

	<u>Note</u>	<u>2003</u>	<u>2002</u>
		Rupees	Rupees
8. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advance to employees for expenses-unsecured considered good			
- Executives		24,906	881,222
- Employees	8.1	191,263	246,172
Advance income tax		24,159,383	21,478,523
Deposits against leased assets		28,700	251,550
Due from subsidiary and associated companies-unsecured considered good			
- First Capital Associates (Private) Limited		8,812,439	9,859,428
- WorldCALL Multimedia Limited	8.2	4,528,892	-
- WorldCALL Dot Com (Private) Limited	8.2	-	3,032,075
- WorldCALL Broadband Limited	8.2	1,044,072	8,042,285
- First Capital Equities Limited		574,901	-
- Pace (Pakistan) Limited	8.2	138,338	-
- Pace Super Mall (Private) Ltd.	8.2	7,067,035	-
		22,165,677	20,933,788
Prepayments		332,957	303,289
Other receivables:			
- Dividend		1,250	1,111,058
- Others unsecured		895,627	937,231
		47,799,763	46,142,833
Less: Provision for impaired receivables		(4,115,067)	(2,605,321)
		<u>43,684,696</u>	<u>43,537,512</u>

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

8.2 These unsecured advances carry mark up @ 14-18% per annum (2002:19%)

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

	<u>Note</u>	<u>2003</u>	<u>2002</u>
		Rupees	Rupees
Associated companies		7,831,431	8,395,005
Subsidiary companies (wholly owned)		9,943,439	11,063,916
Subsidiary companies -others		574,901	158,058
Executives		133,076	1,119,433

9. ACCOUNTS RECEIVABLE

Unsecured, Considered good

Money market receivables		1,663,537	1,808,101
Receivable against purchase of shares			
Clients		3,949,350	5,949,350
First Capital Equities Limited- a subsidiary company		24,612,008	12,394,802
		28,561,358	18,344,152
Receivable against disposal of investment property		4,306,500	-
Receivable against professional services rendered			
- Subsidiary / associated companies			
WorldCALL Communications Limited		12,248,720	-
WorldCALL Multimedia Limited		-	6,000,000
Others		-	2,255,802
		12,248,720	8,255,802

Unsecured, considered impaired

Others		20,044,936	15,787,634
Less: Provision for impaired debts		(20,044,936)	(15,787,634)
		-	-
		<u>46,780,115</u>	<u>28,408,055</u>

	<u>2003</u>	<u>2002</u>
	Rupees	Rupees
10. CASH AND BANK BALANCES		
At bank:		
- Current accounts - Local currency	18,619,278	6,688,532
- PLS accounts - Local currency	6,161,660	19,940,223
- Saving accounts - Foreign currency	47,997	49,832
- Foreign Bank accounts-current (Outside Pakistan)	54,820	63,030
	24,883,755	26,741,617
Cash in hand	6,077	12,549
	<u>24,889,832</u>	<u>26,754,166</u>

11. OBLIGATIONS UNDER FINANCE LEASES

	<u>2003</u>			<u>2002</u>		
	<u>Minimum lease payments</u>	<u>Finance charge for future periods</u>	<u>Principal outstanding</u>	<u>Minimum lease payments</u>	<u>Finance charge for future periods</u>	<u>Principal outstanding</u>
	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)	(Rs.)
Not later than one year	819,264	170,710	648,554	1,012,594	157,363	855,231
Later than one year and not later than five years	1,239,438	84,792	1,154,646	1,141,818	108,082	1,033,736
	<u>2,058,702</u>	<u>255,502</u>	<u>1,803,200</u>	<u>2,154,412</u>	<u>265,445</u>	<u>1,888,967</u>

Rentals are payable in monthly as well as quarterly installments. The company has the right to exercise purchase option at the end of the lease term. Financing rate of 14% to 18% per annum has been used as a discounting factor.

	<u>Approved Limit</u>	<u>Note</u>	<u>2003</u>	<u>2002</u>
	Rupees		Rupees	Rupees
12. SHORT TERM BORROWINGS - SECURED				
Prime Commercial Bank Limited	15,000,000	12.1	15,000,000	-
Payable on account of Morabaha facility with Faysal Bank Ltd.	40,000,000	12.2	40,000,000	-
	<u>55,000,000</u>		<u>55,000,000</u>	<u>-</u>
12.1	The running finance facility carries markup @ 8.5% per annum payable on quarterly basis and is secured against pledge of shares of subsidiary and associated companies.			
12.2	Morabaha facility carries markup @ 11% per annum and is secured against pledge of shares of associated company and mortgage of three shops at Pace building Lahore.			

	<u>Note</u>	<u>2003</u> <u>Rupees</u>	<u>2002</u> <u>Rupees</u>
13. CREDITORS, ACCRUED AND OTHER LIABILITIES			
Due to associated companies			
- WorldCALL Communications Limited (Formerly WorldCALL Payphones Limited)	13.1	15,428,930	17,084,321
		-	-
		-	-
- WorldCALL Phonecards Limited	13.1	107,597	1,418,855
		15,536,527	18,503,176
Security deposits		1,375,781	
Bills payable		602,318	478,289
Payable on account of repurchase of listed equity securities	13.2	50,676,990	15,000,000
Provision for compensated absences		307,141	270,623
Accrued liabilities		954,579	1,585,432
Mark up accrued on short term borrowings-secured		806,044	47,202
Withholding tax		130,334	198,181
Other liabilities		1,045,522	20,000
		71,435,236	36,102,903

13.1 These are unsecured and carry interest at rates ranging from 14% to 18% per annum (2002:18%)

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

	<u>Note</u>	<u>2003</u> <u>Rupees</u>	<u>2002</u> <u>Rupees</u>
14. TAXATION			
Opening balance		7,928,925	4,385,204
Provided during the year			
Current	14.1	1,319,607	3,060,025
Prior years'		-	483,696
		1,319,607	3,543,721
Closing Balance		9,248,532	7,928,925

14.1 Reconciliation of tax charge for the year

Accounting profit before taxation		166,866,372	94,696,232
Tax rate		35%	35%
Tax on accounting profit		58,403,230	33,143,681
Tax effect of expenses that are admissible		(949,050)	(2,403,113)
Tax effect of expenses that are not admissible		2,933,749	3,268,978
Tax effect of exempt income		(58,107,039)	(34,384,656)
Tax effect of lower tax rate on certain income		(961,283)	(5,711,006)
		1,319,607	(6,086,116)
Provision for current taxation (2002: Minimum tax and tax on dividends etc)		1,319,607	3,060,025

The Company's tax assessments have been finalized up to the assessment year 2002-2003. The tax authorities re-opened the assessment for 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 the 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 under section 89, was created. Company has appealed to the High Court against the ITAT decision on this issue.

Based on the ITAT decision for the assessment year 1995-1996, the tax authorities re-opened the proceedings for assessment year 1996-1997 which is set aside by the CIT (Appeals). Subsequently, based on previous years, tax authorities also reopened the assessment year 1997-1998 & 1998-1999 and raised a tax demand of Rs. 18.5 million against which the Company has filed appeal in ("ITAT"). Based on reopening u/s 66-A, DCIT also assessed the assessment years 1999-2000 to 2002-2003 by allocating expenses to capital gain. The Company has filed appeals in CIT

(Appeals) against these orders. Provision has not been made in the accounts for these tax demands. The management is hopeful of favorable outcomes of its appeals.

The 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 the foreseeable future against which such losses could be utilized

15. DEFERRED LIABILITY FOR STAFF RETIREMENT GRATUITY

	<u>2003</u>	<u>2002</u>
	Rupees	Rupees
The amounts recognized in the balance sheet are as follows:		
Present value of obligation	1,925,745	1,608,058
Unrecognized actuarial gain	183,197	76,215
Liability recognized in the balance sheet	<u>2,108,942</u>	<u>1,684,273</u>
Net liability at the beginning of the year	1,684,273	4,098,040
Net expense	828,655	452,673
	-	-
Benefits paid during the year	<u>(403,986)</u>	<u>(2,866,440)</u>
	<u>2,108,942</u>	<u>1,684,273</u>
The amounts recognized in the profit and loss account is made up as follows:		
Current Services Cost	651,769	905,760
Interest Cost	176,886	361,212
Transitional gain on the application of IAS-19	-	(814,299)
Total amount charged to profit and loss account.	<u>828,655</u>	<u>452,673</u>

16. SHARE CAPITAL

<u>2003</u>	<u>2002</u>		<u>2003</u>	<u>2002</u>
<u>19,400,000</u>	#####	Ordinary shares of Rs. 10/- each fully paid in cash	<u>194,000,000</u>	194,000,000
<u>14,594,620</u>	#####	Ordinary shares of Rs. 10/- each issued as bonus shares	<u>145,946,200</u>	145,946,200
<u>33,994,620</u>	#####		<u>339,946,200</u>	339,946,200

16.1 First Capital Mutual Fund Limited and WorldCALL Communications Limited held 52,500 shares (0.03% holding) and 537,800 shares (0.34% holding) respectively at the year end.

16.2 Subsequent to the year end, the authorized capital of the company was increased to Rs. 500 million (50 million ordinary shares of Rs. 10 each.

Pursuant to the Board of Directors' meeting of 28 June 2003, the company has issued 6,798,924 bonus shares in August 2003.

17. FINANCIAL ADVISORY SERVICES FEE

	<u>2003</u>	<u>2002</u>
	Rupees	Rupees
Associated companies		
- WorldCALL Communications Limited	12,248,720	-
- WorldCALL Multimedia Limited	-	6,000,000
Others	-	1,200,000
	<u>12,248,720</u>	<u>7,200,000</u>

18. MONEY MARKET INCOME

Money market income (local currency)	7,620,140	7,120,613
Forex operations (foreign currency)	3,081,280	3,001,020
	<u>10,701,420</u>	<u>10,121,633</u>

19. CAPITAL GAIN ON INVESTMENTS

	Gain on sale of investments in WorldCALL Communications Limited (formerly WorldCALL Payphones Limited)	-	-	
	Gain on sale of investments in First Capital Equities Limited	240,000	16,072,160	
	Loss on sale of investments held for trading	(67,857)	(5,720,696)	
		<u>172,143</u>	<u>10,351,464</u>	
19.1	This is made up as follows:			
	Sales	<u>200,926,205</u>	<u>180,900,000</u>	
	Opening stock of investments held for trading	81,465,483	22,952,085	
	Purchases during the year	176,588,665	183,037,304	
	Closing stock of investments held for sales			
	Closing stock of investments	(69,697,418)	(85,026,930)	
		<u>188,356,730</u>	<u>120,962,459</u>	
	Gain from sale of investments held for trading	<u>12,569,475</u>	<u>59,937,541</u>	
20.	DIVIDEND INCOME			
	Dividend from listed associated company	1,792,466	19,036,688	
	Dividend from Foreign subsidiary company	3,223,987	1,117,468	
	Dividend from other investments in listed companies	1,411,812	-	
		<u>6,428,265</u>	<u>20,154,156</u>	
21.	NET RENTAL INCOME FROM INVESTMENT PROPERTY			
	Gross rental income	6,518,968	-	
	Less: Service charges paid to Mall operators Pace (Pakistan) Limited an associated company	(2,057,710)	-	
		<u>4,461,258</u>	<u>-</u>	
22.	OPERATING EXPENSES			
	Salaries, wages and benefits	22.1	11,731,825	12,097,270
	Chief executive's remuneration		812,585	747,918
	Directors' remuneration		-	-
	Rent, rates and taxes		1,154,650	879,124
	Telephone, fax, etc.		2,010,963	2,513,446
	Utilities		787,970	815,411
	Insurance		306,134	293,378
	Printing and stationery		1,296,985	1,435,314
	Traveling and conveyance		1,655,791	2,428,176
	Repairs and maintenance		1,068,431	1,336,209
	Postage, courier, etc.		148,513	234,544
	Vehicle running expenses		584,278	926,171
	Newspapers and periodicals		45,867	73,303
	Entertainment		699,202	577,190
	Legal and professional charges		2,227,908	3,530,953
	Other office expenses		826,652	511,509
	Advertisement		312,708	103,495
	Payment to National Accountability Bureau		-	13,800,000
	Bad debts written off		-	-
	Provision for doubtful debts		5,767,048	6,618,079
	Tenderable gain paid		7,715,500	-
	Zakat		2,870	1,487
	Auditors' remuneration	22.2	1,114,700	859,389
	Depreciation	4	-	1,891,043
			<u>40,270,580</u>	<u>51,673,409</u>
22.1	These include Rs. 869,018 (2002:Rs. 723,296) charged on account of staff retirement benefits			

	<u>2003</u>	<u>2002</u>
	Rupees	Rupees
22.2 Auditors' remuneration		
Annual audit fee	250,000	140,000
Fee for audit of consolidated accounts	300,000	200,000
Other certifications	415,000	408,240
Out of pocket expenses	149,700	111,149
	<u>1,114,700</u>	<u>859,389</u>
23. FINANCIAL CHARGES		
Markup on re-purchase arrangements	2,182,949	47,115
Markup on Morabaha facility	1,920,809	-
Markup charged by subsidiary / associated companies	596,525	1,745,295
Finance charges on leased assets	263,509	743,023
Bank charges and commission	52,987	130,148
	<u>5,016,779</u>	<u>2,665,581</u>
24. MARK UP INCOME		
Associated companies	4,182,708	11,751,971
PLS / saving accounts	1,077,753	1,277,856
	<u>5,260,461</u>	<u>13,029,827</u>
25. CASH AND CASH EQUIVALENTS		
These are made up as follows:		
Cash in hand	6,077	12,549
Bank balances	24,883,755	26,741,617
Short term running finance	(15,000,000)	-
	<u>9,889,832</u>	<u>26,754,166</u>

26. 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 5. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	<u>2003</u>	<u>2002</u>
	Rupees	Rupees
Transaction of shares		
- Purchases	258,152,750	173,568,085
- Sales	315,474,565	197,831,206
Payments for/against current accounts	113,391,205	66,383,503
Sale of vehicles to associated company	764,672	-
Investments in subsidiaries and associated companies	251,305,513	12,981,330
Consultancy fee charged	12,248,720	6,000,000
Mark up income	4,182,708	11,781,971
Mark up charged by associated companies	596,525	1,745,295
Dividend from associated companies	5,016,453	19,036,688
Insurance premium	191,443	437,713
Insurance claim	192,500	-
Commission paid	456,360	404,120
Service charges paid to associated company	2,057,710	-
Purchase of vehicle from associated company	825,000	-

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

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

29. REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the accounts for remuneration, including certain benefits, to the Chief Executive,

	Chief Executive		Directors		Executives	
	2003	2002	2003	2002	2003	2002
Number of persons	1	1	7	7	16	20
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Managerial remuneration	-	-	-	-	7,188,163	8,010,649
House rent						
Medical	-	-	-	-	331,416	438,528
Utilities	812,585	747,918	-	-	-	-
Others	-	-	-	-	1,538,976	772,218
	812,585	747,918	-	-	9,058,555	9,221,395

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

30. EARNINGS PER SHARE

	<u>2003</u>	<u>2002</u>
-Basic		
Net profit for the year (Rupees)	<u>165,546,765</u>	<u>91,152,511</u>
Average ordinary shares outstanding (Number)	<u>33,994,620</u>	<u>#####</u>
Earnings per share-Basic (Rupees)	<u>4.87</u>	<u>2.68</u>

-Diluted

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

	<u>2003</u>	<u>2002</u>
Net profit for the year (Rupees)	<u>165,546,765</u>	<u>91,152,511</u>
Average ordinary shares (Number)	<u>46,912,576</u>	<u>#####</u>
Earnings per share-Basic (Rupees)	<u>3.53</u>	<u>1.94</u>

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

31. CONTINGENCIES AND COMMITMENTS

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

On the basis of these investigations, National Accountability Bureau required the company to pay and or guarantee to pay on account of WWF a sum of Rs. 46 million. Keeping in view that public funds were involved and based on legal advice that it was the company's vicarious liability, the company 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.

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

- 31.3** For contingencies relating to tax matters refer note 14.

32. NUMBER OF EMPLOYEES

Total number of employees at the period/year end was 42 (2002: 42)

33. GENERAL

- 33.1** Figures have been rounded off to the nearest rupee
- 33.2** Figures of prior years have been rearranged and regrouped wherever necessary to facilitate comparison

LAHORE

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

DIRECTOR

KEY FINANCIAL DATA FOR LAST 7 YEARS

FINANCIAL DATA

Rupees in Thousands

	2003	2002	2001	2000	1999	1998	1997
Operating revenue	41,699	47,827	78,735	65,004	70,629	35,100	77,368
Operating expenses	41,899	51,673	29,160	43,085	38,420	34,863	24,759
Operatin profit	(199)	(3,846)	49,575	21,919	32,209	237	52,609
Other revenue	5,582	13,318	52,049	13,443	13,133	41,284	41,819
Financial Expenses	5,017	2,666	10,566	8,066	5,464	21,441	8,294
Taxation	1,320	3,544	150	663	2,568	248	8,275
Profit after Taxation	165,547	91,153	87,932	26,890	39,185	23,154	77,517
Cash Dividend Final	-	-	33,995	-	-	21,340	19,400
Bonus Share	129,180	-	-	-	48,015	26,675	29,100