

FIRST CAPITAL SECURITIES CORPORATION LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2003

	Note	2003 Rupees	2002 Rupees
NON CURRENT ASSETS			
OPERATING FIXED ASSETS	4	43,696,703	49,202,965
CAPITAL WORK IN PROGRESS	5	144,740,517	-
		188,437,220	49,202,965
NEGATIVE GOODWILL	6	(78,109,029)	(89,695,327)
COST OF CARDS AND ROOMS	7	56,200,000	56,200,000
LONG TERM INVESTMENTS	8	376,594,263	214,403,154
INVESTMENT PROPERTY	9	55,181,700	-
DEFERRED TAXATION	10	991,487	-
LONG TERM DEPOSITS	11	7,893,120	6,093,999
DEFERRED COSTS AND PRE- OPERATING EXPENSES	12	235,782	-
		607,424,543	236,204,791
CURRENT ASSETS			
Stock in trade		2,041,931	-
Marketable securities	13	122,234,220	161,537,100
Advance for purchase of shops		-	57,684,000
Advances, deposits, prepayments and other receivables	14	139,027,707	70,734,406
Accounts receivable	15	272,447,990	74,735,123
Cash and bank balances	16	54,651,567	84,253,296
		590,403,415	448,943,925
CURRENT LIABILITIES			
Current portion of obligations under finance leases	17	5,216,435	2,718,155
Short term finances-secured	18	70,744,479	15,664,182
Creditors, accrued and other liabilities	19	331,997,243	102,510,469
Provision for taxation	27	14,717,911	11,194,666
Unclaimed dividend		13,345,566	13,497,072
		436,021,634	145,584,544
NET CURRENT ASSETS		154,381,781	303,359,381
LONG TERM DEPOSITS		560,700	-
DEFERRED LIABILITY FOR STAFF RETIREMENT GRATUITY	20	8,508,214	6,168,355
OBLIGATIONS UNDER FINANCE LEASES	17	10,145,358	1,686,674
CONTINGENCIES AND COMMITMENTS	21	-	-
NET CAPITAL EMPLOYED		742,592,051	531,709,143
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Share capital			
Authorized			
35,000,000 ordinary shares of Rs- 10/- each		350,000,000	350,000,000
Issued, subscribed and paid up capital	22	339,946,200	339,946,200
Share premium		2,643,800	2,643,800
Reserve for issue of bonus shares		129,179,560	-
Unappropriated profit		161,498,350	143,594,896
		633,267,910	486,184,896
MINORITY INTEREST		109,324,142	45,524,247
		742,592,052	531,709,143

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

These financial statements were authorized for issue by the Board of Directors of the Parent Company on 8 October 2003.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

FOR THE YEAR ENDED 30 JUNE 2003

	Note	<u>2003</u> Rupees	<u>2002</u> Rupees
REVENUES	23	173,958,226	228,130,270
DIRECT COSTS		<u>-</u>	<u>38,601,296</u>
GROSS PROFIT		173,958,226	189,528,974
OPERATING COSTS	24	<u>130,709,690</u>	<u>161,432,854</u>
OPERATING PROFIT		43,248,536	28,096,120
OTHER INCOME	25	<u>33,425,498</u>	<u>29,342,401</u>
		76,674,034	57,438,521
FINANCIAL CHARGES	26	<u>6,257,145</u>	<u>8,978,805</u>
		70,416,889	48,459,716
Share in profit of associated companies	8	65,049,784	29,365,443
Gain on fair value adjustment of investment property	9	10,603,152	-
Unrealized gain on remeasurement of marketable securities	13	<u>45,073,172</u>	<u>8,554,279</u>
PROFIT BEFORE TAXATION		191,142,997	86,379,438
TAXATION	27	<u>(2,345,156)</u>	<u>(4,303,313)</u>
PROFIT AFTER TAXATION		188,797,841	82,076,125
MINORITY INTEREST		(23,118,198)	(17,895,509)
PROFIT ATTRIBUTABLE TO HOLDING COMPANY		<u>165,679,643</u>	<u>64,180,616</u>
EARNINGS PER SHARE - BASIC	30	<u>4.87</u>	<u>1.89</u>
- DILUTED	30	<u>4.11</u>	<u>1.57</u>

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

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFI

DIRECTOR

FIRST CAPITAL SECURITIES CORPORATION LIMITED
CONSOLIDATED CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2003

	Note	<u>2003</u>	<u>2002</u>
		RUPEES	RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		191,142,997	86,379,438
Adjustments for non cash charges and other items:			
Depreciation		6,575,441	27,074,076
Financial charges		6,257,145	8,978,805
Amortization of deferred expenses		58,946	3,380,147
Gain on disposal of assets		(3,115,311)	(561,819)
Gain on disposal of investment property		(7,687,500)	-
Gain on fair value adjustment of investment property		(10,603,152)	-
Share of profit of associated companies		(65,049,785)	(29,365,443)
Provision for bad debts		8,300,663	1,391,608
Bad debts written off		-	134,663
Bad debts written back		(2,107,449)	-
Unrealized gain on remeasurement of marketable securities		(45,073,172)	(8,554,279)
Gain on partial disposal of subsidiary		(8,511,718)	(18,225,022)
Dividend income		(14,110,062)	-
Provision for gratuity		2,710,501	1,747,810
		(132,355,453)	(13,999,454)
Adjustments for working capital items:			
(Increase)/decrease in marketable securities		38,756,179	(74,843,363)
(Increase)/decrease in advances, deposits, prepayments and other receivables		(61,858,901)	(10,713,802)
(Increase)/decrease in accounts receivables		(188,852,050)	(14,643,134)
Increase from Morabaha finance facility		40,000,000	-
Increase in creditors, accrued and other liabilities		171,023,397	44,791,544
		(931,375)	(55,408,755)
Cash inflow from operating activities		57,856,169	16,971,229
Gratuity paid		(903,666)	(2,866,440)
Financial charges paid		(6,257,145)	(8,978,805)
Taxes paid		(676,423)	(2,906,540)
Net cash inflow from operating activities		50,018,935	2,219,444
CASH FLOWS FROM INVESTING ACTIVITIES:			
Fixed capital expenditure		(16,211,295)	(60,489,292)
Sale proceeds from disposal of investment property-net		20,792,952	-
Sale proceeds of fixed assets		18,675,321	1,884,424
Dividend received		14,108,812	19,036,688
Sale proceeds of partial disposal of subsidiary		19,080,000	23,927,000
Adjustment of acquisition of subsidiary		(79,581,919)	-
(Increase)/decrease in long term investments		(65,044,995)	(12,981,330)
(Increase)/decrease in long term deposits		803,033	1,258,743
Net cash used in investing activities		(87,378,091)	(27,363,767)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Net proceeds from lease finance facilities		(7,171,364)	(6,555,968)
Dividend paid		(151,506)	(21,582,388)
Net cash inflow from financing activities		(7,322,870)	(28,138,356)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS		(44,682,026)	(53,282,679)
CASH AND CASH EQUIVALENTS IN THE BEGINNING OF THE YEAR		68,589,114	121,871,793
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	28	23,907,088	68,589,114

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

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

FIRST CAPITAL SECURITIES CORPORATION LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY AND RESERVES
FOR THE YEAR ENDED 30 JUNE 2003

	Note	Issued, subscribed and paid up capital	Share premium	Reserve for issue of bonus shares	Unappropriated Profit
		Rupees	Rupees	Rupees	Rupees
Balance as at 30 June 2001		339,946,200	2,643,800	-	75,172,351
Movement during the year					
Profit for the year		-	-	-	64,180,616
Adjustment of investment in WorldCALL Phonecards Limited and WorldCALL Communications Limited		-	-	-	3,801,880
Adjustment of dilution of investment in First Capital Equities Limited		-	-	-	1,271,721
Adjustment for exchange difference		-	-	-	(831,672)
Balance as at 30 June 2002		339,946,200	2,643,800	-	143,594,896
Movement during the year					
Adjustment of profits of an associated company on adoption of IAS-12	8.2.1	-	-	-	(16,247,400)
Profit for the year		-	-	-	165,679,643
Transfer to reserve for issue of bonus shares					
-Interim declaration		-	-	67,989,240	(67,989,240)
-Final declaration		-	-	61,190,320	(61,190,320)
Adjustment for exchange difference		-	-	-	(2,387,353)
Adjustment of dilution of investment in First Capital Equities Limited		-	-	-	38,124
Balance as at 30 June 2003		339,946,200	2,643,800	129,179,560	161,498,350

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

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

NOTES TO THE CONSOLIDATED ACCOUNTS

FOR THE YEAR ENDED 30 JUNE 2003

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 in Gulberg, Lahore. The parent company has investments in subsidiaries and associates engaged in brokerage, telecommunication and real state. In addition the parent company acts as a broker in the money market.

FCSC’s subsidiaries comprise the following companies:

Company	Country of incorporation	Nature of business	2003	2002
			Holding %	Holding %
First Capital Associates (Private) Limited (FCAL)	Pakistan	Consultancy/advisory services.	100	100
First Capital Investments (Private) Limited (FCIL)	Pakistan	Providing investment advisory services under the Investment Companies and Investment Advisor’s Rules, 1971, now repealed and replaced by 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	51
First Capital Equities Limited (FCEL)	Pakistan	Sale/purchase of shares, consultancy services, money market operations, underwriting, placements and equity research, etc.	67.39	77.39
Media Times (Private) Limited	Pakistan	Printing and publishing daily newspaper in the name of “Daily Times”.	72.17	Nil

2. BASIS OF CONSOLIDATION

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Accounting convention

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

Statement of compliance

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

3.2 Fixed Assets and depreciation

Owned assets

Fixed assets are stated at cost less accumulated depreciation except for capital work in progress, which is stated at cost.

Depreciation is charged on the assets of parent company, First Capital Associates (Private) Limited and First Capital Equities Limited on reducing balance method, whereas it is charged using the straight line method on the assets of First Capital Investments (Private) Limited, Media Times (Private) Limited, Lanka Securities (Private) Limited at the rates specified in note 4, which are considered appropriate to write-off the cost of assets over their useful lives.

Full year's depreciation is charged on the assets acquired during the year, on which depreciation is charged from month of installation. No depreciation is charged in the year of disposal.

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

Gains or losses on disposal of fixed assets are included in profit and loss account.

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

Leased assets

Assets subject to finance lease are stated at lower of present value of minimum lease payments under the lease agreement and the fair value of assets less accumulated depreciation. Related obligations, under the leases are accounted for as liabilities. Depreciation is charged at the rates specified in note 4. Finance charge is calculated at the interest rate implicit in the lease and charged to income.

3.3 Intangible assets

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

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

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

3.4 Impairment

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

3.5 Investments

a) Long term investments

Investment in associates where significant influence can be established is accounted for under the equity method.

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

b) Investments held for trading

Investments, which are acquired principally for the purposes of generating a profit from short term fluctuations in price of dealer's margins, are classified as held for trading. These are stated at fair values with any resulting gains or losses recognized directly in the profit and loss account.

c) Investments available for sale

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

cost, as relevant financial information is not available to determine their fair values. Hence provisions for permanent diminution is made, if any.

3.6 Investment property

The International Accounting Standard 40 “Investment Property” became applicable for period beginning on or after January 01, 2001. The parent company has adopted this standard and carried its investment property at fair value determined annually by an independent approved valuer.

Fair value is based on current prices in an active market for similar properties in the same location and condition. Any gain or loss arising from a change in fair value is recognized in the profit and loss account. Rental income from investment property is accounted for as described in note 3.7.

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

3.7 Revenue recognition

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

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

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

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

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

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

Rental income is recognized on accrual basis.

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

Media Times (Private) Limited recognizes the revenue from sale of newspaper at the time of billing to agents, while revenue from advertisement is recorded at the time of publication of advertisement.

3.8 Trade and other receivables

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

3.9 Taxation

Current

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

Deferred Tax

Deferred tax is provided using balance sheet liability method, providing for temporary differences between carrying amounts of assets and liabilities for financial reporting purposes and amounts used for taxation purposes.

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

The group companies adopted IAS-12 “Income Taxes” during the year and accounted for net deferred tax asset of Rs. 991,487.

3.10 Foreign currency transactions

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

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

3.11 Staff retirement benefits

a) Defined benefit plan

The group companies operate un-funded gratuity plans for their eligible staff under which benefits are paid on cessation of employment subject to a minimum qualifying period of service i.e. one year. Except for Lanka Securities (Private) Limited the liability under the plans is determined on the basis of actuarial valuations carried out by using the Projected Unit Credit Method and is charged to income. Latest valuation was conducted as of 30 June 2003.

Significant actuarial assumptions are as follows:

Discount rate	8% to 11%
Expected rate of salary increase in future years	7 % to 10%
Average expected remaining working lifetime of employees	11-12 years
Mortality rate	EFU(61-66)

The amount recognized in the balance sheet represents the present value of benefits as adjusted for unrecognised actuarial gains and losses. The group companies recognize actuarial gains/losses above their corridor as defined in IAS- 19 “Employee Benefits” over the expected future service of employees.

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

b) Compensated absences

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

3.12 Financial instruments

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

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

Financial liabilities are classified according to the substance of the contractual agreements entered into. Significant financial liabilities are liability under lease finance, murabaha finance utilized under mark up arrangements, long term loan, creditors, accrued and other liabilities and long term deposits. Mark-up bearing finances are recorded at the gross proceeds recovered. Other liabilities are stated at their nominal values.

3.13 Offsetting of financial assets and financial liabilities

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

3.14 Provisions

A provision is recognized when the company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the obligation can be made.

3.15 Cost of cards and rooms

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

3.16 Negative goodwill

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

3.17 Cash and cash equivalents

Cash and cash equivalents comprise of cash, bank balances and bank overdrafts/ running finances repayable on demand.

3.18 Borrowing costs

Borrowing costs are charged to profit and loss account.

4 OPERATING FIXED ASSETS

Following is the statement of operating fixed assets

	COST					Depreciation Rate %	Depreciation					NET BOOK VALUE AS AT 30.06.2003	
	As at 01.07.2002	Acquisition of subsidiaries as on 30.06.2003	Of Additions (deletions) adjustments	Of Adjustment of WCPCL	As at 30.06.2003		As at 01.07.2002	Acquisition of subsidiaries as on 30.06.2003	Adjustments / (deletions)	For the year	Adjustment of Acc. dep. of WCPCL		As at 30.06.2003
RIFFES													
Owned assets													
Leasehold Improvements	6,00,216	2,05,038	711,617	-	8,76,871	14.4	1,27,582	35,648	(3,497)	30,300	-	2,19,273	1,06,598
Police equipment-WCPCL	-	-	-	-	-	10	-	-	-	-	-	-	-
Boats etc	-	-	-	-	-	10	-	-	-	-	-	-	-
Building	11,30,099	-	(1,138,099)	-	-	5	56,307	-	(56,307)	-	-	-	-
Computers	20,50,745	-	1,284,221	-	21,79,146	18.33	11,51,196	-	91,488	1,80,812	-	34,69,264	6,42,784
			(68,522)						(17,124)				
			18,008										
Office equipments	16,91,217	2,66,702	1,457,786	-	19,45,705	10.12	6,15,289	38,940	28,684	1,20,666	-	7,10,544	12,35,654
			(2,761,690)						(1,891,221)				
			1,00,000										
Furniture and fixtures	8,56,487	1,33,627	78,707	-	9,68,821	10.12	5,64,280	22,811	(79,446)	33,117	-	4,82,752	4,95,446
			(96,114)										
Library books	50,65	-	-	-	50,65	10	3,597	-	-	12,713	-	30,629	6
Vehicle	38,807,282	720,158	4,384,077	-	43,911,517	28.25	11,95,729	26,691	2,131,001	1,816,966	-	33,18,227	5,011,869
			(5,14,999)						(4,48,108)				
			3,128,508										
	40,49,911	6,72,697	7,114,477	-	48,33,085		3,74,538	1,36,138	(5,367,961)	2,908,161	-	41,89,908	38,26,736
			(21,18,971)										
			6,198,508										
Leased assets													
Computers	183,800	-	-	-	183,800	18.33	11,024	-	(9,488)	6,299	-	26,300	27,877
			(183,800)										
Office equipment	1,296,000	-	-	-	1,296,000	10	332,044	-	(26,684)	15,664	-	60,624	131,766
			(1,296,000)										
Furniture and fixtures	-	-	-	-	-								
Vehicle	7,40,200	3,796,000	448,300	-	11,646,500	20	1,982,887	84,400	(2,405,321)	485,708	-	1,830,268	1,246,114
			(93,000)										
			(5,128,300)										
	3,352,400	4969	448,300	-	7,304,900		1,403,215	4969	(2,831,621)	307,663	-	1,896,512	1,407,867
			(93,000)										
			(5,128,300)										
2003	49,372,218	4969	3,157,977	-	52,642,817		4,169,215	4969	(5,367,961)	6,725,448	-	42,447,811	41,646,763
			(2,14,27,971)						(2,831,621)				
			2,908,161										
2002	1,52,786,210	-	64,34,942	(12,70,402)	1,98,72,750		36,68,514	-	(1,41,15,978)	27,81,477	(4,42,42,840)	40,69,220	48,26,945
			(4,54,47,480)						(2,689,407)				

4.1 Disposal of operating fixed assets

Particulars of assets	Cost	Depreciation	Net book value	Subsequent	Profit/(Loss)	Made of sale	Particulars of buyers
Furniture and fixtures	1,56,004	55,14	1,00,860	30,58	(68,397)	Negotiation	Abdul Wahid Khan - Huzar
Computers	8,300	5,111	3,189	2,800	(1,460)	Negotiation	Abdul Wahid Khan - Huzar
Office Equipments	181,222	65,282	115,940	22,297	(93,643)	Negotiation	Abdul Wahid Khan - Huzar
	345,526	125,515	220,010	44,800	(171,739)		
Computers	49,600	34,916	14,684	30,455	(23,289)	Negotiation	MAE's Marketing - Karachi
Furniture and fixtures	803,112	322,791	480,321	29,575	(497,215)	Negotiation	MAE's Marketing - Karachi
	1,302,692	657,707	644,614	60,025	(670,504)		
Computers	91,888	64,104	27,784	2,825	(2,011)	Negotiation	Mr. Muhammad Ali - Lahore
Office Equipments	20,214	8,281	11,933	1,240	(10,693)	Negotiation	Mr. Muhammad Ali - Lahore
	112,494	72,415	40,051	4,065	(31,980)		
Computers	20,699	12,097	8,602	300	(10,093)	Negotiation	Muhammad Imran - Lahore
Computers	54,972	36,538	18,434	1,800	(17,113)	Negotiation	Imran Khan (Ex Employee) - Lahore
Production Building	11,330,099	996,305	10,333,794	15,800,000	4,466,206	Negotiation	WorldCALL Communications Limited - Lahore
Office Equipments	600,000	152,600	447,400	400,000	(70,400)	Negotiation	Media Times (Pvt) Ltd - Lahore (an associated company)
Office Equipments	1,865,148	82,540	1,782,608	100,000	(1,013,148)	Negotiation	AMPO International - Karachi
Office Equipments	30,000	4,095	25,905	15,000	5,005	Negotiation	I Q Markets (Sindh Area) - Lahore
Office Equipments	8,300	159	8,141	3,000	(4,600)	Negotiation	Ramesh Kumar (Ex Employee) - Lahore
Leasehold improvements	126,150	23,477	102,673	-	(33,083)	Written off	
Vehicle (Motor Cycle) Honda CD-70	69,000	24,448	44,552	60,000	15,948	Insurance claim	Shahen Insurance Co. Ltd. (related party)
Vehicle (Motor Cycle) Honda CD-70	69,000	24,448	44,552	65,000	24,348	Insurance claim	Shahen Insurance Co. Ltd. (related party)
Vehicle (Motor Cycle) Honda CD-70	69,000	24,448	44,552	64,000	19,848	Insurance claim	Shahen Insurance Co. Ltd. (related party)
Vehicle (Motor Cycle) Honda Civic	740,000	62,345	677,655	215,000	90,345	Negotiation	Mr. Shahid Akhtar, Karachi (Employee)
Vehicle (Motor Cycle) Honda Civic	1,023,360	72,092	951,268	300,000	41,732	Negotiation	Mr. Iqbal Ahmed Siddique Mansoor, Karachi
Vehicle (Motor Cycle) Suzuki Daystar	440,000	25,776	414,224	300,000	115,776	Negotiation	Mr. Adil Hyeer, Karachi (Employee)
Vehicle (Motor Cycle) Honda Civic	848,300	412,116	436,184	412,384	-	Trade	WorldCALL Broadband Ltd. (Related Party)
Vehicle (Motor Cycle) Suzuki Bolero	640,000	216,711	423,289	322,289	-	Trade	WorldCALL Broadband Ltd. (Related Party)
Vehicle	640,000	312,784	327,216	320,000	22,784	Negotiation	Nawaz - Karachi
Vehicle	377,000	187,157	189,843	200,000	78,157	Negotiation	Muhammad Anwar (Employee) - Lahore
Vehicle	892,128	511,292	380,836	52,669	361,137		Asset written off
2003 RIFFES	21,427,971	587,948	20,840,023	18,67,524	3,115,211		
2002 RIFFES	2,750,779	1,402,979	1,347,800	1,89,629	55,819		

**FIRST CAPITAL SECURITIES CORPORATION LIMITED
NOTES TO THE CONSOLIDATED ACCOUNTS
FOR THE YEAR ENDED 30 JUNE 2003**

5 CAPITAL WORK IN PROGRESS

These represent related costs incurred during the set-up phase of MediaTimes (Private) Limited's project. The above represents the cost of printing press and other related project development costs. These costs will be transferred to fixed assets on completion of the project.

6 NEGATIVE GOODWILL

This represents the excess of parent company's interest in FCEL's net assets on the date of acquisition. The amount of negative goodwill in excess of the fair value of the group's share of non-monetary assets is being carried forward in view of the contingencies existing at the year end, as disclosed in note 21.2.1. During the year, negative goodwill amounting to Rs.11.58 million (2002: Rs. 26.16 million) has been taken to income on the dilution of the parent company's shares in the net assets of FCEL.

	Note	<u>2003</u> Rupees	<u>2002</u> Rupees
7 COST OF CARDS AND ROOMS			
Lahore Stock Exchange (Guarantee) Limited		11,000,000	11,000,000
Karachi Stock Exchange (Guarantee) Limited		33,200,000	33,200,000
Others (rooms)		<u>12,000,000</u>	<u>12,000,000</u>
		<u>56,200,000</u>	<u>56,200,000</u>
8 LONG TERM INVESTMENTS			
Associated companies-Listed			
First Capital Mutual Fund Limited			
1,500,000 ordinary shares of Rs. 10/- each		8,357,069	8,761,498
Equity held 10%		<u>4,918,592</u>	<u>(404,429)</u>
Share of profit / (loss)		13,275,661	8,357,069
WorldCALL Communications Limited			
33,678,560 (2002:15,229,350) ordinary shares of Rs. 10/- each		138,982,410	119,735,802
Equity held 21.15% (2002: 25.38%)		156,260,513	10,356,600
Acquisition of additional shares		45,384,851	43,696,842
Share of profit		-	(19,036,688)
Less: Dividends income		-	(15,770,146)
Less: Dilution in holding		-	-
Less: Deferred Tax adjustment		(16,247,400)	-
Less: Transferred to available for sale investments		<u>(40,249,428)</u>	<u>-</u>
	8.2	284,130,946	138,982,410
WorldCALL Multimedia Limited			
Nil (2002: 3,500,000) ordinary shares of RS. 10/- each		-	35,000,000
Equity held- Nil % (2002: 15.67 %)		-	-
Share deposit money		-	-
Share of loss		-	(1,288,087)
Shares transferred to available for sale investments		<u>-</u>	<u>(33,711,913)</u>
	8.3	-	-

Shaheen Insurance Company Limited

1,433,973 (2002: 1,433,973) ordinary shares of Rs.10/- each
 Equity held : 17.92 % (2002:17.92%)
 Acquisition of additional shares
 Share of profit
 Less: Dividend received during the year
 Less: Transferred to available for sale investments

16,711,345	11,213,301
-	2,624,730
2,386,416	2,873,314
(1,792,466)	-
(17,305,295)	-
-	16,711,345

Associated companies-Unlisted**Pace (Pakistan) Limited**

5,047,072 (2002: 5,093,445) ordinary shares of Rs. 10/- each
 Equity held 14.95% (2002: 15.09%)
 Chief Executive: Mr. Salmaan Taseer
 Share of profit
 Less: Dilution of holding

39,767,965	33,827,840
20,110,724	5,940,125
(362,066)	-
59,516,623	39,767,965

Bright Star Corporation (Private) Limited

1,300,000 (2002: 1,300,000) ordinary shares of Rs. 10/- each
 Equity held: 32.5% (2002: 32.5 %)
 Chief Executive : Mr. Nadeem Anwar
 Share of loss

10,584,366	13,000,000
(5,958,333)	(2,415,634)
4,626,033	10,584,366

Note

2003
Rupees

2002
Rupees

WorldCALL Broadband Limited

Share deposit money
 Chief Executive: Mr. Salman Taseer
 The company is a subsidiary of WorldCALL Communications Limited. Subsequent to the year end, 1,500,000 ordinary shares of Rs. 10/- each have been issued against share deposit money.

15,000,000

-

Pace Super Mall (Private) Limited

Share deposit money
 Chief Executive: Mr. Salman Taseer
 Subsequent to the year end, 4,500 ordinary shares of Rs. 10/- each have been issued against share deposit money.

45,000

-

376,594,263

214,403,154

Share of profit of associated companies

65,049,784

29,365,443

- 8.1 Pursuant to the agreement to purchase shares dated 23 September 2000 between ABN AMRO Asia Limited ("ABN AMRO") and the parent company, the parent company acquired ABN AMRO's entire stake in First Capital Equities Limited (FCEL) formerly First Capital ABN AMRO Equities (Pakistan) Limited ("FCABN") for a total sum of Rs. 1.0 million. Accordingly, FCABN became a wholly owned subsidiary of the parent company and its name was changed to First Capital Equities Limited (FCEL) in January 2001.

As agreed between the parent 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 parent 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 has 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 favorable outcome out of these claims or counter claims. Furthermore, FCEL being a limited liability company, the management is of the view that the parent company has no exposure beyond its investment in FCEL.

8.2 This includes 2.9 million shares held under lien as security by

8.2.1 WorldCALL Communications has adopted IAS-12 "Income Taxes" during the year and has provided for outstanding deferred tax retrospectively by restating the opening retained earnings under the benchmark treatment given in IAS-8 "Net Profit or Loss for the period, Fundamental Errors and Changes in Accounting Policies". The amount of Rs. 16,247,000 represents such deferred tax on the share of profit of associated company accounted for in company's books in the previous years.

8.3 The parent company has sold its entire shares in WorldCALL Phonocards Limited and WorldCALL Multimedia Limited to WorldCALL Communications Limited (an associated company). The sale price of Rs. 15/- per share of WorldCALL Phonocards Limited and Rs. 12.5/- of WorldCALL Multimedia Limited was settled by the issuance of shares in WorldCALL Communications Limited at a premium of Rs.5/-

8.4 Media Times (private) Limited has been acquired during the year by way of payment for share deposit money amounting to Rs. 80.00 million against which shares were issued subsequent to the balance sheet date. The assets and liabilities of the subsidiary acquired, which have been incorporated in these accounts at the year end were as follows:

	<u>2003</u> Rupees
Assets	
Operating fixed assets	8,396,697
Capital work in progress	144,740,517
Deferred costs	235,782
Long term deposits	2,602,154
Stock in trade	2,041,928
Trade receivables	13,118,119
Advances, deposits, prepayments and other receivables	12,062,411
Cash and bank balances	418,081
	183,615,689
Liabilities	
Liabilities against assets subject to finance lease	12,163,011
Creditors, accrued and other liabilities	58,463,377
Provision for taxation	186,602
Long term deposits and deferred liabilities	1,959,569
	72,772,559
Net Assets	<u>110,843,130</u>

The subsidiary company has not yet commenced commercial operations.

8.5 Other associations

8.5.1 The parent company is associated with First Capital Mutual Fund Limited as an investment advisor. FCIL is a subsidiary of the parent company.

8.5.2 The parent company is associated with WorldCALL Broadband Limited ("WBL") due to common directorship. WBL has been setup to provide cable television and interactive broad band services in Karachi. WBL is a subsidiary of WorldCALL Communications Limited (WCL).

8.5.3 The parent company is associated with WorldCALL Telecommunications Lanka (Private) Limited ("WTLL") due to common directorship. WTLL is providing payphone services in Sri Lanka and is a subsidiary of WCL.

8.5.4 The parent company is associated with WorldCALL Internet Solutions (Private) Limited ("WISL") due to common directorship. WISL is engaged in portal development.

8.5.5 The parent company is associated with WorldCALL Multimedia Limited ("WML") due to common directorship. WML has been setup to provide cable television and interactive broad band services in Lahore. WML is a subsidiary of WCL.

8.5.6 The parent company has sold its entire shares in WorldCALL Phonocards Limited and WorldCALL Multimedia Limited to WorldCALL Communications Limited (an associated company). The Sale price of Rs. 15/- per share of WorldCALL Phonocards Limited and Rs. 12.5/- of WorldCALL Multimedia Limited was settled by the issuance of shares in WorldCALL Communications Limited at a premium of Rs. 5/-.

	<u>2003</u> Rupees	<u>2002</u> Rupees
9 INVESTMENT PROPERTY		
Fair value of shops acquired from Pace (Pakistan) Limited against advance given previously	57,684,000	-
Add: Acquisition of additional shops	<u>11,770,548</u>	<u>-</u>
	69,454,548	-
Less: Disposal of shops during the year	<u>(24,876,000)</u>	<u>-</u>
	44,578,548	-
Increase in fair value as per valuation certificate	10,603,152	-
Balance as at 30 June 2003	<u><u>55,181,700</u></u>	<u><u>-</u></u>

The carrying amount of investment property is the fair value of the property as determined by an approved independent valuer Hamid Mukhtar & Co. (Pvt) Ltd. Fair value was determined having regard to recent market transactions for similar properties in the same location as the company's investment property.

Investment property comprises a number of commercial properties that are rented to third parties. The company's current rental agreements are entered into on an arm's length basis and are comparable to those for similar properties in the same location.

10 DEFERRED TAXATION

	First Capital Associates (Pvt.) Limited	First Capital Investments (Pvt.) Limited	First Capital Equities Limited	2003	2002
	Rupees	Rupees	Rupees	Rupees	Rupees
This is composed of the following:					
Taxable temporary differences:					
Tax depreciation allowance	6,272	-	2,357,076	2,363,348	-
Finance leases	-	-	-	-	-
	<u>6,272</u>	<u>-</u>	<u>2,357,076</u>	<u>2,363,348</u>	<u>-</u>
Deductible temporary differences:					
Provision for staff retirement benefits	-	113,074	1,416,911	1,529,985	-
Unused tax losses and tax credits	270,014	1,554,836	-	1,824,850	-
	<u>270,014</u>	<u>1,667,910</u>	<u>1,416,911</u>	<u>3,354,835</u>	<u>-</u>
Deferred tax asset / (liability)	<u>263,742</u>	<u>1,667,910</u>	<u>(940,165)</u>	<u>991,487</u>	<u>-</u>
	<u>Note</u>		<u>2003</u> Rupees		<u>2002</u> Rupees

11 LONG TERM DEPOSITS

Deposits with leasing companies	2,049,310	880,390
Stock Exchanges	2,931,046	3,166,661
Bank of Ceylon	889,734	934,998
Central Depository Company (CDC)	400,000	500,000
Utility companies and others	<u>1,623,030</u>	<u>611,950</u>
	<u>7,893,120</u>	<u>6,093,999</u>

12 DEFERRED COSTS AND PRE-OPERATING EXPENSES

Opening balance	-	7,842,344
Add: Additions during the year	<u>294,728</u>	<u>-</u>
	294,728	7,842,344
Less: Amortization for the year (2002: adjustment for WCPCL)	<u>(58,946)</u>	<u>(7,842,344)</u>
	<u>12.1</u>	<u>-</u>
	<u>235,782</u>	<u>-</u>

12.1 These relate to Media Times (Private) Limited. (2002: WCPCL)

Number of shares/ certificates			Carrying Cost Rupees	Fair Value Rupees	Carrying Cost Rupees	Fair Value Rupees	
These are made up as under:							
		Held for trading	13a	9,606,325	10,824,376	46,307,707	44,709,920
		Available for sale	13b	67,554,723	111,409,844	106,675,114	116,827,130
		Unrealized gain, on account of remeasurement to fair value		77,161,048	122,234,220	152,992,821	161,537,100
				46,873,172	-	8,514,279	-
				122,234,220	122,234,220	161,637,100	161,637,100
13a	HELD FOR TRADING						
Listed securities							
Mutual Funds							
14,804	-	Dawood Money Market Fund	1,500,000	1,504,975	-	-	-
-	360,000	ICP Mutual Fund	-	-	7,634,880	6,814,300	-
			1,500,000	1,504,975	7,634,880	6,814,300	-
Modarabah							
5,000	-	1st Punjab Modarabah	42,400	60,000	-	-	-
			42,400	60,000	-	-	-
Leasing Companies							
11,000	11,000	Trust Leasing Limited	55,550	105,050	70,950	55,550	-
-	7,500	Askari Leasing Limited	-	-	73,750	58,875	-
			55,550	105,050	144,700	114,425	-
Insurance Companies							
5,000	-	Pakistan Reinsurance	106,975	291,500	-	-	-
15,000	-	Commercial Union Life Assurance	219,000	250,500	-	-	-
-	65,500	Advance Insurance	-	-	2,399,523	3,349,500	-
			325,975	548,000	2,399,523	3,349,500	-
Investment Companies/Banks							
5,000	-	National Bank of Pakistan	150,000	136,500	-	-	-
2,242	1,950	Prime Commercial Bank Limited	13,845	25,850	8,288	13,845	-
-	225,000	Bank of Punjab	-	-	2,831,910	2,576,250	-
			152,845	162,350	2,840,198	2,590,095	-
Textile							
500	-	Sunrays Textile Mills Limited	7,750	8,500	-	-	-
22,500	-	Yousaf Weaving Mills Limited	157,500	135,000	-	-	-
17,000	-	Acqder Nafees Denim Mills Limited	262,100	264,350	-	-	-
150	-	Nisbat Mills Limited	3,825	5,258	-	-	-
			431,175	413,108	-	-	-
Cement							
-	200	Lucky Cement Limited	-	-	1,360	1,640	-
-	100,000	Pioneer Cement Limited	-	-	417,510	325,000	-
-	100,000	Fajri Cement Company Limited	-	-	412,695	340,000	-
			-	-	831,565	666,640	-
Fuel and Energy							
-	40,000	Karachi Electric Supply Company Limited	-	-	120,000	206,000	-
14,000	-	Pakistan Oil Fields Limited	3,073,000	3,152,800	-	-	-
-	5,000	Hub Power Company Limited	-	-	95,750	116,000	-
-	40,000	Pakistan State Oil Company Limited	-	-	5,585,121	5,567,200	-
-	50,000	Sui Northern Gas Pipelines Limited	-	-	651,990	687,500	-
-	300,000	Japan Power Generation Co. Ltd.	-	-	1,032,460	1,014,000	-
			3,073,000	3,152,800	7,485,291	7,612,700	-
Chemicals and Pharmaceuticals							
-	-	Engro Chemicals Pakistan Limited	-	-	784,600	922,460	-
-	329,500	FFC Jordan Fertilizer Company Limited	-	-	1,720,795	2,099,850	-
			-	-	2,505,395	3,022,310	-
Engineering and Allied							
126,500	20,000	Sangar Engineering Works Limited	1,821,030	1,884,850	540,000	416,000	-
			1,821,030	1,884,850	540,000	416,000	-
Food and Allied							
-	20	Unilever Pakistan Limited	-	-	15,080	17,940	-
			-	-	15,080	17,940	-
Auto and Allied							
4,500	-	Dewan Farooq Motors	119,700	117,675	-	-	-
			119,700	117,675	-	-	-
Miscellaneous							
4,100	4,100	Diamond Industries Limited	26,650	37,843	37,557	26,650	-
-	70,000	Wazir Ali Industries Limited	-	-	1,050,000	637,000	-
98,500	-	P. I. A. C. (A)	664,875	1,236,175	7,750	7,600	-
-	400	First Prudential Modarabah	-	-	400	260	-
-	12,000	Adox Pakistan Limited	-	-	56,920	49,200	-
-	400	Rupali Polyester Limited	-	-	10,500	11,400	-
500	-	Asiaz Battery	40,175	43,000	-	-	-
8,500	-	Gellette Pakistan limited	667,250	679,150	-	-	-
10,000	-	Pakistan Leather	88,500	75,000	-	-	-
100	-	UPT Units	597,200	804,400	-	-	-
-	1,184,500	Pakistan Telecommunication Company Limited	-	-	20,744,948	20,373,400	-
					2,084,650	2,875,568	-
					9,608,523	10,824,376	-
							46,307,707
							44,709,920
13b	AVAILABLE FOR SALE (Associated companies)						
-	5,463,500	WorldCALL Phonecards Limited	-	-	62,963,201	69,277,180	-
-	4,300,000	WorldCALL Multimedia Limited	-	-	43,711,913	47,550,000	-
1,433,973	-	Shahreen Insurance Company Limited	17,305,295	31,303,631	-	-	-
5,220,659	-	WorldCALL Communications Limited	50,249,428	80,106,213	-	-	-
			67,554,723	111,409,844	106,675,114	116,827,130	-

	Note	2003 Rupees	2002 Rupees
14 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to employees for loan and expenses - unsecured, considered good			
Executives	14.1	9,513,399	3,229,333
Employee		564,461	379,452
		10,077,860	3,607,815
Recoverable from employees		530,778	549,059
Deposits against leased assets		283,550	315,550
Advances to associated companies - unsecured, considered good			
Prepayments	14.2	17,093,804	12,823,793
Advance income tax		2,150,787	2,223,143
Loans securities- Government deposits/ bills		52,569,417	33,624,170
Other receivables:		80,972,969	13,401,833
Interest/mark-up receivable		486,400	801,158
Dividends		1,250	-
Others		4,860,892	3,580,085
		5,348,542	4,189,243
Unsecured, considered doubtful:			
Others		4,115,067	279,521
Less: Provision for impaired receivables		(4,115,067)	(279,521)
		-	-
		139,027,707	70,734,406

14.1 Maximum aggregate balance due from executives at the end of any month during the year was Rs. 9,513,399 (2002: Rs. 3,467,544)

14.2 Advances to associated companies - unsecured, considered good

WorldCALL Broadband Limited	1,044,072	8,040,285
WorldCALL Multimedia Limited	4,528,892	3,032,075
Pace (Pakistan) Limited	138,338	-
Fast Capital Mutual Fund Limited	4,315,467	1,748,433
Pace Super Mall (Private) Limited	7,067,035	-
	17,093,804	12,823,793

14.2.1 These unsecured advances carry markup @ 14% - 12% per annum (2002: 19% p.a.)

14.2.2 Maximum aggregate balance due from associated companies at the end of any month during the year was Rs. 17,093,804 (2002: Rs. 25,664,140)

	2003 Rupees	2002 Rupees
15 ACCOUNTS RECEIVABLE		
Unsecured Considered good		
Money market receivables	1,663,537	1,808,101
- Clients - unsecured	137,650,403	53,521,552
- Members	21,200,039	7,733,031
- Stock exchange	81,935,672	3,091,637
	240,786,114	64,346,220
Receivable against professional services rendered		
- Associated companies:		
WorldCALL Communications Limited	12,248,720	-
WorldCALL Multimedia Limited	-	6,000,000
- Others	325,000	3,580,803
	12,573,720	9,580,803
Unsecured, considered impaired		
Less: Provision for impaired receivables	20,044,936	13,787,634
	(20,044,936)	(13,787,634)
	-	-
Card sales receivable	13,118,119	-
Receivables against sale of investment property	4,306,500	-
	272,447,990	74,731,123

16 CASH AND BANK BALANCES

Cash in hand	96,783	51,744
Cash at bank-in current accounts-local currency		
in saving accounts-local currency	20,925,329	6,938,233
in saving accounts-foreign currency	33,522,878	74,573,033
foreign bank account-current (Outside Pakistan)	51,757	2,263,848
	54,820	406,439
	84,681,567	84,231,296

17 OBLIGATIONS UNDER FINANCE LEASES

	2003			2002		
	Minimum lease payments	Financial charges for future periods	Principal outstanding	Minimum lease payments	Financial charges for future periods	Principal outstanding
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Not later than one year	6,916,854	1,700,419	5,216,435	2,950,726	232,571	2,718,155
Later than one year and not later than five years	11,348,942	1,203,584	10,145,358	1,795,129	108,455	1,686,674
Total	18,265,796	2,904,003	15,361,793	4,745,855	341,026	4,404,829

Rentals are payable in monthly as well as quarterly installments. The group companies have the right to exercise purchase option at the end of the lease term. Financing rate of 14% to 18.5% (2002: 16% to 26%) per annum has been used as a discounting factor.

18 SHORT TERM FINANCES - SECURED

	Approved Limit	Note	2003	2002
	Rupees		Rupees	Rupees
Prime Commercial Bank Limited	15,000,000	18.1	15,000,000	-
Payable on account of Morabaha facility with Faysal Bank Limited	40,000,000	18.2	40,000,000	-
PICIC Commercial Bank Limited	25,000,000	18.3	1,798,116	-
PICIC Commercial Bank Limited	18,000,000	18.4	-	14,247,836
Obtained in Sri Lanka			13,946,363	1,416,346
			70,744,479	15,664,182

18.1 The parent company has a short term running finance facility of Rs. 15 million (2002: Nil) that carries markup @ 8.5% payable on quarterly basis and is secured against pledge of subsidiary and associated companies' shares.

18.2 The parent company also has obtained a Morabaha facility that carries markup @ 11% and is secured against pledge of shares of associated company and mortgage of three shops at Pace building Lahore.

18.3 FCIL, a subsidiary company, has a running finance facility of Rs. 2.5 million (2002: Nil), carrying mark up @ 8.5 % p.a payable on quarterly basis. This facility is secured against the current assets of the company.

18.4 FCEL, a subsidiary company has obtained a running finance facility of Rs. 18 million secured against shares of listed companies carrying mark up @ 17.5% (2002: 17.5%) per annum under mark up arrangement.

	Note	2003 Rupees	2002 Rupees
19 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Sundry creditors		132,948,131	28,823,302
Payable to associated companies	19.1	15,536,527	18,503,176
Payable against sale of shares on behalf of:			
Clients		70,542,801	10,650,286
Members		267,813	16,165
Associated companies	19.1	47,687,047	20,303,447
Accrued expenses		6,898,915	4,060,231
Tax deducted at source		623,054	751,236
Mark up accrued on short term finances-secured		806,044	372,177
Payable on account of repurchase of listed equity securities	19.2	50,676,990	15,000,000
Other payables		6,009,921	4,030,449
		<u>331,997,243</u>	<u>102,510,469</u>

19.1 Payable to associated companies

WorldCALL Communications Limited	15,428,930	25,019,911
WorldCALL Multimedia Limited	155,081	-
WorldCALL Internet Solutions (Private) Limited	47,392,805	2,000,000
Shaheen Insurance Company Limited	139,160	49,286
Pace (Pakistan) Limited	-	9,664,500
WorldCALL Phonecards Limited	107,597	2,072,926
	<u>63,223,573</u>	<u>38,806,623</u>

19.2 This represents funds obtained from KASE Securities (Private) Limited (2002: Dawood Leasing Company Limited), against repurchase of listed equity securities. It carries interest @9.5% per annum (2002: 16 %).

20 DEFERRED LIABILITY FOR STAFF RETIREMENT GRATUITY

	2003 Rupees	2002 Rupees
Present value of obligation	8,108,183	6,025,939
Unrecognized actuarial gains	400,031	142,416
Liability recognized in balance sheet	<u>8,508,214</u>	<u>6,168,355</u>
Net liability at the beginning of the year	6,168,356	9,991,667
Net expense	4,004,370	1,989,387
Less: Benefits paid/ adjusted	(1,664,511)	(5,812,699)
Net liability at the end of the year	<u>8,508,215</u>	<u>6,168,355</u>

20.1 The amount recognized in the profit and loss account is made up as follows:

Current service cost	3,150,378	2,394,176
Interest cost	744,506	727,275
Transitional gain/(loss) on application of IAS 19	109,486	(1,132,064)
Total	<u>4,004,370</u>	<u>1,989,387</u>
Less: Amount taken in CWIP by Media Times (Pvt) Limited	(1,293,869)	-
Total amount charged to income	<u>2,710,501</u>	<u>1,989,387</u>

21 CONTINGENCIES AND COMMITMENTS

21.1 First Capital Securities Corporation Limited

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

On the basis of these investigations, NAB required the company to pay and / or guarantee to pay on account of WWF a sum of Rs. 46 million. Keeping in view that public funds were involved and based on legal advice that it was the company's vicarious liability, the company has paid NAB an amount of Rs. 13.8 million and has provided adequate security against the balance amount of Rs. 32.2 million. NAB has confirmed to the company that the security will be released to the extent of amounts recovered from the parties involved. The sum of Rs. 13.8 million as discussed above was written off in the accounts for the year ended 30 June 2002 whereas provision has not been made for the sum of Rs. 32.2 million as the management is confident that this amount will be ultimately recovered by NAB. The company remains contingently liable to the extent of Rs. 32.2 million.

- 21.1.2** The Securities and Exchange Commission of Pakistan (SECP) has raised demand of Rs. 0.823 million (2002:Rs. 1.157 million) in respect of tenderable gain under section 224 of the Companies Ordinance, 1984 in respect of purchase and sale of shares of Shaheen Insurance Company Limited, an associated company. The company is contesting this matter and is confident of a favorable outcome.

- 21.1.3** For contingencies relating to tax matters, refer note 27.

21.2 First Capital Equities Limited

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

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

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

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

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

	<u>Note</u>	<u>2003</u> Rupees	<u>2002</u> Rupees
24 OPERATING COSTS			
Salaries, wages and benefits		45,128,482	54,762,143
Rent, rates and taxes		3,715,787	6,868,033
Telephone, fax, etc.		7,964,766	12,723,425
Utilities		3,458,823	4,389,261
Insurance		662,192	1,707,649
Printing and stationery		2,771,805	3,079,516
Traveling and conveyance		2,748,660	3,736,719
Repairs and maintenance		3,327,054	3,261,235
Postage, courier etc.		956,363	1,357,893
Vehicle running expenses		628,738	1,799,663
News papers and periodicals		163,103	180,962
Entertainment		2,022,625	1,936,031
Legal and professional charges		6,319,726	7,363,185
Gratuity		2,710,501	1,989,387
Other office expenses		1,520,239	1,206,845
Advertisement		541,153	3,766,389
Bad debts written off.		-	134,663
Payment to National Accountability Bureau		-	13,800,000
Provision for bad debts		8,300,663	6,990,753
Zakat		6,695	10,161
Stock exchange charges		8,158,464	2,587,970
Fees and subscriptions		278,037	237,976
Auditors' remuneration	24.1	1,497,555	1,250,889
Donations		52,475	28,667
Depreciation		6,575,441	11,067,718
Amortization of deferred and pre-operating expenses		-	3,380,147
Lanka Securities business expenses		13,484,843	10,849,582
Tenderable gain paid		7,715,500	-
Others		-	965,993
		<u>130,709,690</u>	<u>161,432,854</u>

24.1 Auditors' remuneration

	<u>Auditors of holding company</u> Rupees	<u>Auditors of subsidiary companies</u> Rupees	<u>2003</u> Rupees	<u>2002</u> Rupees
Annual audit Fee	250,000	311,855	561,855	516,500
Fee for audit of consolidated accounts	300,000	-	300,000	200,000
Other certifications	415,000	50,000	465,000	408,240
Out of pocket expenses	149,700	21,000	170,700	126,149
	<u>1,114,700</u>	<u>382,855</u>	<u>1,497,555</u>	<u>1,250,889</u>

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

	<u>2003</u>	<u>2002</u>
	Rupees	Rupees
25 OTHER INCOME		
Interest income	5,649,218	4,862,794
Dividend Income	14,110,062	-
Mark up on advances given to associated companies	4,182,708	15,405,124
Exchange loss	(145,748)	(87,783)
Gain on investments	-	753,407
Provisions for bad debts written back	2,107,449	5,599,145
Service charges	2,460,000	1,200,000
Gain on fixed assets disposed off	3,115,311	561,819
Commission received	301,111	398,215
Others	1,645,387	649,680
	<u>33,425,498</u>	<u>29,342,401</u>

26 FINANCIAL CHARGES

Markup on short term running finances	630,994	1,979,106
Markup on borrowings from associated companies	601,606	3,150,857
Mark up on repurchase agreement	2,182,949	-
Mark up on Morabaha finance	1,920,809	-
Finance charge on leased assets	356,719	3,011,920
Bank charges and commission	564,068	836,922
	<u>6,257,145</u>	<u>8,978,805</u>

27 PROVISION FOR TAXATION

	First Capital Securities Corporation Limited Rupees	First Capital Associates (Pvt.) Limited Rupees	First Capital Investments (Pvt.) Limited Rupees	First Capital Equities Limited Rupees	2003 Rupees	2002 Rupees
This is made up as follows						
Current	1,319,607	1,010	13,371	1,760,406	3,094,394	4,303,313
Prior years'	-	-	-	242,249	242,249	-
Deferred	-	(263,742)	(1,667,910)	940,165	(991,487)	-
	<u>1,319,607</u>	<u>(262,732)</u>	<u>(1,654,539)</u>	<u>2,942,820</u>	<u>2,345,156</u>	<u>4,303,313</u>

Relationship between tax expense and accounting profit

	First Capital Securities Corporation Limited Rupees	First Capital Associates (Pvt.) Limited Rupees	First Capital Investments (Pvt.) Limited Rupees	First Capital Equities Limited Rupees	2003 Rupees	2002 Rupees
Accounting profit / (loss) before taxation	166,866,373	(131,610)	327,783	48,320,038	215,382,584	98,498,535
Tax Rate	35 %	43 %	43 %	35 %	35 %	35 - 45 %
Tax on accounting profits / (losses)	58,403,230	(56,592)	140,947	16,912,012	75,399,597	34,306,461
Tax effect of admissible expenses	(949,050)	(46,060)	(40,514)	(9,503,863)	(10,539,487)	(2,498,929)
Tax effect of inadmissible expenses	2,933,749	43,593	69,069	-	3,046,411	3,618,646
Tax effect of income exempt from tax	(58,107,039)	(24,828)	-	-	(58,131,867)	(34,362,155)
Tax effect of lower tax rates on certain income	(961,283)	(3,696)	-	-	(964,979)	-
Tax effect of unused tax credits / (losses)	-	(194,964)	(1,800,183)	(5,647,743)	(7,642,890)	(7,368,246)
	<u>1,319,607</u>	<u>(282,547)</u>	<u>(1,630,681)</u>	<u>1,760,406</u>	<u>1,166,785</u>	<u>(6,304,223)</u>
Minimum tax and tax on dividend etc.	1,319,607	1,010	13,371	1,760,406	3,094,394	4,303,313

The parent company's assessments have been finalized up to the assessment year 2002-2003. The tax authorities re-opened assessment for the assessment year 1995-1996 under section 66-A of the Income Tax Ordinance, 1979 and assessed a tax demand of Rs.4.6 million by allocating expenditure against capital gains exempt from tax. The company's appeal in Income Tax Appellate Tribunal ("ITAT") was rejected and as a result an additional tax demand of Rs.1.1 million, being the additional tax u/s 89, was created. Company has appealed to the High Court against the ITAT decision on this issue.

Based on the ITAT decision for the assessment year 1995-1996, the tax authorities re-opened proceedings for assessment year 1996-1997 and created a tax demand of Rs. 8.3 million which is set aside by the CIT (Appeals). Subsequently based on previous years, tax authorities also re-opened the assessment year 1997-1998 and 1998-1999 and raised a tax demand of Rs 18.5 million against which the parent company has filed an appeal in ("ITAT"). Based on reopening u/s 66 A, DCIT also assessed the assessment year 1999-2000 to 2002-2003 by allocating expenses to capital gains. The parent company has filed appeals in CIT (Appeals) against these orders. Provision has not been made in the accounts for these tax demands. The management is hopeful of favorable outcomes of its appeals.

The parent company is also contesting in ITAT for tax of Rs.5.1 million recovered by tax authorities against gain on sale of KSE and LSE memberships by the company during the assessment year 1997-1998. Provision has not been made against this liability.

As at 30 June 2003, deferred tax asset has not been recorded in view of uncertainty about the availability of taxable profits in foreseeable future against which such losses could be utilized.

28 CASH AND CASH EQUIVALENTS	2003	2002
	Rupees	Rupees
These are made up as follows:		
Cash in hand	96,783	51,744
Bank balances	54,554,784	84,201,552
Short term finances	<u>(30,744,479)</u>	<u>(15,664,182)</u>
	<u>23,907,088</u>	<u>68,589,114</u>

29 TRANSACTIONS WITH RELATED PARTIES

The related parties comprise, directors and key management personnel and associated companies. The nature of relationship with associated companies is explained in note 8. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	2003	2002
	Rupees	Rupees
Brokerage income	456,360	2,162,667
Sale	315,474,565	197,831,206
Purchase	258,152,750	173,568,085
Payments for / against current accounts	147,909,497	69,710,442
Investment in associated undertakings	215,305,513	-
Consultancy fees charged	12,248,720	6,000,000
Advance for shops	-	2,904,755
Mark up income	4,779,233	-
Mark up charged	596,525	11,517,873
Fixed assets sold	764,672	-
Advance for issue of shares	-	6,380,000
Group pool expenses	1,542,801	2,872,450
Dividend from associated companies	5,016,453	20,146,745
Investment advisory fees received	1,616,618	1,753,250
Investment advisory fee charged	1,905,571	1,713,769
Contribution to staff retirement gratuity	828,655	452,673
Commission paid	456,360	404,120
Insurance premium	191,443	437,713
Service charges paid to associated companies	2,057,710	-
Sale of shares to Suleman Ahmad Said Al Huqqani, a director, at negotiated average price of Rs. 8.7 per share of FCEL	-	20,880,000

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

	<u>2003</u> Rupees	<u>2002</u> Rupees
30 EARNINGS PER SHARE		
Basic		
Net profit for the year - Rupees	<u>165,679,643</u>	<u>64,180,616</u>
Average ordinary shares outstanding - Numbers	<u>33,994,620</u>	<u>33,994,620</u>
Earnings per share- Rupees	<u>4.87</u>	<u>1.89</u>

Diluted

The parent company has issued 6,798,924 further shares after the year end, and, as mentioned in note 16.2, as a result, increasing the share capital of the parent company to 40,793,540 shares, resulting in dilution of earnings per share, calculated as follows:

Net profit for the year - Rupees	<u>165,679,643</u>	<u>64,180,616</u>
Average ordinary shares in issue - Numbers	<u>40,793,544</u>	<u>40,793,544</u>
Earnings per share - Diluted - Rupees	<u>4.11</u>	<u>1.57</u>

The comparative figures for earnings per share have been restated for the effect of this bonus issue.

31 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

31.1 INTEREST RATE RISK EXPOSURE

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

	2003				
	Interest bearing			Non interest bearing	Total
	Less than one month	One month to one year	One year and above		
Rupees	Rupees	Rupees	Rupees	Rupees	
Financial Assets					
Long term deposits	-	-	-	7,893,120	7,893,120
Marketable securities	-	-	-	122,234,220	122,234,220
Advances, deposits and other receivables	-	-	-	67,213,699	67,213,699
Accounts receivables	-	-	-	260,199,270	260,199,270
Cash and bank balances	33,574,635	-	-	21,076,932	54,651,567
	<u>33,574,635</u>	<u>-</u>	<u>-</u>	<u>478,617,241</u>	<u>512,191,876</u>
Financial Liabilities					
Obligations under finance leases	-	5,207,435	10,145,358	-	15,352,793
Short term borrowings	-	70,744,479	-	-	70,744,479
Creditors, accrued and other liabilities	7,521,969	128,303,570	-	132,948,131	268,773,670
Unclaimed dividend	-	-	-	13,345,566	13,345,566
Deferred liability for staff retirement gratuity	-	-	-	8,508,214	8,508,214
Dividend payable	-	-	-	-	-
	<u>7,521,969</u>	<u>204,255,484</u>	<u>10,145,358</u>	<u>154,801,911</u>	<u>376,724,722</u>
On balance sheet Gap	<u>26,052,666</u>	<u>(204,255,484)</u>	<u>(10,145,358)</u>	<u>323,815,330</u>	<u>135,467,154</u>

	2002				
	Interest bearing			Non interest bearing	Total
	Less than one year	Less than one year	One year and above		
Rupees	Rupees	Rupees	Rupees	Rupees	
Financial Assets					
Long term deposits	-	-	-	6,093,999	6,093,999
Marketable securities	-	-	-	161,537,100	161,537,100
Advance for purchase of shops	-	-	-	57,684,000	57,684,000
Advances, deposits and other receivables	-	11,074,360	-	23,812,733	34,887,093
Accounts receivables	-	-	-	74,735,123	74,735,123
Cash and bank balances	76,888,624	-	-	7,364,672	84,253,296
	<u>76,888,624</u>	<u>11,074,360</u>	<u>-</u>	<u>331,227,627</u>	<u>419,190,611</u>
Financial Liabilities					
Obligations under finance leases	-	2,364,452	1,075,581	964,796	4,404,829
Short term running finances	-	14,247,836	-	1,416,346	15,664,182
Creditors, accrued and other liabilities	-	43,821,747	-	58,688,722	102,510,469
Unclaimed dividend	-	-	-	13,497,072	13,497,072
Dividend payable	-	-	-	-	-
	<u>-</u>	<u>60,434,035</u>	<u>1,075,581</u>	<u>74,566,936</u>	<u>136,076,552</u>
On balance sheet Gap	<u>76,888,624</u>	<u>(49,359,675)</u>	<u>(1,075,581)</u>	<u>256,660,691</u>	<u>283,114,059</u>

	2003	2002
Effective interest rates:	%	%
Advances to associated companies	14-19	19
Cash and bank balances	1-7	3.5-12
Obligations under finance leases	16-18.5	16-26
Short term running finances	8.5-17.5	16-17.5
Advances from associated companies	14-18.5	19

31.2 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

31.3 FAIR VALUE OF FINANCIAL STATEMENTS

Carrying value of all financial instruments reflected in the financial statements approximate their fair values except for investments in associates, Refer note 8.

32 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

	Chief Executive		Directors		Executives	
	2003	2002	2003	2002	2003	2002
Total Number	1	1	16	6	48	83
Managerial remuneration	680,000	-	1,478,000	1,752,000	12,485,391	17,650,520
Medical expenses	115,354	-	154,334	178,839	749,222	1,079,175
Utilities	880,585	747,918	147,800	175,200	479,852	963,988
House rent	272,000	-	591,200	-	1,919,409	-
Others	-	-	336,000	935,358	9,099,991	6,165,226
	1,947,939	747,918	2,707,334	3,041,397	24,733,865	25,858,909

The parent company and its subsidiaries also provide the Chief Executive, Directors and certain Executive with company maintained cars. No fees were paid to directors for attending the board and audit committee meetings.

33 NUMBER OF EMPLOYEES

The total number of employees at the year end was 324 (2002: 245)

34 GENERAL

- Figures have been rounded off to the nearest rupee.

- Corresponding figures have been rearranged wherever necessary for the purposes of comparison.

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR