



Business @ speed of thought

## VISION

" Connecting people, ideas and capital,  
we will be our clients' first Choice  
for achieving their financial aspirations".

## MISSION

"We will put interest of our stakeholders  
above our own; and measure our  
success by how much we help them in  
achieving theirs".



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The Prime Minister at Inaugural ceremony of the Company



The Ex-Governor NWFP at opening ceremony of Peshawar Branch



## COMPANY INFORMATION

### Board of Directors

Mr. Ali A. Malik	Chairman
Mr. Saeed A. Bajwa	Director / Chief Executive
Mr. Amjad Pervez	Director / Chief Operating Officer
Sheikh Khalid Tawab	Director
Malik Atiq ur Rehman	Director
Mr. Shahzad Akbar	Director
Mr. Ejaz Akhter Ansari	Director, Nominee NBP
Saiyid Najam Rizvi	Director, Nominee NBP

### Audit Committee

Mr. Ali A. Malik	Chairman
Sheikh Khalid Tawab	Member
Mr. Ejaz Akhter Ansari	Member

### Chief Operating Officer

Mr. Amjad Pervez

### Company Secretary

Mr. Muhammad Rafique

### Chief Financial Officer

Mr. M. Ahsan Hashmi

### Auditors

A. F. Ferguson & Co  
Chartered Accountants

### Legal Advisors

Minto & Mirza, Advocates

### Bankers

Bank Al Falah Limited  
PICIC Commercial Bank Limited  
Muslim Commercial Bank Limited  
Allied Bank of Pakistan Limited  
Metropolitan Bank Limited  
KASB Bank Limited  
Bank Al-Habib Limited  
Saudi Pak Commercial Bank Limited

### Registrar

Technology Trade (Pvt) Limited  
241-C, Block-2, P.E.C.H.S,  
Off: Main Shahrah-e-Quaideen, Karachi.

### KSE Office

135-136, 3rd Floor, Stock Exchange Building,  
Stock Exchange Road, Karachi.  
Ph: 0092-021-2421396 & 2472758  
Fax: 0092-021-2472332

### Registered & Head Office

19-C, Sunset Lane 6,  
South Park Avenue,  
Phase II Extension,  
D.H.A. Karachi.  
PABX: 0092-021-5395903-08  
Fax: 0092-021-5395945  
Website: [www.fnetrade.com](http://www.fnetrade.com)



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the members of the First National Equities Limited will be held at Marvi Hall, Hotel Mehran, Shahrah-e-Faisal, Karachi on Tuesday the October 25, 2005 at 05:00 pm to transact the following business:-

### ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting held on October 9, 2004.
2. To receive, consider and adopt the Audited Annual Accounts of the Company together with the Directors' and Auditors' Reports for the year ended June 30, 2005.
3. To approve the final cash dividend @ 15% (i.e. Rs. 1.50 per share) together with interim dividend of 10% (i.e. Rs. 1.00 per share) already paid, making in all 25% (i.e. Rs. 2.50 per share) for the year ended June 30, 2005 as recommended by the Board of Directors.
4. To appoint auditors and fix their remuneration for the year ending 30 June, 2006. The present auditors M/s. A. F. Ferguson & Co., Chartered Accountants retire and offer themselves for reappointment. As required under paragraph XXXIX of the Code of Corporate Governance, the Board of Directors recommends, based on suggestion of Audit Committee, the appointment of M/s A. F. Ferguson & Co.
5. To transact any other ordinary business of the Company that may be placed before the meeting with the permission of the Chair.

### SPECIAL BUSINESS

6. To consider and, if thought fit, pass the following special resolution with or without modification under Section 208 of the Companies Ordinance, 1984.

“RESOLVED that consent and approval be and is hereby accorded under section 208 of the Companies Ordinance, 1984 to invest Rs. 40 million and upto Rs. 100 million by equity subscription in proposed National Asset Management Company Limited and First Pakistan Securities Limited respectively.

FURTHER RESOLVED that the Chief Executive be and is hereby authorized to execute all such agreements and other documents and take all necessary steps to affect the above resolution.”

A statement under Section 160(1) (b) of the Companies Ordinance 1984 is attached.

By Order of the Board

Muhammad Rafique  
Company Secretary

Karachi September 29, 2005

### Notes:

1. The Register of the Members of the Company will remain closed from October 21 to 28, 2005 (both days inclusive) to determine entitlement of 15% final cash dividend and this exercise will also enable the company to determine the right to attend the above meeting by the members whose names appear in the Register of Members on October 20, 2005.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be received at the Registered Office of the Company duly stamped, signed and witnessed not later than 48 hours before the meeting.

3. Central Depository Company account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

- i. In case of individual, the account holder or sub-account holder are uploaded as per the Regulations, shall, authenticate his identity by showing his original National Identity Card (NIC) or original Passport at the time of attending the Meeting.
- ii. In case of corporate entity, the Board of Director's resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the Meeting.

B. For Appointing Proxies

- i. In case of individuals, the account holder or sub-account holder are uploaded as per the Regulations, shall submit the proxy form as per the above requirements.
  - ii. The proxy shall be witnessed by two persons whose name, addresses and NIC numbers shall be mentioned on the form.
  - iii. Attested copy of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iv. The proxy shall produce his original NIC or original passport at the time of the Meeting.
4. Members are requested to notify immediately changes, if any, in their registered addresses.

STATEMENT UNDER SECTION 160(1) (b) OF THE COMPANIES ORDINANCE, 1984.

The Board of Directors of the First National Equities Limited (FNEL) in their meeting held on September 21, 2005 approved to invest Rs. 40 million and upto Rs. 100 million in equity subscription of proposed National Asset Management Company Limited (NAMCL) and First Pakistan Securities Limited (FPSL) respectively, subject to the consent of members under Section 208 of the Companies Ordinance, 1984. Securities and Exchange Commission of Pakistan has granted permission to form the proposed Asset Management Company. First Pakistan Securities Limited is a member of Lahore Stock Exchange and has initiated the process of listing on stock exchange.

Proposed investments in associated companies are meant to gainfully utilize funds and enhance earnings of the Company. Pursuant to Section 208 of the Companies Ordinance, 1984 any investment in associated companies should be made under the authority of Special Resolution passed by not less than 3/4<sup>th</sup> of the majority of the members entitled to vote, as are present in person or by proxy, in the General Meeting of the company.

According to SRO No. 865(I)/2000 dated December 06, 2000 the following information is required to be annexed with the special resolution for approval of equity investment in an associated company and for the purpose of Section 208 of the Companies Ordinance, 1984. Hence the same is annotated below.

(II) STATEMENT UNDER SRO 865(I)/2000 DATED DECEMBER 6, 2000.

(i)	Name of Investee Companies or Associated undertakings.	National Asset Management Company Limited (proposed NAMCL) and First Pakistan Securities Limited(FPSL)
(ii)	Nature, amount and extent of investment	Equity investment of Rs. 40 million and Rs. 100 million in proposed NAMCL and FPSL respectively.
(iii)	Average market price of shares intended to be purchased	Not applicable
(iv)	Break-up value of shares intended to be purchased on the basis of last published financial statements.	Not applicable for NAMCL FPSL June 2004 : Rs. 18.27
(v)	Price at which shares will be purchased	Rs. 10 per share in proposed NAMCL Pre-IPO/IPO offer Price in FPSL
(vi)	Earning per share of the investee company in last three years	Not applicable for NAMCL For FPSL June 2005 : Rs. 27.68 (un-audited) June 2004 : Rs. 10.22 June 2003 : Rs. 0.05
(vii)	Source of Funds	Investments will be made from Company's own sources/funds
(viii)	Period of Investment	Being equity investments not applicable
(ix)	Purpose of Investment	To gainfully utilize funds of the company and earn better returns
(x)	Benefits likely to accrue to Company and the shareholders from proposed investment	Proposed investments may increase dividend, earnings and gains on market capitalisation, it is expected that investee companies will generate reasonable profits in future. The shareholders of FNEL may be benefited by better payouts.
(xi)	Interest of Directors and their relatives in the investee Companies	The Directors of FNEL and their relatives have no personal interest in the proposed investment except to the extent of shares held by them in the Investor/Investee Companies and two of the Directors of the Company namely Mr. Ali A. Malik and Mr. Amjad Pervez are also directors of the proposed NAMCL and spouse of Mr. Ali A. Malik , Mrs Adeela Ali is director of First Pakistan Securities Limited.



## DIRECTORS' REPORT

On behalf of the Board of Directors, I am pleased to present the Directors' Report and the Audited Financial statements of the Company for the year ended June 30, 2005.

### Market Review

The Karachi Stock Exchange, during the FY 2004-05, performed well despite settlement related issues in March 2005. The KSE 100 Index touched the highest level of 10509 points in March 2005. The index however closed at 7450 at the close of the year as against 5279 at the beginning of the financial year registering a significant increase of 41% i.e. 2171 points on year-on-year basis.

The increase of 41% was significant in back drop of March-April 2005 stock market events and reflects a robust capital market. The KSE 100 index registered gains of 32 percent, 92 percent, and 55 percent in previous years 2001-2, 2002-3, and 2003-4 respectively. The daily volumes were slightly less at 447 million compared to previous year. Value of average daily turnover was higher at Rs. 27.35 billion from Rs. 19.81 billion of last year. A growth of 69 percent was recorded in market capitalization. The year end market capitalization was Rs. 2068 billion equivalent to USD 37.47 billion.

The performance of stock market could be attributed to stable macroeconomic environment, good corporate results, increased adherence to corporate governance principles, public offerings of government owned companies and improvement in Pak-India relationship. Additionally, extension of tax exemption on capital gains, successful implementation of reform measures for capital markets and launching of mutual funds played important role in bringing about activity in the stock market. However, in last quarter of the year under review, the market sentiments were dampened due to rising interest rates and higher inflation.

	2005	2004
	(Rupees in million)	
<b>Financial Results</b>		
Gross Revenues	456.74	11.54
Operating Profit	269.89	4.64
Profit before taxation	234.34	4.58
Less: Taxation	32.10	14.00
Profit after tax	202.25	4.57
Less: Accumulated loss brought forward	(22.41)	(26.98)
Profit Available for Appropriation	179.84	(22.41)
Interim cash dividend Rs. 1.00 per share	50.00	-
Final cash dividend Rs. 1.50 per share	75.00	-
Total cash dividend	125.00	-
Earning Per Share	Rs. 4.41	Rs. 0.37

### Dividend

The Board of Directors declared an interim dividend of 10% for the FY 2004-05 on the basis of 9-months earning for the period ended March 31, 2005. The Board is pleased to announce final dividend @ 15% (i.e 1.50 per share) for the FY 2005 making total pay out at Rs. 2.50 per share.

## Review of Operations

FY 2005 was the first year of our operations after being listed on the Karachi Stock Exchange and we showed stellar performance. Gross revenues stood at Rs. 456.74 million even though the funds from IPO were available at the fag end of October 2004 and the company made its debut on the KSE bourse on November 1, 2004. Net profit earned for the year touched Rs. 202.25 million which resulted in an Earning per Share of Rs. 4.41. Administrative expenses for the period were Rs. 78.76 million and reflected our full-fledged operations. Competent professionals for all cadres to run an efficient operation were hired and results substantiate their capabilities. The management kept a strong check on the expenses by implementing an effective internal control system. Financial expenses hovered around Rs. 97.09 million. The company secured sufficient funds from financial institutions to meet the growing business requirements. Your company's success could be attributed to many factors though the most important being depth of our client relationship, strength of our franchise and our leading position vis-à-vis our peer group.

The equities business continues to face significant challenges. The structure of equity market remains in a state of flux with trading rules changes and market reforms being carried out by regulatory bodies. The year under review was marked by rapidly shifting scenarios. The stock market peaked in March 2005 and then tested the ability of the market makers by unprecedented fall within a short span of two weeks. However, your company had proper risk management system in place to face turmoil of the stock market that occurred during this tumultuous period. The challenges thrown by the March 2005 events have energized us further and made us optimistic about our future. Our long-term strategy will have three pillars viz. our client relationship, our willingness to honor our commitments and to manage risk. It is a combination of these attributes, which have enabled us to generate attractive revenues for our shareholders and serve our clients.

You would be pleased to know that as envisaged in our business plans at the time of listing of the company, the management embarked upon reaching the retail investors by opening the branch at Peshawar during 3rd quarter of current year. The branches in various cities of NWFP and Punjab are being planned to penetrate the retail market and to provide depth to the core business.

## Future Outlook

Although current year has started on a mixed note for stock market due to COT/CFS related issues, we are hopeful that issues shall be resolved soon. The market will pick up its momentum with high turnovers as economic outlook is positive with strong fundamentals and privatization program remains on track. Inflation needs to be brought under control with judicious policies to prevent economic growth to evaporate.

Our Vision Statement "Connecting people, ideas and capital, we will be our client's first choice for achieving their financial aspirations" is embodied in the working of the company. We will strive to scale new heights during the days ahead. Your company would Inshallah remain an efficient and result oriented financial services company as it has proved in the very first year of operation after being listed.

In order to achieve the goal, your Board approved its conversion into non-banking finance company and necessary steps in this regard are being taken. The transformation would allow the company to make its forays into money market operations, deposit mobilization, corporate finance, project finance and financial advisory.

The company is also contemplating issuance of term finance certificates to generate long-term funds. To enhance our outreach, the company would be opening branches in major cities of NWFP and Punjab.

As part of our resolve for achieving diversification and exploring profitable avenues, your company has planned to promote an Asset Management Company under the name and style of National Asset Management Company Limited (proposed). The Securities & Exchange Commission of Pakistan, being the regulator, has issued the permission to incorporate the NBFC for undertaking the asset management and investment advisory activities. Your Company also plans to participate in the listing of First Pakistan Securities Limited, an associated company. The Board feels that these steps will enhance the profitability of your Company. Your Company is also examining other avenues of domestic and foreign business opportunities to create synergies in its operations for the sake of value addition to the Company's operations.

#### Compliance with the Code of Corporate Governance

The Directors are pleased to confirm that:

- a 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.
- a Proper books of account of the Company have been maintained.
- a Appropriate accounting policies have been consistently applied in preparation of financial statements except for the changes as stated in notes 3.5, 3.6 and 3.11 and the accounting estimates are based on reasonable and prudent judgment.
- a International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and there has been no departure from them.
- a The system of internal control is sound in design and has been effectively implemented and monitored.
- a There are no significant doubts upon the company's ability to continue as a going concern.
- a There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
- a Key historical data is summarized and printed on page.....
- a The company operates an approved contributory provident fund. The fund was established in the current year and has not made any investments so far. Based on the un-audited financial statements of the fund the bank balance amounted to Rs 790,940 as at June 30, 2005
- a There is no material statutory payment outstanding on account of taxes, duties, levies and charges.
- a A total of four board meetings were held during the year details of which together with attendance by each director are as follows:

Name of the Director	Total Number of Board meetings*	Number of Meeting(s) attended
Mr. Ali A. Malik	4	4
Mr. Saeed A. Bajwa	4	4
Mr. Amjad Pervez	0	0
Sheikh Khalid Tawab	4	4
Malik Atiq ur Rehman	4	3
Mr. Shahzad Akbar	4	2
Mr. Ejaz Akhtar Ansari	4	4
Saiyid Najam Rizvi	4	4
Mrs. Adeela Ali	2	0
Mr. Abdul Aleem	4	2

\*Held during the period the concerned director was on the board.

Mrs. Adeela Ali & Mr. Abdul Aleem resigned during the year and Mr. Saeed Ahmed Bajwa & Mr. Amjad Pervez were co-opted for the remainder period on the board of directors of the company. I would like to thank the outgoing directors for the guidance and vision they provided to the board during their stay and welcome the new directors & look forward to their valuable suggestions.

- a After listing of the Company at October 28, 2004 on KSE, three meetings of the Audit Committee were held during the year, details of which together with attendance by each member are as follows:

Name of the Member	Total Number of meetings	Number of Meeting(s) attended
Mr. Ali A. Malik	3	3
Sheikh Khalid Tawab	3	3
Mr. Ejaz Akhter Ansari	3	2

- a The statement showing pattern of shareholding in the company, as on June 30, 2005 is given on page.....

- a The trades in the shares of the company carried out by its directors, CEO, CFO, Company Secretary, and their spouses and minor children are as under:

Trades by	Subscribed	Purchase	Sales
	------(No. of Shares)-----		
Directors,CEO, their Spouses and minor Children			
Mr. Ali A. Malik	181,500	110,000	
Mr. Saeed Ahmed Bajwa	-	500	
Mr. Amjad Pervez	-	500	-
Mr. Shahzad Akbar	-	-	495,000
Malik Atiq-ur Rehman	-	-	-
Sheikh Khalid Tawab	-	-	-
Mr. Ejaz Akhtar Ansari	-	-	-
Mrs. Adeela Ali	500	2500	
Saiyid Najam Rizvi	-	5,000	-
Company Secretary:			
Mr. Muhammad Rafique	11,000	-	11,000
Chief Financial Officer:			
Mr. M. Ahsan Hashmi	-	-	-

#### Auditors

The Auditors Messrs. A.F. Ferguson & Co., Chartered Accountants retire and being eligible, offer themselves for reappointment. The Audit Committee of the board recommends the (re)appointment of Messrs. A.F. Ferguson & Co., Chartered Accountants as auditors for the financial year ending June 30, 2006.

#### Acknowledgement

We would like to thank our valued clients and bankers to the company for their patronage, Securities and Exchange Commission of Pakistan and Karachi Stock Exchange for their continuing guidance, and shareholders for their trust and confidence in us.

Finally the Directors also record their appreciation for all employees of the Company for their commitment and hard work that culminated into excellent financial results for the year.

Karachi  
September 21, 2005

Ali A. Malik  
Chairman

## Financial Statistical Summary (2000 - 2005)

PARTICULARS	June 30, (Rupees '000)					
	2005	2004	2003	2002	2001	2000
<b>OPERATING RESULTS</b>						
Operating revenue	241,409	4,850	-	-	-	-
Gain from transactions in marketable securities - net	215,099	6,500	-	-	-	-
Other operating income	233	198	-	632	250	549
Gross revenue	456,741	11,548	-	632	250	549
Administrative expenses	(78,756)	(6,261)	(396)	(12,569)	(446)	(1,681)
Finance costs	(97,088)	(65)	-	(13)	-	-
Other operating expenses	(11,008)	(638)	-	-	(1,550)	-
Fair value loss on remeasurement of held for trading investments - net	(35,551)	-	-	-	-	-
Profit / (Loss) before Tax	234,338	4,584	(396)	(11,950)	(1,746)	(1,132)
Taxation	(32,090)	(14)	-	-	-	-
Profit / (Loss) after Tax	202,248	4,570	(396)	(11,950)	(1,746)	(1,132)
Payout ratio	25%	-	-	-	-	-
<b>BALANCE SHEET SUMMARY</b>						
<b>Non-current assets</b>						
Fixed assets	114,810	83,080	31,220	31,220	33,579	39,091
Deferred cost	-	2,635	-	-	-	-
Long term loans & advances	18,712	-	-	-	-	-
Long term deposits	2,229	756	-	-	-	-
	135,751	86,471	31,220	31,220	33,579	39,091
<b>Current assets</b>						
Short term investments	531,505	52,037	-	-	-	-
Other investments	1,292,972	-	-	-	-	-
Receivable against carry over transactions	517,945	-	-	-	-	-
Trade debts	452,008	244,399	-	-	6,081	6,081
Loans & advances	1,696	1,377	-	-	-	-
Trade deposits & short term prepayments	45,752	189	-	-	-	-
Other receivables	5,059	1,645	-	-	2,024	1,717
Taxation recoverable - net	2,122	421	195	319	-	-
Cash and bank balance	158,120	350	1	1	13	(380)
	3,007,179	300,418	196	320	8,118	7,418
<b>Current Liabilities</b>						
Trade & other payables	1,558,803	162,003	11,838	11,567	9,354	12,399
Interest and mark-up accrued on borrowings	19,711	-	-	-	-	-
Short term borrowings	938,269	38,451	-	-	-	-
Current portion of liabilities against assets subject to finance lease	1,697	-	-	-	20	20
	2,518,480	200,454	11,838	11,567	9,374	12,419
<b>Net Current Assets</b>	488,699	99,964	(11,642)	(11,247)	(1,256)	(5,001)
<b>Non-current liabilities</b>						
Liabilities against assets subject to finance lease	3,968	-	-	-	400	420
Deferred tax liabilities - net	3,185	-	-	-	-	-
	7,153	-	-	-	400	420
<b>Net Assets</b>	617,297	186,435	19,578	19,973	31,923	33,670
<b>REPRESENTED BY</b>						
Issued, subscribed and paid-up capital	500,000	125,000	46,558	46,558	46,558	46,558
Share application money	-	83,845	-	-	-	-
Unappropriated profit / (Accumulated loss)	129,838	(22,410)	(26,980)	(26,585)	(14,635)	(12,888)
Deficit on revaluation of investments - available for sale	(12,541)	-	-	-	-	-
<b>Total Equity and Liabilities</b>	617,297	186,435	19,578	19,973	31,923	33,670



## Statement of Compliance with the best practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate contained in Regulation No. 37 Chapter XIII and XI of listing regulations of Karachi Stock Exchange 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 Company encourages representation of independent non-executive directors on its Board. At present the Board includes two independent non-executive directors, whereas total number of directors are eight.
2. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies, including the Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. The directors filled up casual vacancies occurring in the Board within thirty days thereof.
5. The Company has prepared a 'Statement of Ethics & 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 most of the 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, including appointment and determination of remuneration and terms and conditions of employment of the CEO and other executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, the Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. The Board arranged an orientation course for the available directors during the year to apprise them of their duties and responsibilities and plans to conduct courses for the remaining directors during the current year.
10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit, including their 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. It comprises three members, all of whom are non-executive directors including the Chairman of Audit Committee.
16. After listing of the Company, the meetings of the Audit Committee were held at least once every quarter prior for the approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Company has an internal auditor and the Board is in the process of setting-up an effective internal audit function.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme 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 observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the Code have been duly complied with.

Saeed A. Bajwa  
Chief Executive

Karachi  
Dated: September 21, 2005

## REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE 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 National Equities Limited to comply with the Listing Regulation No. 37 (Chapter XI) of the Karachi Stock Exchange (Guarantee) Limited 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 the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended June 30, 2005.

Chartered Accountants  
Karachi  
Dated: September 21, 2005

## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of First National Equities Limited as at June 30, 2005 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in notes 3.5, 3.6 and 3.11 with which we concur;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the state of the company's affairs as at June 30, 2005 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statement of the company for the year ended June 30, 2004, were audited by Tanveer Afzal & Co., Chartered Accountants, who had expressed an unqualified opinion thereon vide their report dated August 11, 2004.

Chartered Accountants  
Karachi  
Dated: September 21, 2005

# BALANCE SHEET

AS AT JUNE 30, 2005

	Note	2005 (Rupees '000)	2004
<b>Non-current assets</b>			
<b>Fixed assets</b>			
- Property, plant and equipment	4	61,590	29,860
- Intangible assets	5	53,220	53,220
		114,810	83,080
Deferred costs		-	2,635
Long term loans and advances	6	18,712	-
Long term deposits	7	2,229	756
		135,751	86,471
<b>Current assets</b>			
Short term investments	8	531,505	52,037
Other investments	9	1,292,972	-
Receivable against carry over transactions	10	517,945	-
Trade debts	11	452,008	244,399
Loans and advances	12	1,696	1,377
Trade deposits and short-term prepayments	13	45,752	189
Other receivables	14	5,059	1,645
Taxation recoverable - net		2,122	421
Cash and bank balances	15	158,120	350
		3,007,179	300,418
<b>Current liabilities</b>			
Trade and other payables	16	1,558,803	162,003
Interest and mark-up accrued on borrowings	17	19,711	-
Short term borrowings	18	938,269	38,451
Current portion of long-term liabilities against assets subject to finance lease	19	1,697	-
		2,518,480	200,454
Net current assets		488,699	99,964
<b>Non-current liabilities</b>			
Liabilities against assets subject to finance lease	19	3,968	-
Deferred tax liabilities - net	20	3,185	-
Net assets		<u>617,297</u>	<u>186,435</u>
<b>Represented by</b>			
Issued, subscribed and paid-up capital	21	500,000	125,000
Share application money		-	83,845
Unappropriated profit / (Accumulated loss)		129,838	(22,410)
Deficit on revaluation of investments - available-for-sale	8.1	(12,541)	-
		<u>617,297</u>	<u>186,435</u>
Commitments	22		

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

Saeed A. Bajwa  
Chief Executive

Ali A. Malik  
Chairman



## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005 (Rupees '000)	2004
Operating revenue	24	241,409	4,850
Gain from transactions in marketable securities - net	25	215,099	6,500
Other operating income	26	233	198
		<u>456,741</u>	<u>11,548</u>
Administrative expenses	27	78,756	6,261
Operating profit		<u>377,985</u>	<u>5,287</u>
Finance costs	29	97,088	65
Other operating expenses	30	11,008	638
		<u>269,889</u>	<u>4,584</u>
Fair value loss on re-measurement of held for trading investments - net	8.2	(35,551)	-
Profit before taxation		<u>234,338</u>	<u>4,584</u>
Taxation	31	32,090	14
Profit after taxation		<u>202,248</u>	<u>4,570</u>
		(Rupees)	
Earnings per share - basic and diluted	32	<u>4.41</u>	<u>0.37</u>

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

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

Saeed A. Bajwa  
Chief Executive

Ali A. Malik  
Chairman

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2005

	Note	2005	2004
		(Rupees '000)	
Cash flows from operating activities			
Profit before taxation		234,338	4,584
Adjustments for:			
Depreciation		5,543	2,227
Gain on sale of investments		(66,824)	(6,500)
Unrealised loss on re-measurement of held for trading investments- net		35,551	2,121
Provision for gratuity		1,271	-
Provision for doubtful debts		5,000	-
Liabilities written back		-	(25)
Provision for leave fare		1,247	-
Deferred cost		2,635	-
Financial charges		97,088	65
Dividend income		(96,362)	(1,750)
Markup on available-for-sale financial assets		(130)	(173)
		<u>(14,981)</u>	<u>(4,035)</u>
		219,357	549
Changes in working capital			
Increase in current assets			
Investment in marketable securities - held for trading - net		(97,752)	(47,657)
Receivable against carry over transactions		(517,945)	-
Trade debts		(212,609)	(244,399)
Loans and advances		(19,031)	(1,377)
Trade deposits and short-term prepayments		(45,563)	(189)
Other receivables		(35)	(70)
		<u>(892,935)</u>	<u>(293,692)</u>
Increase in current liabilities			
Trade and other payables		99,319	150,189
		<u>99,319</u>	<u>150,189</u>
		(574,259)	(142,954)
Markup paid		(77,377)	(65)
Income tax paid		(30,606)	(240)
Long term deposits paid		(1,473)	(756)
Net cash used in operating activities		<u>(683,715)</u>	<u>(144,015)</u>
Cash flows from investing activities			
Investment in available-for-sale financial assets - net		(362,984)	-
Purchases of operating fixed assets		(35,038)	(54,087)
Proceeds on sale of operating fixed assets		4,276	-
Markup on available-for-sale financial assets		130	173
Dividend received		92,983	175
Net cash used in investing activities		<u>(300,633)</u>	<u>(53,739)</u>
Cash flows from financing activities			
Loan from director		(15,000)	15,000
Repayments of liabilities against assets subject to finance lease		(846)	-
Repurchase agreement borrowings		696,286	-
Deferred cost		-	(2,635)
Proceeds from issuance of ordinary shares		291,155	162,287
Dividends paid to shareholders		(48,009)	-
Net cash generated from financing activities		<u>923,586</u>	<u>174,652</u>
Net decrease in cash and cash equivalents		<u>(60,762)</u>	<u>(23,102)</u>
Cash equivalents at the beginning of the year	35	(23,101)	1
Cash and cash equivalents at the end of the year	35	<u>(83,863)</u>	<u>(23,101)</u>

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

Saeed A. Bajwa  
Chief Executive

Ali A. Malik  
Chairman

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2005

	Issued, subscribed and paid-up capital	Share application money	(Accumulated loss) / Unappropriated profit	Surplus / (deficit) on revaluation of investments	Total
	( Rupees '000 )				
Balance as at July 01, 2003	46,558	-	(26,980)	-	19,578
Issued during the year	78,442	-	-	-	78,442
Received during the year	-	83,845	-	-	83,845
Profit after taxation for the year	-	-	4,570	-	4,570
Balance as at June 30, 2004	<u>125,000</u>	<u>83,845</u>	<u>(22,410)</u>	<u>-</u>	<u>186,435</u>
Issued during the year	291,155	-	-	-	291,155
Shares issued against application money	83,845	(83,845)	-	-	-
Profit after taxation for the year	-	-	202,248	-	202,248
Interim cash dividend	-	-	(50,000)	-	(50,000)
Deficit on revaluation of available-for-sale investments (note 8.1)	-	-	-	(12,541)	(12,541)
Balance as at June 30, 2005	<u>500,000</u>	<u>-</u>	<u>129,838</u>	<u>(12,541)</u>	<u>617,297</u>

Appropriations made by Directors subsequent to the year ended June 30, 2005 are disclosed in note 38 of these financial statements.

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

Saeed A. Bajwa  
Chief Executive

Ali A. Malik  
Chairman

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2005

### 1 STATUS AND NATURE OF BUSINESS

First National Equities Limited (formerly National Finance & Investment Services Limited) was incorporated under the Companies Ordinance, 1984 on October 3, 1994 as a public limited company. The principal activities of the company includes shares brokerage, consultancy services and underwriting. The company started its operations from October 12, 1994. On December 30, 2003 the management of the company was taken over by First Pakistan Securities Limited by purchasing shares from Capital One Equities Limited. The company was registered as a brokerage house with the Securities and Exchange Commission of Pakistan on March 26, 2004 under the Brokers and Agents Registration Rules, 2001 and the name of the company was changed to First National Equities Limited on March 31, 2004. During the current year, the company's application for formal listing and quotation of shares was approved by the Karachi Stock Exchange (KSE) and the company's shares were listed on October 28, 2004.

The registered office of the company is situated at 19-C, Sunset Lane-6, South Park Avenue, Phase-II Extension, DHA, Karachi.

### 2 STATEMENT OF COMPLIANCE

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

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently, unless otherwise stated.

#### 3.1 Basis of preparation

These financial statements have been prepared under the historical cost convention, except that certain investments have been marked to market and carried at fair value to comply with the requirements of IAS-39; "Financial Instruments : Recognition and Measurement".

#### 3.2 Staff retirement benefits

The company operates:

- (a) an unapproved unfunded gratuity scheme covering all employees. Annual contributions are made to the scheme based on actuarial recommendations. The liability recognised in the balance sheet in respect of defined benefit gratuity scheme is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with the adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated by independent actuaries using the projected unit credit method. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income in the following year.
- (b) an approved contributory provident fund for all employees. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Staff retirement benefits are payable to staff on completion of prescribed qualifying period of service under these schemes.

### 3.3 Taxation

#### Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any.

#### Deferred

Deferred tax is recognised, using the balance sheet liability method, on all major temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in these financial statements.

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

### 3.4 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events; 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. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 3.5 Proposed dividend and transfer between reserves

During the current year the company has changed its accounting policy pertaining to recognition of dividends declared and transfer between reserves made subsequent to the year end. The change has been made consequent to the amendment made in the Fourth Schedule to the Companies Ordinance, 1984 and the new policy is in accordance with the requirements of IAS 10 (Events after the Balance Sheet Date). As per the new policy, dividends declared and transfer between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are not recognized in the financial statements. Previously, such dividend declarations and transfer between reserves were being considered as adjusting events in the financial statements of the company. However, the change in accounting policy has not resulted in any change in the unappropriated profit and reserves for the current or any prior year.

### 3.6 Deferred costs

Deferred costs comprise of preliminary expenses, discount allowed on the issue of shares, expenses incurred on the issue of shares and sums paid by way of commission or brokerage on the issue of shares. During the current year the company has changed its accounting policy pertaining to recognition of deferred costs. The change has been made consequent to the amendment made in the Fourth Schedule to the Companies Ordinance, 1984. The Fourth Schedule previously allowed deferred costs to be written off during a period not exceeding five years, commencing from the financial year in which the costs were incurred. However, this requirement has been deleted from the substituted Fourth Schedule and in accordance with IAS 38; "Intangible Assets", these costs are required to be fully charged to the profit and loss account as and when incurred.

In accordance with the allowed alternative treatment specified in International Accounting Standard 8, "Net Profit or Loss for the Period, Fundamental Errors and Changes in Accounting Policies", the effect of this change in accounting policy has been recognised in the current year and the comparative information has not been restated. Had the change in accounting policy been applied retrospectively the opening balance of retained earnings and the opening balance of deferred cost would have been lower by Rs 2.635 million.

Had the accounting policy not been changed, the profit before taxation for the period and the closing balance of deferred cost would have been higher by Rs 2.108 million.

### 3.7 Trade and other payables

Short-term liabilities for trade and other amounts payable are stated at amortised cost.



### 3.8 Fixed assets

#### 3.8.1 Property, Plant & Equipment

These are stated at historical cost less accumulated depreciation or impairment, if any, except for capital work-in-progress which is stated at cost. Historical cost includes expenditure that is directly attributable to the acquisition of the items. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Depreciation is charged to income by applying the reducing balance method at the rates specified in note 4.2 to these financial statements. Depreciation on additions is charged from the month the property, plant and equipment is put to use while no depreciation is charged in the month of disposal.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the profit and loss account.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

#### 3.8.2 Intangible assets - Membership card and rooms

These assets have an indefinite useful life and are stated at acquisition cost. Provisions are made for permanent diminution in value of these assets, if any. Gains and losses on disposals, if any, are taken to the profit and loss account.

### 3.9 Impairment

The carrying amounts of the company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. Any impairment loss arising is recognised as an expense in the profit and loss account.

#### 3.10 Borrowing cost

Borrowing costs are recognised as an expense in the period in which these are incurred except to the extent of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Such borrowing costs, if any, are capitalised as part of the cost of the relevant asset.

#### 3.11 Investments

During the current year the company has changed its accounting policy in respect of its investments to comply with the requirements of International Accounting Standard 39; "Financial Instruments: Recognition and Measurement" (IAS 39). Previously, investments were stated at the lower of cost and market value. Full provision was made and charged to the profit and loss account for any diminution in the market value of investments.

Accordingly, the company has classified its investments under the following categories:

##### Held for trading

These are securities which are either acquired for the purpose of generating a profit from short-term fluctuations in market price or dealer's margin or are securities in a portfolio in which a pattern of short term profit taking exists.

### Held to maturity

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities that the company's management has the positive intention and ability to hold to maturity. During the year the company did not hold any investments in this category.

### Available for sale

These are the investments that do not fall under held for trading or held to maturity categories.

Investments are initially recognised at cost which includes transaction costs associated with the investments. Subsequently, held for trading and available for sale investments are carried at fair value. Realised gains and losses are included in the profit and loss account in the period in which they arise. Unrealised gains and losses arising from changes in the fair value of the held for trading investments are included in the profit and loss account in the period in which they arise. Surplus / deficit arising from changes in the fair value of available-for-sale investments is taken to equity. Interest earned whilst holding investments is reported as interest income using the effective yield method.

The change in accounting policy has not resulted in any change in the unappropriated profit for any prior year.

Had the accounting policy not been changed, the profit before taxation for the year and the balance of retained earnings would have been lower by Rs 12.541 million.

All purchases and sales of investments that require delivery within the time frame established by regulation or market convention ('regular way' purchases and sales) are recognised at trade date, which is the date that the company commits to purchase or sell the asset. All other purchases and sales are recognised as derivative forward transactions until settlement occurs.

Investments are derecognised when the rights to receive cash flows from the investments have expired, have been realised or transferred and the company has transferred substantially all risks and rewards of ownership.

Impairment of investments is recognised when there is a permanent diminution in their values.

### 3.12 Sale and repurchase agreements and lending of securities

Securities sold subject to a linked repurchase agreement ('repos') are retained in the financial statements as trading or investment securities and the counterparty liability is included in borrowings under repurchase agreements. Securities purchased under agreements to resell ('reverse repos') are shown as receivable against carry over transactions or lendings to financial institutions as appropriate. The difference between sale and repurchase price is treated as interest income / expense and accrued over the life of the agreements using the effective yield method.

### 3.13 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the company are not treated as assets of the company and accordingly are not included in these financial statements.

### 3.14 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### 3.15 Revenue recognition

- Brokerage income is recognised as and when such services are rendered.
- Dividend income is recognised when the right to receive payment is established.
- Underwriting commission is recognised on an accrual basis.
- Return on deposits are recognized on an accrual basis.
- Income on investments is recognized using the effective yield method.

### 3.16 Financial instruments

#### 3.16.1 Financial assets and liabilities

Financial instruments carried on the balance sheet include loans and advances, deposits, investments, trade debts, receivables, cash and bank balances, trade and other payables, accrued mark-up, borrowings and obligations under finance lease. The particular recognition method adopted are disclosed in the individual policy statements associated with each item.

#### 3.16.2 Derivative financial instruments

Derivative financial instruments are recognized at their fair value on the date on which a derivative contract is entered into. Subsequently, any changes in fair values arising on marking to market these instruments are taken to the profit and loss account. Fair values are obtained from quoted market prices in active markets.

#### 3.16.3 Off setting

Financial assets and liabilities are offset and the net amount is reported in the financial statements only when the company has a legally enforceable right to offset the recognised amounts and the company intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### 3.17 Trade debts and other receivables

These are stated net of provision for impaired debts. Full provision is made against the impaired debts.

### 3.18 Foreign currency transactions

Foreign currency transactions during the year are recorded at the exchange rates approximating those ruling on the date of the transactions. Assets and liabilities in foreign currencies are translated into Pakistan Rupees at the rates approximating those prevailing on the balance sheet date. Gains and losses on translation are taken to income currently.

	Note	2005 (Rupees '000)	2004
<b>4 PROPERTY, PLANT AND EQUIPMENT</b>			
Capital work-in-progress	4.1	19,483	-
Operating fixed assets	4.2	42,107	29,860
		<u>61,590</u>	<u>29,860</u>
<b>4.1 Capital work-in-progress</b>			
Civil works		18,043	-
Advances to suppliers		1,440	-
		<u>19,483</u>	<u>-</u>
<b>4.2 Operating fixed assets</b>			

Description	COST			ACCUMULATED DEPRECIATION			Net book value at June 30, 2005	Annual rate of depreciation %
	At July 1, 2004	Additions/ (disposals)/ transfers	At June 30, 2005	At July 1, 2004	Charge for the year/ (depreciation on disposals)/ transfers	At June 30, 2005		
(Rupees '000)								
<b>Owned</b>								
Building on freehold land	28,683	961	29,644	1,434	1,410	2,844	26,800	5%
		-			-			
Furniture and fittings	363	1,870	2,233	36	220	256	1,977	10%
		-			-			
Office equipment	617	1,750	2,367	62	231	293	2,074	10%
		-			-			
Computers and accessories	1,573	4,163	5,736	525	1,737	2,262	3,474	33.33%
		-			-			
Vehicles	851	6,811	3,216	170	643	643	2,573	20%
		(4,446) *			(170) *			
<b>Assets subject to finance lease</b>								
Vehicles	-	2,235	6,681	-	1,302	1,472	5,209	20%
		-			-			
		4,446 *			170 *			
<b>2005</b>	<b>32,087</b>	<b>17,790</b>	<b>49,877</b>	<b>2,227</b>	<b>5,543</b>	<b>7,770</b>	<b>42,107</b>	
		-			-			
<b>2004</b>	<b>-</b>	<b>32,087</b>	<b>32,087</b>	<b>-</b>	<b>2,227</b>	<b>2,227</b>	<b>29,860</b>	
		-			-			

\* This represents transfer of vehicles from owned assets to assets subject to finance lease under sale and lease back arrangement.

	Note	2005 (Rupees '000)	2004
<b>5 INTANGIBLE ASSETS</b>			
Membership card of Karachi Stock Exchange		31,220	31,220
Rooms at Karachi Stock Exchange		22,000	22,000
		<u>53,220</u>	<u>53,220</u>

**6 LONG -TERM LOANS AND ADVANCES - Considered good**

Due from related party - director	6.1	19,072	-
Less: Receivable within one year	12	(360)	-
		<u>18,712</u>	<u>-</u>

**6.1 Reconciliation of carrying amount of loans and advances to directors and executives is as follows:**

	2005		2004	
	Director	Executive	Director	Executive
	----- (Rupees in '000) -----			
At July 1	-	-	-	-
Disbursements	-	19,350	-	-
Appointment of executive as director - note 6.2	19,260	(19,260)	-	-
Repayments	(188)	(90)	-	-
At June 30	<u>19,072</u>	<u>-</u>	<u>-</u>	<u>-</u>

6.2 This represents an interest free house loan disbursed to Mr. Amjad Pervez during the year when he was the Chief Operating Officer of the company and before he became an Executive Director. The loan is repayable by June 2007 and is secured against the property by way of power of attorney executed in favour of the company on September 10, 2005.

6.3 The maximum aggregate amount due from the Executive Director at the end of any month during the year was Rs 19.230 million (2004: Nil).

**7 LONG TERM DEPOSITS**

	Note	2005 (Rupees '000)	2004
Deposits with:			
Leasing companies		1,088	-
Central Depository Company of Pakistan Limited		150	200
Karachi Stock Exchange		350	350
National Clearing Company of Pakistan Limited		300	200
Others		341	6
		<u>2,229</u>	<u>756</u>

**8 SHORT TERM INVESTMENTS**

Available-for-sale	8.1	353,821	-
Held for trading	8.2	177,684	52,037
		<u>531,505</u>	<u>52,037</u>



## 8.1 Available-for-sale

### Details of investments in shares / certificates of listed companies / modarabas:

Number of shares / certificates		Name of investee	Note	2005		2004	
2005	2004			Average cost	Fair value	Average cost	Fair value
----- (Rupees '000) -----							
<b>Mutual Funds</b>							
1,812,160	-	First Dawood Mutual Fund (Rs. 10 per certificate)	18,122	18,122	-	-	
500,000	-	Meezan Balanced Fund Limited (Rs. 10 per certificate)	5,000	4,100	-	-	
3,000,000	-	Pakistan Strategic Allocation Fund (Rs. 10 per certificate)	30,000	28,950	-	-	
<b>Investment Company</b>							
400,000	-	International Housing Finance Limited (Rs. 10 per share)	5,000	3,600	-	-	
<b>Cement</b>							
14,169,000	-	Pioneer Cement Limited (Rs. 10 per share)	306,740	297,549	-	-	
<b>Term Finance Certificates</b>							
300	-	Prime Commercial Bank Limited (Rs. 5,000 per certificate)	8.1.1	1,500	1,500	-	-
				<u>366,362</u>	<u>353,821</u>	-	-
Deficit on revaluation				(12,541)	-	-	-
Carrying value				<u>353,821</u>	<u>353,821</u>	-	-

8.1.1 These term finance certificates carry profit payable semi-annually at six months KIBOR (ask side) plus 1.90% (with no floor and cap) and are redeemable in four equal annual installments starting from February 10, 2010.

8.1.2 Securities having average cost of Rs. 328.889 million (2004: Rs. Nil) and fair value of Rs. 317.633 million (2004: Rs. Nil) have been pledged with various commercial banks for obtaining short term running finance facility under mark-up arrangements as specified in note 18.2.

8.1.3 Securities having average cost of Rs. 11.993 million (2004: Rs. Nil) and fair value of Rs. 11.634 million (2004: Rs. Nil) have been pledged with the Karachi Stock Exchange as exposure deposit against trading of securities.

## 8.2 Held for trading

### Details of investments in shares / certificates of listed companies / modarabas:

Number of shares / certificates		Name of investee	Note	2005		2004	
2005	2004			Average cost	Fair value	Average cost	Fair value
----- (Rupees '000) -----							
<b>Commercial Banks</b>							
3,521,700	-	Bank Al-falah Limited (Rs. 10 per share)	172,476	143,509	-	-	
82,500	-	Muslim Commercial Bank Limited (Rs. 10 per share)	3,918	6,542	-	-	
60,000	213,100	National Bank Limited (Rs. 10 per share)	7,799	6,477	13,468	14,161	
<b>Insurance</b>							
-	398,000	New Jubilee Insurance Company Limited (Rs. 10 per share)	-	-	14,255	10,348	
<b>Textile Composite</b>							
-	500	Nishat Mills Limited (Rs. 10 per share)	-	-	28	26	
<b>Cement</b>							
-	72,000	Chakwal Cement Company Limited (Rs. 10 per share)	-	-	504	554	
<b>Oil &amp; Gas Exploration Companies</b>							
-	417,800	Oil & Gas Development Company Limited (Rs. 10 per share)	-	-	25,903	26,948	
<b>Fertilizers</b>							
667,500	-	Fauji Fertilizer Bin Qasim Limited (Rs. 10 per share)	23,478	17,956	-	-	
<b>Chemicals</b>							
400,000	-	Pakistan PTA Limited (Rs. 10 per share)	5,564	3,200	-	-	
				<u>213,235</u>	<u>177,684</u>	<u>54,158</u>	<u>52,037</u>
Fair value loss on remeasurement - net				(35,551)	-	(2,121)	-
Carrying value				<u>177,684</u>	<u>177,684</u>	<u>52,037</u>	<u>52,037</u>

8.2.1 Securities having average cost of Rs. 167.236 million (2004: Rs. 13.972 million) and fair value of Rs. 137.486 million (2004: Rs. 14.715 million) have been pledged with various commercial banks for obtaining short term running finance facility under mark-up arrangements as specified in note 18.2.

8.2.2 Securities having average cost of Rs. 22.934 million and fair value of Rs. 17.738 million have been pledged with the Karachi Stock Exchange as exposure deposit against trading of securities.

	Note	2005 (Rupees '000)	2004
9 OTHER INVESTMENTS			
Other investments	9.1	<u>1,292,972</u>	<u>-</u>

9.1 The company has entered into an arrangement through which fixed income securities amounting to Rs. 1,549.942 million have been lent to the company out of which securities amounting to Rs 1,292.972 million have been transferred in the name of the company while the remaining securities amounting to Rs. 256.97 million are still held in the lender's name. Accordingly, the securities in the company's name have been shown as investments and the corresponding liability has been disclosed in note 16. Coupon income on these securities will be paid to the lender together with mark-up at rates ranging from 1% to 1.35%. Out of the securities transferred in the company's name, securities amounting to Rs. 450 million are in the name of the company and the remaining securities amounting to Rs. 842.972 million have been given by the company under repurchase agreements to various financial institutions (note 18.1).

#### 10 RECEIVABLE AGAINST CARRY OVER TRANSACTIONS

Receivable against carry over transactions	10.1	<u>517,945</u>	<u>-</u>
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10.1 The fair value of securities held under these receivables amounted to Rs. 517.945 million (2004: Nil). Out of these, securities having fair value of Rs. 98.048 million (2004: Nil) and Rs. 419.897 million (2004: Nil) have been pledged with Karachi Stock Exchange as exposure deposit against trading of securities and various commercial banks for obtaining short-term running finance under mark-up arrangements as disclosed in note 18.2 respectively.

10.2 These receivables carry mark-up at rates ranging from 10.00% to 27.58%.

#### 11 TRADE DEBTS

Secured			
Considered good	11.1 & 11.2	272,752	100
Unsecured			
Considered good		<u>179,256</u>	<u>244,299</u>
Considered doubtful		<u>5,000</u>	<u>-</u>
		<u>184,256</u>	<u>244,299</u>
		<u>457,008</u>	<u>244,399</u>
Less : Provision for doubtful debts	27	<u>(5,000)</u>	<u>-</u>
		<u>452,008</u>	<u>244,399</u>

11.1 This includes receivable from Karachi Stock Exchange amounting to Rs. 159.654 million (2004: Rs. 0.100 million) in respect of trading in securities settled subsequent to the year end.

11.2 Amounts due from associated undertakings at the year end are as under:

First Pakistan Securities Limited	-	69,075
Trust Leasing Corporation Limited	<u>27</u>	<u>105,306</u>
	<u>27</u>	<u>174,381</u>

	Note	2005	2004
		(Rupees '000)	
<b>12 LOANS AND ADVANCES - CONSIDERED GOOD</b>			
- Director	6	360	-
- Executives	12.1	354	-
- Employees	12.1	182	61
- Suppliers & others		800	1,316
		<u>1,696</u>	<u>1,377</u>
12.1 The advances to executives and employees are given to meet personal expenses and for the purchase of motorcycles. These loans are recovered through deduction from salaries over varying periods upto a maximum period of forty months. The loans are granted to the employees of the company in accordance with their terms of employment.			
<b>13 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Exposure deposit with Karachi Stock Exchange	13.1	45,376	125
Prepayments		376	64
		<u>45,752</u>	<u>189</u>
13.1 This represents amount of deposit held at the year end against exposure arising out of trading in securities in accordance with the regulations of the Karachi stock Exchange.			
<b>14 OTHER RECEIVABLES - CONSIDERED GOOD</b>			
Dividend receivable		4,954	1,575
Others		105	70
		<u>5,059</u>	<u>1,645</u>
<b>15 CASH AND BANK BALANCES</b>			
Cash at bank - in current accounts		158,053	301
Cash in hand		-	49
Stamps on hand		67	-
		<u>158,120</u>	<u>350</u>
<b>16 TRADE AND OTHER PAYABLES</b>			
Trade creditors	16.1 & 16.2	252,728	157,843
Accrued expenses		3,156	865
Provision for gratuity	28	1,271	-
Provision for leave fare		1,180	-
Rent payable	16.3	3,233	3,233
Payable in respect of borrowed securities	9.1	1,292,972	-
Unclaimed dividends		1,991	-
Payable in respect of capital expenditure		634	-
Retention money		300	-
Others		1,338	62
		<u>1,558,803</u>	<u>162,003</u>
16.1 This includes payable to Karachi Stock Exchange amounting to Rs. 0.147 million (2004: Rs. 47.752 million) in respect of trading in securities settled subsequent to year end.			
16.2 Amounts due to associated undertakings at the year end are as under:			
First Pakistan Securities Limited		58,616	-
Switch Securities (Private) Limited		46,702	4,235
		<u>105,318</u>	<u>4,235</u>

16.3 Cotton Export Corporation of Pakistan Limited has filed a civil suit in the High Court of Sindh for recovery of rent of Rs 1.918 million along with mark-up of Rs 1.315 million and the case is pending in the Court. The company has provided an amount of Rs 3.233 million being the principal and interest thereon.

	Note	2005	2004
		(Rupees '000)	
<b>17 INTEREST AND MARK-UP ACCRUED ON BORROWINGS</b>			
Mark-up accrued on:			
- Short-term running finances		9,421	-
- Repurchase agreement borrowings		8,354	-
Mark-up payable in respect of borrowed securities	9.1	1,906	-
Accrued finance charge on leases		30	-
		<u>19,711</u>	<u>-</u>
<b>18 SHORT TERM BORROWINGS</b>			
Secured			
Repurchase agreement borrowings	18.1	696,286	-
Short-term running finances utilised under mark-up arrangements	18.2	241,983	23,451
Unsecured			
Loan from director		-	15,000
		<u>938,269</u>	<u>38,451</u>
18.1 This represents short term borrowings from banking companies and financial institutions under repurchase agreements with respect to securities borrowed under the arrangement as mentioned in note 9.1. The effective interest rates on these repurchase agreement borrowings ranges from 10.5% to 11%.			
18.2 The facilities for short-term running finances available from various banks amount to Rs 700 million (2004: Rs 75 million). These facilities carry mark-up at rates ranging from Re 0.2219 to Re 0.2466 (2004: Re 0.1507) per Rs 1,000 per day and are repayable on various dates by October 2005. The arrangements are secured by the pledge of listed shares held by the company.			
<b>19 LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>			
The company has entered into lease agreements for lease of motor vehicles. The liabilities under these agreements are payable on various dates by March 25, 2008 and are subject to a finance charge varying from 8% to 18.24% per annum.			
The amount of future payments for the finance lease is as follows:			
Not later than one year		2,131	-
Later than one year but not later than five years		4,238	-
		6,369	-
Less: Finance charge not yet due		704	-
		5,665	-
Less: Current maturity shown under current liabilities		1,697	-
		<u>3,968</u>	<u>-</u>
<b>20 DEFERRED TAX LIABILITIES / (ASSETS)</b>			
Taxable temporary differences on:			
Accelerated tax depreciation		5,345	-
Deductible temporary differences on:			
Finance leases		(170)	-
Provisions		(1,990)	-
		<u>(2,160)</u>	<u>-</u>
		<u>3,185</u>	<u>-</u>

21 SHARE CAPITAL

21.1 Authorised Capital

2005	2004		2005	2004
Number of shares			(Rupees '000)	
<u>50,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs 10 each	<u>500,000</u>	<u>500,000</u>

21.2 Issued, subscribed and paid-up share capital

50,000,000	12,500,000	Ordinary shares of Rs10 each	21.3	500,000	125,000
		fully paid in cash			
<u>50,000,000</u>	<u>12,500,000</u>			<u>500,000</u>	<u>125,000</u>

21.3 During the current year the company issued further share capital of 37,500,000 shares at par fully paid in cash.

22 COMMITMENTS

In respect of capital expenditure contracted for but not incurred	<u>1,469</u>	<u>-</u>
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23 FIDUCIARY ASSETS

The details of assets held on behalf of customers in fiduciary capacity are as follows:

Amount received from customers	553,155	-
Amount invested in carry over transactions	<u>(553,155)</u>	<u>-</u>
Balance as at June 30	<u>-</u>	<u>-</u>

23.1 This represents amounts received from various customers in fiduciary capacity for onward placement in carry over transactions. The arrangement entitles the company to receive commission at specified rates on premium earned on these transactions. The company also recovers incidental charges incurred on these transactions.

24 OPERATING REVENUE

Brokerage	124,614	3,100
Dividend income	96,362	1,750
Commission earned	<u>20,433</u>	<u>-</u>
	<u>241,409</u>	<u>4,850</u>

25 GAIN FROM TRANSACTIONS IN MARKETABLE SECURITIES - NET

Income from carry over transactions	132,311	-
Gain on sale of investments - net	66,824	6,500
Mark-up on lendings to financial institutions	<u>15,964</u>	<u>-</u>
	<u>215,099</u>	<u>6,500</u>

	Note	2005 (Rupees '000)	2004
<b>26 OTHER OPERATING INCOME</b>			
Income from financial assets			
Mark-up on term finance certificates	8.1.1	130	-
Income from non-financial assets			
Miscellaneous		103	198
		<u>233</u>	<u>198</u>
<b>27 ADMINISTRATIVE EXPENSES</b>			
Salaries, allowances and other benefits	27.1	20,151	1,559
Rent, rates and taxes		820	300
Repairs and maintenance		2,004	197
Utilities		4,405	564
Fees & subscription		2,686	111
KSE, clearing house and CDC charges, etc.		19,964	605
Corporate expenses		104	32
Floatation expenses		7,409	-
Deferred cost	3.6	2,635	-
Insurance charges		430	11
Travelling and conveyance		1,734	153
Depreciation	4.2	5,543	2,227
Provision for doubtful debts	11	5,000	-
Printing and stationery		1,566	249
Advertisement and publicity		2,389	6
Legal and professional charges		1,162	148
Entertainment		468	50
Others		286	49
		<u>78,756</u>	<u>6,261</u>

27.1 Salaries, allowances and benefits include Rs 1.667 million (2004: Nil) in respect of staff retirement benefits.

## 28 EMPLOYEE BENEFITS

### Unfunded gratuity scheme

As mentioned in note 3.2, the company operates an unapproved unfunded gratuity scheme. The actuarial valuation of the scheme was carried out as at June 30, 2005.

Projected Unit Credit method using the following significant assumptions, was used for the valuation of the scheme:

	2005	2004
Discount rate	9%	-
Expected rate of increase in salary	20%	-

Movement in net liability recognised in the balance sheet is as follows:

	2005 (Rupees '000)	2004
Balance as at July 1	-	-
Current year expense	<u>1,271</u>	-
Balance as at June 30	<u>1,271</u>	-



The fair value of the scheme's assets and liabilities for past services of the employees at the valuation date were as follows:

	Note	2005 (Rupees '000)	2004
Present value of defined benefit obligation		1,351	-
Unrecognised actuarial loss		(80)	-
Net liability recognised as at June 30		<u>1,271</u>	<u>-</u>

The following amounts have been charged to the profit and loss account during the year in respect of this scheme:

Current service cost		1,258	-
Interest cost		<u>13</u>	<u>-</u>
		<u>1,271</u>	<u>-</u>

## 29 FINANCE COSTS

Mark-up on:			
- Short term running finances		27,226	6
- Repurchase agreement borrowings		67,918	-
Bank charges		468	59
Finance charge on leases	29.1	311	-
Others		<u>1,165</u>	<u>-</u>
		<u>97,088</u>	<u>65</u>

29.1 This includes Rs. 0.196 million (2004: Nil) paid to Trust Leasing Corporation Limited, an associated undertaking of the company

## 30 OTHER OPERATING EXPENSES

Auditors' remuneration	30.1	247	100
Donations	30.2	905	-
Commission to trading agents		<u>9,856</u>	<u>538</u>
		<u>11,008</u>	<u>638</u>

### 30.1 Auditors' remuneration

Statutory audit fee		175	100
Half yearly review fee		55	-
Special reports and certifications		10	-
Out of pocket expenses		<u>7</u>	<u>-</u>
		<u>247</u>	<u>100</u>

30.2 No director or any of his spouse had any interest with respect to any donation made.

## 31 TAXATION

Current - for the year		28,905	14
Deferred		<u>3,185</u>	<u>-</u>
		<u>32,090</u>	<u>14</u>

	2005 (Rupees '000)	2004
<b>31.1 Relationship between tax expenses and accounting profit</b>		
Profit for the year from ordinary activities before taxation	<u>234,338</u>	<u>4,584</u>
Tax at the applicable rate of 35% (2004: 41%)	82,018	1,879
Tax effect of items that are not included in determining taxable profit	(4,032)	(2,051)
Tax effect of income taxed under Final Tax Regime	(43,279)	(717)
Tax impact of opening deferred tax asset recognised in current year	(3,722)	(2,963)
Unrecognised deferred tax asset	-	3,722
Impact of change in tax rate	-	130
Minimum tax under section 113 of Income Tax Ordinance, 2001	-	14
Others	1,105	-
Tax expense for the year	<u>32,090</u>	<u>14</u>
<b>32 EARNINGS PER SHARE - BASIC AND DILUTED</b>		
Profit after taxation attributable to ordinary shareholders	<u>202,248</u>	<u>4,570</u>
	Number of shares	
Weighted average ordinary shares in issue during the year	<u>45,821,918</u>	<u>12,500,000</u>
	(Rupees)	
Earnings per share - basic and diluted	<u>4.41</u>	<u>0.37</u>

### 33 REMUNERATION OF DIRECTORS AND EXECUTIVES

The aggregate amounts charged in the financial statements for the year for remuneration, including all benefits, to the chief executive, directors and executives of the company were as follows:

	2005			2004		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees '000)					
Managerial remuneration	-	382	3,118	-	-	510
Bonus	-	240	953	-	-	-
Reimbursable expenses	3	8	185	-	-	-
Retirement benefits	-	32	183	-	-	-
Housing	-	60	90	-	-	230
Utilities	-	38	312	-	-	51
Leave passage	-	254	222	-	-	-
Conveyance and travelling	58	70	510	-	-	19
	<u>61</u>	<u>1,084</u>	<u>5,573</u>	<u>-</u>	<u>-</u>	<u>810</u>
Number of persons	<u>1</u>	<u>2 *</u>	<u>2 *</u>	<u>-</u>	<u>-</u>	<u>2</u>

\* During the year one of the Executives was appointed as an Executive Director. Accordingly, the remuneration paid to him during the year has been bifurcated.

33.1 The chief executive and one of the directors are provided with free use of company maintained cars.

33.2 Remuneration to other Directors

Aggregate amount charged in the financial statements for fee to directors was Rs 0.048 million (2004: Rs 0.047 million)

34 RELATED PARTY TRANSACTIONS

The company has related party relationship with its associated undertakings, employee contribution plan and its directors and key management personnel. Transactions with related parties and associated undertakings are as follows:

	2005	2004
	(Rupees '000)	
Purchase of marketable securities for and on behalf of directors	18,253,188	2,514,720
Sale of marketable securities for and on behalf of directors	18,433,368	2,506,341
Purchase of marketable securities on behalf of associates	61,170,089	3,273,737
Sale of marketable securities on behalf of associates	61,016,162	3,258,234
Brokerage income earned from:		
- directors	2,448	93
- associates	13,617	1,343
Repurchase agreement borrowing	15,000	-
Motor vehicles leased	4,276	-
Mark-up paid on repurchase agreement borrowing	207	-
Charge for the year in respect of contributory plan	396	-

Particulars of remuneration to key personnel are disclosed in note 33 of these financial statements.

35 CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

	Note	2005	2004
		(Rupees '000)	
Cash and bank balances	15	158,120	350
Short-term running finances	18	(241,983)	(23,451)
		<u>(83,863)</u>	<u>(23,101)</u>

36 FINANCIAL ASSETS AND LIABILITIES

	June 30, 2005						Total
	Interest/mark-up bearing			Non interest/mark up bearing			
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total	
	(Rupees '000)						
<b>Financial Assets</b>							
Long term loans and advances	-	-	-	-	18,712	18,712	18,712
Long term deposits	-	-	-	-	2,229	2,229	2,229
Available-for-sale investments	-	1,500	1,500	352,321	-	352,321	353,821
Held for trading investments	-	-	-	177,684	-	177,684	177,684
Receivable against carry over transactions	517,945	-	517,945	-	-	-	517,945
Trade debts	-	-	-	452,008	-	452,008	452,008
Loans and advances	-	-	-	896	-	896	896
Trade deposits	-	-	-	45,376	-	45,376	45,376
Other receivables	-	-	-	5,059	-	5,059	5,059
Cash and bank balances	-	-	-	158,120	-	158,120	158,120
	<u>517,945</u>	<u>1,500</u>	<u>519,445</u>	<u>1,191,464</u>	<u>20,941</u>	<u>1,212,405</u>	<u>1,731,850</u>
<b>Financial Liabilities</b>							
Trade and other payables	-	-	-	263,380	-	263,380	263,380
Interest and mark-up accrued on borrowings	-	-	-	19,711	-	19,711	19,711
Short term borrowings	938,269	-	938,269	-	-	-	938,269
Obligations against assets subject to finance lease	1,697	3,968	5,665	-	-	-	5,665
	<u>939,966</u>	<u>3,968</u>	<u>943,934</u>	<u>283,091</u>	<u>-</u>	<u>283,091</u>	<u>1,227,025</u>
	(Rupees '000)						
	June 30, 2004						
	Interest/mark-up bearing			Non interest/mark up bearing			Total
	Maturity upto one year	Maturity after one year	Total	Maturity upto one year	Maturity after one year	Total	
	(Rupees '000)						
<b>Financial Assets</b>							
Long term deposits	-	-	-	-	756	756	756
Held for trading investments	-	-	-	52,037	-	52,037	52,037
Trade debts	-	-	-	244,399	-	244,399	244,399
Loans and advances	-	-	-	61	-	61	61
Trade deposits	-	-	-	125	-	125	125
Other receivables	-	-	-	1,645	-	1,645	1,645
Cash and bank balances	-	-	-	350	-	350	350
	<u>-</u>	<u>-</u>	<u>-</u>	<u>298,617</u>	<u>756</u>	<u>299,373</u>	<u>299,373</u>
<b>Financial Liabilities</b>							
Trade and other payables	-	-	-	162,003	-	162,003	162,003
Short term borrowings	-	-	-	38,451	-	38,451	38,451
	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,454</u>	<u>-</u>	<u>200,454</u>	<u>200,454</u>

36.1 The interest rate profile of interest / mark-up bearing assets and liabilities is given in notes 8.1.1, 10.2, 18.1, 18.2 and 19 of these financial statements.

### 36.2 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. All the financial assets of the company except Rs 0.067 million are exposed to credit risk. To manage the exposure to credit risk, the company applies credit limits to its customers and obtains margins and deposits in the form of cash and marketable securities.

### 36.3 Liquidity risk

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

### 36.4 Fair value of financial assets and liabilities

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

### 37 NUMBER OF EMPLOYEES

	2005	2004
Number of employees at June 30	<u>77</u>	<u>27</u>

### 38 NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on September 21, 2005 have proposed a final cash dividend in respect of the year ended June 30, 2005 at Rs 1.50 (2004: nil) per share. This is in addition to the interim cash dividend of Re 1 (2004: nil) per share resulting in a total cash dividend for the year of Rs 2.50 per share. The proposed final dividend will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended June 30, 2005 do not include the effect of this final dividend of Rs 1.50 per share which will be accounted for in the financial statements for the year ending June 30, 2006.

### 39 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. Significant reclassifications include:

- Deposits have been reclassified from advances, deposits, prepayments and other receivables and disclosed separately as long term deposits.
- Advances have been reclassified from advances, deposits, prepayments and other receivables and disclosed separately as loans and advances.
- Advance tax has been reclassified from advances, deposits, prepayments and other receivables and disclosed separately as taxation recoverable - net.
- Other receivables have been reclassified from advances, deposits, prepayments and other receivables and disclosed separately on the balance sheet.
- Loan from director and short term running finances utilised under mark-up arrangements have been shown under short term borrowings.
- Audit fee has been reclassified from administrative expenses and disclosed under other operating expenses.
- Commission to marketing agents has been shown separately as other operating expenses.

The above changes have been made to comply with the new disclosure requirements arising on account of application of the Fourth Schedule to the Companies Ordinance, 1984 as the company was listed on the Stock Exchange during the current year.

### 40 DATE OF AUTHORISATION

These financial statements were authorised for issue on September 21, 2005 by the Board of Directors of the company.

Saeed A. Bajwa  
Chief Executive

Ali A. Malik  
Chairman

## PATTERN OF SHAREHOLDING AS AT JUNE 30, 2005

NUMBER OF SHAREHOLDERS	SHARE HOLDING			TOTAL SHARES HELD
	FROM		TO	
197	101	-	500	98,500
147	501	-	1000	146,640
265	1001	-	5000	817,500
85	5001	-	10000	717,000
30	10001	-	15000	388,500
21	15001	-	20000	378,000
16	20001	-	25000	388,500
7	25001	-	30000	200,000
3	30001	-	35000	101,000
5	35001	-	40000	196,000
2	40001	-	45000	85,500
9	45001	-	50000	444,500
2	50001	-	55000	109,000
4	55001	-	60000	231,500
2	65001	-	70000	137,500
2	70001	-	75000	150,000
2	75001	-	80000	158,000
2	80001	-	85000	166,500
5	95001	-	100000	500,000
1	100001	-	105000	103,500
1	105001	-	110000	109,500
1	115001	-	120000	116,000
2	120001	-	125000	249,500
1	130001	-	135000	131,000
2	145001	-	150000	298,500
1	165001	-	170000	169,500
1	170001	-	175000	175,000
1	175001	-	180000	176,500
1	180001	-	185000	185,000
2	195001	-	200000	400,000
1	215001	-	220000	218,500
2	230001	-	235000	469,000
1	235001	-	240000	237,500
1	245001	-	250000	250,000
1	290001	-	295000	291,500
2	395001	-	400000	795,500
1	405001	-	410000	406,500
1	450001	-	455000	455,000
2	495001	-	500000	1,000,000
1	530001	-	535000	531,000
2	545001	-	550000	1,100,000
2	620001	-	625000	1,250,000
1	795001	-	800000	800,000
1	925001	-	930000	929,500
2	995001	-	1000000	2,000,000
1	1395001	-	1400000	1,400,000
1	1415001	-	1420000	1,420,000
1	1495001	-	1500000	1,500,000
1	1680001	-	1685000	1,681,500
1	1725001	-	1730000	1,729,500
1	1745001	-	1750000	1,750,000
3	1995001	-	2000000	6,000,000
1	2120001	-	2125000	2,125,000
1	2405001	-	2410000	2,406,000
1	3000001	-	3005000	3,000,260
1	8725001	-	8730000	8,725,600
854				50,000,000



## CATEGORIES OF SHAREHOLDERS

as at June 30, 2005

Categories	Number	Shares Held	Percentage
<b>Related Parties</b>			
Kaukab Mir Memorial Welfare Trust	1	929,500	1.86 %
F.Rabbi Steel (Private) Limited	1	2,375,000	4.75 %
National Bank of Pakistan	1	1,795,500	3.59 %
First Pakistan Securities Limited	1	8,725,600	17.45 %
Switch Securities Limited	1	3,169,760	6.34 %
<b>Directors, Chief Executive, their spouses and minor children</b>			
Saiyid Najam Rizvi	1	5,000	0.06 %
Ali Aslam Malik	1	292,000	0.58 %
Saeed Ahmad Bajwa	1	500	0.00 %
Amjad Pervez	1	500	0.00 %
Malik Atiqur Rahman	1	500	0.00 %
Shahzad Akbar	1	5,500	0.01 %
Shaikh Khalid Tawab	1	500	0.00 %
Investment Corporation of Pakistan		-	-
Banks/DFIs/NBFIs/Modarabas/Mutual Funds	17	12,219,000	24.44 %
Public Sector Companies & Corporations		-	-
Joint Stock Companies	28	2,051,500	4.10 %
Individuals	797	18,429,640	36.86 %
	<b>854</b>	<b>50,000,000</b>	<b>100.00 %</b>

### Detail of Share holding 10% & more

First Pakistan Securities Limited	1	8,725,600	17.45%
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**FIRST NATIONAL EQUITIES LIMITED**  
19-C, Sunset Lane 6, South Park Avenue,  
Phase II Extension, D.H.A. Karachi.