed & operational)
- Pace Towers (under development)
- Model Town shopping mall Extension (under development)
- Karachi Super Mall project (Initial development phase)

Following are the projects that are undertaken through joint ventures/subsidiary companies (i.e. through incorporation of separate entities):

- Multiuse Complex including hotel/shopping mall/apartments through Pace Barka Properties Limited (under development)
- Housing project through Pace Woodlands (Pvt.) Limited (under development)
- Shopping Mall project through Pace Gujrat (Pvt.) Limited (under development)
- Business Center through Pace Super mall (Pvt.) Limited (under development)
- Hotels, Resorts and Villas through Pace Regency Hotels (Pvt.) Limited (Initial development phase)
- Karachi Multiuse Project through Pace Karachi Multiuse (Pvt.) Limited (Initial development phase)

Pace in order to finance its expansion plans is raising TFC of Rs. 1.5 billion and Foreign Currency Convertible Bonds (“FCCBs” or the “Bonds”) of Rs. 1.5 billion. The TFCs shall be listed on LSE whereas the FCCBs shall be issued outside Pakistan and listed on Singapore Stock Exchange (“SGX”), Pace is in the process of taking necessary approvals from the Regulatory authorities for the issuance of TFCs and FCCBs.

Pace intends to offer and issue Bonds in an amount of up to US Dollars 25 million (approximately Rs. 1.5 billion) to foreign investors in order to finance its expansion plans. The Company has signed a Term Sheet dated 03 May 2007 (the “Term Sheet”) with Balyasny Asset Management, L.P (“BAM”) for issue of the Bonds outside Pakistan. BAM is a registered investment advisor, an institutional multi-strategy investment firm, founded in December 2001 by Dmitry Balyasny. BAM has a platform of over 60 dedicated investment professionals across multiple investment disciplines and is a firm with global reach with offices in many cities including Chicago, New York and London etc.

The principal of the Bonds will accrete at 5.5% per annum, compounded semi-annually accretive, calculated on the basis of 360 day a year consisting of twelve 30-day months (such accreted amount on any date, the “Accreted Principal Amount”). In addition to the said accretion to the principal amount, Pace will pay 1% cash profit annually in arrears on the Bonds which profit will start accruing from the date of receipt of proceeds of the Bonds against which the Bonds will be issued (the “Issue Date”). These Bonds are not being offered in Pakistan and will be issued and retained outside Pakistan. The issue price shall be USD 1,000 per Bond. The maturity of the Bond shall be 5 years and 1 day from the Issue Date (the “Maturity”). Unless the Bonds have been previously redeemed, repurchased or converted, Pace will redeem the Bonds in accordance with the agreed terms and conditions. It is expected that the Bonds will be listed on the Singapore or any other Stock Exchange as required by BAM. The Bonds will be unsecured obligations of Pace. Lead Managers have been appointed to manage and co-ordinate the issue and listing of FCCBs. Currently Pace is simultaneously arranging necessary documents for the purposes of listing of Bonds on the Singapore Stock Exchange.

Pace is also in the process of issuance of local debt in the form of Term Finance Certificates (“TFCs”) to potential investors for the purpose of its expansion plans. The Pakistan Credit Rating Agency Limited (“PACRA”) has recently rated Long Term A+ and Short Term A1 entity rating, whereas AA- is assigned rating for proposed TFC, secured and listed. The TFCs shall be listed on LSE and are being issued for a tenor of 5 years at a profit rate of Base Rate (Six Month Kibor) plus 3% per annum with no floor or cap. The principal is to be repaid in 6 equal instalments in arrears after a grace period of 24 months from the date of issue. The profit will be payable semi-annually in arrears on the outstanding principal amount.

The existing Authorised Share Capital of Pace is Rs. 2,300,000,000/- divided into 230,000,000 ordinary shares of Rs.10/- each. The issued, subscribed and paid up capital is Rs.2,204,649,510 divided into 220,464,951 ordinary shares of Rs.10/- each out of which the Company holds around 14.90% of the total paid up capital of Pace. The management of the Company considers this investment to be beneficial by the Company in terms of earning dividends and capital gains. The Company has already made investment of Rs. 227.214 million.

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. The registered office of Pace Barka is 103 C-II, Gulberg III, Lahore. 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 existing Authorised Share Capital of Pace Barka is Rs.1,400,000,000 divided into 140,000,000 ordinary shares of Rs.10/- each. The issued, subscribed and paid up capital is Rs.1,356,699,390 divided into 135,669,939 ordinary shares of Rs.10/- each.

Pace Barka was initially a joint venture between Barka Hotels Muscat, Oman/Mr. Sulieman Ahmed Said Al-Hoqani and Pace (Pakistan) Limited. Thereafter in view of expansion in its project size, further equity was solicited. Currently Barka hotels, Oman through Sheikh Sulieman Ahmed Said Al-Hoqani holds around 35.38%, Pace (Pakistan) Limited holds around 22.12%, Saudi Pak Industrial & Agricultural Investment Co. (Pvt.) Limited. (holds 5.53%, Saudi Pak Leasing Company Limited holds 1.84%, Saudi Pak Insurance Company Limited holds 1.47%, Park View Holdings Corporation holds around 22.38%, Savari (Pvt.) Limited holds around 7.37% and other shareholders hold around 0.89% of the total paid up capital of Pace Barka.

Pace Barka is developing a grand luxury complex comprising of 5-star hotel, shopping mall, and apartments (Pace and Hyatt managed) near new Allama Iqbal International Airport, through Pace Barka Properties Limited ("Pace Barka"). The said land comprising of 40 Kanals 14 Marlas has been acquired through an open bidding arranged by Ministry of Defense on a lease of 99 years. Pace Barka has signed Agreements with international hotel chain, "Hyatt Regency" for different management and technical services in respect of the hotel project. However, for serviced apartments, Pace is currently negotiating with Hyatt Regency International and formal agreement is expected to be signed shortly.

The project is located at the junction of new Lahore International Airport access road and Defence Road near Rangers headquarters, surrounded by developing housing societies like Army Housing Scheme, Park View and Air Avenue (the latter two have now been merged with Defence Housing Authority). The project shall be equipped with facilities like capsule lifts, central air conditioning, state-of-the-art firefighting equipment, fire hydrants, security equipment, generator back up, etc. with abundant parking space. Moreover, swimming pool and other recreational services etc. shall also be available. Total constructed area consists of approximately 1,540,447 square feet (excluding basement) whereas the total saleable area is approximately 656,034 square feet.

Excavation of project site is completed and substructure construction is under process. Leading international architects/firms have been engaged for project design consultancy and related services. Meinhardt has been hired for Detailed Engineering Design Development and Project Construction Management. Smallwood, Reynolds, Stewart, Stewart (SRSS) have been appointed for Architectural Design & Façade Engineering Consultancy. P49 Design, Thailand's leading internationally recognized firm, has been engaged for interior designing. Other consultants include top-of-the-line international firms like Creative Kitchen Planners, KROLL Security Group, ACVIRON Acoustics Consultants, Bo-Steiber Lighting Design and Green Architects. It is expected that overall project will be finished in year 2009.

Keeping in view the attractive business & economic conditions in the country with demand for quality real estate developments especially commercial properties and recent marketing initiatives like inauguration of Pace Circle development by Prime Minister of Pakistan and successful IPO of Pace (Pakistan) Limited have generated a lot of investor/market interest. Pace Barka now needs to capitalize on current market confidence and intends to go for identified future expansion plans. Pace Barka is planning to capitalize on fast growing hospitality business by undertaking a new venture company namely "Pace Regency Hotels (Pvt.) Limited". Changing lifestyles and consumer habits and increase in general business activity have increased the demand for hospitality business offering quality environment and entertainment options like Pace projects. Saturation in existing cities and increased business traveling have also accelerated the need for new and modern world-class hotels to cater to the needs of this growing hospitality market of Pakistan. At the same time, the cost of international travel and tourism together with complicated visa procedures has opened the market for local tourism. There are hardly any 5 star tourist destinations outside major cities in Pakistan. The concept of farm houses and villas is continuously getting popularity in high income class, Pakistani expatriates and businessmen. Elite class is now more interested in having their own villas where they can spend leisure time over weekends/vacations in calm and pleasant environment instead of going to northern hill stations involving lot of traveling, lesser facilities and overcrowded environment. Similarly, the dearth of 3-star hotels in newly developed extension of Lahore and fast developing cities like Gujrat can be tapped with new developments in these areas. The Pace Regency Hotels (Pvt.) Limited comprise of three projects (a) Pace Peacock Valley Resorts (b) Pace Royal Hotel Gujrat (c) Pace Royal Hotel Lahore.

Pace Peacock Valley resort project is located around a beautiful lake which is approximately one and a half kilometer from the famous M2 Lahore Islamabad Motorway, just few minutes away from famous Salt Range. The project entails development of a 5-star resort hotel and 40 villas. Villas would be completely sold out whereas hotel operations will retain with the company. All modern resort facilities like club house, cabanas, pool bar, cluster villas, business centre, restaurants, banquet halls, health club, salon, boutiques & handicraft shops, coffee / pastry shops and other standard services will be made available to the guests. The resort villas will comprise of 20 kanals each, equipped with all latest international facilities like Jacuzzi Baths, luxurious lakefront, fully equipped kitchen with BBQ facility, dining, water sports & resort amenities. Pace Royal Hotel Gujrat project would be located near Pace Gujrat Shopping Mall and will comprise of 120 rooms to be constructed in 2 phases. All modern facilities like business centre, restaurants & banquet halls, meeting rooms, swimming pool, shops and other standard services will be made available to the guests. Pace Royal Hotel Lahore project would be located in close vicinity of envisaged Johar Town shopping mall and would be surrounded by fast growing societies like Johar Town, Wapda Town, and Valancia etc. The project comprise of 150 rooms to be constructed in 2 phases. All modern facilities like business centre, restaurants, banquet halls, meeting rooms, swimming pool, shops and other standard services will be made available to the guests.

In order to finance its expansion plans, Pace Barka intends to list its shares through pre-IPO placement and initial public offering on Karachi Stock Exchange (Guarantee) Limited (“KSE”) and Lahore Stock Exchange (Guarantee) Limited (“LSE”). A head of agreement has been signed with a Strategic Foreign Investor and necessary preparation is being made to undertake the initial public offering process subject to completion of all necessary corporate and legal formalities where required. Pace Barka is raising around Rs. 557.4 million through Pre-IPO investment and around Rs. 864.15 million through IPO. The Pre-IPO and IPO is being made at an offer price of Rs. 15/- per share (inclusive of a share premium of Rs. 5/- per share). The Company intends to make additional long term investment in the share capital of Pace Barka up to Rs. 120.00 million in addition to already approved investment of Rs. 20 million in Pace Barka. The Company has already invested upto Rs. 20.00 million in Pace Barka. The management expects to earn dividends and capital gains through investment in Pace Barka.

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

World Press was incorporated in Pakistan on 11 September 2003 as a private limited company under the provisions of the Companies Ordinance, 1984. The registered office of World Press is situated at 103 C-II, Gulberg III, Lahore. The main objective of World Press is printing, packaging and publishing and dealing in all allied products. The operations of Word Press were commenced in September 2003 under the brand name of “World Press”. This project was mainly developed by FCSC and currently is a subsidiary of the Company. Other shareholder/strategic partner is Mir Anwar Ali who has been into printing and publishing business for decades.

World Press is carrying on operations of printing, packaging and publishing company with all modern facilities under one roof. The printing press machines (make of “Roland” and “Hidelsberg”) are producing high quality printing at a fairly better speed than its competitors. World Press's division that prints pre-paid calling and scratch cards is named as “Euro Cards”. It is envisaged that Euro Cards will also be producing smart cards, hotel key cards and credit cards thus making it as leading company in the country offering complete card solutions. It is expected the diaries and calendars division will produce state of the art executive desk and pocket diaries at its plant. Currently calendar designs for the coming year are currently being developed for multinational and national companies. In addition, World Press is also equipped to produce a range of hardbound and paperback books.

World Press is the process of increasing its production capacity by implementing its expansion plan. By doing so, World Press will be able to provide facility including but not limited to print labels with bar codes, text books, bed sheet inners, shirt and trouser tags, which can cater to international as well as domestic export houses in knitwear, leather goods etc. Moreover, World Press also intends to tap financial houses and utility companies in Pakistan regular stationery printing. The total project cost is estimated to be Rs. 84.00 million which shall be financed through Rs. 23.00 million of equity and Rs. 51.00 million of debt and balance through internal cash generation of Rs. 10 million.

The existing Authorised Share Capital of World Press is Rs. 10,000,000 divided into 1,000,000 ordinary shares of Rs.10/- each. The issued, subscribed and paid up capital is Rs.6,926,000 divided into 692,600 ordinary shares of Rs.10/- each out of which FCSC holds 450,125 shares (65%) of the total paid up capital of World Press and a subsidiary of the Company. The balance equity is held by Mir Anwar Ali who is also the Chief Executive/Director of the Company. The

break up value per share of World Press as per audited financial statements as at 30 June 2007 is Rs. 33.62, whereas the EPS for the year ended 30 June 2007 is Rs. 13.11 per share. The management of the Company considers this investment to be beneficial as right shares are offered by World Press at a price of Rs.10 per share whereas the break up of the Company's shares is higher than the right price per share. The Company has already an approved investment limit of Rs. 8.00 million out of which the Company had made an investment of around Rs. 4.501 million. The Authorized Share capital of World Press shall also be enhanced to cater for the additional issue of shares of World Press accordingly.

Since the initial investment in World Press, the Company has earned good returns over the period of time. The holding period yield has increased on year to year basis. A dividend of Rs. 4.051 million has been received on the Company's original investment. The Company expects to earn good returns from the proposed investment in the right shares of World Press.

Manayuru Lanka Assets Management Company (Private) Limited (“Manayuru”)

Manayuru Lanka Assets Management Company (Private) Limited was incorporated in Sri Lanka on 23 February 2007 as a private limited company under the Companies Act No. 17 of 1982 of Democratic Socialist Republic of Sri Lanka. The main objective of Manayuru is to carry on business of acquiring, investing, selling and dealing in any types of shares and debentures in listed Companies and any other companies. Manayuru is in the process to undertake the business of market intermediary and specific application for the grant of registration as a market intermediary shall be submitted under the provisions of Securities and Exchange Commission of Sri Lanka Act No. 36 of 1987. The existing Authorised Share Capital of Manayuru is LKR 30,000,000/- (Srilankan Rupees Thirty Million) divided into 3,000,000 shares of LKR of 10/- (Srilankan Rupees Ten) The issued, subscribed and paid up capital is LKR 20/- (Srilankan Rupees Twenty) divided into 2 (Two) ordinary shares of LKR 10/- (Sri Lankan Rupees Ten). The estimated initial project cost of Manayuru is upto Rs. 25 million which shall be totally financed by the Company in order to conduct operations of Manayuru.

The world economy is enjoying a remarkable period of broadly shared growth. In fact the world is in a period of economic expansion unmatched since the early 1970s, while inflation remains at low levels. Most importantly, every region of the world economy is now doing well. The world economy has expanded by 5.4 percent in 2006. Emerging and developing economies grew by an astonishing 7.9 percent. Developing Asia led the way with 9.4 percent growth; and China, India, Vietnam and Pakistan within the region growing in the range of 7.0 percent (Pakistan) to 10.7 percent (China) with India (9.2%) and Vietnam (7.4%) falling in between. The global economy is on track and expected to continue to grow robustly in 2007 and 2008. Emerging market and developing countries of which, Pakistan is a member, are also likely to grow strongly in the next two years.

As per Central Bank of Sri Lanka report Socio economic expansion path in 2006 demonstrated its sustained resilience recording a 7.4 per cent growth rate, the highest since 1978 and an unemployment rate of 6.5 per cent, the lowest ever. Despite these favourable developments, emerging inflationary threats posed a serious challenge for policy makers. Therefore, the monetary policy thrust was persistently directed towards curbing the rising inflation pressure and inflation expectations. Even in the midst of such threats to price stability, the constructive feature of the financial sector was its continuous expansion while remaining flexible to withstand challenges. The economic expansion was commendable as it was achieved amidst several major challenges: the highest international oil prices; escalation of terrorist activity; increased counter terrorism measures; natural disasters such as floods and landslides; need to accelerate the post tsunami reconstruction; and intense competition for exports. Sri Lanka's per capita income rose to US dollars 1,355. Exports continued to grow with the enhanced global competitiveness, and imports grew to support the growing expansion of the production capacity of the economy. The highest ever growth in worker remittances and highest ever inflows of foreign direct investment and external financing to the government helped to finance growing trade and current account deficits, resulting in a surplus of US dollars 204 million in the Sri Lanka's balance of payments in 2006. The fiscal consolidation process continued with further improvement in government revenue and a decline in government debt as a percentage of GDP while accommodating high public investment on multiple infrastructure development projects. The decelerating trend in inflation experienced during the early part of the year reversed from April, mainly due to high monetary expansion. The upward revision in administered prices caused a one-off increase in price levels, but it was conducive for controlling inflation in the long term by closing avenues for further monetary expansion. Meanwhile, the supply disturbances that arose from adverse weather conditions during the latter part of the year resulted in negative supply shocks exerting pressure on prices. The continuation of the tight monetary policy

measures, supplemented by some prudential measures, contained the demand driven inflation to some extent. In January 2007, the Central Bank introduced further measures, aimed at lowering inflation to a single digit level by end 2007. The further expansion in the financial markets was reflected in higher trading volumes, especially in stock and foreign exchange markets. The financial infrastructure was further strengthened and improved during 2006 together with the introduction of several legal enactments and the broadening of prudential regulations to enhance resilience of the financial system.

As per Central Bank of Sri Lanka continuous improvement in productivity is the key to achieving sustainable high growth with low inflation. Fundamental forces of productivity improvement are infrastructure development, technological improvement, human capital development and research and development. As per Central Bank of Sri Lanka, it needs to improve the economic and social infrastructure while providing the enabling environment to promote productivity improvements at firm level. All production sectors need to be conscious of the intensifying international competition, limitations in providing protection and the need for improving labour productivity to enhance competition. Such productivity improvements will help lower inflation, provide resources to compensate for wage increases while enhancing international competitiveness. As per Central Bank of Sri Lanka, continuous efforts need to be made to maintain a sustainable high growth in excess of 8 per cent in the medium-term as projected in the Ten-year Horizon Development Framework 2006-2016 (Ten-year Vision) the policy document of the Government. The Ten-year Vision has been prepared through an intensive consultative process involving all stakeholders of the economy in line with the "Mahinda Chintana" overall policy vision. The framework highlights strategic policy directions of the government during the next 10 years, aimed at infrastructure and knowledge based accelerated economic progress to provide an enabling environment to promote growth and reduce regional economic disparities and poverty on a sustainable basis. The underlying macroeconomic framework of the Ten-year Vision targets an 8 per cent economic growth during the next six years and a 9-10 per cent growth thereafter accompanied by beneficial developments, viz., gradually reducing inflation and improving productivity. Investment is expected to increase significantly utilising improved savings by the private sector, external resources and funds saved through the gradually reducing budget deficit. Monetary policy is employed to avoid demand fuelled inflation, while providing required credit for sustained economic activity. The floating exchange rate system will continue supported by a comfortable level of official reserves. Thus as per Central Bank of Sri Lanka the overall policy strategy has been designed to integrate the positive attributes of market based economic policies with domestic aspirations by providing the necessary support to domestic enterprises and encouraging foreign investments.

FCSC is already undertaking Investment Advisory business through its subsidiary namely First Capital Investments Limited. FCSC also has its presence in Sri Lanka through Lanka Securities (Pvt.) Limited whose major operations is to undertake brokerage business. With its expertise through advisory business, it intends to enhance its business operations in Sri Lanka also. In addition FCSC also expertise in other financial market operations including but not limited to money market, under-writing, corporate finance, project planning and development etc. Due to this diversification in business operations of FCSC and conducive business environment in Sri Lanka, it is expected that the Company would yield better returns on its investments in Manayuru and further exposure to FCSC of the regional clients and stock market of Sri Lanka. The investment in Manayuru shall be subject to necessary corporate and regulatory approvals where required including but not limited to State Bank of Pakistan, Securities and Exchange Commission of Sri Lanka. Subsequent to the corporate and regulatory approvals the Authorized share capital and the paid up capital of Manayuru shall be raised accordingly for the purpose of undertaking operations. It is envisaged that Manayuru shall be a subsidiary company of FCSC.

STATEMENT UNDER SECTION 160(1)(B) OF THE COMPANIES ORDINANCE, 1984 READ WITH SRO 865(I)/2000 DATED 06 DECEMBER 2000

This statement sets out the material facts pertaining to the special business to be transacted at the Annual General Meeting of the Company to be held on 31 October 2007.

INVESTMENTS TO BE MADE BY THE COMPANY

The Company is fully authorized by its Memorandum of Association to make such investment. The investment would be made at such time(s), as the Chief Executive may think appropriate on behalf of the Company and would disinvest(s) as and when appropriate. The Chief Executive of the Company or the Company Secretary are also authorized to take all the necessary corporate and legal formalities in connection with the proposed investment where required.

The following are material facts about the proposed special resolution:

(i)	Name of the investee company	Pace (Pakistan) Limited (“Pace”)		
(ii)	Nature, amount and extent of investment	Additional Long term Investment in the share capital of Pace for an amount of Rs. 500 Million for purchase of ordinary shares from the open market at the market price at the time of investment and to disinvest as and when considered appropriate.		
(iii)	Average market price of the shares intended to be purchased during preceding six months in case of listed companies	Rs. 23.75/- per share		
(iv)	Break-up value of shares intended to be purchased on the basis of last audited financial statements	30 June 2007 Rs. 14.40/- per share	30 June 2006 Rs. 14.31/- per share	
(v)	Price at which shares will be purchased	At available market price		
(vi)	Earning per share of the investee company in last three years	30-06-2007 (audited) Rs. 2.78/- per share	30-06-2006 (audited) Rs. 2.67/- per share	30-06-2005 (audited) Rs. 1.61/- per share
(vii)	Source of funds from where shares will be purchased	Available cash resources and/or future internal cash generation from the operations of Company		
(viii)	Period for which investment will be made	As a long-term investment.		
(ix)	Purpose of Investment	Utilization of the Company's available cash resources for better future returns to shareholders. The management of the Company considers investment in the shares of Pace as beneficial to the Company and its shareholders owing to the increase in the growing economy of Pakistan.		

The real estate business in Pakistan is very encouraging and has great potential. Since previous years the business community in Pakistan has grown in major cities including Lahore, Karachi and Islamabad and there is growing need of office spaces and plazas. The capital

gains on real estate investment generally have been high. Economics and demographic fundamentals suggest that the trend rate of property appreciation is likely to remain high in future. Property assets have historically experienced rapid appreciation in real terms. This has reinforced their attraction to investors, who have continued to invest in real estate. Therefore, management intends to utilize Company's cash resources for better future returns to Shareholder.

(x) **Benefits likely to accrue to the Company and the shareholders from the proposed investments**

The Company expects to earn substantial dividends and capital gains on the proposed investments. Moreover, all the benefits accrued to Pace upon undertaking its expansion plans will become part of the returns to the Company in future.

(xi) **Interest of Directors and their relatives in the investee company**

The Directors of the Company and their relatives have no interest in the above investee company except that what has been disclosed under the section "Interest of Directors and their Relatives".

(i) **Name of the investee company**

Pace Barka Properties Limited ("PBPL")

(ii) **Nature, amount and extent of investment**

Additional Long term Investment in the share capital of Pace Barka Properties Limited for an amount of Rs. 120.00 Million and to disinvest as and when considered appropriate. This investment shall be made by the Company as and when required at an appropriate time by subscribing its rights portion or through purchase of shares through market after the listing of the Pace Barka shares on the Stock Exchanges of Pakistan based on the available cash flows of the Company.

(iii) **Average market price of the shares intended to be purchased during preceding six months in case of listed companies**

Not applicable being an un-listed company

(iv) **Break-up value of shares intended to be purchased on the basis of last audited financial statements**

30 June 2007	30 June 2006
Rs. 10/- per share	Rs. 10/- per share

(v) **Price at which shares will be purchased**

At Rs. 15/- per share (inclusive of share premium) or at a fair market value after the listing of Pace Barka shares on the appropriate Stock Exchanges of Pakistan. Pace Barka is also the process of raising its equity through Pre-IPO and Initial public offering at a price of Rs. 15/- per share (inclusive of share premium). The purchase of Pace Barka shares may be done through investment in right shares of Pace Barka or subsequently from the open market at market rates.

(vi) Earning per share (EPS) of the investee company in last three years	30-06-2007 (audited)	30-06-2006 (audited)	30-06-2005 (audited)
	Not stated as per current accounting regime	Note stated as per current accounting regime	No applicable as Pace Barka was incorporated in November 2005
	Pace Barka is following completed contract method accounting as per the applicable accounting laws of Pakistan, therefore, the income is only recognized once the possession is handed over the customers. The intrinsic value of Pace Barka shares is above Rs. 15/- per share currently.		
(vii) Source of funds from where shares will be purchased	Available cash resources and/or future internal cash generation from the operations of Company		
(viii) Period for which investment will be made	As a long-term investment.		
(ix) Purpose of Investment	Utilization of the Company's available cash resources for better future returns to shareholders.		
(x) Benefits likely to accrue to the Company and the shareholders from the proposed investments	All the benefits accrued to Pace Barka due to growth in the diversified business and increase in its business operations will become part of the returns of the Company and its shareholders from the proposed investment. The Company also expects to earn substantial dividends and capital appreciation/gains from the proposed investment.		
(xi) Interest of Directors and their relatives in the investee company	The Directors of the Company and their relatives have no interest in the above investee company except that what has been disclosed under the section "Interest of Directors and their Relatives".		

(i) Name of the investee company	World Press (Pvt.) Limited ("World Press")		
(ii) Nature, amount and extent of investment	Additional Long term Investment in the share capital of World Press for an amount of upto Rs. 15 million for the purposes of subscription in the right shares offered by World Press at a price of Rs. 10/- per share and to disinvest as and when considered appropriate.		
(iii) Average market price of the shares intended to be purchased during preceding six months in case of listed companies	Not applicable being an un-listed company		

(iv) Break-up value of shares intended to be purchased on the basis of last audited financial statements	30 June 2007 (Audited)	30 June 2006 (Audited)	
	Rs. 33.62/- per share	Rs. 28.02/- per share	
(v) Price at which shares will be purchased	At Rs. 10/- per share		
(vi) Earning per share of the investee company in last three years	30-06-2007 (audited)	30-06-2006 (audited)	30-06-2005 (audited)
	Rs. 13.11	Rs. 13.87	Rs.5.91
(vii) Source of funds from where shares will be purchased	Available cash resources and/or future internal cash generation from the operations of Company		
(viii) Period for which investment will be made	As a long-term investment.		
(ix) Purpose of Investment	Utilization of the Company's available cash resources for better future returns to shareholders. The right shares are being offered at Rs.10/- per share whereas the break up value of World Press is Rs. 33.62/- per share.		

World Press is carrying on operations of printing, packaging and publishing company with all modern facilities under one roof. The printing press machines (make of "Roland and Hidelberg") are producing high quality printing at a fairly better speed than its competitors. World Press's division that prints pre-paid calling and scratch cards is named as "Euro Cards". It is envisaged that Euro Cards will also be producing smart cards, hotel key cards and credit cards thus making it as leading company in the country offering complete card solutions. It is expected the diaries and calendars division will produce state of the art executive desk and pocket diaries at its plant. Currently calendar designs for the coming year are currently being developed for multinational and national companies. World Press is also equipped to produce a range of hardbound and paperback books.

World Press is the process of increasing its production capacity by implementing its expansion plan. By doing so, World Press will be able to provide facility including but not limited to print labels with bar codes, bed sheet inners, shirt and trouser tags, which can cater to international as well as domestic export houses in knitwear, leather goods etc. Moreover, World Press also intends to tap financial houses and utility companies in Pakistan regular stationery printing. World Press has recently started printing of packing material and labels for pharmaceutical companies and it is expected that the Company will tap the potential available in pharmaceutical sector.

Over the last few years, FCSC has diversified its investment into media, telecom, financial sectors etc., and has emerged a vast group providing range of services. The group's development team is constantly analyzing FCSC along with other investors and World Press was an evolution of similar research development. In order to increase its production capacity, World Press is in the process of implementing expansion plan to enhance its capacity and to provide premium and fast printing services to its clients and enhance its business operations. By undertaking the expansion plans by World Press would results in better profitability of World Press. All the benefits accrued to World Press would form part of returns to the FCSC accordingly. FCSC expects to earn substantial returns on this investment in World Press.

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|--|--|
| (x) Benefits likely to accrue to the Company and the shareholders from the proposed investments | All the benefits accrued to World Press due to expansion in its business operations and diversification of business activities will become part of the returns to the Company and its shareholders from the proposed investment. In addition the Company shall also retain the management control by having its 65% equity stake in World Press. The Company also expects to earn substantial dividends and capital appreciation from the proposed investment. |
| (xi) Interest of Directors and their relatives in the investee company | The Directors of the Company and their relatives have no interest in the above investee company except that what has been disclosed under the section "Interest of Directors and their Relatives". |

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- | | |
|--|--|
| (i) Name of the investee company | Manayuru Lanka Assets Management Company (Private) Limited ("Manayuru") |
| (ii) Nature, amount and extent of investment | Long term Investment in the share capital of Manayuru Lanka Assets Management Company (Pvt.) Limited for an amount of Rs. 25.00 Million and to disinvest as and when considered appropriate. |
| (iii) Average market price of the shares intended to be purchased during preceding six months in case of listed companies | Not applicable since Manayuru in an unlisted company |
| (iv) Break-up value of shares intended to be purchased on the basis of last audited financial statements | LKR Rs. 10/- per share based on the un-audited accounts. Manayuru has not closed its first years of operations and hence its latest audited financial statements is not prepared. |
| (v) Price at which shares will be purchased | At LKR. 10/- per share |
| (vi) Earning per share (EPS) of the investee company in last three years | EPS is not available since Manayuru has not started its operations, hence it is not available |
| (vii) Source of funds from where shares will be purchased | Available cash resources and/or future internal cash generation from the operations of Company |

- (viii) **Period for which investment will be made** As a long-term investment.
- (ix) **Purpose of Investment** Utilization of the Company's available cash resources for better future returns to shareholders.
- FCSC is already undertaking Investment Advisory business through its subsidiary namely First Capital Investments Limited. FCSC also has its presence in Sri Lanka through Lanka Securities (Pvt.) Limited whose major operations is to undertake brokerage business. With its expertise through advisory business, it intends to enhance its business operations in Sri Lanka also. In addition FCSC also expertise in other financial market operations including but not limited to money market, under-writing, corporate finance, project planning and development etc. Due to this diversification in business operations of FCSC and conducive business environment in Sri Lanka, it is expected that the Company would yield better returns on its investments in Manayuru and further exposure to FCSC of the regional clients and stock market of Sri Lanka.
- (x) **Benefits likely to accrue to the Company and the shareholders from the proposed investments** All the benefits accrued to Manayuru due to growth in the diversified business and increase in its business operations will become part of the returns of the Company and its shareholders from the proposed investment. The Company also expects to earn substantial dividends and capital appreciation from the proposed investment.
- (xi) **Interest of Directors and their relatives in the investee company** The Directors of the Company and their relatives have no interest in the above investee company except that what has been disclosed under the section "Interest of Directors and their Relatives".

INCREASE IN THE AUTHORIZED SHARE CAPITAL OF THE COMPANY

In order to facilitate the allotment of 20% bonus shares as recommended by the Board of Directors in their meeting held on 06 October 2007, 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. 1,600,000,000/- to Rs. 1,700,000,000/-. 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. 1,700,000,000/- (Rupees One Billion and Seven hundred million only) divided into 170,000,000/- (One hundred Seventy million) 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. 1,700,000,000/- (Rupees One Billion and Seven hundred million only) divided into 170,000,000/- (One hundred Seventy million) ordinary shares of Rs. 10/- each.

STATUS OF INVESTMENTS AS REQUIRED VIDE SRO 865(1)/2000 DATED 06 DECEMBER 2000**Lanka Securities (Pvt.) Limited (“LSL”)**

The Company was granted approval to make long term investment up to PKR 40 million in share capital of LSL in the Extraordinary General Meeting held on 14 May 2007. Subsequent to the approval from Shareholders, the Company, applied to State Bank of Pakistan for its approvals before remittance of funds to LSL in Sri Lanka. The Company has recently received approval letter from State Bank of Pakistan in this regards and the Company will remit funds to LSL in due course. The financial position of LSL based on the audited financial statements as at 30 June 2007 and 31 December 2006 is stated hereunder:

	30-06-2007 (Audited) Converted into PKR	31-Dec-06 (Audited) Converted into PKR
Non Current Assets	11,412,875	6,579,490
Current Assets	126,772,565	196,684,858
Current Liabilities	66,319,764	149,058,089
Non Current Liabilities	9,588,475	4,929,231
Paid up capital	40,234,306	41,467,515
Reserves	22,042,895	7,809,513

INSPECTION OF DOCUMENTS

Copies of Memorandum and Articles of Association, Statement under section 160(1)(b) of the Companies Ordinance, 1984, annual and quarterly accounts along with all published or otherwise required accounts of all prior periods of the Company and the investee companies where applicable and to the extent required, along with the financial projections of the Company and the investee companies where required, information memorandum of Pace (Pakistan) Limited in respect of funds raised through TFCs and FCCBs, information memorandum of Pace Barka Properties Limited, application filed with Securities and Exchange Commission of Sri Lanka in respect of license for market intermediate and other related information of the Company and the investee 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 RELATIVE

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

	Status in the Company	As at 30-06-2007		As at 30-06-2007		As at 30-06-2007		As at 30-06-2007		
		Shares in the Company	Status in World Press	Shares in World Press	Status in Pace Barka	Shares in Pace Barka	Status in Pace	Shares in Pace	Status in Manayuru	Shares in Manayuru
1	Salmaan Taseer	2,386,856	Director	-	CEO/	500	CEO/	587	Director	1
2	Aamna Taseer	698,116	-	-	Director	500	Director	587	-	-
3	Sardar Ali Wattoo	675	-	-	-	-	Director	587	-	-
4	Suliman Ahmed Said Al-Hoqani	56,968,845	-	-	Director	48,000,000	Director	29,465,656	-	-
5	Jamal Said Al-Ojaili	792	-	-	-	-	Director	587	-	-
6	Syed Kashan Kazmi	1,443	-	-	-	-	-	-	-	-
7	Khawaja Khalil Shah (Nominee Faysal Bank Ltd)	-	-	-	-	-	-	-	-	-

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of First Capital Securities Corporation Limited (the “Company” or “FCSC”) gladly present their 14th annual report to the members together with the 14th annual audited financial statements of the Company for the financial year ended 30 June 2007.

Operational Results

The operating results of the Company are summarized as follows:

	2007	2006
	Rupees	Rupees
Revenue	1,723,994,540	429,055,603
Operating Expenses	45,167,819	35,273,992
Operating Profit	1,678,826,721	393,781,611
Finance & other Cost	46,414,290	25,507,21
Profit after Taxation	1,635,551,981	376,831,213
Earnings per Share (Basic and diluted)	12.08	2.78

The year 2007 was a momentous period in which the Company's performance showed significant improvement where revenues increased by more than 300%. Revenues increased to Rs. 1,723 million as compared to Rs. 426 million for the corresponding period last year and EPS jumped from Rs. 2.78 to Rs. 12.08. This increase substantial increase in EPS is mainly on account of revaluation gain on investments made by the Company. Money market operations contributed Rs. 11 million and while gain on sale of investments contributed Rs. 10.9 million to the revenue. During the year, the Company issued subscribed and paid up share capital also increased from Rs. 1,003 million to Rs. 1,354 million owing to the bonus issue of 35% declared last year by the Board o Directors in their meeting held on 09 October 2006.

Future outlook

The Company's major investments are in brokerage, property, media and telecom sectors. All these sectors have shown growth and stability during the year and the same effect is evident from the improved results of these relevant companies. It is envisaged that these companies shall maintain a steady growth in the future.

Equity brokerage subsidiary, First Capital Equities Limited “FCEL” performed exceptionally well in FY-07 and the management is quite confident that it will demonstrate stable growth in the years to come. This is due to the reason that FCEL took advantage of bullish trend in the market and performed exceptionally well thus earning highest income. This is attributed to the bullish run experienced in FY-07 in the capital markets with index touching highest of 13,772 points.

FCEL is also undertaking necessary corporate and legal formalities in respect of undertaking businesses of Real Estate Investment Trust, Commodity Brokerage and Investment Finance Services in order to diversify its business operations and en-cash the opportunities available in the growing economy of Pakistan.

Sri Lanka based equity brokerage subsidiary Lanka Securities (Private) Limited “LSL” has shown steady growth during the period. As the economic & political conditions in Sri Lanka are improving, we expect firm growth and better earnings in the future period. Subscription for 100% right shares at the rate of LKR 20 per share including premium of LKR 10 will greatly enhance the company's profitability. In this respect the necessary approval has been obtained from State Bank of Pakistan.

Investment advisory business which is being undertaken through First Capital Investments Limited (“FCIL”), a subsidiary company, has shown steady growth in FY-07 and it is hoped that current profitability will persist in the forthcoming financial year as well. FCIL is reviewing the option of enhancing its capital base for its further expansion

plans. FCIL manages First Capital Mutual Fund Limited (“FCMF”) a closed end fund which also has shown consistent better performance as compared to previous years.

Media business which is undertaken by Media Times Limited (“MTL”) is in process of consolidating its operations and furthering the growth phase. Since previous years of its successful publication of English newspaper “Daily Times”, MTL is now in the process of launching an Urdu newspaper shortly. The management of MTL and Total Media Limited (“TML”) running a business TV channel namely “Business Plus” intends to merger together thus increasing its capital base and attain benefits from the synergies available in both the businesses. This would also result in achieving economies of scales. Subsequent to the merger of TML into MTL, the merged entity shall be listed on KSE and LSE subject to completion of necessary corporate and regulatory formalities. Necessary ground work has already been started.

Property division is diversifying their business into areas of hospitality business. It is seen that there is a large capacity shortfall in this hospitality sector of Pakistan, thus opening arenas of investment opportunity. In order to achieve these plans property division is undertaking multiuse project through a separate entity in Karachi, whereas the flag ship company “PACE” of the property division shall undertake a Pace signature super shopping mall itself. In order to ensure smooth sailing of these new projects the management of PACE has decided to raise funds through the issue of Foreign Currency Convertible Bonds (“FCCBs”), amounting to USD 25 million in the international market and Term Finance Certificates (“TFCs”) amounting to Rs. 1.5 Billion in the local market. The FCCBs shall be listed on the Singapore Stock Exchange (“SGX”) whereas the TFCs shall be listed on Lahore Stock Exchange (Guarantee) Limited “LSE”.

In Telecom sector, Worldcall Telecom Limited (WTL) also showed consistent results as compared to previous years in terms of its steady operations. The management of WTL has been operating aggressively in various segments and in some cases has exceeded market performance e.g. broadband and metro fiber services. WTL is targeting a major escalation in its network coverage for all its contributing segments over the next two years, finalizing roll-out plans for extending its hybrid fiber coaxial cable operations to eight additional metropolitan centers in Pakistan with a coverage footprint of over a million homes passed. For WLL services major focus shall be coverage and capacity enhancement in existing deployment with additional of service areas in major population concentrations. Wireless broadband through EVDO is going to become universally available through WTL across all major metropolitan cities serviced by its WLL operations. WiMax network will be rolled out for internet broadband, point to point and multipoint connectivity, principally in highly attractive markets in central Punjab. Metro fiber operations will be further enhanced with deep fiber architecture across existing operational base. LDI will be restructured for more significant international deployments with retention of domestic market shares in Pakistan.

Key Financial Indicators

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

Payouts for the Shareholders

The Company announced final bonus shares in proportion of twenty (20) bonus shares for every one hundred (100) shares held i.e. 20% fully paid ordinary shares during the year. This shall also be considered as a final bonus issue.

Earnings per share

Earnings per share (basic and diluted) for the year ended 30 June 2007 jumped to Rs. 12.08 as compared to earnings per share of Rs. 2.78 during the year 2006.

Changes in the Board of Directors

During the financial year there has been no change in the Board of Directors’ 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 a 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 the Directors were held during the financial year. The attendance of each director is as follows:

Directors	Meetings Attended
Salmaan Taseer (Chairman & Chief Executive)	4
Aamna Taseer	4
Sheikh Sulieman Ahmed Said Al-Hoqani	3
Sardar Ali Wattoo	4
Jamal Said Al-Ojaili	1
Syed Kashan Kazmi	4
Khawaja Khalil Shah	3

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 Khalid & Co., Chartered Accountants as the auditors of the Company for the financial year ending 30 June 2008.

National Accountability Bureau

During last year, National Accountability Bureau (“NAB”) again raised a demand of Rs. 10.07 million, which remained un-recovered from various parties involved. The Company had informed NAB that the said amounts are not payable. The Company 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. Since then there had been no change in the status of NAB case.

Pattern of Shareholdings

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

Acknowledgement

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

For and on behalf of the Board of Directors

Director

Director

Lahore
06 October 2007

Annexure I

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

	Opening balance as on 01-07-2006	Purchase	Bonus	Sale	Closing balance as on 30-06-2007
Directors					
Salmaan Taseer (CEO)	930,764	1,074,592	381,500	-	2,386,856
Aamna Taseer	517,123	-	180,993	-	698,116
Sulieman Ahmed Said Al-Hoqani	42,079,210	152,603	14,737,032	-	56,968,845
Sardar Ali Wattoo	500	-	175	-	675
Jamal Said Al-Ojaili	587	-	205	-	792
Syed Kashan Kazmi	1,069	-	374	-	1,443
Khawaja Khalil Shah (Nominee Director of FBL)	-	-	-	-	-
Spouses					
	-	-	-	-	-
Minor Children					
	-	-	-	-	-
Chief Financial Officer					
Syed Khasan Kazmi	1,069	-	374	-	1,443
Company Secretary					
Mohammad Naeem Sheikh	-	-	-	-	-

KEY FINANCIAL DATA FOR LAST 7 YEARS

FINANCIAL DATA

Rupees in Thousands

	2007	2006	2005	2004	2003	2002	2001
Operating revenue	1,723,995	429,056	61,535	75,514	41,699	47,827	78,735
Operating expenses	45,168	35,274	42,898	45,942	41,899	51,673	29,160
Operation profit	1,678,827	393,782	18,637	29,572	(199)	(3,846)	49,575
Other revenue	3,266	8,557	2,237	2,451	5,582	13,318	52,049
Financial Expenses	46,414	25,507	23,006	11,861	5,017	2,666	10,566
Taxation	227	476	-	5,698	1,320	3,544	150
Profit after Taxation	1,635,552	376,365	(2,132)	211,429	165,547	91,153	87,932
Cash Dividend Final (%)	-	-	-	-	-	-	10%
Bonus Share Final	20%	35%	47.5%	-	38%	-	-

**PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2007**

INCORPORATION NUMBER: 0032345 of 11-04-1994

No. of Shareholders	Shareholdings		Shares Held
	From	To	
335	1	100	13,734
773	101	500	220,121
328	501	1000	241,798
568	1001	5000	1,299,581
38	5001	10000	266,377
8	10001	15000	86,756
8	15001	20000	143,728
8	20001	25000	173,673
4	25001	30000	111,410
3	30001	35000	95,894
4	45001	50000	197,492
1	55001	60000	57,289
4	65001	70000	275,476
1	70001	75000	74,790
2	85001	90000	174,514
1	95001	100000	98,145
1	335001	340000	339,777
1	400001	405000	404,836
1	480001	485000	483,773
1	570001	575000	575,000
1	575001	580000	578,229
1	660001	665000	664,891
1	695001	700000	698,116
1	760001	765000	762,500
1	875001	880000	877,200
1	1130001	1135000	1,132,543
1	1340001	1345000	1,343,185
1	1715001	1720000	1,719,437
1	1770001	1775000	1,771,163
1	1910001	1915000	1,913,607
1	3020001	3025000	3,023,911
1	6745001	6750000	6,750,000
1	6965001	6970000	6,968,420
1	11785001	11790000	11,785,911
1	13495001	13500000	13,500,000
1	15330001	15335000	15,332,322
1	17875001	17880000	17,878,839
1	43400001	43405000	43,400,992
2108			135,435,430

**PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2007**

Categories of shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	60,056,727	44.343
Associated Companies, undertakings and related parties.	1,707,543	1.261
NIT and ICP	3,492,625	2.579
Banks, Development Financial Institutions, Non Banking Finance Companies	1,468,371	1.084
Modarabas and Mutual Funds	18,065	0.013
Share holders holding 10% or more	112,155,748	82.811
General Public		
a) Local	10,915,780	8.060
b) Foreign	359,867	0.266
Others:		
- Joint Stock Companies	886,364	0.654
- Foreign Companies	56,530,088	41.740

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

**PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS
AS AT 30 JUNE 2007**

<u>Shareholders' Category</u>	<u>Number of Shares held</u>
Associated Companies, undertaking and related parties	
Worldcall Telecom Limited	1,707,543
NIT and ICP	
National Bank of Pakistan, Trustee Deptt Investment Corporation of Pakistan	3,490,600 2,025
Directors, CEO and their Spouse and Minor Children	
Salmaan Taseer (CEO/Director)	2,386,856
Aamna Taseer (Director)	698,116
Sardar Ali Wattoo (Director)	675
Syed Kashan Kazmi (Director)	1,443
Jamal Said Al-Ojaili (Director)	792
Sulieman Ahmad Said Al-Hoqani (Director)	56,968,845
Khawaja Khalil Shah (Nominee Director of Faysal Bank Limited)	-
Executives	
Kamil Aziz	2,484
Public Sector Companies and Corporations	886,364
Banks, Development Financial Institutions, Non-Banking Finance Companies, Insurance Companies, Modaraba and Mutual Fund etc.	1,486,436
Shareholders holding 10% or more voting interest in the Company	
Amythest Limited	55,186,903
Sulieman Ahmad Said Al-Hoqani	56,968,845

**STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES ON
TRANSFER PRICING FOR THE YEAR ENDED 30 JUNE 2007**

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

For and on behalf of the Board

Director

Director

Lahore
06 October 2007

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2007

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

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

1. The Board of Directors comprise of seven Directors. The Company encourages representation of independent non-executive directors on its board. At present, the Board includes at least two independent non-executive directors.
2. The Directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has convicted by a Court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a DFI's or NBFIs. No one is a member of 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 transactions.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board Meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Board arranged orientation course for its directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved appointment of Company Secretary including remuneration and terms and conditions of employment, as determined by the CEO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.

13. The Directors, CEO and Executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. At present, the committee includes three non-executive directors including the chairman of the committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function having suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Listing Regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the Board

Director

Director

Lahore
06 October 2007

**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 system 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
06 October 2007

Taseer Hadi Khalid & Co.
Chartered Accountants

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **First Capital Securities Corporation Limited** (“the Company”) as at 30 June 2007 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material 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;
 - 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 2007 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:
06 October 2007

KPMG Taseer Hadi & Co.
Chartered Accountants

**BALANCE SHEET
AS AT 30 JUNE 2007**

	Note	2007 Rupees	2006 Rupees
Non current assets			
Property and equipment	3	2,189,747	2,965,831
Long term loans	4	15,520,000	11,966,905
Long term investments	5	2,088,526,928	832,322,101
Long term deposits	6	37,500	122,000
		2,106,274,175	847,376,837
Current assets			
Trade debts	7	4,143,302	7,995,559
Current portion of long term loans		-	9,292,595
Loans and advances	8	430,932	205,535
Short term prepayments		115,596	150,580
Taxation recoverable		17,471,892	15,412,502
Other receivables	9	299,549	986,944
Short term investments at fair value through profit or loss	10	3,203,171,616	1,681,354,352
Cash and bank balances	11	17,754,146	8,978,128
		3,243,387,033	1,724,376,195
Current liabilities			
Current portion of liabilities against assets subject to finance lease	12	154,068	1,275,728
Mark up accrued		4,696,157	2,672,329
Short term borrowings - secured	13	295,000,000	210,000,000
Trade and other payables	14	5,339,498	4,749,448
		305,189,723	218,697,505
Working capital		2,938,197,310	1,505,678,690
Net assets		5,044,471,485	2,353,055,527
Non current liabilities			
Liabilities against assets subject to finance lease	12	-	154,068
Staff retirement benefits	15	5,567,012	4,257,797
		5,567,012	4,411,865
Contingencies and commitments			
	25		
Net capital employed		5,038,904,473	2,348,643,662
Represented by:			
Share capital and reserves			
Issued, subscribed and paid-up capital	16	1,354,354,300	1,003,225,410
Capital reserve		1,667,705,724	612,996,894
Unappropriated profit		2,016,844,449	732,421,358
		5,038,904,473	2,348,643,662

The annexed notes 1 to 30 form an integral part of these accounts.

The Chief Executive is out of Pakistan and in his absence these financial statement have been signed two directors as required under section 241 (2) of the Companies Ordinance 1984.

Lahore:

Director

Director

**PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 Rupees	2006 Rupees
Operating revenue			
Financial consultancy services		10,527,768	19,128,520
Money market services	17	11,233,301	11,342,340
Gain on sale of investments		20,576,874	94,537,516
Unrealized gain on remeasurement of short term investments	10	1,676,965,959	297,761,952
Dividend income	18	4,690,638	6,285,275
		1,723,994,540	429,055,603
Operating expenses	19	45,167,819	35,273,992
		1,678,826,721	393,781,611
Operating profit			
Finance and other costs	20	46,414,290	25,507,218
		1,632,412,431	368,274,393
Other operating income	21	3,366,306	8,556,820
		1,635,778,737	376,831,213
Profit before taxation			
Taxation	22	(226,756)	(466,618)
		1,635,551,981	376,364,595
Profit after taxation			
		1,635,551,981	376,364,595
Earnings per share- basic and diluted	24	12.08	2.78

The annexed notes 1 to 30 form an integral part of these accounts.

The Chief Executive is out of Pakistan and in his absence these financial statement have been signed two directors as required under section 241 (2) of the Companies Ordinance 1984.

Lahore:

Director

Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 Rupees	2006 Rupees
Cash flows from operating activities			
Profit before taxation		1,635,778,737	376,831,213
Adjustments for:			
Finance and other costs		46,414,290	25,507,218
Unrealized gain on remeasurement of short term investments		(1,676,965,959)	(297,761,952)
Dividend Income		(4,690,638)	(6,285,275)
Depreciation		1,177,784	1,381,517
Gain on disposal of property and equipment		-	(634,000)
Debts written off directly		187,841	-
Impairment loss		524,503	-
Provision for doubtful debt written back - Loans and advances		-	(4,495,661)
Mark up income		(3,366,306)	(3,401,929)
Provision for compensated absences		444,333	196,261
Provision for gratuity-net		1,324,215	1,346,280
		(1,634,949,937)	(284,147,541)
Profit before working capital changes		828,800	92,683,672
Effect on cash flow due to working capital changes:			
Trade debts		3,664,416	11,136,840
Loans and advances		(225,397)	8,081,269
Short term prepayments		34,984	(62,464)
Other receivables		690,117	54,153
Short term investments-net		155,148,695	(116,997,930)
Trade and other payables		145,717	(544,419)
		159,458,532	(98,332,551)
Cash generated/(used in) from operations		160,287,332	(5,648,879)
Staff retirement benefits paid		(15,000)	(408,544)
Finance and other costs paid		(44,385,491)	(26,803,905)
Long term deposits		84,500	301,000
Taxes paid		(2,286,146)	(2,838,630)
		(46,602,137)	(29,750,079)
Net cash generated/(used in) from operating activities		113,685,195	(35,398,958)
Cash flows from investing activities			
Capital expenditure		(401,700)	(1,065,938)
Dividend received		4,535,123	6,171,848
Proceeds from disposal of property and equipment		-	900,000
Long term investments		(202,020,500)	(40,200,000)
Long term loans-net		5,739,500	(11,966,905)
Mark up received		3,519,099	3,249,136
Net cash used in investing activities		(188,628,478)	(42,911,859)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(1,275,728)	(970,032)
Short term borrowings-net		85,000,000	83,122,515
Net cash generated from financing activities		83,724,272	82,152,483
Net decrease in cash and cash equivalents		8,780,989	3,841,666
Cash and cash equivalents at the beginning of the year		8,978,128	5,137,377
Exchange loss on translation of deposit account		(4,971)	(915)
Cash and cash equivalents at the end of the year	<i>11</i>	17,754,146	8,978,128

The annexed notes 1 to 30 form an integral part of these accounts.

The Chief Executive is out of Pakistan and in his absence these financial statement have been signed two directors as required under section 241 (2) of the Companies Ordinance 1984.

Lahore:

Director

Director

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007**

	<u>Share Capital</u> Rupees	<u>Capital reserves Fair value reserve</u> Rupees	<u>Revenue reserve Unappropriated Profit</u> Rupees	<u>Total</u> Rupees
Balance as at 30 June 2005	853,808,870	529,508,584	505,473,303	1,888,790,757
Fair value gain during the year	-	83,488,310	-	83,488,310
Profit for the year	-	-	376,364,595	376,364,595
Total recognized income and expenses for the year	-	83,488,310	376,364,595	459,852,905
Issuance of bonus shares	149,416,540	-	(149,416,540)	-
Balance as at 30 June 2006	1,003,225,410	612,996,894	732,421,358	2,348,643,662
Fair value gain during the year	-	1,054,708,830	-	1,054,708,830
Profit for the year	-	-	1,635,551,981	1,635,551,981
Total recognized income and expenses for the year	-	1,054,708,830	1,635,551,981	2,690,260,811
Issuance of bonus shares	351,128,890	-	(351,128,890)	-
Balance as at 30 June 2007	1,354,354,300	1,667,705,724	2,016,844,449	5,038,904,473

The annexed notes 1 to 30 form an integral part of these accounts.

The Chief Executive is out of Pakistan and in his absence these financial statement have been signed two directors as required under section 241 (2) of the Companies Ordinance 1984.

Lahore:

Director

Director

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2007

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 Summary of significant accounting policies

The significant accounting policies adopted in the preparation of these financial statements are set out below.

2.1 Basis of preparation and 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 Financial Reporting Standards (IFRS's) 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.

2.2 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.

The areas where various assumptions and estimates are significant to Company's financial statements or where judgments were exercised in application of accounting policies are:

- | | |
|--|-----------|
| a) Useful life and residual values of property and equipment | Note 2.3 |
| b) Impairment of available for sale financial assets | Note 2.5 |
| c) Provisions and contingencies | Note 2.13 |
| d) Staff retirement benefits | Note 2.15 |
| e) Provision for taxation | Note 2.18 |

2.3 Property and equipment

These are stated at cost less accumulated depreciation and impairment losses, if any. 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 3 to the financial statements. Residual value and the useful life of an asset are reviewed at least at each financial year end.

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.

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 disposals of assets are included in income.

2.4 Leases

Leases in term of which 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 under the lease agreements and fair value of the assets, 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 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 3. 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.

2.5 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. All impairment losses are recognized in the profit and loss. Individually significant financial assets are tested for impairment on individual basis. An impairment loss in respect of available for sale financial assets is calculated by the reference to its current fair value. Any cumulative loss in respect of an available for sale financial assets recognised previously in equity is transferred to 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.

For available for sale financial assets that are equity securities, the reversal is recognised directly in equity.

2.6 Investments

Investment in equity instruments of subsidiaries and associates

Investment in subsidiaries and associates where the Company have significant influence are classified as available for sale, for the purpose of measurement in the Company's financial statements.

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. Transaction costs are charged to income currently.

2.7 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.

2.8 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.

2.9 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.

2.10 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 included in the profit and loss account currently.

Significant financial assets include long term loan, long term investments, long term deposits, short term investments, trade debts, loans and 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, mark up accrued, short term borrowings, trade and other payables.

2.11 Offsetting of financial assets and financial liabilities

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

2.12 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.

2.13 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. However, provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

2.14 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.

2.15 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 is 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.

2.16 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.

2.17 Borrowing costs

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

2.18 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 after taking into account tax credit rebates and exemptions, if any. 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.

2.19 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.

2.20 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.

2.21 Related party transactions

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

2.22 Standards, Interpretations and amendments to published approved accounting standards

2.22.1 IAS 19 (Amendments) - Employee Benefits is mandatory for Company's accounting period beginning on and after 01 July 2006. Its adoption by Company only impacts the formats and extent of disclosure presented in note 15 to the financial statements.

2.22.2 The following standards, amendments and interpretations of approved accounting standards effective for accounting period beginning on or after 01 January 2007 are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in certain cases:

IAS - 1 Presentation of Financial Statements - Amendments Relating to Capital Disclosures

IFRS - 7 Financial Instruments: Disclosures

IFRIC - 9 Reassessment of Embedded Derivatives

IFRIC - 10 Interim Financial Reporting and Impairment

3. Property and equipment

	COST				Rate %	DEPRECIATION				NET BOOK VALUE as at 30 June 2007 Rupees	
	As at 01 July 2006	additions/ (deletions)	Adjustments	As at 30 June 2007		Accumulated as at 01 July 2006	Deletions	Adjustments	For the year		Accumulated as at 30 June 2007
	Rupees					Rupees					
<i>Owred assets</i>											
Leasehold improvements	470,315	-	-	470,315	10	376,253	-	-	47,032	423,285	47,030
Computers	4,188,571	79,600	-	4,268,171	33	4,037,746	-	-	86,146	4,123,892	144,279
Office equipment	4,100,461	258,100	-	4,358,561	10	3,490,150	-	-	258,328	3,748,478	610,083
Furniture and fixtures	2,199,600	-	-	2,199,600	10	2,069,067	-	-	64,645	2,133,712	65,888
Vehicles	6,582,755	64,000	1,765,500	8,412,255	20	5,815,855	-	1,177,875	434,058	7,427,788	984,467
	17,541,702	401,700	1,765,500	19,708,902		15,789,071	-	1,177,875	890,209	17,857,155	1,851,747
<i>Leased assets</i>											
Vehicles	2,610,500	-	(1,765,500)	845,000	20	1,397,300	-	(1,177,875)	287,575	507,000	338,000
2007	20,152,202	401,700	-	20,553,902		17,186,371	-	-	1,177,784	18,364,155	2,189,747
2006	20,371,264	1,065,938	-	20,152,202		16,823,854	(1,019,000)	-	1,381,517	17,186,371	2,965,831
		(1,285,000)									

3.1 The cost of fully depreciated assets which are still in use as at 30 June 2007 is Rs.14,166,857 (2006: Rs.12,747,958).

	Note	2007 Rupees	2006 Rupees
4 Long term loans - unsecured considered good - related parties			
Pace Super Mall (Private) Limited	4.1	-	10,879,500
Less: Current maturity		-	(9,292,595)
		-	1,586,905
Pace Gujrat (Private) Limited	4.2	15,520,000	10,380,000
		15,520,000	11,966,905

4.1 This loan amount has been received during the year.

4.2 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 shall be repaid after completion of four years from the date of disbursement.

4.3 The maximum aggregate amount of loan outstanding during the year was Rs. 12,241,001 (2006: Rs. 10,879,500) with respect to Pace Super Mall (Private) Limited and Rs. 15,520,000 (2006: 10,380,000) with respect to Pace Gujrat (Private) Limited.

	Note	2007 Rupees	2006 Rupees
5 Long term investments - available for sale			
<i>Subsidiary company - Listed</i>			
First Capital Equities Limited			
27,132,600 (2006: 9,998,600) fully paid ordinary shares of Rs.10/- each		673,405,710	589,917,400
Equity held 50.23% (2006: 41.65%)		182,020,500	-
Addition through subscription of 50% right shares		1,054,708,830	83,488,310
Fair value adjustment			
	5.2	1,910,135,040	673,405,710
<i>Subsidiary companies - Unlisted</i>			
Mileage (Private) Limited (formerly First Capital Associates (Private) Limited) - wholly owned			
100,000 (2006: 100,000) fully paid ordinary shares of Rs 10 each		1,000,000	1,000,000
Impairment loss	5.3	(524,503)	-
		475,497	1,000,000

	Note	2007 Rupees	2006 Rupees
First Capital Investments Limited			
2,500,000 (2006: 2,500,000) fully paid ordinary shares of Rs10 each Equity held: 65.79% (2006: 65.79%)		25,000,000	25,000,000
World Press (Private) Limited			
450,125 (2006: 450,125) fully paid ordinary shares of Rs.10/- each Equity held 65% (2006: 65%)		4,501,250	4,501,250
Trident Construct (Private) Limited			
1,020,000 (2006: Nil) fully paid ordinary shares of Rs10 each Equity held: 51.76% (2006: Nil) Share deposit money		10,200,000	-
		-	10,200,000
		10,200,000	10,200,000
Lanka Securities (Private) Limited			
Foreign entity			
3,564,900 (2006: 3,564,900) fully paid ordinary shares of LKR.10 each Equity held: 51% (2006: 51%)		8,170,141	8,170,141
<i>Associated companies - Unlisted</i>			
Media Times Limited			
8,000,000 (2006: 8,000,000) fully paid ordinary shares of Rs10 each Equity held: 45.71% (2006: 46.03%)		80,000,000	80,000,000
Advance for issuance of shares	5.4	30,000,000	30,000,000
		110,000,000	110,000,000
Pace Super Mall (Private) Limited			
4,500 (2006: 4,500) fully paid ordinary shares of Rs10 each Equity held: 10% (2006: 10%)	5.5	45,000	45,000
Pace Barka Properties Limited			
2,000,000 (2006: Nil) fully paid ordinary shares of Rs10 each Equity held: 1.47% (2006: Nil)	5.5	20,000,000	-
Total investments		2,088,526,928	832,322,101

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

5.2 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 million. Accordingly FCABN became a wholly owned subsidiary of the Company and its name was changed to First Capital Equities Limited (FCEL) in January 2001.

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

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

5.3 Owing to significant financial difficulties being experienced by the issuer of these securities and continued losses, an impairment loss of Rs. 524,503 in respect of investment in Mileage (Private) Limited has been recognized during the year.

5.4 Subsequent to the year end 3,000,000 shares of Media Times Limited have been issued in favour of the Company.

5.5 The Company's investment in Pace Super Mall (Private) Limited and Pace Barka Properties Limited is less than 20%, however these have been considered as associates as per the requirements of IAS 28 'Investment in Associates', as the Company has significant influence over the financial and operating policies of these companies.

2007 **2006**
Rupees **Rupees**

6 Long term deposits

Deposits with leasing companies

Less: Current maturity

Deposits with others

	2007	2006
	Rupees	Rupees
Deposits with leasing companies	84,500	888,550
Less: Current maturity	(84,500)	(804,050)
	-	84,500
Deposits with others	37,500	37,500
	37,500	122,000

	Note	2007 Rupees	2006 Rupees
7 Trade debts			
Money market receivables			
Unsecured, considered good		1,143,302	1,331,642
Unsecured, considered doubtful		-	314,107
		1,143,302	1,645,749
Less: Provision for doubtful debts	7.1	-	314,107
		1,143,302	1,331,642
Receivable against purchase of shares from clients - unsecured, considered doubtful		-	23,702,007
Less: Provision for doubtful debts	7.2	-	23,702,007
		-	-
Receivable against professional services rendered to related parties - unsecured, considered good			
<i>Associated companies</i>			
Worldcall Telecom Limited		-	1,750,000
Pace Barka Properties Limited		-	2,950,000
Pace (Pakistan) Limited		3,000,000	1,928,520
		3,000,000	6,628,520
Others - unsecured, considered good		-	35,397
		4,143,302	7,995,559
7.1 Provision against money market receivables			
Opening provision for doubtful debts		314,107	314,107
Bad debts written off		(314,107)	-
Closing provision for doubtful debts		-	314,107
7.2 Provision against purchase of shares from clients			
Opening provision for doubtful debts		23,702,007	23,702,007
Bad debts written off		(23,702,007)	-
Closing provision for doubtful debts		-	23,702,007

	Note	2007 Rupees	2006 Rupees
8 Loans and advances - unsecured, considered good			
Advance to staff - unsecured, considered good	8.1	430,932	205,535
Others - unsecured, considered doubtful		-	571,267
Less: Provision for doubtful debts	8.2	-	(571,267)
		-	-
		430,932	205,535

8.1 Advances given to staff for expenses are in accordance with the Company's policy. Such advances are unsecured, interest free and are adjusted against salary/expense claims. Advance to staff does not include any amount due from Chief Executive, Directors and executives (2006: Nil).

	Note	2007 Rupees	2006 Rupees
8.2 Provision for doubtful debts			
Opening provision for doubtful debts		571,267	5,066,928
Provision written back		-	(4,495,661)
Bad debts written off		(571,267)	-
		-	571,267

9 Other receivables			
Current portion of deposits against lease	6	84,500	804,050
Dividend		155,515	-
Mark up receivable on long term loan		-	152,793
Others		59,534	30,101
		299,549	986,944

10. Short term investments - at fair value through profit and loss

	Note	30 June 2007		30 June 2006	
		Carrying	Fair	Carrying	Fair
		Value	Value	Value	Value
		Rupees	Rupees	Rupees	Rupees
These are made up as under:					
Held for trading					
Related parties	10.1	3,008,975	4,791,920	522,196	3,008,975
Others	10.2	63,150,302	69,217,379	55,224,891	55,708,275
Others-related parties	10.3	1,460,046,380	3,129,162,317	1,327,845,313	1,622,637,102
		<u>1,526,205,657</u>	<u>3,203,171,616</u>	<u>1,383,592,400</u>	<u>1,681,354,352</u>
Add: Unrealised gain on account of remeasurement to fair value		1,676,965,959	-	297,761,952	-
		<u>3,203,171,616</u>	<u>3,203,171,616</u>	<u>1,681,354,352</u>	<u>1,681,354,352</u>

	Note	Number of shares/certificates		2007	2006		
		2007	2006				
10.1 Held for trading - related parties							
Insurance							
Shaheen Insurance Company Limited		55,720	31,841	3,008,975	4,791,920	522,196	3,008,975
Equity held 0.56% (2006:0.32%)							
				<u>3,008,975</u>	<u>4,791,920</u>	<u>522,196</u>	<u>3,008,975</u>
10.2 Held for trading - others							
Cement							
Lucky Cement Limited		-	31,000	-	-	3,090,991	3,210,050
Pioneer Cement Limited		150,085	-	5,083,829	5,613,179	-	-
Cable and Electrical goods							
Pak Electron Limited		553,375	495,500	41,211,773	47,590,250	52,133,900	52,498,225
Leasing							
Union Leasing Limited		70,000	-	1,252,700	777,000	-	-
Funds							
Namco Balanced Fund Limited		1,460,200	-	14,602,000	14,236,950	-	-
Dawood Islamic Fund - Units		9,981	-	1,000,000	1,000,000	-	-
				<u>63,150,302</u>	<u>69,217,379</u>	<u>55,224,891</u>	<u>55,708,275</u>
10.3 Others-related parties							
First Capital Equities Limited		9,212,500	6,181,000	413,641,250	648,560,000	364,679,000	416,290,350
Equity held 17.06% (2006:25.75%)							
Worldcall Telecom Limited	10.4	84,159,661	78,538,838	654,980,978	1,544,329,779	597,555,120	702,922,600
Equity held 11.19% (2006: 12.01%)							
Pace (Pakistan) Limited		32,851,668	35,958,868	391,424,152	936,272,538	365,611,193	503,424,152
Equity held 14.90% (2006:34.55%)							
				<u>1,460,046,380</u>	<u>3,129,162,317</u>	<u>1,327,845,313</u>	<u>1,622,637,102</u>

10.4 This includes 2.9 million shares held under lien as security by National Accountability Bureau. Refer to note 25.1.

10.5 Face value of each share/certificate is Rs 10 each, except for, Dawood Islamic Fund which has a net asset value of Rs 100.19 per unit.

	Note	2007 Rupees	2006 Rupees
11 Cash and bank balances			
In hand		19,893	17,877
At bank			
Current accounts	11.1	10,417,739	907,867
Deposit accounts	11.2	7,316,514	8,052,384
		17,734,253	8,960,251
		17,754,146	8,978,128

11.1 Including in current account is Sri lankan Rupees amounting to LKR: 139,397 (2006: LKR: 139,397)

11.2 The balance in deposit accounts bear mark up which ranges from 0.1% to 5% (2006: 1.5 - 3.5%) per annum.

12 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:

	2 0 0 7		
	Not later than one year	Later than one year and not later than five years	Total
	R u p e e s		
Minimum lease payments	156,530	-	156,530
Future finance charge	(2,462)	-	(2,462)
Present value of minimum lease payments	154,068	-	154,068

	2 0 0 6		
	Not later than one year	Later than one year and not later than five years	Total
	R u p e e s		
Minimum lease payments	1,305,907	156,530	1,462,437
Future finance charge	(30,179)	(2,462)	(32,641)
Present value of minimum lease payments	1,275,728	154,068	1,429,796

Rentals are payable in monthly instalments. 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 9.09% (2006: 7.5% to 17%) per annum.

	2007	2006
	Rupees	Rupees
13 Short term borrowings - secured		
Securities sold under repurchase agreements		
First Capital Equities Limited - related party	170,000,000	210,000,000
Salman Services (Private) Limited	75,000,000	-
First Dawood Investment Bank Limited	50,000,000	-
	295,000,000	210,000,000

13.1 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. 566 million (2006: Rs. 348 million). The short term borrowings bears a mark up which ranges from 12.75% to 15% (2006: 8.25% to 16%) per annum.

13.2 The Company has running finance facility of Rs. 75 million from a commercial bank under mark up arrangement at rate of KIBOR plus 2.5%. This running finance facility is secured by pledge of listed securities and as at year end, this facility was unutilised (2006: Rs Nil).

	2007	2006
	Rupees	Rupees
14 Trade and other payables		
Bills payable	236,198	193,962
Accrued liabilities	2,145,811	1,537,614
Withholding tax	-	52,305
Unclaimed dividend	1,878,194	1,882,872
Other liabilities	1,079,295	1,082,695
	5,339,498	4,749,448

	2007	2006
	Rupees	Rupees
15 Staff retirement benefits		
Amount recognised in the Balance Sheet are as follows:		
Present value of defined benefit obligation	7,316,886	5,146,271
Unrecognised actuarial (losses) to be recognized in later period	(1,749,874)	(888,474)
Balance sheet liability as on 30 June	<u>5,567,012</u>	<u>4,257,797</u>
15.1 Movement in net obligation		
Net liability as on 1 July	4,257,797	3,320,061
Liability transferred from other sister concerns	36,400	154,852
Liability transferred to other sister concerns	(63,000)	-
Amount recognized during the year	1,350,815	1,191,428
Benefits payments made by the Company during the year	(15,000)	(408,544)
Net liability as on 30 June	<u>5,567,012</u>	<u>4,257,797</u>
15.2 Movement in present value of defined benefit obligation is as follows:		
Present value of defined benefit obligation as at 01 July	5,146,271	3,870,087
Current service cost	856,497	829,535
Interest cost	463,164	348,308
Liability transferred from other sister concern	36,400	154,852
Liability transferred to other Company	(63,000)	-
Benefit paid during the period	(15,000)	(408,544)
Actuarial loss	892,554	352,033
Present value of defined benefit obligation as at 30 June	<u>7,316,886</u>	<u>5,146,271</u>
15.3 Salaries, wages and other benefits include following in respect of retirement benefits		
Current service cost	856,497	829,535
Interest cost	463,164	348,308
Actuarial loss charged	31,154	13,585
Total amount chargeable to P&L account	<u>1,350,815</u>	<u>1,191,428</u>

15.4 The Company expects to contribute Rs.2,004,684 to defined gratuity plan in 2008.

15.5 Principal actuarial assumptions

Discount rate	10% per annum	9% per annum
Expected rate of Eligible Salary increase in future years	9% per annum	8% per annum
Average expected remaining working life time of employees	12 years	12 years

2007	2006	2005	2004	2003
Rupees	Rupees	Rupees	Rupees	Rupees

15.6 Historical information for Gratuity plan

Present value of defined benefit obligation	7,316,886	5,146,271	3,870,087	2,820,083	1,925,745
Actuarial experience adjustments on plan liabilities	(892,554)	(352,033)	(262,252)	(471,495)	106,982

2007	2006
Rupees	Rupees

16 Share capital

Authorized 160,000,000 (2006: 130,000,000) ordinary shares shares of Rs 10 each	1,600,000,000	1,300,000,000
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Number of Shares	2007	2006
2007	Rupees	Rupees

Issued, subscribed and paid-up capital

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	97,270,400	62,157,511	972,704,000	621,575,110
	135,435,430	100,322,541	1,354,354,300	1,003,225,410

16.1 Worldcall Telecom Limited holds 1,707,543 (2006:1,264,847) shares with a percentage holding of 1.26% (2006: 1.26%).

		Note	2007 Shares	2006 Shares
16.2	Movement of Number of shares			
	Shares as on 01 July		100,322,541	85,380,887
	Bonus issue		35,112,889	14,941,654
	Shares as on 30 June		<u>135,435,430</u>	<u>100,322,541</u>
			2007 Rupees	2006 Rupees
17	Money market services			
	Money market income - local currency		4,905,231	5,712,440
	Forex operations - foreign currency		6,328,070	5,629,900
			<u>11,233,301</u>	<u>11,342,340</u>
18	Dividend income			
	Local subsidiary company		3,375,938	-
	Foreign subsidiary company		-	6,285,275
	Other listed compaines		1,314,700	-
			<u>4,690,638</u>	<u>6,285,275</u>
19	Operating expenses			
	Salaries, wages and benefits	19.1	22,596,019	17,084,068
	Rent, rates and taxes		382,419	1,247,677
	Telephone, fax, etc.		1,231,176	1,435,608
	Utilities		120,000	374,850
	Insurance		435,367	412,172
	Printing and stationery		762,998	645,510
	Travelling and conveyance		1,514,272	1,229,519
	Repairs and maintenance		705,840	660,885
	Postage, courier, etc.		51,242	94,371
	Vehicle running expenses		2,268,685	2,058,993
	Newspapers and periodicals		10,418	24,805
	Entertainment		608,812	752,949
	Brokerage commission and capital value tax		7,567,622	1,580,828
	Legal and professional		3,066,126	4,059,532
	Advertisement		408,620	85,000
	Debts written off directly		187,841	-
	Impairment loss	5.3	524,503	-
	Donation	19.2	15,000	159,097
	Auditors' remuneration	19.3	1,140,000	1,012,500
	Depreciation	3	1,177,784	1,381,517
	Others		393,075	974,111
			<u>45,167,819</u>	<u>35,273,992</u>

19.1 Salaries, wages and benefits includes Rs. 1,324,215 (2006: Rs.1,346,280) and Rs.444,333 (2006: Rs.196,261) in respect of gratuity fund contribution by Company and accumulated compensated absences respectively.

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

	2007	2006
	Rupees	Rupees
19.3 Auditors' remuneration		
Annual audit fee	425,000	400,000
Fee for audit of consolidated accounts	375,000	350,000
Half yearly review	100,000	100,000
Other certifications	45,000	90,000
Out of pocket expenses	195,000	72,500
	1,140,000	1,012,500

20 Finance and other costs

Cost of repo transactions	30,795,358	20,400,060
Continuous funding system cost	9,624,378	2,965,775
Mark up on running finance facility	3,635,114	-
Mark up charged by related parties on short term borrowings	1,313,644	1,004,017
Finance charges on liabilities against assets subject to finance lease	30,179	81,703
Custodial charges and loan arrangement fee	975,833	894,370
Bank charges and commission	34,813	45,701
Foreign exchange loss	4,971	115,592
	46,414,290	25,507,218

21 Other operating income

Income from financial assets

Income on deposit accounts 55,452 121,218

Income from loan to related parties

Mark-up income 3,310,854 3,280,711

Income from non-financial instruments

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

3,366,306 8,556,820

		2007 Rupees	2006 Rupees
22	Taxation		
	Current	<u>226,756</u>	<u>466,618</u>

22.1 In view of the available tax losses, provision for current year taxation represents final tax deducted on dividend under section 150 of the Income Tax Ordinance, 2001.

22.2 The Company's assessments have been finalized up to tax year 2006. In 2004, the DCIT passed order under section 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. Appeals against the order of CIT (A) for assessment year 2000-01 to 2002-03 are pending before Income Tax Appellate Tribunal.

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.

22.3 Deferred tax

The Company has a deferred tax asset amounting to Rs. 59,461,404 (2006: Rs. 33,397,298) arising on unused tax losses and deductible temporary differences amounting to Rs. 161,956,066 (2006: Rs. 68,892,530) and Rs. 7,933,660 (2006: Rs. 26,528,321) 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.

23 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:

	2007 Rupees	2006 Rupees
<i>Subsidiary companies</i>		
Short term investments sold	2,965,766	-
Finance cost charged	28,519,498	1,263,014
Brokerage commission paid	6,514,079	1,657,481
Mark up income	-	83,668
Dividend income	3,375,938	6,285,275
Purchase of goods/services	550,274	379,171
Short term borrowings - Repo	667,000,000	410,000,000
Repayment of short term borrowings - Repo	707,000,000	225,000,000
<i>Associated companies</i>		
Short term investments sold	174,982,406	24,714,950
Long term investments purchased	-	113,205,270
Income from financial consultancy services	10,437,768	19,128,520
Mark up income	3,310,854	3,197,043
Short term borrowing availed and repaid	47,000,000	13,875,609
Finance cost charged	1,313,644	1,004,017
Insurance premium	278,272	378,636
Insurance claim	174,666	56,220

24 Earnings per share - basic

Net profit for the year	<i>Rupees</i>	<u>1,635,551,981</u>	<u>376,364,595</u>
Weighted average number of ordinary shares as at 30 June	<i>Numbers</i>	<u>135,435,430</u>	<u>135,435,430</u>
Earnings per share - basic	<i>Rupees</i>	<u>12.08</u>	<u>2.78</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.

Earnings per share - diluted

There is no dilution effect on the basic EPS as the Company has no such commitments.

25 Contingencies and commitments

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

National Accountability Bureau recovered Rs 12.127 million from various parties involved and informed that Company's liability stands reduced by the said amount. The Company had also paid an additional amount of Rs 10 million as full and final settlement during the financial year 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.

- 25.2** 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 Supreme Court of Pakistan and the Company is confident of its favourable outcome, therefore no provision has been made in the financial statements.
- 25.3** 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.
- 25.4** For contingencies relating to tax matters refer note 22.

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:

2007

	Interest/mark-up bearing						Non interest/mark-up bearing					
	Within one year		Within two year		Within three year		Within four year		Within five year and above		Total	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Financial assets												
Long term loans	-	-	15,520,000	-	-	-	-	-	-	-	-	15,520,000
Long term investments	-	-	-	-	-	-	-	-	-	2,088,526,928	-	2,088,526,928
Long term deposits	-	-	-	-	-	-	-	-	-	-	37,500	37,500
Trade debts	-	-	-	-	-	4,143,302	-	-	-	-	-	4,143,302
Other receivables	-	-	-	-	-	59,534	-	-	-	-	-	59,534
Short term investments	-	-	-	-	-	3,203,171,616	-	-	-	-	-	3,203,171,616
Cash and bank balances	7,316,514	-	-	-	-	10,437,632	-	-	-	-	-	17,754,146
	7,316,514	-	15,520,000	-	-	3,217,812,084	-	-	-	2,088,564,428	-	5,329,213,026
Financial liabilities												
Trade and other payables	-	-	-	-	-	-	-	-	-	-	-	5,339,498
Mark up accrued	-	-	-	-	-	4,696,157	-	-	-	-	-	4,696,157
Short term borrowings	295,000,000	-	-	-	-	-	-	-	-	-	-	295,000,000
Liabilities against assets subject to finance lease	154,068	-	-	-	-	-	-	-	-	-	-	154,068
	295,154,068	-	-	-	-	10,035,655	-	-	-	-	-	305,189,723
	(287,837,554)	-	15,520,000	-	-	3,207,776,429	-	-	-	2,088,564,428	-	5,024,023,303

2006

	Interest/mark-up bearing					Non interest/mark-up bearing					Total
	Within one year	Within two year	Within three year	Within four year	Five year and above	Within one year	Within two year	Within three year	Within four year	Five year and above	
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Financial assets											
Long term loans	9,292,595	-	-	11,966,905	-	-	-	-	-	-	21,259,500
Long term investments	-	-	-	-	-	-	-	-	-	832,322,101	832,322,101
Long term deposits	-	-	-	-	-	804,050	84,500	-	-	37,500	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	-	-	832,359,601	2,553,018,584
Financial liabilities											
Trade and other payables	-	-	-	-	-	4,697,143	-	-	-	-	4,697,143
Mark up accrued	-	-	-	-	-	2,672,329	-	-	-	-	2,672,329
Short term borrowings	210,000,000	-	-	-	-	-	-	-	-	-	210,000,000
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	-	-	832,359,601	2,334,219,316

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.5,329,737,529 (2006: Rs.2,553,018,584) the financial assets subject to credit risk amounts to Rs.19,663,302 (2006: Rs.29,437,953).

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, Directors 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	
	2007 Rupees	2006 Rupees	2007 Rupees	2006 Rupees	2007 Rupees	2006 Rupees
Managerial remuneration	-	-	1,104,000	507,000	9,798,667	7,144,145
Medical	-	-	92,618	41,813	520,631	508,235
Utilities	1,146,679	1,022,880	-	-	-	-
Provision for gratuity	-	-	113,111	96,029	895,017	807,073
Others	-	-	17,194	-	512,452	400,797
	1,146,679	1,022,880	1,326,923	644,842	11,726,767	8,860,250
Number of persons	1	1	1	1	6	5

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

28 Event after Balance Sheet date

The Board of Directors in their meeting held on 06 October 2007 has recommended bonus shares at the rate of 20 shares for each 100 shares held i.e. 20 % (2006: 35%) as a final dividend.

29 Date of authorization for issue

These financial statements were authorized for issue on 06 October 2007 by the Board of Directors of the Company.

30 General

Previous year's figure of "Gain on sale of investments" has been rearranged to facilitate comparison. Continuous funding system cost has been shown separately in "Finance and other costs", previously this was netted off against "Gain on sale of investments" (note 20).

Figures have been rounded off to the nearest rupee.

The Chief Executive is out of Pakistan and in his absence these financial statement have been signed two directors as required under section 241 (2) of the Companies Ordinance 1984.

Lahore:

Director

Director

CONSOLIDATED FINANCIAL STATEMENTS

**FOR THE YEAR ENDED
30 June 2007**

Auditors' Report to the Members

We have audited the annexed consolidated financial statements comprising consolidated balance sheet of First Capital Securities Corporation Limited (“the Company”) and its subsidiary companies (hereinafter referred as the “Group”) as at 30 June 2007 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. The financial statements of the subsidiary companies, First Capital Investments Limited, Mileage (Private) Limited (formally First Capital Associates (Private) Limited), First Capital Investment Limited, First Capital Equities Limited, World Press (Private) Limited and Trident Construct Limited were audited by and that of Lanka Securities (Private) Limited was reviewed under Sri Lanka Auditing Practice Statement by another firm of auditors, whose report has 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 other auditors.

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material 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.

In our opinion the consolidated financial statements present fairly the financial position of the Group as at 30 June 2007 and the results of its operations, its cash flows and changes in equity for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Lahore:
06 October 2007

KPMG Taseer Hadi & Co.
Chartered Accountants

DIRECTORS' REPORT (Consolidated Accounts)

The directors of First Capital Securities Corporation Limited are delighted to present the annual audited consolidated accounts of the group for the year ended 30 June 2007.

Financial Overview

	Rupees in million	
	2007	2006
Revenue	777	524
Direct Cost	124	36
Operating Expenses	372	268
Operating Profit	281	220
Share of profit of associated companies	99	230
Unrealized gain on re measurement of investment	917	146
Profit after Taxation	1198	569
Minority interest	161	89
Earnings per Share	7.65	3.54

First Capital Securities Corporation Limited

Subsidiary companies of FCSC performed well and reported stable growth in earning and asset base. Some of the key reviews are mentioned below.

First Capital Equities Limited (“FCEL”)

Pakistan's capital markets posted FY07 as the 6th consecutive bull run year. During the year KSE 100 index touched a high of 13,772 points. FCEL took advantage of bullish trend in the market and performed exceptionally well in the period under review to earn the highest ever income in the history of the company. Profit after tax is at PKR 356 million which is 53% higher than last year's figure translating into EPS of PKR 7.12 as compared to PKR 4.93 for the corresponding period. FECL has become the largest branch and share-shop network in the country.

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

The brokerage operations of Sri Lankan subsidiary Lanka Securities (Pvt) Limited (“LSL”) also followed FCEL's earning trend. LSL reported handsome growth in revenues where the brokerage revenue touched LKR 104 million and net profit LKR 30 million during the current year while EPS stood at LKR 4.25. To further enhance the profitability and strength, LSL declared 100% right issue @ LKR 20 per share including a premium of LKR 10 per share. Future outlook is particularly hopeful and management expects a performance boost in the future.

First Capital Investment Limited (“FCIL”)

FCIL's reported after tax profit has increased by 56% to PKR 13 million, translating into earning of PKR 3.31 per share.

Telecommunication Business**Worldcall Telecom Limited (“WTL”)**

All divisions of WTL have achieved significant development & growth over the period which is reflected in revenue of PKR 4.313 billion and a net profit after tax of PKR 0.624 billion. WLL network infrastructure deployment contract awarded for service in Karachi & Hyderabad was completed successfully. This essential enhancement in network is a very positive development and is already showing a very positive impact on the existing operations. The telecom market

in Karachi holds immense potential and WTL will strive to make sustainable inroads here. Oman Telecommunication Company (“Omantel”) is reviewing the option of acquiring majority stake in WTL for which they have conducted detailed legal, financial and operational due diligence. At the date of signing of WTL's audit report decision of the Board of Directors was expected, however, no decision as such was communicated to the Sponsors' Group of WTL.

Property Business

Pace (Pakistan) Limited (“Pace”)

Pace reported net profit of PKR 500 million as compared to PKR 327 million last year which translated into earnings of PKR 2.78 per share as compared to EPS of PKR 2.67 for the corresponding period last year.

Financial year under review remained full of successful activities as the management of Pace not only successfully attracted foreign equity investment of USD 10.3 million but also successfully completed the listing of Pace shares on the Lahore and Karachi stock exchanges on February 26, 2007, thereby generating further equity investment of PKR 550 million from the general public.

Pace's long term goals are to expand nationwide, and provide its facilities not only in the province of Punjab, but all over Pakistan. Management intends to take advantage of the well established PACE brand name to tap the larger country-wide market in real estate sector. Pace is already in the process of planning and blueprinting future shopping mall and office/apartment projects. The management of Pace is diversifying their business into areas of hospitality business. It is seen that there is a large capacity shortfall in this hospitality sector of Pakistan, thus opening arenas of investment opportunity. In order to achieve these plans property division is undertaking multiuse project through a separate entity in Karachi, whereas the flag ship company “PACE” of the property division shall undertake a Pace signature super shopping mall itself. In order to ensure smooth sailing of these new projects the management of PACE has decided to raise funds through the issue of Foreign Currency Convertible Bonds (“FCCBs”), amounting to USD 25 million in the international market and Term Finance Certificates (“TFCs”) amounting to Rs. 1.5 Billion in the local market. The FCCBs shall be listed on the Singapore Stock Exchange (“SGX”) whereas the TFCs shall be listed on Lahore Stock Exchange (Guarantee) Limited (“LSE”).

Print & Media Business

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

World Press posted net revenues of PKR 45 million and net profit of PKR 9 million during fiscal year 2007 translating into EPS of PKR 13.11. It is expanding its already established operations to offer a high quality printing, packaging and publishing capability under one roof to the group companies as well as outside customers. World Press is undergoing expansion phase and is raising its equity in order to finance its expansion plans of printing, publishing and printing. World Press is in the process of completing all the necessary formalities in respect of raising its equity by way of rights issue.

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

Media Times posted net revenue of PKR 269.96 million and net profit of PKR 27.78 million during the period under review, translating into EPS of PKR 1.59.

After well-received success of “The Daily Times”, Media Times is planning to launch an Urdu newspaper. This will extend its reputation as a source for reliable news, and insightful comment and analysis to a larger reader base. It also plans to expand to new cities and towns in the future. The management of MTL and Total Media Limited (“TML”) running a business TV channel namely “Business Plus” intends to merger together thus increasing its capital base and attain benefits from the synergies available in both the businesses. This would also result in achieving economies of

scales. Subsequent to the merger of TML into MTL, the merged entity shall be listed on KSE and LSE subject to completion of necessary corporate and regulatory formalities. Necessary ground work has already been started.

First Capital Securities Corporation Limited is growing steadily towards enhancing its already stable and respectable standing in all sectors (financial services, property development, telecom 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.

For and on behalf of the Board of Directors

Director

Director

Lahore
06 October 2007

**CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2007**

	Note	2007 Rupees	2006 Rupees
Non current assets			
Property, plant and equipment	3	346,120,922	86,326,300
Capital work in progress		2,678,710	-
Intangible assets	4	51,023,266	(30,193,675)
Long term loans	5	25,710,000	22,156,905
Investment in associates	6	568,887,962	1,378,216,591
Investment - available for sale	7	33,159,280	-
Long term deposits and advances	8	82,867,826	11,513,521
Deferred cost	9	3,015	6,028
		1,110,450,981	1,468,025,670
Current assets			
Inventories		15,357,071	1,595,700
Trade debts	10	379,698,461	751,846,531
Current portion of long term loans	5	-	9,292,595
Loans and advances	11	930,393,432	129,318,059
Short term prepayments		3,796,838	2,053,015
Taxation recoverable		36,156,666	35,779,159
Deposits and other receivables	12	71,469,581	13,367,210
Placements	13	988,750,000	467,641,520
Interest receivable		11,727,558	6,832,897
Short term investments	14	2,202,067,054	303,258,296
Cash and bank balances	15	286,494,519	308,453,860
		4,925,911,180	2,029,438,842
Current liabilities			
Trade and other payables	16	707,159,788	748,278,732
Mark up accrued		22,900,176	7,914,252
Liability against repurchase agreement	17	923,750,000	515,000,000
Short term borrowings	18	883,716,052	206,939,829
Current portion of liabilities against assets subject to finance lease	19	4,092,412	6,975,990
Current portion of long term finance	20	5,040,000	5,040,000
		2,546,658,428	1,490,148,803
Net current assets		2,379,252,752	539,290,039
Net assets		3,489,703,733	2,007,315,709
Non current liabilities			
Liabilities against assets subject to finance lease	19	12,620,469	3,678,196
Long term finance	20	3,240,000	8,280,000
Deferred tax liability	21	71,303	1,815,240
Staff retirement benefits	22	25,191,914	17,467,854
		41,123,686	31,241,290
Contingencies and commitments	23		
Net capital employed		3,448,580,047	1,976,074,419
Represented by:			
Share capital and reserves			
Issued, subscribed and paid up capital	24	1,354,354,300	1,003,225,410
Exchange translation reserve		(2,347,636)	(173,170)
Reserves capitalised		80,898,000	-
Revaluation reserve of an associated company		25,313,943	32,557,138
Unappropriated profit		1,450,492,381	670,009,966
Capital and reserves attributable to equity holders of the parent		2,908,710,988	1,705,619,344
Minority interest		539,869,059	270,455,075
		3,448,580,047	1,976,074,419

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

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two directors as required under section 241(2) of the Companies Ordinance, 1984.

Lahore:

Director

Director

**CONSOLIDATED PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 Rupees	2006 Rupees
Revenue	25	777,402,572	524,225,119
Direct costs	26	123,981,895	36,248,950
Gross profit		653,420,677	487,976,169
Operating expenses	27	372,445,509	268,089,493
Operating profit		280,975,168	219,886,676
Other income	28	140,187,687	101,453,862
		421,162,855	321,340,538
Finance costs	29	157,284,318	82,085,350
		263,878,537	239,255,188
Share of profit of associated companies	6	98,869,289	230,308,884
Unrealized gain on remeasurement of short term investments	14	917,213,103	146,417,158
Profit before taxation		1,279,960,929	615,981,230
Taxation	30	81,982,012	46,990,693
Profit after taxation		1,197,978,917	568,990,537
Minority interest		161,471,325	89,389,864
Profit attributable to parent company		1,036,507,592	479,600,673
Earnings per share - basic and diluted	31	7.65	3.54

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

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

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two directors as required under section 241(2) of the Companies Ordinance, 1984.

Lahore:

Director

Director

**CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	2007 Rupees	2006 Rupees
Cash flows from operating activities			
Cash generated from operations	33	229,141,304	345,895,736
Long term deposits and advances		(70,164,505)	(2,901,318)
Retirement benefits paid		(1,611,196)	(1,314,979)
Finance costs paid		(142,298,394)	(83,412,226)
Taxes paid		(86,578,046)	(44,756,596)
Net cash (used in)/generated from operating activities		(71,510,837)	213,510,617
Cash flows from investing activities			
Fixed capital expenditure		(217,302,271)	(33,504,366)
Proceeds from sale of membership card and license		-	34,200,000
Sale proceeds of property, plant and equipment		9,299,814	5,009,802
Investment made during the year		(33,159,280)	-
Dividend received		8,607,968	8,251,207
Investment in associates		96,014,847	(123,405,270)
Long term Loans		5,739,500	(22,156,905)
Mark up received		107,321,762	59,405,374
Net cash used in investing activities		(23,477,660)	(72,200,158)
Cash flows from financing activities			
Repayment of liabilities against assets subject to finance lease		(8,166,048)	(3,421,563)
Long term finance		(5,040,000)	13,320,000
Dividend paid to minority		(1,818,075)	(6,045,516)
Proceeds from issue of shares to minority		88,058,250	-
Net cash generated from financing activities		73,034,127	3,852,921
Net (decrease)/increase in cash and cash equivalents		(21,954,370)	145,163,380
Cash and cash equivalents in the beginning of the year		308,453,860	163,281,840
Exchange loss on translation of deposit account		(4,971)	8,640
Cash and cash equivalents at the end of the year	34	286,494,519	308,453,860

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

The Chief Executive is out of Pakistan and in his absence these financial statements have been signed by two directors as required under section 241(2) of the Companies Ordinance, 1984.

Lahore:

Director

Director

**CONSOLIDATED NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2007**

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 companies:

Company	Country of incorporation	Nature of business	Holding %	
			2007	2006
Milegage (Private) Limited (Mileage)	Pakistan	Consultancy/advisory services.	100	100
First Capital Investments Limited (FCIL)	Pakistan	Providing investment advisory services under the Non- Banking Finance Companies (Establishment and Regulation) Rules, 2003.	65.79	65.79
Lanka Securities (Private) Limited (LSL)	Sri Lanka	Sale/purchase of shares, consultancy services, money market operations, underwriting, 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.	67.29	67.39
Trident Construct (Private) Limited	Pakistan	Carrying on the business of all types of construction activities and development of real estate.	51.76	-
Equity Partners Securities Limited (EPSL)	Bangladesh	Sale/purchase of shares in stock market.	34.32	34.37

EPSL is subsidiary of Parent Company’s subsidiary FCEL.

2 Summary of significant accounting policies

2.1 Basis of preparation and statement of compliance

The consolidated 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 Financial Reporting Standards (IFRSs) 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.

2.2 Accounting convention

These consolidated 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.

The areas where various assumptions and estimates are significant to Group's financial statements or where judgments were exercised in application of accounting policies are:

a)	Useful life and residual values of property, plant and equipment	Note 2.5
b)	Impairment	Note 2.8
c)	Staff retirement benefits	Note 2.19
d)	Provisions and contingencies	Note 2.22
e)	Provision for taxation	Note 2.25

2.3 Basis of consolidation

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.

2.4 Property, plant and equipment

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 3 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.

2.5 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 under the lease agreement 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 straight-line method at the rates given in note 3. 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.

2.6 Intangible assets

Goodwill

Goodwill represents the excess of the cost of acquisition over the Group's interest in the net fair value of identifiable assets, liabilities and contingent liabilities of the acquiree.

During the year the Company has adopted International Financial Reporting Standard "IFRS" 3 (Business Combinations), which has been adopted by Securities and Exchange Commission of Pakistan (SECP) vide SRO 1228(I)/2006 dated 06 December 2006. Prior to adoption of IFRS 3, the Company was stating Goodwill at cost less accumulated amortization and any identified impairment losses, whereas IFRS 3 requires that Goodwill should be stated at cost less any identified impairment losses. Consequently, no amortization of goodwill has been charged to the profit and loss account during the year in conformity with the requirements of IFRS 3. This change has however no impact in the profit and loss for the current period.

Negative goodwill

Negative goodwill arising on acquisition represents the excess of the fair value of the interest in subsidiary's net assets acquired over its cost of acquisition.

During the year the Company has adopted International Financial Reporting Standard "IFRS" 3 (Business Combinations), which has been adopted by Securities and Exchange Commission of Pakistan (SECP) vide SRO 1228(I)/2006 dated 06 December 2006. Prior to adoption of IFRS 3, the Company to the extent that the negative goodwill related to the proportionate fair values of the depreciable/amortizable non-monetary assets of the subsidiary, it recognized negative goodwill in the profit and loss account over five years. The balance of the negative goodwill in excess of the fair value of non-monetary assets of the subsidiary was immediately recognized in the profit and loss account. IFRS 3 now requires that Group should reassess the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the combination and recognise immediately in profit or loss any excess remaining after that reassessment.

As per the requirements of IFRS 3, an amount of Rs 81,575,651 representing the carrying value of negative goodwill as at 01 July 2006 has been derecognized and corresponding adjustment made to the retained earnings as at 01 July 2006.

Stock exchange membership cards and room

It is stated at cost less impairment, if any. The carrying amount is reviewed at each balance sheet date to assess whether it is recorded in excess of its recoverable amount, and where carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount.

2.7 Impairment

The carrying amount of the Group's assets, other than inventories, 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 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.

2.8 Investments

Investments in equity instruments of associates

Investments in associates where the Group has significant influence can be estimated, 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 Group 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.

Investments 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 tested for impairment at each year end. Impairment loss, if any, is charged to income currently.

2.9 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.

2.10 Long term loan

These include non derivative financial assets and are measured at fair value plus transaction costs that are

directly attributable to 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.

2.11 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.

2.12 Inventories

Inventories except for stock in transit, are 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.

2.13 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.

2.14 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.

2.15 Securities purchased and sold under resale/repurchase 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.

2.16 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, these are stated at amortized cost with any difference between cost and redemption value being recognized in the profit and loss over the period of the borrowings on an effective interest basis.

2.17 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 plan for those employees who have completed specific period of service and provision is made annually to cover the obligations under the plan. These benefits are calculated with reference to last drawn salary and prescribed qualifying period of services of the employees.

2.18 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, investments classified as available for sale, 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 long term finance, liability against assets subject to finance lease, short term borrowings, markup accrued and trade and other payables.

2.19 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.

2.20 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.

2.21 Revenue recognition

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

m) Construction contracts

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the balance sheet date. Stage of completion is measured by the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer.

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred and it is probable that these will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

2.22 Borrowing costs

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

2.23 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.

2.24 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; and
- 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.

2.25 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.

2.26 Transactions with related parties

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

2.27 Fiduciary assets

Assets are held in trust or in fiduciary capacity are not treated as assets of the Group and accordingly are not disclosed in these financial statements.

2.28 Standards, Interpretations and amendments to published approved accounting standards

The following standards, amendments and interpretations of approved accounting standards effective for accounting period beginning on or after 01 January 2007 are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain increased disclosures in certain cases:

IAS-1	Presentation of Financial Statements - Amendments Relating to Capital Disclosures
IFRS-7	Financial Instruments: Disclosures
IAS-23	Borrowing costs
IFRIC-9	Reassessment of Embedded Derivatives
IFRIC-10	Interim Financial Reporting and Impairment

3. Property and equipment

Following is the statement of operating fixed assets

	COST				Rate %	DEPRECIATION				NET BOOK VALUE as at 30 June 2007 Rupees	
	As at 01 July 2006	Exchange adjustments	Additions/ deletions)	Adjustment/ transfers		As at 30 June 2007	Exchange adjustments	Adjustments/ (deletions)	For the year		As at 30 June 2007
	Rupees					Rupees					
Owned assets											
Freehold land	-	-	122,149,300	-	122,149,300	-	-	-	-	-	122,149,300
Freehold building	17,000,000	-	12,277,742	-	29,277,742	5	1,657,500	-	985,407	2,642,907	26,634,835
Construction equipment	-	-	77,451,476	38,111,791	111,630,033	5	-	-	11,532,235	12,675,024	98,955,009
			(3,933,234)					(310,230)			
Leasehold improvements	7,398,578	(206,956)	521,288	-	7,712,910	5-10	2,130,591	600,663	1,216,740	3,947,994	3,764,916
Plant and machinery	2,770,661	-	2,436,607	6,771,632	11,978,900	8	798,712	-	692,691	2,826,556	9,152,344
Computers	22,297,635	(601,943)	9,140,883	292,650	30,806,586	33-50	12,452,408	234,723	6,806,818	19,343,102	11,463,484
			(322,639)					(247,422)			
Office equipments	18,302,219	(145,598)	4,902,189	281,603	23,232,663	10-13	7,956,556	38,234	2,217,561	10,165,197	13,067,466
			(107,750)					(75,315)			
Furniture and fixtures	8,823,145	(180,657)	4,462,258	74,878	13,179,624	10-13	5,126,041	2,452	988,311	6,124,290	7,055,334
Vehicles	50,312,742	(75,580)	19,935,099	6,711,500	69,127,951	20-25	23,392,819	(260,580)	11,282,023	32,525,942	36,601,989
			(7,755,830)					(4,766,215)			
	126,904,980	(1,210,734)	253,276,842	52,244,054	419,095,689		53,514,627	615,492	35,721,786	90,251,012	328,844,677
			(12,119,453)					(5,399,182)			
Leased assets											
Plant and machinery	10,782,402	-	-	(6,771,632)	4,010,770	10	1,564,575	-	297,101	346,523	3,664,247
								(1,515,153)			
Vehicles	6,565,500	(200,113)	14,224,743	(4,864,500)	15,725,630	20-25	2,847,380	(985,174)	2,759,921	2,113,632	13,611,998
								(2,508,495)			
	17,347,902	(200,113)	14,224,743	(11,636,132)	19,736,400		4,411,955	(985,174)	3,057,022	2,460,155	17,276,245
2007	144,252,882	(1,410,847)	267,501,585	40,607,922	438,832,089		57,926,582	(369,682)	38,778,808	92,711,167	346,120,922
			(12,119,453)					(9,422,830)			
2006	113,323,859	263,413	37,515,136	-	144,252,882		48,123,378	(30,921)	13,149,602	57,926,582	86,326,300
			(6,849,526)					(3,315,477)			

3.1 Disposal of operating fixed assets

Particulars of assets	Cost Rupees	Depreciation Rupee	Net book value Rupees	Sale proceeds Rupees	Profit/ (loss) Rupees	Mode of sale	Particulars of buyers
Computer	260,230	203,867	56,363	49,166	(7,197)	Negotiations	A.H Electronics, Karachi
Equipments	107,750	75,315	32,435	18,000	(14,435)	Negotiations	A.H Electronics, Karachi
Equipments	3,933,234	310,230	3,623,004	4,100,000	476,996	Negotiations	Panasian Installation & Civil Engg. Co. Queens Road, Lahore
Vehicle	1,300,000	65,000	1,235,000	1,191,668	(43,332)	Negotiations	Kar Korner, Ghafoor Motors, Khalid Bin Waleed Road Karachi
Vehicle	1,125,000	891,070	233,930	560,000	326,070	Negotiations	Dawood Car Corner, Lahore
Vehicle	825,000	404,604	420,396	550,000	129,604	Negotiations	Fariduddin Asif
Vehicle	300,000	148,404	151,596	170,000	18,404	Negotiations	Dawood Car Corner
Vehicle	975,000	434,200	540,800	605,000	64,200	Negotiations	Dawood Car Corner
Vehicle	1,195,000	787,107	407,893	655,000	247,107	Negotiations	Porushasp M. Umrigar
Assets with book value below Rs.50,000	62,409	43,555	18,854	44,225	25,371	Negotiations	
Vehicle	2,035,830	2,035,830	-	1,356,755	1,356,755	Negotiations	
2007	12,119,453	5,399,182	6,720,271	9,299,814	2,579,543		
2006	6,849,526	3,315,477	3,534,049	5,009,802	1,475,753		

3.2 Charge for depreciation has been allocated as follows:

	2007 Rupees	2006 Rupees
Direct cost	26	1,437,372
Operating expenses	27	11,712,230
	38,778,808	13,149,602

4. Intangible assets

	As at 01 July 2006		As at 30 June 2007		As at 01 July 2006		As at 30 June 2007		Total	
	As at 01 July 2006	acquisitions/ (deletions)	Adjustments transfers	As at 30 June 2007	As at 01 July 2006	Impairment	Adjustments/ (deletions)	as at 30 June 2007	Rupees	Rupees
Goodwill/negative goodwill	(81,105,583)	-	82,002,357	896,774	111,358	358,709	426,707	896,774	-	-
Membership cards	43,523,266	-	-	43,523,266	-	-	-	-	-	43,523,266
Licences - rooms	7,500,000	-	-	7,500,000	-	-	-	-	-	7,500,000
2007	(30,082,317)	-	82,002,357	51,920,040	111,358	358,709	426,707	896,774	51,023,266	
2006	(81,105,583)	43,523,266	7,500,000	(30,082,317)	(790,164)	(969,519)	1,871,041	111,358	(30,193,675)	

4.1 Negative goodwill has been derecognised in accordance with the requirements of IFRS 3 "Business Combinations" as referred to in note 2.7.

	Note	2007 Rupees	2006 Rupees
5 Long term loans - unsecured considered good			
<i>Related parties</i>			
Pace Super Mall (Private) Limited	5.1	-	10,879,500
Less: Current portion		-	(9,292,595)
		-	1,586,905
Pace Gujrat (Private) Limited	5.2	25,710,000	20,570,000
		25,710,000	22,156,905

5.1 This loan amount has been received during the year.

5.2 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.15.520 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. 25.710 million.

	Note	2007 Rupees	2006 Rupees
6 Investment in associates			
<i>Associated companies-Listed</i>			
Worldcall Telecom Limited			
77,422,997 (2006: 29,250,000) ordinary shares of Rs. 10 each		812,949,863	290,455,242
Transfer of investment from WCL due to merger of WCL in WTL		-	410,297,597
Share of profit		-	112,197,024
Transfer to short term investments	6.1	(812,949,863)	
NIL (2006: 77,422,997) ordinary shares of Rs 10 each		-	812,949,863
First Capital Mutual Fund Limited			
1,500,000 (2006: 1,500,000) ordinary shares of Rs. 10 each		17,376,258	14,049,321
Equity held:10% (2006: 10%)			
Addition through subscription of 100% right shares		14,995,140	-
Share of profit		11,651,496	4,826,937
Dividend received		(6,000,000)	(1,500,000)
3,000,000 (2006: 1,500,000) ordinary shares of Rs 10 each		38,022,894	17,376,258
Pace (Pakistan) Limited			
35,958,868 (2006: 35,958,868) ordinary shares of Rs. 10 each		480,026,033	353,961,280
Equity held: 14.90% (2006: 34.55 %)			
Disposal of shares		(114,043,195)	-
Share of profit		74,521,307	126,064,753
32,851,668 (2006: 35,958,868) ordinary shares of Rs. 10 each		440,504,145	480,026,033
	C/F	478,527,039	1,310,352,154

	Note	2007 Rupees	2006 Rupees
	<i>B/F</i>	478,527,039	1,310,352,154
Associated companies - Unlisted			
Media Times Limited			
8,000,000 (2006: 8,000,000) ordinary shares of Rs. 10 each		27,619,437	38,899,267
Equity held: 45.71% (2006: 46.03%)			
Share deposit money	6.2	30,000,000	30,000,000
Share of profit		12,696,486	(11,279,830)
		70,315,923	57,619,437
Pace Super Mall (Private) Limited			
4,500 (2006: 4,500) ordinary shares of Rs. 10 each	6.3	45,000	45,000
Equity held: 10% (2006: 10%)			
Pace Barka Properties Limited			
2,000,000 (2006: Nil) ordinary shares of Rs. 10 each	6.3	20,000,000	-
Equity held: 1.47% (2006: Nil)			
Trident Construct (Private) Limited			
Share deposit money		-	10,200,000
Total investments		568,887,962	1,378,216,591
Share of profit of associated companies		98,869,289	230,308,884

- 6.1** Investment in WTL has been classified as investments at fair value through profit and loss as management intends to dispose it off in near future.
- 6.2** Subsequent to the year end 3,000,000 shares of Media Times Limited have been issued in favour of the parent company.
- 6.3** Operations of these companies have not yet started.
- 6.4 Summary financial information of associates**

	2007			
	Assets	Liabilities	Revenues	Profit/(loss)
	Rupees			
Pace (Pakistan) Limited	3,805,559,000	630,543,000	612,651,000	500,143,000
Media Times (Private) Limited	503,067,381	154,973,468	269,964,655	27,776,167
First Capital Mutual Fund Limited	420,071,032	39,790,498	125,582,379	114,399,756
Pace Super Mall (Private) Limited	122,073,368	121,623,368	-	-
	4,850,770,781	946,930,334	1,008,198,034	642,318,923
	2006			
	Assets	Liabilities	Revenues	Profit/(loss)
	Rupees			
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	-	-
	3,264,836,366	1,413,499,815	801,749,613	388,640,252

7 Investments - available for sale

Total Media Limited - unlisted at cost

7.1 This represents 4,144,910 (2006: Nil) ordinary shares of Rs. 10/- each in Total Media Limited (TML), public unlisted company.

The Group does not have significant influence over TML as per criteria laid down in International Accounting Standard 28 "Investments in Associates" and also does not have any representation on the board of directors.

8 Long term deposits and advances	Note	2007 Rupees	2006 Rupees
<i>Deposits with</i>			
Leasing companies		1,936,377	2,667,585
Less: Current portion	12	(177,250)	(804,050)
		1,759,127	1,863,535
Stock exchanges		1,460,000	610,000
Bank of Ceylon		-	2,877,990
Advance for leasehold property	8.1	38,190,000	4,756,000
Central Depository Company		137,500	-
National clearing company		400,000	-
Advance for investment property	8.2	39,583,993	-
Others		1,337,206	1,405,996
		82,867,826	11,513,521

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.

8.2 This represents amount paid as advance for acquisition of shops in a commercial plaza.

8.3 The commitment of amounts to be paid in future for the advances (note 8.1 and 8.2) are disclosed in note 23.2, contingencies and commitments.

9 Deferred cost	Note	2007 Rupees	2006 Rupees
Opening balance		6,028	9,041
Less: Amortization for the year		(3,013)	(3,013)
		3,015	6,028
10 Trade debts			
Money market receivables			
Unsecured, considered good		1,143,302	1,331,642
Unsecured, considered doubtful		-	314,107
		1,143,302	1,645,749
Less: Provision for doubtful debts	10.1	-	314,107
		1,143,302	1,331,642
Receivables against purchase of shares by clients			

	Note	2007 Rupees	2006 Rupees
Unsecured, considered good	10.2	233,731,601	732,904,143
Unsecured, considered doubtful		-	29,064,641
		233,731,601	761,968,784
Less: Provision for doubtful debts	10.3	-	29,064,641
		233,731,601	732,904,143
Receivable against professional services rendered - related parties, unsecured, considered good	10.4	10,269,892	10,506,437
Others			
Unsecured, considered good		138,944,190	7,104,309
Unsecured, considered doubtful		70,013,326	65,832,879
		208,957,516	72,937,188
Less: Provision for doubtful debts	10.5	74,403,850	65,832,879
		134,553,666	7,104,309
		379,698,461	751,846,531

10.1 Provision against money market receivables

Opening provision for doubtful debts	314,107	314,107
Bad debts written off	(314,107)	-
Closing provision for doubtful debts	-	314,107

10.2 It includes an amount of Rs. NIL (2006: Rs.140,849,871) receivable from related party, Mr. Sulieman Ahmad Said Al-Hoqani.

	2007 Rupees	2006 Rupees
10.3 Provision against purchase of shares by clients		
Opening provision for doubtful debts	29,064,641	30,654,025
Charge for the year	-	316,579
Provision written back	(29,064,641)	(1,905,963)
Closing provision for doubtful debts	-	29,064,641

**10.4 Receivable against professional services -
related parties**

Worldcall Telecom Limited	-	1,750,000
First Capital Mutual Fund Limited	6,772,792	3,877,917
Pace (Pakistan) Limited	3,000,000	1,928,520
Shaheen Insurance Company Limited	497,100	-
Pace Barka Properties Limited	-	2,950,000
	10,269,892	10,506,437

10.5 Provision against others

Opening provision for doubtful debts	65,832,879	52,177,966
Charge for the year	19,413,170	15,664,671
Provision written back	(10,842,199)	(2,009,758)
Closing provision for doubtful debts	74,403,850	65,832,879

	Note	2007 Rupees	2006 Rupees
11 Loans and advances - unsecured, considered good			
Advances to suppliers		11,115,116	2,709,541
Advances to employees for expenses			
Executives		2,389,108	300,631
Others	11.1	7,742,542	5,090,675
		10,131,650	5,391,306
Stock Exchanges	11.2	909,146,666	119,717,212
Receivable on account of sale of			
LSE cards and rooms		-	1,500,000
Other deposits		-	-
		909,146,666	121,217,212
Unsecured, considered doubtful			
Others		-	571,267
Less: Provision for doubtful debts	11.3	-	571,267
		-	-
		930,393,432	129,318,059

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. Advance to staff does not include any amount due from Chief Executive, Directors and executives (2006: Nil).

11.2 This represents exposure margin with the Karachi Stock Exchange (Guarantee) Limited under the exposure rules.

	Note	2007 Rupees	2006 Rupees
11.3 Provision for doubtful debts			
Opening provision for doubtful debts		571,267	571,267
Bad debts written off		(571,267)	-
Closing provision for doubtful debts		-	571,267

12 Deposits and other receivables

Dividend		8,830,725	456,800
Others	12.1	22,921,629	8,864,780
Deposits with Karachi Stock Exchange (Guarantee) Limited	12.2	28,701,533	-
Accrued brokerage commission		10,784,311	3,241,580
Advance Income Tax		54,133	-
Current portion of deposits against lease	8	177,250	804,050
		71,469,581	13,367,210

12.1 Others

Unsecured, considered good		22,921,629	12,106,360
Unsecured, considered doubtful		500,000	1,500,000
		23,421,629	13,606,360
Less: Provision for bad debts	12.3	(500,000)	(1,500,000)
		22,921,629	12,106,360

12.2 This represents the deposited amount with the Karachi Stock Exchange (Guarantee) Limited against disputed claim of Aslam Motiwala as per note 23.

	Note	2007 Rupees	2006 Rupees
12.3 Provision for doubtful other receivables			
Opening provision for doubtful debts		1,500,000	-
Charge for the year		-	1,500,000
Provision written back		(1,000,000)	-
Closing provision for doubtful other receivables		<u>500,000</u>	<u>1,500,000</u>
13 Placements - secured, considered good			
Placement on account of continuous funding system		-	7,641,520
Securities purchased under resale agreement of quoted shares			
Related party	13.1	350,000,000	350,000,000
Others	13.2	638,750,000	110,000,000
		<u>988,750,000</u>	<u>467,641,520</u>

13.1 Rs. 100,000,000 (2006: Rs. 100,000,000) has been placed for a period of four months and carries mark up rate of 15% per annum (2006: 15 %). Fair value of quoted shares held as collateral is Rs 146,800,000. The remaining balance of Rs. 250,000,000 has been given at a rate which varies from 12.75% to 15% per annum (2006: 12.75 % to 15 %) against collateral of listed equities securities having a market value of Rs. 344,110,533 for a period that ranges from thirty days to ninety days which was further placed as collateral to a financial institution by the company under repurchase transaction. (refer to Note 17.1).

13.2 Rs. 135,000,000 (2006: Rs. 30,000,000) has been placed for a period of four months and carries mark up rate of 14% per annum (2006: 15 %). Fair value of quoted shares held as collateral is Rs. 209,200,737. The remaining balance of Rs. 503,750,000 has been given at a rate which varies from 12.75% to 15% per annum (2006: 12.75 % to 15 %) against collateral of listed equities securities having a market value of Rs. 646,927,129 for a period that ranges from thirty days to ninety days which was further placed as collateral to a financial institution by the company under repurchase transaction. (refer to Note 17.1).

14. Short term investments - at fair value through profit and loss

	Note	2007		2006	
		Carrying	Fair	Carrying	Fair
		Value	Value	Value	Value
		Rupees	Rupees	Rupees	Rupees
These are made up as under:					
Held for trading					
Others	14.1	130,264,067	139,357,267	74,797,807	73,882,747
Related parties	14.2	1,154,589,884	2,062,709,787	82,043,331	229,375,549
		1,284,853,951	2,202,067,054	156,841,138	303,258,296
Add: Unrealized gain/(loss) on account of remeasurement to fair value		917,213,103	-	146,417,158	-
		2,202,067,054	2,202,067,054	303,258,296	303,258,296

14.1 Held for trading - others

	Number of shares/ certificates		2007		2006	
	2007	2006	Carrying cost	Fair Value	Carrying cost	Fair Value
			Rupees	Rupees	Rupees	Rupees
Listed securities						
Mutual funds						
PICIC Growth Mutual Fund Limited	218,200	218,200	6,895,120	7,375,160	7,683,800	6,895,120
Unit UTP Fund of Funds	64,769	60,000	3,241,800	3,803,883	3,000,000	3,241,800
Unit Trust of Pakistan Units	206	162	1,508,965	1,630,488	1,153,608	1,508,965
Dawood Islamic Fund - Units	9,981	-	1,000,000	1,000,000	-	-
Namco Balanced Fund Limited	1,460,200	-	14,602,000	14,236,950	-	-
First Capital Mutual Fund	5,675,210	454,500	55,459,460	57,319,621	3,908,700	3,181,500
			82,707,345	85,366,102	15,746,108	14,827,385
Insurance companies						
Pak Guarantee Insurance Company Limited	-	474	-	-	1,351	2,370
Adamjee Insurance Company Limited	-	50	-	-	7,315	6,125
			-	-	8,666	8,495
Leasing companies						
Saudipak Leasing Company Limited	-	330	-	-	3,911	3,960
Union Leasing Limited	70,000	-	1,252,700	777,000	-	-
			1,252,700	777,000	3,911	3,960
Investment companies/banks						
My Bank Limited	-	10,800	-	-	137,600	215,460
MCB Bank Limited	-	2,010	-	-	373,100	422,703
			-	-	510,700	638,163
Textile						
Nishat Chunian Limited			-	-	1,616,700	832,150
Cement						
Lucky Cement Company Limited	-	31,000	-	-	3,090,991	3,210,050
Pioneer Cement Limited	150,085	-	5,083,829	5,613,179	-	-
Maple Leaf Cement factory Limited	-	7	-	-	140	179
Al Abbas Cement Industries Limited	127	212	1,270	1,861	3,180	4,834
			5,085,099	5,615,040	3,094,311	3,215,063
			89,045,144	91,758,142	20,980,396	19,525,216

C/F

	Number of shares/ certificates		2007		2006	
			Carrying cost	Fair Value	Carrying cost	Fair Value
	2007	2006	Rupees	Rupees	Rupees	Rupees
<i>B/F</i>			89,045,144	91,758,142	20,980,396	19,525,216
Cable and electrical goods						
Pak Electron Limited	553,375	495,500	41,211,773	47,590,250	52,133,900	52,498,225
Fuel and Energy						
Kot Addu Power Company limited	-	30,000	-	-	1,134,915	1,263,000
Chemicals and Pharmaceuticals						
Fauji Fertilizer Bin Qasim Limited	-	20,000	-	-	538,000	585,000
Food and Allied						
Mirza Sugar Mills Limited	-	350	-	-	892	1,015
Faran Sugar Mills Limited	-	39	-	-	404	858
Tandliwala Sugar Mills Limited	-	250	-	-	3,550	4,088
Al Abbas Sugar Mills Limited	-	100	-	-	5,750	5,345
			-	-	10,596	11,306
Refinery						
Bosicor Pakistan Limited	500	-	7,150	8,875	-	-
			130,264,067	139,357,267	74,797,807	73,882,747

14.2 Held for trading - related parties

Listed securities

Worldcall Telecom Limited - note 14.3	97,884,223	8,287,634	978,243,828	1,796,175,492	53,976,110	74,174,324
Pace (Pakistan) Limited	787,250	-	23,067,151	22,436,625	-	-
Shaheen Insurance Company Limited	2,838,345	1,642,341	153,278,905	244,097,670	28,067,221	155,201,225
			1,154,589,884	2,062,709,787	82,043,331	229,375,549

14.3 This includes 2.9 million shares held under lien as security by National Accountability Bureau. Refer to note 23.1.

14.4 Face value of each share/certificate 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.

	Note	2007 Rupees	2006 Rupees
15 Cash and bank balances			
Cash in hand		1,249,968	73,465
At bank			
Current accounts-local and foreign currency		63,205,547	68,059,474
Saving accounts-local and foreign currency	15.1	222,039,004	240,320,921
		<u>285,244,551</u>	<u>308,380,395</u>
		<u>286,494,519</u>	<u>308,453,860</u>

15.1 The balance in saving accounts bears mark-up which ranges from 0.5% to 5% (2006: 1% to 4%) per annum.

	Note	2007 Rupees	2006 Rupees
16 Trade and other payables			
Payable against sale of shares on behalf of Members		42,017,238	566,594,229
Clients		397,500,768	128,872,667
		<u>439,518,006</u>	<u>695,466,896</u>
Trade creditors		6,673,285	2,711,911
Advances from customers		129,471,209	1,569,842
Accrued liabilities		114,053,637	32,532,530
Withholding tax		3,973,322	2,303,082
Sales tax		1,775,987	1,358,072
Unclaimed dividend		1,878,194	1,882,939
Other liabilities		9,464,950	10,453,460
Bills Payable		236,198	-
Auditor's remuneration		115,000	-
		<u>707,159,788</u>	<u>748,278,732</u>

17 Liability against repurchase agreement - secured

Payable to financial institution	17.1	<u>923,750,000</u>	<u>515,000,000</u>
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17.1 This represents the amount payable to a financial institution under the repurchase agreement against the securities given under the arrangement as explained in note 13.1. The effective interest rate is 12.75 % to 15% per annum and is for a period of one to three months.

18 Short term borrowings - secured

These facilities are obtained from various commercial banks under mark up arrangements amounting to Rs 1,425 million (2006: Rs 1,005 million). These facilities carry mark up at the rate ranging from 6 months KIBOR plus 2 % to 4.25 % (2006: 2 % to 4.25 %) per annum with floor limits ranging from 10% to 13.5% per annum (2006: 10% to 13%) except for a facility which carries mark up at the rate of 16 % (2006: 16 %) per annum payable quarterly and are secured against pledge of shares of listed companies.

19 Liabilities against assets subject to finance lease

	2007		
	Not later than one year	Later than one year and not later than five years	Total
	Rupees		
Minimum lease payment	6,306,445	15,365,538	21,671,983
Future finance charge	(2,214,033)	(2,745,069)	(4,959,102)
Present value of minimum lease payments	4,092,412	12,620,469	16,712,881

	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
Finance charge present value	(583,729)	(341,028)	(924,757)
Present value of minimum lease payments	6,975,990	3,678,196	10,654,186

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 7.5% to 18.14% (7.5% to 18%) per annum.

20 Long term finance

	2007 Rupees	2006 Rupees
Term finance facility	8,280,000	13,320,000
Less: Current portion	(5,040,000)	(5,040,000)
	3,240,000	8,280,000

Term finance facility has been availed from a commercial bank at mark-up rate of three months KIBOR plus 4% (2006: KIBOR plus 2.75%) with a floor of 14% 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 39,312,000 on property i.e. office floor.

21 Deferred tax liability

	2007 Rupees	2006 Rupees
This comprises the following:		
Taxable temporary differences		
Tax depreciation allowance	1,899,963	2,989,971
Unused tax losses and tax credits	(1,828,660)	(1,174,731)
	71,303	1,815,240

21.1 The Parent Company has a deferred tax asset amounting to Rs. 59,195,717 (2006: Rs. 33,397,298) arising on unused tax losses and deductible temporary differences amounting to Rs. 161,196,959 (2006: Rs. 68,892,530) and Rs. 7,933,660 (2006: Rs. 26,528,321) 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.

	Note	2007 Rupees	2006 Rupees
22 Staff retirement benefits			
Net liability at the beginning of the year		17,467,854	12,120,923
Amount recognized during the year	22.2	9,298,856	6,359,058
Liability transferred from sister concern		99,400	302,852
Gratuity transferred to sister concern		(63,000)	-
Benefits paid during the year		(1,611,196)	(1,314,979)
Net liability at the end of the year	22.1	<u>25,191,914</u>	<u>17,467,854</u>

22.1 The amounts recognized in the balance sheet are as follows:

Present value of obligation	27,255,177	13,744,619
Unrecognized actuarial losses	(6,278,168)	(2,064,924)
Benefits due but not paid	289,600	289,600
	21,266,609	11,969,295
Subsidiary's gratuity obligations - LSL	3,925,305	5,498,559
Liability recognized in balance sheet	<u>25,191,914</u>	<u>17,467,854</u>

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

Current service cost	6,487,406	5,443,637
Interest cost	1,477,499	1,019,867
Net expense of LSL	985,681	-
Actuarial loss recognized	68,270	39,554
Payable from previous years written off	280,000	(144,000)
Total amount charged to the profit and loss account	<u>9,298,856</u>	<u>6,359,058</u>

The latest valuation was conducted by Nauman Associates (consulting actuaries) as of 30 June 2007. Significant actuarial assumptions are as follows:

Discount rate	10%
Increase in salary	9%
Mortality rate	EFU 61-66 mortality rate

23 Contingencies and commitments

23.1 Contingencies

Parent company

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 Company's vicarious liability, the Company had paid National Accountability Bureau an amount of Rs. 13.8 million and had provided adequate security against the balance amount recovered from the parties involved.

National Accountability Bureau recovered Rs 12.127 million from various parties involved and informed that Company's liability stands reduced by the said amount. The Company had also paid an additional amount of Rs 10 million as full and final settlement during the financial year 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.

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.

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.

For contingencies relating to tax matters, refer note 30.2.

First Capital Equities Limited (FCEL)

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.

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.

A claim of Rs. 176.594 million by the above mentioned members of the Karachi Stock Exchange Guarantee Limited (KSE) was also filed with the KSE Advisory and Arbitration Committee and the same was not entertained by the committee as it was not in their legal jurisdiction. The claimant then filed a civil suit before the Honourable Sindh High Court in the year 2000, which is pending. The management is of the opinion that the likelihood of an un-favourable decision is remote.

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.

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 (2006: Rs.590,740) deposited for purchase of shares on his behalf.

23.2 Commitments

First Capital Equities Limited (FCEL)

FCEL has agreed to pay a further sum of Rs. 366,197,965 on account of property to be acquired as explained in note 8.3 to the financial statements.

	2007	2006
	Rupees	Rupees
24 Share capital		
Authorized		
160,000,000 (2006: 130,000,000) ordinary shares of Rs 10 each	1,600,000,000	1,300,000,000

Issued, subscribed and paid-up capital	Number of shares		2007 Rupees	2006 Rupees
	2007	2006		
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	97,270,400	62,157,511	972,704,000	621,575,110
	135,435,430	100,322,541	1,354,354,300	1,003,225,410

24.1 Worldcall Telecom Limited holds 1,707,543 (2006:1,264,847) shares with a percentage holding of 1.26% (2006: 1.26%).

	Number of shares	
	2007 Rupees	2006 Rupees
24.2 Movement of number of shares		
Shares as on 01 July	100,322,541	85,380,887
Bonus issue	35,112,889	14,941,654
Shares as on 30 June	135,435,430	100,322,541

	2007 Rupees	2006 Rupees
25 Revenue		
Financial consultancy fee	10,527,768	19,128,520
Dividend income	16,981,893	8,821,434
Money market income	11,233,301	11,342,340
Gain on sale of investments	18,922,512	97,051,337
Investment advisory fee from FCMF	9,392,361	9,150,690
Income from continuous funding system placements	6,697,058	3,505,075
Brokerage income	496,608,285	332,082,548
Underwriting commission	149,838	150,000
Revenue from printing	45,139,093	42,993,175
Revenue against construction contracts	161,750,463	-
	777,402,572	524,225,119

	2007 Rupees	2006 Rupees
26 Direct costs		
Materials consumed	29,581,345	25,029,242
Salaries and benefits	57,013,315	5,868,733
Folding and binding costs	2,076,243	1,820,070
Electricity consumed	880,894	325,000
Rent, rates and taxes	1,912,167	188,400
Postage and communication	154,513	-
Stores and general items consumed	10,371,582	-
Mess and staff refreshment charges	250,516	-
Travelling expenses	104,078	-

	Note	2007 Rupees	2006 Rupees
Lab testing charges		341,390	-
Security services		94,852	-
Insurance		720,116	173,875
Entertainment		617,434	-
Repair and maintenance		2,518,797	724,725
Vehicle running and maintenance		295,590	313,173
Depreciation	3	15,562,001	1,437,372
Others		1,487,062	368,360
		123,981,895	36,248,950

27 Operating expenses

Salaries, wages and benefits		207,327,927	113,542,182
Stock exchange charges		29,769,206	27,756,935
Rent, rates and taxes		7,739,091	6,513,894
Telephone, fax, etc.		11,945,615	10,204,541
Utilities		4,895,421	3,799,483
Insurance		2,357,667	1,889,849
Printing and stationery		4,468,497	3,017,160
Traveling and conveyance		10,029,107	9,578,761
Repairs and maintenance		8,284,461	5,336,322
Postage, courier etc.		2,276,193	1,701,193
Vehicle running		3,573,784	2,154,241
News papers and periodicals		221,343	172,479
Entertainment		5,599,963	3,414,674
Brokerage commission and capital value tax		1,147,723	1,580,828
Legal and professional charges		7,683,266	7,197,209
Advertisement		2,764,538	1,672,686
Provision for doubtful debts		19,413,170	17,451,243
Bad debts written off directly		198,685	706,950
Fees and subscriptions		9,411,351	9,300,166
Auditors' remuneration	27.1	2,453,314	2,433,679
Donations	27.2	461,660	607,199
Depreciation	3	23,216,807	11,712,230
Amortization of deferred cost		3,013	3,013
Amortization of goodwill		-	(969,519)
Impairment of goodwill		358,709	-
Business development		987,349	26,210,249
Others		5,857,649	1,101,846
		372,445,509	268,089,493

27.1 Auditors' remuneration

	Auditor of		2007 Rupees	2006 Rupees
	Parent company Rupees	Subsidiary companies Rupees		
Annual audit	425,000	837,790	1,262,790	1,150,424
Consolidated accounts	375,000	-	375,000	350,000
Half yearly review	100,000	270,000	370,000	370,000
Other certifications	45,000	183,924	228,924	476,955
Out of pocket expenses	195,000	21,600	216,600	86,300
	1,140,000	1,313,314	2,453,314	2,433,679

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

28 Other income

	2007 Rupees	2006 Rupees
Income from financial assets		
Return on deposit accounts	5,943,791	8,507,394
Interest on term deposits	11,427,532	685,027
Income from placements	89,903,847	51,534,217
Income from loan to related parties		
Mark-up income	4,941,253	3,371,250
Income from other than financial assets		
Underwriting commission	2,218,700	2,646,735
Take-up commission	524,733	-
Provision written back	11,842,199	3,915,721
Exchange gain	8,528	-
Gain on sale of membership card and license	-	17,339,130
Gain on sale of fixed assets	2,579,543	1,475,754
Others	10,797,561	11,978,634
	140,187,687	101,453,862

29 Finance costs

Markup on short term borrowings	46,728,174	7,510,830
Mark-up on repurchase agreements	61,963,741	47,072,061
Markup charged by related parties	1,313,644	1,004,017
Cost of repo transactions	30,795,358	20,400,060
Mark up on morabaha facility	-	-
Finance charges on assets subject to finance lease	706,846	486,334
Term finance markup	1,392,771	671,962
Continuous funding system cost	9,624,378	2,965,775
Custodial charges and loan arrangement fee	-	894,370
Bank charges and commission	3,635,882	973,904

	Note	2007 Rupees	2006 Rupees
Exchange loss		-	106,037
Others		<u>1,123,524</u>	-
		<u>157,284,318</u>	<u>82,085,350</u>
30 Taxation			
Current year	30.1	83,702,376	45,649,268
Prior Year		23,548	-
Deferred		<u>(1,743,912)</u>	1,341,425
		<u>81,982,012</u>	<u>46,990,693</u>

30.1 Tax charge reconciliation has not been prepared as few Group companies have provided minimum tax under applicable tax law.

30.2 The Parent Company's assessments have been finalized up to tax year 2006. In 2004, the DCIT passed order under section 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. Appeals against the order of CIT (A) for assessment year 2000-01 to 2002-03 are pending before Income Tax Appellate Tribunal.

The management of the parent company 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.

		2007	2006
31 Earnings per share - basic			
Net profit for the year	<i>Rupees</i>	<u>1,036,507,592</u>	<u>479,600,673</u>
Weighted average number of ordinary shares as at 30 June	<i>Numbers</i>	<u>135,435,430</u>	<u>135,435,430</u>
Earnings per share - basic	<i>Rupees</i>	<u>7.65</u>	<u>3.54</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.

Earnings per share - diluted

There is no dilution effect on the basic EPS as the Company has no such commitments.

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:

	2007 Rupees	2006 Rupees
Associated companies		
Short term investments sold	174,982,406	24,714,950
Long term investments purchased	-	113,205,270
Income from financial consultancy services	19,830,129	28,279,210
Mark up income	4,941,253	3,371,250
Short term borrowing availed and repaid	47,000,000	13,875,609
Finance cost charged	1,313,644	1,004,017
Insurance premium	278,272	378,636
Insurance claim	174,666	56,220
Brokerage income	28,233,886	37,212,438
Repurchase agreement arrangement fee	641,667	375,000
Placements entered	1,940,000,000	900,000,000
Income earned on placements	58,430,122	41,129,395
Long term loan	-	10,190,000
Contract services	161,363,931	49,254,289
Under writing commission	149,838	-
Sale of goods/services	41,265,988	36,921,243
Purchase of goods/services	287,460	254,410
Pool expenses shared	2,443,665	3,700,409

33 Cash generated from operations

Profit before taxation	1,279,960,929	615,981,230
Adjustments for:		
Depreciation	38,778,808	13,149,602
Finance cost	157,284,318	81,979,313
(Gain)/ loss on remeasurement of short term investments	(917,213,103)	(146,417,158)
Dividend income	(16,981,893)	(8,821,434)
Exchange Loss	(8,528)	106,037
Amortization of deferred cost	3,013	3,013
Amortization of goodwill	-	(969,519)
Impairment of goodwill	358,709	-
Gain on disposal of property, plant and equipment	(2,579,543)	(1,475,754)
Exchange translation difference	(5,471,201)	(1,740,537)
Gain on sale of membership card and licenses	-	(17,339,130)
Provision for doubtful debts	19,413,170	17,451,243
Bad debts written off directly	198,685	706,950
Retirement benefits	9,398,256	6,661,910
Share of profit of associated companies	(98,869,289)	(230,308,884)

	2007	2006
	Rupees	Rupees
Provision for doubtful debt written back	(11,842,199)	(3,915,721)
Mark up income	(112,216,423)	(64,097,888)
	(939,747,220)	(355,027,957)
Profit before working capital changes	340,213,709	260,953,273
Effect on cash flow due to working capital changes:		
(Increase)/decrease in:		
Inventories	(12,976,954)	(401,689)
Trade debts	428,272,054	(374,387,515)
Loans and advances	(799,937,847)	(85,465,591)
Short term prepayments	(1,743,823)	(200,436)
Deposits and other receivables	(46,931,948)	(1,147,503)
Short term investments - net	(168,156,511)	(36,287,434)
Placements	(521,108,480)	(267,641,520)
Increase/(decrease) in:		
Trade and other payables	(74,015,119)	526,181,817
Liability against repurchase agreement	408,750,000	415,000,000
Short term borrowings	676,776,223	(90,707,666)
	(111,072,405)	84,942,463
	229,141,304	345,895,736

34 Cash and cash equivalents

These are made up as follows:

Cash in hand	1,249,968	73,465
Bank balances	242,212,531	276,724,850
Treasury bills	43,032,020	31,655,545
	286,494,519	308,453,860

Financial risk management objectives and policies

The Group'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 Group manages its exposure to financial risk in the following manner:

35.1 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 Group manages these mismatches through risk management strategies where significant changes in gap position can be adjusted. Information about the Group's exposure to interest rate risk based on contractual refinancing and maturity dates, which ever is earlier, is as follows:

	2007											
	Interest/mark-up bearing					Non interest/mark-up bearing						
	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	Total	
Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	
Financial assets												
Long term loans	-	-	25,710,000	-	-	-	-	-	-	-	-	25,710,000
Investment	-	-	-	-	-	-	-	-	-	33,159,280	-	33,159,280
Long term deposits and advances	-	-	-	-	-	177,250	-	-	-	82,690,576	-	82,867,826
Trade debts	-	-	-	-	-	379,698,461	-	-	-	-	-	379,698,461
Loans and advances	-	-	-	-	-	920,261,782	-	-	-	-	-	920,261,782
Deposits and other receivables	-	-	-	-	-	71,238,198	-	-	-	-	-	71,238,198
Placements	988,750,000	-	-	-	-	-	-	-	-	-	-	988,750,000
Interest receivables	-	-	-	-	-	11,727,558	-	-	-	-	-	11,727,558
Short term investments	-	-	-	-	-	2,202,067,054	-	-	-	-	-	2,202,067,054
Cash and bank balances	222,039,004	-	-	-	-	64,455,515	-	-	-	-	-	286,494,519
	1,210,789,004	-	25,710,000	-	-	3,649,625,818	-	-	-	115,849,856	-	5,001,974,678
Financial liabilities												
Trade and other payables	-	-	-	-	-	-	-	-	-	-	-	-
Mark up accrued	-	-	-	-	-	707,159,788	-	-	-	-	-	707,159,788
Liability against repurchase agreement	923,750,000	-	-	-	-	22,900,176	-	-	-	-	-	923,750,000
Short term borrowings	883,716,052	-	-	-	-	-	-	-	-	-	-	883,716,052
Long term finance	5,040,000	-	-	-	-	-	-	-	-	-	-	5,040,000
Liabilities against subject to finance lease	4,092,412	8,413,646	4,206,823	-	-	-	-	-	-	-	-	16,712,881
	1,816,598,464	8,413,646	7,446,823	-	-	730,059,964	-	-	-	-	-	2,562,518,897
On balance sheet Gap	(605,809,460)	(8,413,646)	18,263,177	-	-	2,919,565,854	-	-	-	-	-	2,439,455,781

2006

	Interest/mark-up bearing					Non interest/mark-up bearing					Total Rupees	
	Within Rupees		Within Rupees		Within Rupees		Within Rupees		Within Rupees			
	one year	two year	three year	four year	five year	one year	two year	three year	four year	five year		
Financial assets												
Long term loans	9,292,595	-	-	22,156,905	-	-	-	-	-	-	-	31,449,500
Long term deposits and advances	-	-	-	-	-	-	-	-	-	-	-	7,561,571
Trade debts	-	-	-	-	-	-	804,050	-	-	-	-	751,846,531
Loans and advances	-	-	-	-	-	751,846,531	-	-	-	-	-	123,926,753
Deposits and other receivables	-	-	-	-	-	123,926,753	-	-	-	-	-	12,563,160
Placements	467,641,520	-	-	-	-	-	-	-	-	-	-	467,641,520
Interest receivables	-	-	-	-	-	6,832,897	-	-	-	-	-	6,832,897
Short term investments	-	-	-	-	-	303,258,296	-	-	-	-	-	303,258,296
Cash and bank balances	240,320,921	-	-	-	-	68,132,939	-	-	-	-	-	308,453,860
	717,255,036	-	-	22,156,905	-	1,266,560,576	804,050	-	-	-	6,757,521	2,013,534,088
Financial liabilities												
Trade and other payables	-	-	-	-	-	748,278,732	-	-	-	-	-	748,278,732
Mark up accrued	-	-	-	-	-	7,914,252	-	-	-	-	-	7,914,252
Liability against repurchase agreement	515,000,000	-	-	-	-	-	-	-	-	-	-	515,000,000
Short term borrowings	206,939,829	-	-	-	-	-	-	-	-	-	-	206,939,829
Long term finance	5,040,000	-	-	-	-	8,280,000	-	-	-	-	-	13,320,000
Liabilities against subject to finance lease	6,975,990	2,559,984	1,118,212	-	-	-	-	-	-	-	-	10,654,186
	733,955,819	2,559,984	9,398,212	-	-	756,192,984	-	-	-	-	-	1,502,106,999
On balance sheet Gap	(16,700,783)	(2,559,984)	(9,398,212)	22,156,905	-	510,367,592	804,050	-	-	-	6,757,521	511,427,089

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. 5,001,974,678 (2006: Rs. 2,013,534,088) the financial assets subject to credit risk amounts to Rs. 1,408,635,999 (2006: Rs. 926,618,841).

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 Executives, Directors and Executives

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

	Chief Executive		Director		Executives	
	2007	2006	2007	2006	2007	2006
Managerial remuneration	5,498,424	3,197,200	11,649,726	4,877,000	26,725,726	12,457,745
Medical	408,941	280,370	488,955	351,687	810,607	610,901
Utilities	1,390,521	1,229,913	532,000	468,313	892,533	411,360
House rent	855,370	366,880	2,128,000	1,412,000	3,570,133	1,645,440
Provision for gratuity	-	-	113,111	96,029	895,017	807,073
Others	110,560	1,873,253	17,194	4,424,197	606,929	4,722,493
	8,263,816	6,947,616	14,928,986	11,629,226	33,500,945	20,655,012
Number of persons	3	4	5	8	18	13

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 Events after the balance sheet date

The Board of Directors of Parent Company in their meeting held on 06 October 2007 has recommended bonus shares at the rate of 20 shares for each 100 shares held i.e. 20% (2006: 35%) as a final dividend.

38 Date of authorization for issue

These financial statements were authorized for issue on 06 October 2007 by the Board of Directors.

39 Comparative figures

Previous year's figure of "Gain on sale of investments" has been rearranged to facilitate comparison. Continuous funding system cost has been shown separately in "Finance and other costs", previously this was netted off against "Gain on sale of investments" (note 25).

40 General

Figures have been rounded off to the nearest rupee.

The chief Executive is out of Pakistan and in his absence these financial statements have been signed by two directors as required under section 241(2) of the Companies Ordinance, 1984.

LAHORE

DIRECTOR

DIRECTOR

FORM OF PROXY

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

Folio No./CDC A/c. No. _____
Shares Held: _____

I / We _____ of _____
(Name) (Address)

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

Miss _____ of _____
(Name) (Address)

or failing him / her / Mr. / Mrs. / Miss. _____ of _____
(Name) (Address)

[who is also member of the Company vide Registered Folio No. _____ (being the member of the Company)] as my / our proxy to attend at and vote for me / us and on my / our behalf at the Annual General Meeting of the Company to be held at Registered Office of the Company, 103-C/II, Gulberg-III, Lahore, on 31 October 2007 at 2:30 p.m. and at any adjournment thereof.

Signature this _____ Day of _____ 2007

(Witnesses)

- 1. _____
- 2. _____

Affix Revenue Stamp of Rupees Five

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

Notes:

- 1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company not later than 48 hours before the time of holding the meeting.
- 2. No person shall act as proxy unless he himself is a member of the Company, except that a corporation may appoint a person who is not a member.
- 3. CDC account holders will further have to follow the guidelines as laid down in Circular No. 1 dated 26 January 2000 issued by the Securities and Exchange Commission of Pakistan.

