

First Capital Securities Corporation Limited
Company Information

Board of Directors

Salmaan Taseer	Chairman & Chief Executive Officer
Lt. Gen. (R) Humayun Khan Bangash	
Muhammad Ashraf Ali	
Sulieman Ahmed Said Al-Hoqani	
Sardar Ali Wattoo	
Fazeel Asif Jah	
Tariq Malik	

Chief Financial Officer

Sardar Ali Wattoo

Audit Committee

Lt. Gen. (R) Humayun Khan Bangash	Chairman
Sardar Ali Wattoo	Member
Fazeel Asif Jah	Member

Company Secretary

Syed Kashan Kazmi

Auditors

Taseer Hadi Khalid & Co.
Chartered Accountants

Legal Advisers

Rehman Saleem & Tarar
Advocates

Bankers

Standard Chartered Bank
Prime Commercial Bank Limited
Faysal Bank Limited
Muslim Commercial Bank Limited
PICIC Commercial Bank Limited
Bank of Khyber
Saudi Pak Commercial Bank Limited

Custodian

Prime Commercial Bank Limited

Registrar and Shares Transfer Office

THK Associates (Pvt.) Limited
Ground Floor
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi
Tel (021) 5689021

Registered Office/Head Office

103-C/II, Gulberg-III
Lahore, Pakistan
Tel (042) 5757591-4
Fax: (042) 5757590, 5877920

CHAIRMAN'S REVIEW

It gives me immense pleasure to present the annual review of First Capital Securities Corporation Limited ("FCSC" or "the Company") for the year ending June 30, 2003.

FCSC's decision to diversify its investments over the past few years in media and telecom sectors has proven to be sound and now the Company has started getting returns. The steps being taken by the government with regards to the deregulation in the telecom sector and new initiatives being launched can be viewed as quite positive for our businesses. With the announcement of the new Telecom policy in July 2003, FCSC's telecom businesses are poised for rapid expansion. The Group will acquire various licenses and leverage its existing position to offer a whole new range of basic and value-added telecom services.

FCSC's business showed tremendous improvement during the year with regards to income from consultancy services. It also ventured into a new business and earned income through sale and rental of investment property. The Company also got a major portion of its earnings owing to the encouraging performance of its subsidiaries and associated companies.

Financial Businesses

Equity Brokerage business companies performed well and secured handsome gains in Pakistan as well as Sri Lanka.

Improvements in Pakistan's economy mainly due to declining interest and inflation rates, achievement of fiscal targets, increasing foreign exchange reserves, improvement in balance of trade & payments and government reforms led to a strong performance of the stock market. The Karachi Stock Exchange was once again one of the best performing markets globally. **First Capital Equities Limited** recorded a substantial increase in its brokerage income from Rs. 45.7 million last year to Rs. 89.3 million in the current year. The net profit also showed a major increase to Rs. 45.4 million over last periods' profit of Rs. 5.3 million. The EPS of the company rose from Rs. 0.44 last year to Rs. 3.78 in the current year.

Lanka Securities (Pvt.) Ltd. showed an improved performance with profits of SLR 25.6 million, an increase of 42% over last year's profit of SLR 18.1 million. The Colombo Stock Exchange (CSE) achieved some significant milestones during the year in terms of market turnover and the All Share Index. The CSE is now planning to introduce a new Debt Securities Trading System and both retail & institutional investors are showing interest in the market. These trends all point to a healthy future for Lanka Securities Ltd.

First Capital Associates (Pvt.) Limited (FCAL) and First Capital Investment Limited (FCIL) also showed improved results over the previous year. FCAL recorded profit of Rs. 0.13 million versus a loss of Rs. 0.51 million last year. FCIL posted an after-tax profit of Rs. 0.496 million as compared to a loss of Rs. 1.182 million in the corresponding period last year.

Due to the untiring efforts of the management and employees, **Pace Pakistan Limited**, the departmental store business of FCSC, is showing signs of improvement. The licensee fees for the current year were Rs. 22.2 million as compared to Rs. 9.2 million last year. This improved performance along with the

incorporation of deferred tax asset on carried forward losses led to a profit after tax of Rs. 134.8 million.

As a result of effective planning and measures, the real estate value of Pace, its revenue streams, customer traffic and goodwill have been enhanced and the company hopes this will aid in its future plans of development and sale of real estate projects.

Telecom Businesses

WorldCALL Communications Limited (“WCL”), the flagship telecom company posted a net profit of Rs. 213.4 million, up by 26%, amidst increasing competition in the industry. The installed base of the company grew by a substantial 8,174 units to 29,159 payphones, further cementing its leading position in the industry. WCL’s aggressive expansion strategy is in line with the shift of the industry from per payphone to overall revenues.

WorldCALL Phonecards Limited (“WPL”) has established itself as a significant player in the market after the giant PTCL. Increase in sales by 35% and effective management strategies have resulted in an after tax profit figure of Rs. 32.6 million for WPL. WCL has acquired the entire shareholding of WPL from FCSC and now holds 100% of the paid-up capital. Subsequent to the year-end, the scheme of arrangement for the merger of the two companies was approved by their shareholders and sanctioned by the Lahore High Court.

WorldCALL Multimedia Limited (“WML”) recorded revenues of Rs. 165.9 million, showing a significant growth over the previous seven months revenue. The huge infrastructure cost, its related depreciation and ban on Indian channels resulted in an after-tax loss of Rs. 39.8 million. It is encouraging to note however, that the net cash inflow from operations this year was Rs 19.9 million. During the year, WCL acquired 99.93% of WML’s equity through the issuance of its shares to the shareholders of WorldCALL Multimedia Ltd. WML’s wholly owned subsidiary, WorldCALL Dot Com, has been merged with the company as approved by the shareholders and sanctioned by the Lahore High Court.

WorldCALL Broadband Limited (“WBL”) has started offering its Cable TV and Internet over Cable services in areas of Defence and Clifton where its network has been laid. The total project comprises of 200,000 house passes and will cover parts of DHA, Clifton, I. I. Chundrigar Road, Saddar, Garden, Sharah-e-Faisal, PECHS, SMCHS, MACHS, Bahadurabad, KDA and surrounding areas. WBL’s network was inaugurated by the Minister of IT&T in June 2003 and will be the largest, most technologically advanced network of its kind in Pakistan.

WorldCALL is gearing itself to take advantage of the post deregulation scenario by investing in infrastructure and convergent technologies and consolidating its businesses under one banner to attain synergies and efficiencies. After getting the requisite licenses and approvals, the existing HFC networks of WBL & WML can easily offer VoIP / telephony services and any extensions thereof, contributing significantly to additional revenue streams. WorldCALL is strongly positioned with a nationwide presence of its network and distribution, in-depth knowledge of PTCL’s network and control over a significant amount of traffic through its existing services. This traffic can be routed onto WorldCALL’s own network, post deregulation, giving the company a strategic edge over the competition.

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

I would like to conclude by acknowledging the hard work and dedication of all the employees of our group who are the catalysts of our growth.

Salmaan Taseer
Chairman

DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors of First Capital Securities Corporation Limited (the "Company" or "FCSC") are pleased to present before the shareholders the tenth annual report together with the Company's audited accounts for the year ended 30 June 2003.

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

Operating Results

The operating results of the Company are summarized as follows:

	2003	2002
	Rupees	Rupees
Operating revenue	41,699,306	47,827,253
Operating expenses	41,899,094	51,673,409
Operating loss	(199,788)	(3,846,156)
Other revenues	5,582,383	13,317,560
Financial charges	(5,016,779)	(2,665,581)
	<u>365,816</u>	<u>6,805,823</u>
Share in profit of associated and subsidiary companies	93,368,624	44,339,174
Unrealized gain on fair value adjustment of investment property	10,603,152	-
Unrealized gain/(loss) on re-measurement of marketable securities	62,528,780	43,551,235
Profit before taxation	166,866,372	94,696,232
Taxation	(1,319,607)	(3,543,721)
Profit after taxation	<u>165,546,765</u>	<u>91,152,511</u>
Interim bonus (20%)	67,989,240	-
Final bonus (15%)	61,190,320	-
Reserve for issue of bonus shares	<u>129,179,560</u>	<u>-</u>

In the year under review, your Company has posted an after tax profit of Rs.165 million against Rs.91 million for the same period last year. This year Consultancy business of the company has performed well and consultancy has reached to Rs.12.2 million which is 170% higher than last year. Money market brokerage desk was unable to post any growth in its business but maintained its previous. During the year, the Company entered in real estate business which has opened new venues of rental income and capital gain from investment property and company earned significant revenues from this business. The year under review also witnessed sizeable income for the company from its associated and subsidiaries companies.

The auditors have this year again qualified their report in relation to the matter with NAB as explained fully in note 31.1 of the annexed accounts. Based on recent developments with the NAB has in principal agreed to continue with the status quo and the management remains confident that the remaining amounts will be recovered from the parties involved, and hence no provision is required.

Future outlook

Currently, there is a boom in the real estate market and FCSC hopes to take advantage of this business, resulting in increase in its revenues from the sale & rental income of investment property. The capital markets in both Pakistan and Sri Lanka are performing well. This is a positive sign for the brokerage business of First Capital Equities Limited and Lanka Securities (Pvt.) Limited. These companies have performed exceptionally well in the current financial year and the management is hopeful that this trend will continue in the future. With the deregulation of the telecom sector, many opportunities will open up for providing new and innovative services that lead to higher profitability. FCSC's investment in this sector is poised to benefit from the current environment and result in further gains for its shareholders.

Payout for Shareholders

The Company announced final bonus shares in the proportion of 1.5 shares for each 10 shares held i.e. 15%. This was in addition to 20% interim bonus shares which have already announced by the Company in July 2003, thus making a total bonus issue of 35%, fully paid ordinary shares, during the year.

Earnings per share

Earnings per share for the year ended 30 June 2003 was Rs.4.87 (revised Rs.4.06) compared to Rs. 2.68 last year.

Changes in the Directors

Since the last report, there have been changes in the composition of the Board. During the period, election of Directors was held on 26 September 2003. All the candidates who filed their nominations to be elected as director of the Company were re-elected unopposed as director. Subsequent to the year-end Mr. Mumtaz H Syed resigned from the Board of Directors and Mr. Tariq Malik was appointed to fill the casual vacancy.

The term of office of present Board will expire on 26 September 2006.

Code of Corporate Governance

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

1. The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
2. Proper books of account of the Company have been maintained.

3. Appropriate accounting policies have been consistently applied in preparation of the financial statements.
4. International Accounting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departure therefrom has been adequately disclosed.
5. The system of internal control is sound in design and effectively monitored.
6. There are no significant doubts upon the Company's ability to continue as a going concern.
7. The Company has followed the best practices of corporate governance, as detailed in the listing regulations of KSE, wherever possible and is in the process of complying with all the remaining regulations.
8. Seven years company performance is given in annexure-II.
9. There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding and have not been disclosed in annexed accounts.

Board Meetings

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

Name of Directors	Number of Board Meetings Attended
Mr. Salmaan Taseer (Chairman & Chief Executive)	6
Mr. Humayun Khan Bangash	7
Mr. Mumtaz H Syed	7
Mr. Muhammad Ashraf Ali (Nominee Director of Faysal Bank)	7
Mr. Sulieman Ahmad Said Al-Hoqani	-
Mr. Sardar Ali Wattoo	7
Mr. Fazeel Asif Jah	7

Leave was granted to the members of Board who were unable to attend the meeting. No attendance fee/ allowance is paid to any director for attending the meeting.

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

Audit Committee

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

Lt. Gen. (R) Humayun Khan Bangash	Chairman
Mumtaz H Syed	Member
Fazeel Asif Jah	Member

Key Financial Indicators

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

Auditors

The retiring auditors Taseer Hadi Khalid & Co., Chartered Accountants, have expressed their willingness to continue in office and being eligible, the board has recommended that they may be re-appointed.

Chairman's Review

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

Pattern of Shareholding

The pattern of shareholding as required under the section 236 of the Companies Ordinance, 1984 is enclosed.

Consolidated Financial Statements

Consolidated financial statements of the Company and accounts of subsidiaries are annexed.

Acknowledgement

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

For and on behalf of the Board of Directors

Salmaan Taseer
(Chief Executive Officer)

Lahore
October 8, 2003

Statement of Compliance with the Code of Corporate Governance

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

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

- 1) The board of directors comprise of seven directors. The Company encourages representation of independent non-executive directors on its board. At present the board includes at least 2 independent non-executive directors.
- 2) The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
- 3) All the resident directors of the Company are registered as taxpayers and none of them was convicted by a court of competent jurisdiction as a defaulter in payment of any loan to a banking company, a DFI or an NBF. No one is a member of Stock Exchange.
- 4) There had been no casual vacancy occurring on the board during the year ending 30 June 2003 except that subsequent to the year-end, Mr. Mumtaz H Syed resigned on October 08, 2003 and Mr. Tariq Malik was appointed as Director on the Board of Directors of the Company. This casual vacancy was filled in 30 days. Subsequent to the year-end election of directors was held on 26 September 2003 and all the existing directors were re-elected as Company's directors for a period of three years.
- 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 the CEO and CFO before approval of the Board.
- 13) The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
- 14) The Company has complied with all the corporate and financial reporting requirements of the Code.
- 15) The Board has formed an audit committee. At present the committee includes two non executive directors including the chairman and one executive director.
- 16) The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
- 17) The Board has set-up an effective internal audit function having suitable qualified and experienced personnel who are conversant with the policies and procedures of the Company.
- 18) The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
- 19) The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
- 20) We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of Board of Directors

Salmaan Taseer
(Chief Executive Officer)

Lahore
08 October 2003

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

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

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

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

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 effective as at 30 June 2003.

Islamabad
08 October 2003

TASEER HADI KHALID & CO.
CHARTERED ACCOUNTANTS

Auditors' Report to the Members

We have audited the annexed balance sheet of **First Capital Securities Corporation Limited** as at 30 June 2003 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, except for the matter referred to in paragraph (a) below, 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.

Except as discussed in paragraph (a) below, 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) As explained in note 31.1, the company is exposed to the extent of Rs.32.2 million in respect of transactions carried out on account of workers Welfare Fund. In the absence of complete information, we are not in a position to ascertain the extent of provision required at the year-end against this exposure.
- b) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- c) 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;
- d) except for the effect of such adjustments, if any, as might have been determined to be necessary if all information in relation to the matter given in para (a) above was available, 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 2003 and of the profit, its cash flows and changes in equity for the year then ended; and
- e) in our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Islamabad:

**Taseer Hadi Khalid & Co.
Chartered Accountants**

**FIRST CAPITAL SECURITIES CORPORATION LIMITED.
PATTERN OF SHAREHOLDING AS PER LISTING REGULATIONS
AS AT 30 JUNE 2003**

<u>Shareholders' Category</u>	Number of Shares held
Associated Companies, undertaking and related parties	
First Capital Mutual Fund Limited	52,500
WorldCALL Communications Limited	537,800
NIT and ICP	
Investment Corporation of Pakistan	18,608
National Bank of Pakistan, Trustee Deptt	876,150
Directors, CEO and their Spouses and Minor Children	
Salmaan Taseer (CEO/Director)	100,037
Aamna Taseer W/o Salmaan Taseer	175,230
Humayun Khan Bangash (Director)	590
Shahina Humayun W/o Humayun Khan Bangash	36,540
Mumtaz H Syed (Director)	708
Sulieman Ahmad Said Al-Hoqani (Director)	13,660,400
Muhammad Ashraf Ali (Nominee Director of Faysal Bank Limited)	-
Sardar Ali Wattoo (Director)	708
Fazeel Asif Jah (Director)	500
Executives	
Kamil Aziz	874
Public Sector Companies and Corporations:	166,029
Banks Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas & Mutual Funds etc.	19,523
Shareholders holding 10% or more voting interest in the Company	
Amythest Limited	13,305,885
Sulieman Ahmad Said Al-Hoqani	13,660,400

FIRST CAPITAL SECURITIES CORPORATION LIMITED
PATTERN OF SHAREHOLDING
AS AT 30 JUNE 2003

INCORPORATION NUMBER: L-07023 OF 1993-94

No. of Shareholders	Share holdings		Total Shares Held
	From	To	
289	1	- 100	16,565
790	101	- 500	205,714
861	501	- 1000	723,387
191	1001	- 5000	400,316
37	5001	- 10000	262,765
13	10001	- 15000	153,893
8	15001	- 20000	139,942
2	20001	- 25000	47,138
1	25001	- 30000	26,283
4	30001	- 35000	126,629
4	35001	- 40000	144,451
1	50001	- 55000	52,500
1	55001	- 60000	60,000
1	65001	- 70000	69,564
2	80001	- 85000	165,105
1	85001	- 90000	87,615
1	105001	- 110000	109,516
1	110001	- 115000	114,669
1	120001	- 125000	123,987
1	165001	- 170000	167,500
1	175001	- 180000	175,230
1	470001	- 475000	472,000
1	535001	- 540000	537,800
1	875001	- 880000	876,150
1	910001	- 915000	910,074
1	945001	- 950000	949,994
1	1960001	- 1965000	1,962,116
1	2030001	- 2035000	2,030,068
1	3355001	- 3360000	3,357,764
1	6215001	- 6220000	6,220,000
1	13305001	- 13310000	13,305,885
2221			33,994,620

Categories of Shareholders	Shares held	Percentage
Directors, Chief Executive Officer, and their spouse and minor children	13,974,713	41.109
Associated Companies, undertakings and related parties.	590,300	1.736
NIT and ICP	894,758	2.632
Banks, Development Financial Institutions, Non Banking Financial Institutions	13,046	0.038
Modarabas and Mutual Funds	6,477	0.019
Share holders holding 10% or more	26,966,285	79.325
General Public		
a) Local	4,567,908	13.437
b) Foreign	27,441,789	80.724
Others:		
- Joint Stock Companies	166,029	0.488

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