

# Annual Report

# 2007



FIRST NATIONAL EQUITIES LIMITED



*“Connecting people,  
ideas and capital,  
we will be our clients’*

*First Choice*

*for achieving their  
financial aspirations”.*

*Vision*

# Mission

---

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

04	Company Information
06	Notice of Annual General Meeting
10	Directors' Report
13	Financial Statistical Summary
14	Statement of Compliance
16	Review Report to the Members
17	Auditors' Report
18	Balance Sheet
19	Profit and Loss Account
20	Cash Flow Statement
21	Statement of Changes in Equity
22	Notes to the Financial Statements
51	Pattern of Shareholding
53	Branch Network

Form of Proxy

# Contents



# Company Information

## Board of Directors

Sheikh Khalid Tawab	Chairman
Mr. Amjad Pervez	Director / Chief Executive
Mr. Muhammad Iqbal Khan	Director
Malik Atiq ur Rehman	Director
Mr. Shahzad Akbar	Director
Yoshihiro Saito	Director
Mr. Jahanzeb Luni	Director
Maj. Gen. (Retd.) KHurshid Ali Khan	Director

## Audit Committee

Sheikh Khalid Tawab	Chairman
Mr. Muhammad Iqbal Khan	Member
Mr. Shahzad Akbar	Member

## CFO & Company Secretary

Mr. M. Ahsan Hashmi

## Auditors

A. F. Ferguson & Co  
Chartered Accountants, Karachi

## Legal Advisor

Minto & Mirza, Advocates

## Registrar

Technology Trade (Pvt) Limited  
241-C, Block-2, P.E.C.H.S,  
Off: Main Shahrah-e-Quaideen, Karachi.  
Tel: 0092-021-4391316-7



## Bankers

---

Bank Al Falah Limited

---

PICIC Commercial Bank Limited

---

Allied Bank of Pakistan Limited

---

MCB Bank Limited

---

The Bank of Punjab

---

Habib Metropolitan Bank Limited

---

KASB Bank Limited

---

Saudi Pak Commercial Bank Limited

---

The Bank of Khyber

---

Prime Commercial Bank Limited

---

Bank Al Habib Limited

---

Arif Habib Rupali Bank

---

My Bank Limited

---

## KSE Office

---

135-136, 3rd Floor, Stock Exchange Building,

---

Stock Exchange Road, Karachi.

---

Ph: 0092-021-2421396, 2472758, 2472119

---

Fax: 0092-021-2472332

---

## Registered & Head Office

---

FNE House: 19-C, Sunset Lane-06,

---

South Park Avenue, Phase – II (Ext),

---

D.H.A., Karachi.

---

UAN : 0092-021-111-000-363

---

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 FNE House, 19-C, Sunset Lane 6, South Park Avenue, Phase-II (Ext), DHA, Karachi on Saturday, the September 29, 2007 at 9 a.m. to transact the following business:-

## ORDINARY BUSINESS

---

1. To confirm the minutes of the last Extra Ordinary General Meeting held on August 11, 2007.
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, 2007.
3. To approve the final cash dividend @ 15% (i.e. Rs. 1.50 per share) alongwith stock dividend in the proportion of 15 shares for every 100 shares held i.e. 15% for the year ended June 30, 2007, as recommended by the Board of Directors.
4. To appoint auditors and fix their remuneration for the year to be ended June 30, 2008. The present auditors M/s. A. F. Ferguson & Co., Chartered Accountants retire and being eligible, offer themselves for reappointment.

## SPECIAL BUSINESS

---

5. To consider and pass the Special Resolutions authorizing the alteration in the Memorandum & Articles of Association of the Company. (Details of Special Resolutions are attached with Notice as Statement under Section 160(1) (b) of the Companies Ordinance, 1984).
6. To transact any other business of the Company that may be placed before the meeting with the permission of the Chair.

By Order of the Board

**M AHSAN HASHMI**  
Chief Financial Officer &  
Company Secretary

## Notes:

---

1. The Register of the Members of the Company will remain closed from September 22, 2007 to September 29, 2007 (both days inclusive) to determine entitlement of 15% final cash dividend and 15% stock 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 September 21, 2007.
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 Computerized 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 CNIC numbers shall be mentioned on the form.
  - iii. Attested copy of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
  - iv. The proxy shall produce his original CNIC or original passport at the time of the Meeting.
4. Members are requested to notify immediately changes, if any, in their registered address.

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

This statement sets out the material facts concerning the special business, given in agenda item, to be transacted at the Annual General Meeting of the Company, which will be held on September 29, 2007.

The management of the Company is in the process of expanding business through its diversification plans and for investment in different areas of business. Therefore, it is required to amend the Memorandum & Articles of Association of the Company and following resolution is proposed to be passed with or without amendments.

**"RESOLVED** as Special Resolution that the Object Clause of Memorandum of Association of the Company be and is hereby amended to incorporate the following new Clauses to be numbered as III. 24, 25 & 26:

<b>MEMORANDUM OF ASSOCIATION OF FIRST NATIONAL EQUITIES LIMITED BEFORE AMENDMENT</b>	<b>MEMORANDUM OF ASSOCIATION OF FIRST NATIONAL EQUITIES LIMITED AFTER AMENDMENT</b>
	24. To carry on the business of distributor and/or dealer for any Asset Management Company and/or any Mutual Fund or whatever name called to issue and/or redeem or whatever name called any mutual funds certificates, fixed income securities, units, certificates of investments, commercial papers and/or any type of instrument that an Asset Management Company and/or any Mutual Fund of Pakistan or abroad can issue, for an appropriate remuneration at Pakistan or abroad.
	25. To acquire and secure membership of Commodity Exchanges in Pakistan or any part of the world for furtherance of the business of the Company.
	26. To act as member of Commodity Exchange(s) to carry on the business of broker and to invest in any commodity, derivatives and every commodities related financial instruments under license or with the permission or approval of any recognized association, authority, commodity exchange or other market whether in Pakistan or abroad.





“**FURTHER RESOLVED** as Special Resolution that following Articles of ‘Articles of Association’:

MEMORANDUM OF ASSOCIATION OF FIRST NATIONAL EQUITIES LIMITED BEFORE AMENDMENT	MEMORANDUM OF ASSOCIATION OF FIRST NATIONAL EQUITIES LIMITED AFTER AMENDMENT
<p>86-A. Notwithstanding anything to the contrary contained in any articles herein, the decision of the Board on all the following matters shall always require the participation of NBP Director.</p> <ul style="list-style-type: none"> <li>a) Appointment/Change of Chief Executive.</li> <li>b) Appointment of key personnel and consultants.</li> <li>c) Changes in the financial plan, size and capacity of the project.</li> <li>d) Award of contracts to any suppliers of plant, machinery and equipment and for construction of civil works of the Project.</li> <li>e) Capital expenditure exceeding Rs. 2.5 million per item during any financial year.</li> <li>f) Loans or any business dealings on the basis of deferred payments of any kind whatsoever with the subsidiaries associated undertakings (if any of the Company or of its Sponsor(s)).</li> <li>g) Transfer, sale, assignment or lease of the immovable properties of the Company or the creation of any hypothecation, mortgage, charge or other encumbrance thereon.</li> <li>h) Recommendation of Dividend.</li> <li>i) Creation of and transfer to reserves other than statutory reserves.</li> <li>j) Delegation of powers to Chief Executive.</li> <li>k) Recommendation on the appointment of the auditors.</li> </ul>	<p><b>DELETED</b></p>



<p>90. The Directors may allow and pay to any Director who is not resident of Karachi and who shall come to Karachi for the purpose of attending a meeting such sum as the Directors may consider fair compensation for traveling expenses, in addition to his fee for attending such meeting as above specified.</p>	<p>90. The Directors may allow and pay to any Director for the purpose of attending a meeting such sum as the Directors may consider fair compensation for traveling expenses, in addition to his fee for attending such meeting as above specified.</p>
<p>119A. During the period any financial assistance granted by the National Bank of Pakistan (NBP) to the Company is outstanding or any moneys payable by the Company to NBP remain unpaid the NBP shall have the right to nominate and to appoint one director or more as the case may be. Such Director(s) hereinafter referred as NBP Director(s) shall not be liable to hold any qualification shares. The NBP Director while being entitled to all privileges admissible to the other directors of the Company shall not be liable to retire or any adverse action by the Company. The NBP shall be entitled to remove/replace the NBP directors in its discretion at any time.</p>	<p style="text-align: center;"><b>DELETED</b></p>

**"FURTHER RESOLVED THAT** Amjad Pervez Chief Executive and M. Ahsan Hashmi Chief Financial Officer & Company Secretary be and are hereby authorized to fulfill all requisite legal, procedural and corporate formalities for affecting the alteration of the Memorandum and Articles of Association, including signing swearing and submitting appropriate applications with the Securities & Exchange Commission of Pakistan for obtaining approval/confirmation of alteration of Memorandum and Articles of Association as required under the Companies Ordinance, 1984."



# Directors' Report

## Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of your Company for the year ended 30th June, 2007, together with the auditors' report thereon.

## Market Review

This was another year of continued upward performance of the stock market, thus placing KSE in one of the best performing market of the world. During the FY 2006-07, after witnessing a sluggish period that spread over approximately seven months, the KSE 100 index witnessed growth of 3,783 points (27%), closing at 13,772 points as compared to 9,989 points at the close of preceding year showing the market depth and healthy signs of economic growth. Thereby, the market capitalization rose by 32% and major credit of this recovery goes to keen interest made by foreign investors thus showing their trust over economic policies of the government. The current rally of the market is leading by cement, insurance and banking sectors.

During the FY 2006-07, for safeguard of small & medium investors and consistent performance & development of the capital market, Securities & Exchange Commission of Pakistan (SECP) and Karachi Stock Exchange (G) Limited took several steps by enhancing the regulatory frame-work for market participants. Some of them are; implementation of new risk management system reforms, in-house-CFS phase out, cash settled future contracts, client level netting and implementation of CFS MK II.

	2007	2006
	(Rupees in million)	
<b>Financial Results</b>		
Gross Revenue	637.38	982.19
Operating Revenue	615.48	974.63
Profit before Taxation	107.11	452.62
Less: Taxation	27.78	41.00
Profit after tax	79.33	411.62
Less: Accumulated profit (loss) brought forward	366.46	129.84
Profit Available for Appropriation	445.79	541.46
Final cash dividend	75.00	200.00
Final stock dividend	15%	-
Earning Per Share	Rs. 1.59	Rs. 8.23

## Dividend

The Board of Directors is pleased to announce a final cash dividend of 15% i.e. Rs. 1.50 per share alongwith stock dividend in the proportion of 15 shares for every 100 shares held i.e. 15% for the FY 2006-2007.

## Review of Operations

Al-Humd-u-Lillah during the FY 2006-07, your Company has earned a gross revenue of PKR 637.385 million, Administrative expenses stood at PKR 143.570 million and operating profit at PKR 493.815 million. The Finance Cost remained in strict control of the management thus reduced by 19% from preceding year and remains at PKR 206.43 million. Net Profit earned for the year touched PKR 84.020 million which resulted in an Earning per share of PKR 1.59 for the year ended June 30, 2007. One of the main reason is almost a seven months sluggish tendency of the market during the reporting period.



By the grace of Allah, your Company has demonstrated consistent growth since inception and, today with its' dedicated team, enjoys quality customer relationships and reputation. In order to remain competitive in Pakistan's rapidly evolving capital market scenario, it is important to further accelerate growth whilst maintaining standards of services and assets quality. During the year, the Company inaugurated four more branches in the country i.e. Rawalpindi, MirPur (Azad Jammu & Kashmir), Dera Ismail Khan and Mardan which took the FNEL branch network to eleven. This shows management's commitment towards the Company's vision statement of "Connecting People, ideas and capital", in right pace and direction. First National Equities Limited is equipped with the highly professional and skill full employees, well co-ordinated efforts and best team work concept under the dynamic leadership of the Chief Executive, thus enables employees to achieve the targets successfully.

## Future Outlook

---

The reforms made during the year by Securities & Exchange Commission of Pakistan and Karachi Stock Exchange for Capital Markets paved ways for inflow of foreign portfolio investment, we hope that increasing foreign investment in capital market and ongoing process of privatization will provide a further boost to stock market.

You will be pleased to know that JCR-VIS Credit Rating Company Ltd. has maintained a medium to long - term rating of 'BBB' (Triple B) and short term rating of 'A-3' (A-Three).

## Compliance with the Code of Corporate Governance

---

The Directors are pleased to confirm that:

- 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.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and there has been no departure from them.
- The system of internal control is sound and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
- Key historical data is summarized and printed on page 13.
- The company operates an approved contributory provident fund. The fund was established in the year 2004-05 and has made an investment in TFCs of Prime Commercial Bank Limited. Based on latest un-audited financial statements of the fund, the bank balance amounted to Rs. 2,603,357 and value of investment amounted to Rs. 1,508,737 as on June 30, 2007.
- There is no material statutory payment outstanding on account of taxes, duties, levies and charges.
- A total of six board meetings were held during the year details of which together with attendance by each director are as follows:



S. No.	Name of Director	Total No. of Board Meetings	Number of Meetings attended
1	Mr. Ali Aslam Malik	6	5
2	Mr. Amjad Pervez	6	6
3	Mr. Shahzad Akbar	6	6
4	Malik Atiq-ur-Rehman	6	5
5	Sheikh Khalid Tawab	6	4
6	Mr. Muhammad Iqbal Khan	6	4
7	Mr. Muzaffar S. Khan	6	5
8	Mr. Ejaz Akhtar Ansari	6	6

Leave of absence was granted to the Directors who could not attend the Board Meetings

Six meetings of the Audit Committee were held during the year, details of which together with attendance by each member are as follows:

S. No.	Name of Director	Total No. of Audit Committee Meetings	Number of Meetings attended
1	Mr. Ali Aslam Malik	6	5
2	Mr. Ejaz Akhtar Ansari	6	4
3	Sheikh Khalid Tawab	6	5
4	Mr. Muhammad Iqbal Khan	6	5

The statement showing pattern of shareholding in the company as on June 30, 2007 is given on page 51. No trading in Company's shares was carried out by its Directors, CEO, CFO, Company Secretary and their spouses and minor children.

## Auditors

The present Auditors Messrs. A.F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves to be reappointed as the Company's auditors for the ensuing year. The Audit Committee of the board recommends the (re)appointment of Messrs. A.F. Ferguson & Co., Chartered Accountants as auditors for the financial year 2007-08. A resolution to appoint the auditors of the Company for the ensuing year will be proposed at the Annual General Meeting.

## Acknowledgement

We express our sincere gratitude to our valued clients and bankers to the company for their patronage, Securities & Exchange Commission of Pakistan, Karachi Stock Exchange & Central Depository Company of Pakistan for their continuing guidance, and shareholders for their trust and confidence in us.

Finally, we also appreciate the efforts and dedication of all employees of the Company for their commitment and hard work that culminated into brilliant financial results for the year.

Karachi  
August 28, 2007

**SHEIKH KHALID TAWAB**  
Chairman



# Financial Statistical Summary (2002 - 2007)

PARTICULARS	June 30, (Rupees '000)					
	2007	2006	2005	2004	2003	2002
<b>OPERATING RESULTS</b>						
Operating Revenues	615,486	974,632	440,544	11,350	-	-
Other Operating income	21,899	7,558	16,197	198	-	632
Gross Revenue	637,385	982,190	456,741	11,548	-	632
Administrative Expenses	(143,570)	(140,323)	(78,756)	(6,261)	(396)	(12,569)
Operating Profit	493,815	841,867	377,985	5,287	(396)	(12,569)
Finance Cost	(206,433)	(254,919)	(97,088)	(65)	-	(13)
Other Operating Expenses	(203,362)	(29,217)	(11,008)	(638)	-	-
	84,020	557,731	269,889	4,584	(396)	(12,582)
Fair value loss on remeasurement of held for trading investment - net	20,403	(106,241)	(35,551)	-	-	-
Unrealised gain on mark to market of derivative financial instruments	-	993	-	-	-	-
Unrealised gain - letter of right	595	-	-	-	-	-
	20,998	(105,248)	(35,551)	-	-	-
Share of profit of associates-net of tax	2,088	135	-	-	-	-
Profit / (Loss) before Tax	107,106	452,618	234,338	4,584	(396)	(11,950)
Taxation net	(27,775)	(40,996)	(32,090)	(14)	-	-
Profit / (Loss) after Tax	79,331	411,622	202,248	4,570	(396)	(11,950)
Payout Ratio	30%	60%	25%	-	-	-
<b>BALANCE SHEET SUMMARY</b>						
<b>Non-Current Asset</b>						
Fixed assets	189,670	145,151	114,810	83,080	31,220	31,220
Long term Investment	42,223	40,135	-	-	-	-
Deferred cost	-	-	-	2,635	-	-
Long term loans & advances	125	10,849	18,712	-	-	-
Long Term deposits	2,616	1,889	2,229	756	-	-
	<b>234,634</b>	<b>198,024</b>	<b>135,751</b>	<b>86,471</b>	<b>31,220</b>	<b>31,220</b>
<b>Current assets</b>						
Short term investments	1,677,850	1,598,176	531,505	52,037	-	-
Other investments	-	-	1,292,972	-	-	-
Receivable against CFS/cary over transaction	-	402,485	517,945	-	-	-
Trade debts	536,346	89,774	452,008	244,399	-	-
Loans & advances	1,869	5,686	1,696	1,377	-	-
Trade deposits & short term prepayments	304,999	28,018	45,752	189	-	-
Accrued markup	6,062	-	-	-	-	-
Other Receivables	-	9,866	5,059	1,645	-	-
Taxation Recoverable - net	2,514	20,980	2,122	421	195	319
Cash and bank balance	39,207	111,949	158,120	350	1	1
	<b>2,568,847</b>	<b>2,266,934</b>	<b>3,007,179</b>	<b>300,418</b>	<b>196</b>	<b>320</b>
<b>CURRENT LIABILITIES</b>						
Trade & other payables	1,203,683	316,299	1,558,803	162,003	11,838	11,567
Interest and mark-up accrued on borrowings	5,108	30,801	19,711	-	-	-
Short term borrowings	390,810	678,823	938,269	38,451	-	-
Pre-IPO subscription towards proposed issue of term finance certificates	235,127	235,127	-	-	-	-
Current portion of liabilities against assets subject to finance lease	-	-	1,697	-	-	-
	1,834,728	1,261,050	2,518,480	200,454	11,838	11,567
<b>Net Current Assets</b>	<b>734,119</b>	<b>1,005,884</b>	<b>488,699</b>	<b>99,964</b>	<b>(11,642)</b>	<b>(11,247)</b>
Non-current liabilities						
Liabilities against asset subject to finance lease	-	-	3,968	-	-	-
Deferred tax liabilities - net	1,627	1,997	3,185	-	-	-
	1,627	1,997	7,153	-	-	-
<b>Net Assets</b>	<b>967,126</b>	<b>1,201,911</b>	<b>617,297</b>	<b>186,435</b>	<b>19,578</b>	<b>19,973</b>
<b>REPRESENTED BY</b>						
Issued, subscribed and paid-up capital	500,000	500,000	500,000	125,000	46,558	46,558
Share application money	-	-	-	83,845	-	-
Unappropriated profit / (Accumulated losses)	245,791	366,460	129,838	(22,410)	(26,980)	(26,585)
Surplus/(deficit) on revaluation of investment-available for sale	221,335	335,451	(12,541)	-	-	-
<b>Total Equity and Liabilities</b>	<b>967,126</b>	<b>1,201,911</b>	<b>617,297</b>	<b>186,435</b>	<b>19,578</b>	<b>19,973</b>



# Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance 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 is 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. No casual vacancies occurred in the Board during the period under review.

---

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 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 the determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.

---

8. The meetings of the Board were presided over by the Chairman and, in his absence, by the director elected by the Board for this purpose 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 directors during the year to apprise them of their duties and responsibilities.

---

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 four members all of whom are non-executive directors including the Chairman of the Committee.

---
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

---
17. The Board has set-up an effective internal audit function.

---
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.

---

Karachi  
Dated: 28 August, 2007

**Amjad Pervez**  
Chief Executive





## Review Report to the Members on Statement of Compliance With the Best Practices of Code of Corporate Governance

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of First National Equities Limited to comply with the Listing Regulation No. 37 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, 2007.

Chartered Accountants  
Karachi  
Dated: September 05, 2007



## Auditors' Report to the Members

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

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the state of the company's affairs as at June 30, 2007 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.

Chartered Accountants  
Karachi  
Dated: September 05, 2007



as at  
June 30, 2007

## Balance Sheet

	Note	2007	2006
(Rupees '000)			
<b>Non-current assets</b>			
Fixed assets	3	189,670	149,161
Long-term investment	4	42,223	40,135
Long-term loans	5	125	10,849
Long-term deposits	6	2,616	1,889
		234,634	202,034
<b>Current assets</b>			
Short-term investments	7	1,677,850	1,598,176
Other investment	8	-	-
Receivable against continuous funding system transactions / carry over transactions	9	-	402,485
Trade debts - net	10	536,346	89,774
Loans and advances	11	1,869	1,676
Trade deposits and short-term prepayments	12	304,999	28,018
Accrued mark-up		-	1,892
Other receivables	13	6,062	7,974
Taxation recoverable - net		2,514	20,980
Cash and bank balances	14	39,207	111,949
		2,568,847	2,262,924
<b>Total assets</b>		<b>2,803,481</b>	<b>2,464,958</b>
<b>Current liabilities</b>			
Trade and other payables	15	1,203,683	316,299
Accrued mark-up	16	5,108	30,801
Short-term borrowings	17	390,810	678,823
Pre-IPO subscription towards proposed issue of term finance certificates	18	235,127	235,127
		1,834,728	1,261,050
<b>Non-current liabilities</b>			
Deferred tax liabilities - net	19	1,627	1,997
<b>Total liabilities</b>		<b>1,836,355</b>	<b>1,263,047</b>
<b>Commitments</b>	20		
<b>Net assets</b>		<b>967,126</b>	<b>1,201,911</b>
<b>FINANCED BY:</b>			
Share capital	21	500,000	500,000
Unappropriated profit		245,791	366,460
Unrealised gain on re-measurement of investments - available for sale	7.1	221,335	335,451
		967,126	1,201,911

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

Chief Executive

Director



for the year ended  
June 30, 2007

## Profit and Loss Account

	Note	2007	2006
<b>(Rupees '000)</b>			
Operating revenue	23	615,486	974,632
Other operating income	24	21,899	7,558
		637,385	982,190
Administrative expenses	25	143,570	140,323
Operating profit		493,815	841,867
Finance costs	27	206,433	254,919
Other operating expenses	28	203,362	29,217
		84,020	557,731
Unrealised gain / (loss) on investments classified as 'financial asset at fair value through profit or loss account' - held for trading - net	7.2	20,403	(106,241)
Unrealised gain on re-measurement of derivative financial instruments	13	-	993
Unrealised gain - letter of right	13	595	-
		20,998	(105,248)
Share of profit of associate - net of tax	4	2,088	135
Profit before taxation		107,106	452,618
Taxation - net	29	27,775	40,996
Profit after taxation		79,331	411,622
<b>(Rupees)</b>			
Earnings per share - basic and diluted	30	1.59	8.23

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.

Chief Executive

Director



for the year ended  
June 30, 2007

## Cash Flow Statement

	Note	2007	2006
(Rupees '000)			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		107,106	452,618
<b>Adjustments for non-cash and other items:</b>			
Depreciation		11,731	7,739
Gain on disposal of fixed assets		(478)	-
Gain on disposal of investments		(207,999)	(359,698)
Share of profit of associate - net of tax		(2,088)	(135)
Unrealised (gain) / loss on re-measurement of investments classified as 'financial assets at fair value through profit or loss account' - held for trading - net		(20,403)	106,241
Provision for gratuity		2,803	2,160
Provision for bad and doubtful debts		177,836	1,291
Provision for leave fare		1,918	1,734
Financial charges		206,433	254,919
Dividend income		(55,510)	(29,660)
Unrealised gain on mark to market of derivative financial instrument		(595)	(993)
Mark-up income on investments		(8,391)	(5,782)
Mark-up income on fixed deposits		(9,068)	-
		96,189	(22,184)
		203,295	430,434
<b>Changes in working capital</b>			
<b>Decrease / (increase) in current assets</b>			
Receivable against continuous funding system transactions / carry over transactions		402,485	115,460
Trade debts		(624,408)	360,943
Loans and advances		10,531	7,883
Trade deposits and short-term prepayments		(276,981)	17,734
Other receivables		803	(3,201)
		(487,570)	498,819
<b>Increase in current liabilities</b>			
Trade and other payables		885,346	47,729
		601,071	976,982
Mark-up paid		(232,126)	(243,829)
Leave fare paid		(1,668)	(1,255)
Gratuity paid		(930)	(505)
Income tax paid		(9,679)	(61,042)
Long-term deposits paid		(727)	340
<b>Net cash generated from operating activities</b>		355,941	670,691
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Investment in associate		-	(40,000)
Investment in available-for-sale financial assets - net		(64,838)	58,629
Investment in marketable securities		99,450	(523,852)
Fixed capital expenditure incurred		(53,659)	(28,490)
Proceeds from disposal of fixed assets		1,897	-
Purchase of tenancy rights - intangible assets		-	(13,600)
Mark-up received		19,351	3,892
Dividend received		57,214	30,939
<b>Net cash inflow from / (outflow on) investing activities</b>		59,415	(512,482)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayments of liabilities against assets subject to finance lease		-	(5,665)
Borrowings under repurchase agreements		(150,000)	(546,286)
Pre-IPO subscription towards proposed issue of term finance certificates		-	240,000
Transactions cost incurred on proposed issue of term finance certificates		-	(4,873)
Dividends paid		(200,085)	(174,396)
<b>Net cash (used in) / generated from financing activities</b>		(350,085)	(491,220)
<b>Net increase / (decrease) in cash and cash equivalents</b>		65,271	(333,011)
Cash and cash equivalents at the beginning of the year		(416,874)	(83,863)
Cash and cash equivalents at the end of the year	33	(351,603)	(416,874)

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



for the year ended  
June 30, 2007

## Statement of Changes in Equity

	Issued, subscribed and paid-up capital	Unappropriated profit	Unrealised gain / (loss) on remeasurement of investments	Total
----- ( Rupees '000 ) -----				
Balance as at June 30, 2005	500,000	129,838	(12,541)	617,297
Final cash dividend @ Rs 1.50 per share for the year ended June 30, 2005 declared subsequent to year end	-	(75,000)	-	(75,000)
Realised loss on disposal of investments classified as available for sale	-	-	2,069	2,069
Interim cash dividend @ Rs 2 per share for the year ended June 30, 2006	-	(100,000)	-	(100,000)
Profit after taxation for the year ended June 30, 2006	-	411,622	-	411,622
Unrealised gain during the year in the market value of investments classified as available for sale	-	-	345,923	345,923
Balance as at June 30, 2006	500,000	366,460	335,451	1,201,911
Final cash dividend @ Rs 4 per share for the year ended June 30, 2006 declared subsequent to year end	-	(200,000)	-	(200,000)
Realised gain on disposal of investments classified as available for sale	-	-	(31,956)	(31,956)
Profit after taxation for the year	-	79,331	-	79,331
Unrealised gain during the year in the market value of investments classified as available for sale	-	-	(82,160)	(82,160)
Balance as at June 30, 2007	500,000	245,791	221,335	967,126

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

Chief Executive

Director



for the year ended  
June 30, 2007

## Notes to the Financial Statements

### 1 | The Company and its Operations

The company is a limited liability company incorporated in Pakistan and is listed on the Karachi Stock Exchange. The registered office of the company is situated at 19-C, Sunset Lane-6, South Park Avenue, Phase-II Extension, DHA, Karachi.

The company is a member of the Karachi Stock Exchange. The principal activities of the company include shares brokerage, financing for continuous funding system, consultancy services and underwriting.

### 2 | Summary of Significant Accounting Policies

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

#### 2.1 Basis of preparation

---

##### a) Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or the 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.

##### b) Accounting convention

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

##### c) Amendments to published accounting standards that are effective in the current period

IAS-19 (Amendment), Employee Benefit is mandatory for the company's accounting period beginning on or after January 1, 2006. It introduces the option of an alternative recognition approach for actuarial gains and losses. It also adds new disclosure requirements. As the company has not changed the accounting policy adopted for recognition of actuarial gains and losses, adoption of this amendment only impacts the format and extent of disclosures presentation in the financial statements.

The other standards, amendments and interpretations that are effective in the current period but are considered not to be relevant or to have any significant effect on the company's operations are therefore not detailed here.

##### d) Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards, interpretations and amendments of approved accounting standards are effective for the company's accounting period beginning July 1, 2007. These standards are either not relevant to the company's operations or are not expected to have any significant impact on the company's financial statements other than increase in disclosures in certain cases:



IAS 1 - Presentation of financial statements - amendments relating to capital disclosures	effective from accounting period beginning on or after January 1, 2007
IFRS 2 - Share-based payment	effective from accounting period beginning on or after January 1, 2007
IFRS 3 - Business combinations	effective from accounting period beginning on or after January 1, 2007
IFRS 5 - Non-current assets held for sale and discontinued operations	effective from accounting period beginning on or after January 1, 2007
IFRS 6 - Exploration for and evaluation of mineral resources	effective from accounting period beginning on or after January 1, 2007
IFRIC 10 - Interim financial reporting and impairment	effective from accounting period beginning on or after November 1, 2006
IFRIC 11 - Group and treasury share transactions	effective from accounting period beginning on or after March 1, 2007
IFRIC 12 - Services concession arrangements	effective from accounting period beginning on or after January 1, 2008
IFRIC 13 - Customer loyalty programme	effective from accounting period beginning on or after January 1, 2008

#### e) **Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expense. It also requires the management to exercise its judgment in the process of applying the company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 35 to the financial statements.

## **2.2 Fixed assets**

### **2.2.1 Property and equipment**

These are stated at historical cost less accumulated depreciation or impairment losses, if any, except for capital work-in-progress which is stated at cost less accumulated impairment losses, if any. 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.

Depreciation on all property and equipment is calculated using the straight-line method in accordance with the rates specified in note 3.2 to these financial statements and after taking into account residual value, if material. The residual value and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation on additions is charged from the month the property and equipment is available for use while no depreciation is charged in the month of disposal.





Repairs and maintenance are charged to the profit and loss account during the financial period in which they are incurred.

Gains or losses on disposals of property and equipment are determined by comparing proceeds with the 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 the recoverable amount.

### **2.2.2 Intangible assets**

Intangible assets with indefinite useful life are stated at cost less accumulated impairment losses, if any. Provisions are made for permanent diminution in the value of assets, if any. Gains and losses on disposal of intangible assets, if any, are taken to the profit and loss account

## **2.3 Investments**

---

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standards at the time of the purchase and re-evaluates this classification on a regular basis. The existing portfolio of the company has been categorised as follows:

### **a) Investment in associates**

Associates are all entities over which the company has significant influence but not control. Investment in associates where the company has significant influence are accounted for using the equity method of accounting. Under the equity method of accounting, the investment in associates are initially recognised at cost and the carrying amount is increased or decreased to recognise the post acquisition changes in the company's share of net assets of the associate. Share of profit and loss of associate is recognised in the profit and loss account.

### **b) Financial assets at fair value through profit or loss account**

Investments that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as 'financial assets at fair value through profit or loss account' category. These investments are initially recognised at fair value and the transaction costs associated with these investment are taken directly to the profit and loss account. Subsequent to initial recognition, these investments are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these investments are taken to the profit and loss account in the period in which they arise.

### **c) Available for sale**

Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables (b) held to maturity investments (c) financial assets at fair value through profit and loss. These investments are initially recognised at fair value which includes transaction costs associated with the investments. Subsequent to initial recognition, these investments are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these investments are taken to shareholders' equity.

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 right 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.

## **2.4 Trade debts and other receivables**

---

Trade debts and other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

## **2.5 Securities under resale agreements – Continuous Funding System (CFS) transactions**

---

Securities purchased under an agreement to resell (reverse repo) are included as receivable against CFS transactions at the fair value of the consideration given. All purchases and sales of securities that require delivery within the time frame established by the regulations or market convention are recognised at the trade date. Trade date is the date on which the company commits to purchase or sell the asset. The CFS transactions are accounted for on the settlement date. The difference between the purchase and sale price is treated as income from CFS transactions in the income statement and is recognised over the term of the respective transactions.

## **2.6 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. The charge for current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

### **Deferred**

Deferred tax is recognized using the balance sheet liability method on all temporary differences between the carrying amounts of assets and liabilities used for financial reporting purposes and amounts used for taxation purposes. Deferred tax is calculated using the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax asset is reduced to the extent that it is no longer probable that the related tax benefits will be realized.

## **2.7 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.

## **2.8 Trade and other payables**

---

Short-term liabilities for trade and other amounts payable are recognised initially at fair value and subsequently carried at amortised cost.

## **2.9 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.



## 2.10 Staff retirement benefits

---

The company operates:

- (a) an unapproved unfunded gratuity scheme covering all employees. 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 together with the adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated by an independent actuary 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.

## 2.11 Proposed dividend and transfer between reserves

---

Dividends declared and transfer between reserves made subsequent to the balance sheet date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

## 2.12 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.

## 2.13 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 loss. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. The resultant impairment loss is recognised as an expense in the profit and loss account.

## 2.14 Fiduciary assets

---

Assets held in trust or in a fiduciary capacity by the company are not treated as assets of the company and are disclosed in note 22 to these financial statements.

## 2.15 Revenue recognition

---

- Brokerage income is recognised as and when brokerage services are rendered.
- Dividend income is recognised when the right to receive the dividend is established.
- Commission income is recognised on an accrual basis.
- Return on deposits are recognised on an accrual basis.
- Income on fixed term investments is recognised using the effective yield method.
- Unrealised gains / losses arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' are included in the profit and loss account.



## 2.16 Foreign currency transactions

Transactions in foreign currencies are accounted for in Pakistan Rupees at the foreign exchange rates ruling on the date of the transactions. Assets and liabilities in foreign currencies, if any, are translated into Pakistan Rupees at the foreign exchange rates prevailing on the balance sheet date. Exchange differences are taken to profit and loss account currently.

## 2.17 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the company operates. The financial statements are presented in Pakistani Rupees, which is the company's functional and presentation currency.

## 2.18 Financial instruments

### 2.18.1 Financial assets and liabilities

Financial instruments carried on the balance sheet include investments, loans, deposits, receivable against continuous funding system, trade debts, receivables, cash and bank balances, trade and other payables and accrued mark-up on borrowings. At the time of initial recognition, all the financial assets and liabilities are measured at fair value. The particular recognition method for subsequent re-measurement of significant financial assets and liabilities are disclosed in the individual policy statements associated with each item.

### 2.18.2 Derivative financial instruments

Derivative financial instruments are recognised 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 of these instruments are taken to the profit and loss account.

### 2.18.3 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 | Fixed Assets

	Note	2007	2006
		(Rupees '000)	
Property and equipment			
- Capital work-in-progress	3.1	37,846	4,010
- Operating fixed assets	3.2	85,004	78,331
		122,850	82,341
Intangible assets	3.4	66,820	66,820
		189,670	149,161

- 3.1 This includes an amount of Rs 24.51 million representing consideration paid to date of a property acquired through auction being paid in installments. The said property will be available for use after the final payment of auction bid price aggregating to Rs 35 million. This also includes an amount of Rs 13.336 million representing consideration paid to ENSHA NLC for acquiring commercial space at Karachi Financial Towers.



### 3.2 Operating fixed assets

	Building on lease hold land	Furniture and fittings	Office equipment	Computers and accessories	Motor vehicles Owned	Held under finance lease	Total
----- (Rupees in '000) -----							
<b>As at July 1, 2006</b>							
Cost	44,026	13,741	10,649	11,242	14,182	-	93,840
Accumulated depreciation	(3,945)	(1,018)	(1,123)	(5,094)	(4,329)	-	(15,509)
Net book value	40,081	12,723	9,526	6,148	9,853	-	78,331
Additions	-	3,736	2,446	5,377	7,586	678	19,823
Disposal							
Cost	-	-	-	-	(1,850)	-	(1,850)
Depreciation	-	-	-	-	431	-	431
	-	-	-	-	(1,419)	-	(1,419)
Depreciation charge for the year	(1,101)	(1,576)	(1,181)	(4,545)	(3,213)	(115)	(11,731)
Transfers (at NBV) note 3.2.1	-	-	-	-	563	(563)	-
Net book value	38,980	14,883	10,791	6,980	13,370	-	85,004
<b>As at June 30, 2007</b>							
Cost	44,026	17,477	13,095	16,619	20,596	-	111,813
Accumulated depreciation	(5,046)	(2,594)	(2,304)	(9,639)	(7,226)	-	(26,809)
Net book value	38,980	14,883	10,791	6,980	13,370	-	85,004
Depreciation rate % per annum	2.5	10	10	33.33	20	20	
<b>As at July 1, 2005</b>							
Cost	29,644	2,233	2,367	5,736	3,216	6,681	49,877
Accumulated depreciation	(2,844)	(256)	(293)	(2,262)	(643)	(1,472)	(7,770)
Net book value	26,800	1,977	2,074	3,474	2,573	5,209	42,107
Additions	14,382	11,508	8,282	5,506	1,880	2,405	43,963
Depreciation charge for the year	(1,101)	(762)	(830)	(2,832)	(722)	(1,492)	(7,739)
Transfers (at NBV) note 3.2.1	-	-	-	-	6,122	(6,122)	-
Net book value	40,081	12,723	9,526	6,148	9,853	-	78,331
<b>As at June 30, 2006</b>							
Cost	44,026	13,741	10,649	11,242	14,182	-	93,840
Accumulated depreciation	(3,945)	(1,018)	(1,123)	(5,094)	(4,329)	-	(15,509)
Net book value	40,081	12,723	9,526	6,148	9,853	-	78,331
Depreciation rate % per annum	2.5	10	10	33.33	20	20	

3.2.1 These represent transfer of vehicles from assets held under finance lease to owned assets consequent to early termination of lease agreements.

3.3 Particulars of operating assets having book value exceeding Rs. 50,000 disposed off during the year are as follows:

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers	Location
----- (Rupees in '000) -----							
<b>Vehicles</b>							
Suzuki Cultus	560	271	289	465	Negotiation	Mr Zubair Ahmed	Karachi
Suzuki Cultus	560	16	544	583	Negotiation	Mr Ejaz Arain	Karachi
Suzuki Mehran	365	72	293	425	Negotiation	Rainbow Stores Pvt Ltd	Lahore
Suzuki Mehran	365	72	293	424	Negotiation	Rainbow Stores Pvt Ltd	Lahore
	<b>2007</b>	1,850	431	1,419	1,897		
<b>2006</b>	-	-	-	-			



### 3.4 Intangible assets

Description	Cost			Total
	Membership card of Karachi Stock Exchange	License to use	Tenancy rights	
		Rooms at Karachi Stock Exchange - note 3.4.1	Building - note 3.4.2	
----- (Rupees in '000) -----				
As at July 1, 2006	31,220	22,000	13,600	66,820
Additions during the year	-	-	-	-
Disposals during the year	-	-	-	-
As at June 30, 2007	31,220	22,000	13,600	66,820

Description	Membership card of Karachi Stock Exchange	License to use	Tenancy rights	Total
		Rooms at Karachi Stock Exchange - note 3.4.1	Building - note 3.4.2	
	----- (Rupees in '000) -----			
As at July 1, 2005	31,220	22,000	-	53,220
Additions during the year	-	-	13,600	13,600
Disposals during the year	-	-	-	-
As at June 30, 2006	31,220	22,000	13,600	66,820

**3.4.1** This represents the consideration paid for right to occupy the rooms situated at Karachi Stock Exchange (Guarantee) Limited, Stock Exchange Building Karachi. The Karachi Stock Exchange (Guarantee) Limited is the absolute owner of the said rooms and has granted full rights to occupy the premises under Leave and License agreement for the purposes of the company's business.

**3.4.2** This represents the consideration paid by the company in connection with the transfer of tenancy rights in favour of the company against property situated at Bank Square, Peshawar. The ownership of this property continues to vest with the original owner.

## 4 | Long-Term Investment

	Note	2007	2006
(Rupees '000)			
<b>Related Party</b>			
<b>Investment in associate under equity method - National Asset Management Company Limited - holding 40%</b>			
Opening balance		40,135	-
Investment made during the year		-	40,000
Share of post acquisition profit for the year / for the period	4.1	2,088	135
		42,223	40,135

**4.1** The share of the Company in National Asset Management Company Limited has been accounted for under the equity method of accounting based on its unaudited financial statements for the year ended June 30, 2007 in accordance with the treatment specified in International Accounting Standard 28, "Accounting for Investment in Associates".



#### 4.2 Summarised financial information of associate

The gross amounts of assets, liabilities, revenue, profit and net assets of the associate are as follows:

	Assets	Liabilities	Income*	Profit after taxation	Percentage of interest held
(Rupees '000)					
<b>June 30, 2007 (un-audited)</b>					
National Asset Management Company Limited	146,103	40,546	28,563	5,220	40%
<b>June 30, 2006 (un-audited)</b>					
National Asset Management Company Limited	100,735	397	11,062	338	40%

\* represents net income from all sources of the company.

## 5 | Long-Term Loans

	Note	2007	2006
(Rupees '000)			
<b>Due from related party - considered good</b>			
- Chief executive		-	11,209
- Executive	5.1 & 5.2	425	-
Less: receivable within one year	11	(300)	(360)
		125	10,849

5.1 This represents personal loan given to Mr. Ali Raza (Head of Operations of the company) in accordance with the terms of his employment. This loan is secured against his provident fund balance, interest fee and is repayable in 20 equal monthly installments by November, 2008.

5.2 Reconciliation of carrying amount of loans to chief executive and executive is as follows:

	Note	2007		2006	
		Chief Executive	Executive	Chief Executive	Executive
(Rupees '000)					
As at July 1		11,209	-	19,072	-
Disbursements		-	500	-	-
Repayments		(11,209)	(75)	(7,863)	-
As at June 30		-	425	11,209	-

5.3 The maximum aggregate amount due from the chief executive and executive at the end of any month during the year was Rs 11.179 million (2006: Rs 19.042 million) and Rs 0.5 million (2006: Nil) respectively.



## 6 | Long-Term Deposits

	Note	2007	2006
(Rupees '000)			
Leasing companies		-	138
Central Depository Company of Pakistan Limited		150	150
Karachi Stock Exchange (Guarantee) Limited		1,100	250
National Clearing Company of Pakistan Limited		300	300
Others		1,066	1,051
		2,616	1,889

## 7 | Short - Term Investments

	Note	2007	2006
(Rupees '000)			
Available for sale	7.1	686,126	714,154
Financial assets at fair value through profit or loss account - held for trading	7.2	991,724	884,022
		1,677,850	1,598,176

### 7.1 Available for sale

Details of investments in shares / certificates / units of listed companies / mutual funds:

2007	2006	Particulars	2007		2006	
			Average cost	Market value	Average cost	Market value
Number of shares / certificates			(Rupees '000)			
<b>Closed-end mutual funds</b>						
2,104,823	1,830,281	First Dawood Mutual Fund	18,122	18,943	18,122	17,022
474,000	474,000	Meezan Balanced Fund	4,740	4,859	4,740	4,764
2,834,000	2,834,000	Pakistan Strategic Allocation Fund	28,340	29,757	28,340	30,182
500,000	500,000	PICIC Energy Fund	5,000	3,750	5,000	4,100
<b>Open-end mutual funds</b>						
40,000	-	Alfalah GHP Income Multiplier Fund	2,000	2,006	-	-
202,148	200,000	Pakistan International Element Islamic Fund	10,000	11,882	10,000	9,504
-	284,897	Meezan Islamic Fund	-	-	20,001	21,686
215,898	200,000	UTP Fund of Funds	10,000	12,680	10,000	10,806
<b>Cement</b>						
15,668,631	13,299,500	Pioneer Cement Limited	371,701	586,007	273,532	607,122
<b>Leasing companies</b>						
1,353,525	-	SME Leasing Limited	14,888	16,242	-	-
<b>Term finance certificates - unlisted</b>						
-	1,194	Askari Commercial Bank Limited	-	-	5,969	5,969
-	600	Bank Al-Falah Limited TFCs	-	-	2,999	2,999
			464,791	686,126	378,703	714,154
		Unrealised gain on revaluation of investments	221,335	-	335,451	-
		Net investment	686,126	686,126	714,154	714,154





**7.1.1** Securities having average cost of Rs 142.300 million (2006: Rs 242.726 million) and fair value of Rs 224.464 million (2006: Rs 538.670 million) have been pledged with various commercial banks for obtaining short term running finance facility under mark-up arrangements as specified in note 17.1.

**7.1.2** Securities having average cost of Rs 300.423 million (2006: Rs 146.707) and fair value of Rs 443.798 million (2006: 256.927 million) have been pledged with the trustee / guarantor of the company's proposed issue of term finance certificates.

## 7.2 Financial assets at fair value through profit or loss account - held for trading

Details of investments in bonds / shares / certificates / units of listed companies / mutual funds / government securities:

2007		2006		2007		2006	
Number of shares / certificates		Particulars	Average cost	Market value	Average cost	Market value	
			----- (Rupees '000) -----				
<b>Pakistan investment bonds</b>							
-	250,000	5 Years PIBs 9.3%	-	-	24,664	24,665	
-	2,070,000	3 Years PIBs 9.1%	-	-	205,730	205,993	
<b>Open-end mutual fund</b>							
469,484	604,839	National Investment Trust	30,000	28,944	30,000	29,244	
<b>Closed-end mutual fund</b>							
2,000,000	-	NAMCO Balanced Fund	20,000	19,500	-	-	
<b>Investment banks / others</b>							
81,300	-	Arif Habib Securities Limited	9,738	9,480	-	-	
-	70,500	Crescent Standard Investment Bank Limited	-	-	378	293	
87,900	-	JS Abamco Limited	5,713	6,496	-	-	
<b>Commercial banks</b>							
-	122,090	Allied Bank Limited	-	-	9,950	10,744	
160,000	60,430	Askari Bank Limited	16,324	16,944	5,298	4,686	
-	325	Faysal Bank Limited	-	-	24	20	
151,300	416,300	MCB Bank Limited	53,920	55,225	97,560	87,548	
360,011	337,000	National Bank of Pakistan	88,933	94,323	86,086	72,624	
439,000	-	PICIC Commercial Bank Limited	18,958	19,316	-	-	
471,000	-	Saudi Pak Commercial Bank Limited	11,866	11,846	-	-	
174,500	-	Standard Chartered Bank (Pakistan) Limited	9,889	9,240	-	-	
-	97,000	The Bank of Khyber	-	-	2,057	1,639	
730,000	888,722	The Bank of Punjab	67,540	85,045	60,458	73,497	
174,500	113,200	United Bank Limited	37,750	38,381	16,949	15,593	
<b>Insurance</b>							
109,000	189,280	Adamjee Insurance Company Limited	34,839	35,529	32,487	23,187	
<b>Textile weaving</b>							
52,500	-	Samin Textile Limited	2,666	2,940	-	-	
<b>Textile composite</b>							
540,000	245,000	Nishat Mills Limited	63,205	70,443	32,354	25,676	
<b>Cement</b>							
356,500	-	Fauji Cement Company Limited	7,954	7,200	-	-	
179,100	255,500	D.G. Khan Cement Company Limited	21,117	20,865	38,265	22,805	
-	320,000	Lucky Cement Limited	-	-	36,360	33,136	



2007 Number of shares / certificates	2006	Particulars	2007		2006	
			Average cost	Market value	Average cost	Market value
----- (Rupees '000) -----						
<b>Power generation &amp; distribution</b>						
-	50,000	Japan Power Generation Limited	-	-	335	250
-	259,000	The Hub Power Company Limited	-	-	6,455	5,957
<b>Oil &amp; gas marketing companies</b>						
-	52,200	Attock Petroleum Limited	-	-	19,394	16,861
62,500	147,100	Pakistan State Oil Company Limited	25,588	24,466	59,375	45,454
<b>Oil &amp; gas exploration companies</b>						
537,027	345,500	Oil & Gas Development Company Limited	71,026	64,336	53,548	47,247
94,000	160,750	Pakistan Oilfields Limited	32,333	29,798	73,409	53,819
133,500	96,900	Pakistan Petroleum Limited	35,120	35,037	26,058	20,528
<b>Technology &amp; communication</b>						
5,157,000	-	Callmate Telips Telecom Limited	255,272	255,272	-	-
290,000	355,200	Pakistan Telecommunications Company Limited	17,343	16,530	18,748	14,421
<b>Fertilizers</b>						
-	12,800	Engro Chemicals Pakistan Limited	-	-	1,893	2,168
-	110,500	Fauji Fertilizer Bin Qasim Limited	-	-	3,420	3,232
285,100	271,578	Fauji Fertilizer Company Limited	34,227	34,568	33,219	32,861
<b>Chemicals</b>						
-	90,500	ICI Pakistan Limited	-	-	15,789	9,874
			971,321	991,724	990,263	884,022
Unrealised gain / (loss) on investments classified as 'financial assets at fair value through profit or loss' - held for trading			20,403	-	(106,241)	-
<b>Investments - net</b>			<b>991,724</b>	<b>991,724</b>	<b>884,022</b>	<b>884,022</b>

- 7.2.1** Securities having average cost of Rs 468.099 million (2006: Rs 404.052 million) and fair value of Rs 264.954 million (2006: Rs 330.764 million) have been pledged with various commercial banks for obtaining short term running finance facility under mark-up arrangements as specified in note 17.1.
- 7.2.2** Securities having average cost of Rs 77.992 million (2006: Rs 298.709) and fair value of Rs 86.460 million (2006: Rs 268.872) have been pledged with the trustee / guarantor of company's proposed issue of term finance certificates.
- 7.2.3** Securities having average cost of Rs 200.860 (2006: Rs Nil) and fair value of Rs 199.071 (2006: Rs Nil) have been pledged with the Karachi Stock Exchange (Guarantee) Limited as exposure deposit against trading of securities.

## 8 | Other Investment

	Note	2007	2006
(Rupees '000)			
Other investment	8.1	-	-



- 8.1** The company has an arrangement with one of its customer ("the lender") under which TFCs, PIBs, Treasury Bills and WAPDA Bonds ("the securities") owned by the lender are transferred to the company. These securities are utilised by the company to obtain finance under repurchase agreements. The securities lent to the company are classified as other investment in the financial statements with the corresponding amount classified in trade and other payables. The lender of these securities remains entitled to the coupon income on these securities. The arrangement under which these securities are utilised by the company carry mark-up at the rates ranging from 1% to 1.5% per annum of the face value of securities which is payable only upon the utilization of the securities by the company. During the year maximum amount of securities amounting to Rs. 3,074.712 million (2006 Rs 1,549.827 million) were transferred in the company's name.

As at June 30, 2007 no securities were held in the company's name, consequently, the amount of other investment and corresponding amount of trade and other payables relating to these securities is appearing as Nil in the financial statements of the company for the year ended June 30, 2007.

## 9 | Receivable Against Continuous Funding System Transactions / Carry Over Transactions

	Note	2007	2006
(Rupees '000)			
Receivable against continuous funding system transactions / carry over transactions		-	402,485

## 10 | Trade Debts

	Note	2007	2006
(Rupees '000)			
<b>Secured</b>			
Considered good	10.1 & 10.2	536,346	89,774
<b>Unsecured</b>			
Considered doubtful		182,836	5,000
		719,182	94,774
Less: provision for bad and doubtful debts	10.3	(182,836)	(5,000)
		536,346	89,774

- 10.1** This includes an amount of Rs 89.444 million (2006: Rs 36.292 million) receivable from Karachi Stock Exchange (Guarantee) Limited in respect of trading in securities which was settled subsequent to the year end.

- 10.2** Amounts due from a related party at the year end amounted to Rs 36.848 million (2006: Rs Nil).

- 10.3** During the year, two customers of the company defaulted in payment of brokerage, finance cost and adjustments of decline in the market value of shares purchased by the company on their behalf under CFS. The company has now transferred the shares from trading account of the defaulting customers to the proprietary investment account of the company. The above provision includes an amount of Rs 176.19 million which represents the difference between the total receivable amount (including net purchase cost of the shares under CFS, brokerage charges and finance cost of shares under CFS) and the market value of the shares on the date of transfer to the proprietary investment account of the company.



## 11 | Loans and Advances

	Note	2007	2006
(Rupees '000)			
<b>Considered good</b>			
<b>Loans to related parties</b>			
- Director	5	-	360
- Executives	5 & 11.1	300	-
<b>Loans to others</b>			
- Employees	11.1	265	349
<b>Advances</b>			
- Suppliers and others		1,304	967
		1,869	1,676

11.1 These represent interest-free loans given to executives and employees of the company for the purchase of motorcycles and for other general purposes. These are granted to the employees of the company in accordance with their terms of employment and are recovered through deductions from salaries over various periods upto a maximum period of 40 months.

## 12 | Trade Deposits and Short -Term Prepayments

	Note	2007	2006
(Rupees '000)			
Exposure deposit	12.1	303,007	26,312
Prepayments		1,992	1,706
		304,999	28,018

12.1 This represents amount deposited with Karachi Stock Exchange (Guarantee) Limited against exposure arising out of the transactions entered into by the company in respect of which settlements have not taken place as at the year end. The amount is deposited in accordance with the regulations of the Karachi Stock Exchange (Guarantee) Limited.

## 13 | Other Receivables

	Note	2007	2006
(Rupees '000)			
Dividend receivable		1,971	3,675
Unrealised gain on derivative financial instrument		-	993
Unrealised gain - letter of right		595	-
Receivable from dealers		-	1,680
Others		3,496	1,626
		6,062	7,974



## 14 | Cash and Bank Balances

	Note	2007	2006
(Rupees '000)			
Balance in current accounts		39,164	111,904
Stamps on hand		43	45
		39,207	111,949

## 15 | Trade and Other Payables

	Note	2007	2006
(Rupees '000)			
Trade creditors	15.1 & 15.2	1,177,183	281,284
Accrued expenses		8,364	14,071
Provision for staff retirement gratuity	30	4,799	2,926
Provision for leave fare		1,910	1,660
Provision for rent payable	15.3	3,233	3,233
Unclaimed dividends		2,510	2,595
Payable in respect of loan syndication		1,940	3,881
Others		3,744	6,649
		1,203,683	316,299

15.1 This includes payable to Karachi Stock Exchange (Guarantee) Limited amounting to Rs 492.793 million (2006: Rs 8.457 million) in respect of trading in securities settled subsequent to year end.

15.2 Amounts due to related parties at the year end are as under:

	Note	2007	2006
(Rupees '000)			
First Pakistan Securities Limited		117,888	18,078
Switch Securities (Private) Limited		79,992	5,752
National Asset Management Company Limited		20,032	1,226
		217,912	25,056

15.3 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 made a provision of Rs 3.233 million being the principal and interest thereon.

## 16 | Accrued Mark-up

	Note	2007	2006
(Rupees '000)			
Mark-up accrued on:			
- Short-term running finances		4,913	22,293
- Repurchase agreement borrowings		195	572
- Term finance certificates		-	7,849
- Borrowed securities		-	87
		5,108	30,801



## 17 | Short - Term Borrowings

	Note	2007	2006
(Rupees '000)			
<b>From banking companies</b>			
<b>Secured</b>			
Repurchase agreement borrowings		-	150,000
Short-term running finances utilised under mark-up arrangements	17.1	240,982	528,823
<b>Unsecured</b>			
Short-term borrowing	17.2	149,828	-
		390,810	678,823

- 17.1** The facilities for short-term running finances available from various banks amounted to Rs 1,392 million (2006: Rs 1,850 million). These facilities carry mark-up at rates ranging from Re 0.3394 to Re 0.3460 (2006: Re 0.2808 to Re 0.3682) per Rs 1,000 per day and are repayable on various dates by April 30, 2008. The arrangements are secured by the pledge of listed shares held by the company.
- 17.2** The facility of short-term borrowing carries interest at a rate of 11.9% per annum and is repayable by July 8, 2007.

## 18 | Pre-IPO Subscription towards Proposed Issue of Term Finance Certificates

	Note	2007	2006
(Rupees '000)			
Liability in respect of term finance certificate to be issued by the company	18.1	240,000	240,000
Less: transaction costs	18.2	(4,873)	(4,873)
		235,127	235,127

- 18.1** This represents the pre IPO (private placement) amount received by the company in respect of the proposed issue of Term Finance Certificates (TFCs). The total issue amounts to Rs 400 million out of which Rs 240 million has been received from institutional investors under pre-IPO. The remaining amount of Rs 160 million will be raised through the Initial Public Offer (IPO) and after the approval of the Securities Exchange Commission of Pakistan. The proposed TFCs will be secured against pledge of shares of listed companies and Mutual Fund units, first charge on all the present and future assets of the company and bank guarantee of First Dawood Investment Bank Limited. The rate of mark-up on these TFCs would be six months average KIBOR + 250 Basis Points (2.5%) with no floor & cap of 15% p.a. and will be payable semi-annually with a grace period of six months. These TFCs will be redeemable within a period of 5 years from the date of issue.

Presently, the company has applied to the Securities and Exchange Commission of Pakistan (SECP) for the approval for issue of the TFCs which is currently awaited. Due to the delay in approval, the management has decided to reclassify the above amount as current liability during the current year and prior year figures have been re-classified as short-term. Currently, the company has paid mark-up to pre-IPO investors using six months average KIBOR + 250 basis points (2.5%).

- 18.2** Transaction costs incurred on proposed issue of term finance certificates have been adjusted from the related liability in accordance with the criteria for initial recognition of financial liabilities specified in International Accounting Standard 39, 'Financial Instruments: Recognition and Measurement'.



## 19 | Deferred Tax Liabilities - Net

	Note	2007	2006
(Rupees '000)			
<b>Taxable temporary differences on:</b>			
Accelerated tax depreciation		2,108	3,652
Issue cost of term finance certificates		336	-
Investment in associate		778	-
		3,222	3,652
<b>Deductible temporary differences on:</b>			
Provisions		(1,595)	(1,655)
		1,627	1,997

## 20 | Commitments

	Note	2007	2006
(Rupees '000)			
In respect of :			
Forward purchase of listed equity securities		-	79,550
Forward sale of listed equity securities		-	80,632
Capital expenditure contracted for but not incurred		130,524	31,000

## 21 | Share Capital

### 21.1 Authorised capital

	2007	2006		2007	2006
<b>Number of shares</b>					
	50,000,000	50,000,000	Ordinary shares of Rs 10 each	500,000	500,000

### 21.2 Issued, subscribed and paid-up share capital

	2007	2006		2007	2006
<b>Number of shares</b>					
	50,000,000	50,000,000	Ordinary shares of Rs10 each fully paid in cash	500,000	500,000
	50,000,000	50,000,000		500,000	500,000



**21.3** The following shares were held by related parties of the company:

	2007		2006	
	Shares held	Percentage	Shares held	Percentage
First Florance Developers (Pvt) Limited	4,911,000	9.82%	4,911,000	9.82%
F. Rabbi Steel (Pvt) Limited	835,000	1.67%	2,410,000	4.82%
Yarmouk Paper & Board Industry (Pvt) Limited	300,000	0.60%	1,700,000	3.40%
MCD Pakistan Limited	4,204,500	8.41%	4,173,000	8.35%
First Pakistan Securities Limited	11,748,600	23.50%	9,830,900	19.66%
Switch Securities (Pvt) Limited	2,343,260	4.69%	2,614,260	5.23%
Trust Leasing & Investment Bank Limited	-	-	104,500	0.21%

## 22 | Fiduciary Assets

The company receives amounts from various customers in fiduciary capacity for onward placement in CFS transactions. This arrangement entitles the company to receive commission at specified rates on premium earned on these transactions (note 23.1). The details of assets held on behalf of customers as funds under management in fiduciary capacity are as follows:

	Note	2007	2006
(Rupees '000)			
Amount received from customers	22.1	384,276	922,696
Amount invested in continuous funding system transactions		(384,276)	(922,696)
Balance as at June 30		-	-

**22.1** Includes Rs Nil (2006: Rs 2.409 million) received from National Asset Management Company Limited, a related party, in fiduciary capacity for onward placement in CFS transactions.

## 23 | OPERATING REVENUE

	Note	2007	2006
(Rupees '000)			
Brokerage		215,609	224,499
Dividend income		55,510	29,660
Commission earned	23.1	24,856	51,920
Income from continuous funding system / carry over transactions		111,512	308,855
Gain on sale of investments - net		207,999	359,698
		615,486	974,632

**23.1** This includes commission earned in fiduciary capacity amounting to Rs 23.699 million (2006: Rs 44.254 million).





## 24 | Other Operating Income

	Note	2007	2006
(Rupees '000)			
<b>Income from financial assets</b>			
Mark-up on:			
Fixed income securities		8,391	1,700
Fixed deposits		9,068	-
Lendings to financial institutions		-	4,082
		17,459	5,782
<b>Income from non-financial assets</b>			
Gain on disposal of operating fixed assets		478	-
Miscellaneous	24.1	3,962	1,776
		21,899	7,558

**24.1** This includes rent received from National Asset Management Company Limited amounting to Rs 0.6 million (2006: Rs 0.15 million), a related party.

## 25 | Administrative Expenses

	Note	2007	2006
(Rupees '000)			
Salaries, allowances and other benefits	25.1	59,117	67,855
Rent, rates and taxes		3,344	2,575
Repairs and maintenance		10,127	7,384
Utilities		9,577	7,823
Fees & subscription		4,149	2,488
KSE, clearing house and CDC charges		35,121	33,273
Corporate expenses		130	117
Insurance charges		1,083	850
Travelling and conveyance		1,317	1,262
Depreciation	3.2	11,731	7,739
Communication, printing and stationery		3,239	3,436
Legal and professional charges		1,266	1,923
Entertainment		1,464	1,016
Advertisement expenses		767	864
Others		1,138	1,718
		143,570	140,323

**25.1** Salaries, allowances and other benefits include Rs 4.071 million (2006: Rs 3.216 million) in respect of staff retirement benefits.



## 26 | Employee Benefits

### 26.1 Unfunded gratuity scheme

26.1.1 As mentioned in note 2.10, the company operates an unapproved unfunded gratuity scheme. The latest actuarial valuation of the scheme was carried out as at June 30, 2007. Projected Unit Credit method using the following significant assumptions, was used for the valuation of the scheme:

	2007	2006
a) Discount rate	10%	9%
b) Expected rate of increase in salary	10%	20%

### 26.1.2 Amount recognised in the profit and loss account

Note	2007	2006
(Rupees '000)		
Current service cost	2,589	1,958
Interest cost	259	122
Recognition of actuarial (gains) / losses	(45)	80
Expense	2,803	2,160

### 26.1.3 Amount recognised in the balance sheet

Note	2007	2006
(Rupees '000)		
Present value of defined benefit obligation	4,681	2,881
Add: Unrecognized actuarial gains	118	45
Liability recognized as at June 30	4,799	2,926

### 26.1.4 Movement in the present value of defined benefit obligation

Note	2007	2006
(Rupees '000)		
Present value of defined benefit obligation as at July 1	2,881	1,351
Current service cost	2,589	1,958
Interest cost	259	122
Actuarial (gains)	(118)	(45)
Benefits paid	(930)	(505)
Present value of defined benefit obligation as at June 30	4,681	2,881

### 26.1.5 Movement of liability

Note	2007	2006
(Rupees '000)		
Liability as at July 1	2,926	1,271
Add: expense for the year	2,803	2,160
Less: payments made during the year	(930)	(505)
Liability as at June 30	4,799	2,926



### 26.1.6 Three years data on experience adjustments

	2007	2006	2005
----- (Rupees '000) -----			
Present value of defined benefit obligation, June 30	4,681	2,881	1,351
Experience adjustment arising on plan liabilities gains / (losses)	118	45	(80)

**26.1.7** Based on actuarial advice the company intends to charge an amount of approximately Rs 2.934 million in respect of the gratuity fund in the financial statements for the year ending June 30, 2008.

**26.1.8** The information provided in notes 26.1.1 to 26.1.7 has been obtained from the valuation carried out by independent actuaries as at June 30, 2007.

### 26.2 Defined contribution plan

An amount of Rs 1.268 million (2006: Rs 0.966 million) has been charged during the year in respect of contributory provident fund scheme maintained by the company.

## 27 | Finance Costs

	Note	2007	2006
(Rupees '000)			
Mark-up on:			
- Short term running finances		42,527	107,943
- Repurchase agreement borrowings		113,929	118,435
- Term finance certificates		31,442	7,849
- Borrowed securities		17,791	18,684
Bank charges		559	825
Finance charge on leased assets	27.1	169	1,183
Others		16	-
		206,433	254,919

**27.1** This includes Rs Nil (2006: Rs 0.456 million) paid to Trust Leasing & Investment Bank Limited, a related party of the company.

## 28 | Other Operating Expenses

	Note	2007	2006
(Rupees '000)			
Auditors' remuneration	28.1	685	706
Donations	28.2	314	617
Bad debt expense	10.3	177,836	1,291
Commission to trading agents		24,527	26,603
		203,362	29,217



## 28.1 Auditors' remuneration

	Note	2007	2006
(Rupees '000)			
Statutory audit fee		375	350
Half yearly review fee		100	100
Special reports and certifications		120	208
Out of pocket expenses		90	48
		685	706

28.2 None of the directors or any of their spouse had any interest with respect to any of the donations made.

## 29 | Taxation - Net

	Note	2007	2006
(Rupees '000)			
Current			
- for the year		54,058	43,277
- for prior years		(25,913)	(1,093)
Deferred		(370)	(1,188)
		27,775	40,996

### 29.1 Relationship between tax expenses and accounting profit

	Note	2007	2006
(Rupees '000)			
Profit for the year from ordinary activities before taxation		107,106	452,618
Tax at the applicable rate of 35% (2006: 35%)		37,487	158,416
Tax effect of items that are not included in determining taxable profit		(30,106)	(57,114)
Tax effect of income taxed under Final Tax Regime		47,334	(53,145)
Deferred tax impact arising on account of exempt income and income taxed under final tax regime		(1,235)	(6,469)
Prior year reversal		(25,913)	(1,093)
Others		208	401
Tax expense for the year		27,775	40,996



## 30 | Earnings Per Share - Basic and Diluted

Note	2007	2006
	(Rupees '000)	
Profit after taxation attributable to ordinary shareholders	79,331	411,622
	Number of shares	
Weighted average ordinary shares in issue during the year	50,000,000	50,000,000
	(Rupees)	
Earnings per share - basic and diluted	1.59	8.23

## 31 | Remuneration of Chief Executive, Directors and Executives

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

	2007			2006		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
	----- (Rupees '000) -----					
Managerial remuneration	3,612	70	6,931	1,718	573	1,618
Bonus	21,421	-	1,315	10,820	10,100	1,175
Reimbursable expenses	-	-	-	-	-	-
Retirement benefits	1,112	-	1,886	143	48	139
Housing	-	-	-	270	90	294
Utilities	142	-	116	172	57	-
Leave passage	240	-	464	240	-	238
Conveyance and travelling	570	499	861	267	92	-
	27,097	569	11,573	13,630	10,960	3,464
Number of persons	1	7	8	2	2	2

**31.1** The chief executive and executives are provided with the free use of company's owned and maintained cars.

### 31.2 Remuneration to other Directors

Aggregate amount charged in the financial statements for fee to directors was Rs 0.082 million (2006: Rs 0.050 million). In addition, the company also bears the travelling expenses of the directors relating to travel for official purposes.



## 32 | Related Party Transactions

2007				
	Key management personnel	Associated undertakings	Other related parties	Total company
----- (Rupees '000) -----				
<b>Transactions during the year</b>				
Purchase of marketable securities for and on behalf of	-	253,061,149	9,949	253,071,098
Sale of marketable securities for and on behalf of	635	252,148,242	10,251	252,159,128
Brokerage income	600	35,405	11	36,016
Disposal of fixed assets having book value of Rs 586 thousand for	-	849	-	849
Rent received	-	600	-	600
Short-term investment made	-	20,000	-	20,000
Charge in respect of defined contribution plan	-	-	1,268	1,268
Remuneration to key management personnel	39,239	-	-	39,239
Payment made to defined contribution plan	-	-	1,268	1,268

2006				
	Key management personnel	Associated undertakings	Other related parties	Total company
----- (Rupees '000) -----				
<b>Transactions during the year</b>				
Purchase of marketable securities for and on behalf of	241,860	156,665,389	-	156,907,249
Sale of marketable securities for and on behalf of	245,678	156,760,279	-	157,005,957
Brokerage income	45	19,269	-	19,314
Purchase of fixed assets	-	1,850	-	1,850
Rent received	-	150	-	150
Long-term investment made	-	40,000	-	40,000
Charge in respect of defined contribution plan	-	-	966	966
Sale of investment having cost of Rs 1500 thousand disposed off to defined contribution plan for	-	-	1,509	1,509
Remuneration to key management personnel	28,054	-	-	28,054
Payment made to defined contribution plan	-	-	966	966

The company has related party relationship with its associated undertakings, employee benefit plans and its directors and executive officers. Transactions with related parties essentially entail sale and purchase of marketable securities.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling activities of the entity. The company considers all members of their management team, including the Chief Executive Officer and Directors to be its key management personnel.

There are no transactions with key management personnel other than under their terms of employments / entitlements. Balances outstanding from / to related parties as at the year end have been disclosed in the relevant balance sheet notes. These are interest free, unsecured and repayable on demand.



## 33 | Cash and Cash Equivalents

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

	Note	2007	2006
(Rupees '000)			
Cash and bank balances	14	39,207	111,949
Short-term running finances	17	(240,982)	(528,823)
Short-term borrowings	17	(149,828)	-
		(351,603)	(416,874)

## 34 | Financial Assets and Liabilities

June 30, 2007							
	Interest/mark-up bearing			Non-interest/mark up bearing			Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	
----- (Rupees '000) -----							
<b>Financial assets</b>							
Loans	-	-	-	565	125	690	690
Deposits	-	-	-	303,007	2,616	305,623	305,623
Investments:							
- available for sale investments	-	-	-	686,126	-	686,126	686,126
- financial assets at fair value through profit or loss account	-	-	-	991,724	-	991,724	991,724
Receivable against continuous funding system / carry over transactions	-	-	-	-	-	-	-
Trade debts - net	-	-	-	536,346	-	536,346	536,346
Other receivables	-	-	-	6,062	-	6,062	6,062
Cash and bank balances	-	-	-	39,207	-	39,207	39,207
	-	-	-	2,563,037	2,741	2,565,778	2,565,778
<b>Financial liabilities</b>							
Trade and other payables	-	-	-	1,196,974	-	1,196,974	1,196,974
Interest and mark-up accrued on borrowings	-	-	-	5,108	-	5,108	5,108
Short-term borrowings	390,810	-	390,810	-	-	-	390,810
Pre-IPO subscription towards proposed issue of term finance certificates	-	235,127	235,127	-	-	-	235,127
	390,810	235,127	625,937	1,202,082	-	1,202,082	1,828,019
<b>On balance sheet gap</b>	(390,810)	(235,127)	(625,937)	1,360,955	2,741	1,363,696	737,759
<b>Off balance sheet financial assets</b>							
Forward purchase of listed equity securities	-	-	-	-	-	-	-
<b>Off balance sheet financial liabilities</b>							
Forward sale of listed equity securities	-	-	-	-	-	-	-
<b>Off balance sheet gap</b>	-	-	-	-	-	-	-
<b>Net gap</b>	(390,810)	(235,127)	(625,937)	1,360,955	2,741	1,363,696	737,759



June 30, 2006							
	Interest/mark-up bearing			Non-interest/mark up bearing			Total
	Maturity upto one year	Maturity after one year	Sub Total	Maturity upto one year	Maturity after one year	Sub Total	
----- (Rupees '000) -----							
<b>Financial assets</b>							
Loans	-	-	-	709	10,849	11,558	11,558
Deposits	-	-	-	26,312	1,889	28,201	28,201
Investments:							
- available for sale investments	-	8,968	8,968	705,186	-	705,186	714,154
- financial assets at fair value through profit or loss account	230,658	-	230,658	653,364	-	653,364	884,022
Receivable against continuous funding system / carry over transactions	402,485	-	402,485	-	-	-	402,485
Trade debts - net	-	-	-	89,774	-	89,774	89,774
Other receivables	-	-	-	9,866	-	9,866	9,866
Cash and bank balances	-	-	-	111,949	-	111,949	111,949
	633,143	8,968	642,111	1,597,160	12,738	1,609,898	2,252,009
<b>Financial liabilities</b>							
Trade and other payables	-	-	-	311,713	-	311,713	311,713
Interest and mark-up accrued on borrowings	-	-	-	30,801	-	30,801	30,801
Short-term borrowings	678,823	-	678,823	-	-	-	678,823
Pre-IPO subscription towards proposed issue of term finance certificate	-	235,127	235,127	-	-	-	235,127
	678,823	235,127	913,950	342,514	-	342,514	1,256,464
<b>On balance sheet gap</b>	(45,680)	(226,159)	(271,839)	1,254,646	12,738	1,267,384	995,545
<b>Off balance sheet financial assets</b>							
Forward purchase of listed equity securities	79,550	-	79,550	-	-	-	79,550
<b>Off balance sheet financial liabilities</b>							
Forward sale of listed equity securities	(80,632)	-	(80,632)	-	-	-	(80,632)
<b>Off balance sheet gap</b>	(1,082)	-	(1,082)	-	-	-	(1,082)
<b>Net gap</b>	(46,762)	(226,159)	(272,921)	1,254,646	12,738	1,267,384	994,463

34.1 The mark-up rates per annum on financial assets and liabilities are as follows:

	2007	2006
-----Percentage-----		
<b>Investments</b>		
- available-for-sale investments	-	"6 months KIBOR + 1.5"
- financial assets at fair value through profit or loss account	-	9.1 - 9.3
Short term borrowings	11.9 - 12.63	8.7 - 13.44
Pre-IPO subscription towards proposed issue of term finance certificates	"6 months KIBOR + 2.5"	"6 months KIBOR + 2.5"
Receivable against continuous funding system / carry over transactions	-	8 - 30





### **34.2 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 0.043 million (2006: Rs 0.045 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.

### **34.3 Foreign exchange risk**

Foreign currency risk mainly arises where receivables and payables exist due to transactions with foreign undertakings. The company believes that it is not exposed to major foreign exchange risk in this respect.

### **34.4 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. In addition, the company has availed facility of running finance to meet any deficit required to meet the short-term liquidity commitments.

### **34.5 Yield / Interest rate risk**

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market interest rates. Sensitivity to interest / mark-up rate risk arises from mismatches or gaps in the amounts of interest / mark-up based assets and liabilities that mature or reprice in a given period. The company manages this risk by matching the repricing of financial asset and liabilities through appropriate policies.

### **34.6 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.

## **35 | Critical Accounting Estimates and Judgments**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the company's financial statements or where judgment was exercised in application of accounting policies are as follows:

- i) Classification and valuations of investments (note 2.3 and 7);
- ii) Income taxes (notes 2.6, 19 and 29);
- iii) Estimate of liability in respect of employee retirement gratuity (notes 2.10 and 26); and
- iv) Provision for bad and doubtful debts (notes 2.4 and 10)



## 36 | Non-adjusting Events after the Balance Sheet Date

The Board of Directors in its meeting held on August 28, 2007 have proposed a final cash dividend in respect of the year ended June 30, 2007 at Rs. 1.5 per share (2006:Rs. 4 per share). In addition, the directors have also announced a bonus issue of 15% (2006:Nil). These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended June 30, 2007 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

## 37 | Use of Collateral and Trading Securities

The company utilises customers marginable securities to meet the exposure deposit requirements of Karachi Stock Exchange (Guarantee) Limited and for meeting securities short fall at the time of settlements on behalf of the customers. These securities are utilized by the company with the consent of the customers. As at June 30, 2007, securities amounting to Rs Nil were pledged / utilised by the company for meeting the exposure deposit requirement by the Karachi Stock Exchange (Guarantee) Limited.

## 38 | Financial Instruments with off Balance Sheet Risks

- a) The company purchases and sells securities as either principal or agents on behalf of its customers. If either the customer or a counterparty fails to perform, the company may be required to discharge the obligation on behalf of the non-performing party. In such circumstances, the company may sustain a loss if the market value of the security is different from the contracted value of the transaction. The company also gives customer securities to brokers . If a broker fails to return a security on time, the company may be obligated to purchase the securities in order to return to the owner. In such circumstances, the company may incur a loss equal to the amount by which the market value of the security on the date of non-performance exceeds the value of the collateral received from the broker.

The majority of the company's transactions, and consequently, the concentration of its credit exposure are with the customers, brokers and other financial institutions. These activities primarily involve collateralized arrangement and may result in credit exposure in the events as mentioned above or if the counter party fails to meet its contracted obligations. The company's exposure to credit risk can also be directly impacted by volatile securities markets which may impair the ability of counterparties to satisfy their contractual obligations. The company seeks to control its credit risk through a variety of reporting and controls procedures, including establishing credit limits based upon a review of the counterparties' financial condition. The company monitors collateral levels on a regular basis and requests changes in collateral level as appropriate or if considered necessary.

- b) The company enters into security transactions on behalf of its clients involving future settlement. The company has entered into transactions with a contract value of Rs. 131.784 million and market value of Rs. 133.857 million that give rise to future settlement. Transactions involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The company's exposure to market risk is determined by a number of factors, including size, composition and diversification of positions held, the absolute and relative level of interest rate and market volatility. The credit risk for these transactions is limited to the unrealised market valuation gains which have been recorded in the statement of accounts of the customers.



## 39 | Corresponding Figures

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

- provision for bad and doubtful debts has been reclassified from administrative expenses and shown as part of other operating expenses.
- advances amounting to Rs 4.01 million have been reclassified and shown as part of capital work in progress.
- accrued mark-up has been reclassified from other receivables and has been shown separately on the face of the balance sheet.

## 40 | Date of Authorisation

These financial statements were authorised for issue on 28-8-2007 by the Board of Directors of the company.

**Chief Executive**

**Director**



as at  
June 30, 2007

## Pattern of Shareholding

SHARE HOLDING			
NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
7	1	100	33
208	101	500	104,000
181	501	1,000	180,640
289	1,001	5,000	863,468
62	5,001	10,000	510,500
25	10,001	15,000	335,999
20	15,001	20,000	372,000
11	20,001	25,000	265,500
7	25,001	30,000	188,500
7	30,001	35,000	233,900
5	35,001	40,000	186,500
3	40,001	45,000	129,000
9	45,001	50,000	439,000
1	55,001	60,000	59,000
1	70,001	75,000	75,000
2	75,001	80,000	156,000
1	85,001	90,000	90,000
2	95,001	100,000	195,500
1	100,001	105,000	103,000
1	130,001	135,000	132,500
3	145,001	150,000	450,000
1	175,001	180,000	178,000
1	180,001	185,000	180,500
1	190,001	195,000	195,000
2	195,001	200,000	399,000
1	215,001	220,000	218,500
2	295,001	300,000	600,000
1	380,001	385,000	382,500
2	495,001	500,000	1,000,000
1	575,001	580,000	578,500
1	610,001	615,000	610,500
2	670,001	675,000	1,343,100
1	795,001	800,000	800,000
1	955,001	960,000	957,000
1	995,001	1,000,000	1,000,000
1	1,270,001	1,275,000	1,270,500
1	1,360,001	1,365,000	1,363,000
1	1,665,001	1,670,000	1,669,000
1	1,855,001	1,860,000	1,857,500
1	1,885,001	1,890,000	1,888,000
1	2,265,001	2,270,000	2,267,260
1	2,690,001	2,695,000	2,692,500
1	4,170,001	4,175,000	4,173,000
1	4,615,001	4,620,000	4,616,000
1	4,910,001	4,915,000	4,911,000
1	9,775,001	9,780,000	9,779,600
<b>875</b>			<b>50,000,000</b>



as at  
June 30, 2007

## Categories of Shareholders

Categories	Number	Shares Held	Percentage
<b>Related Parties</b>			
First Florance Developers (Pvt) Limited	1	4,911,000	9.82
F. Rabbi Steel (Pvt) Limited	1	835,000	1.67
Yarmouk Paper & Board Industry (Pvt) Limited	1	300,000	0.60
MCD Pakistan Limited	1	4,204,500	8.41
First Pakistan Securities Limited	1	11,748,600	23.50
Switch Securities (Pvt) Limited	1	2,343,260	4.69
<b>Directors, Chief Executive and their Spouse and Minor Children</b>			
Ali Aslam Malik	1	1,888,500	3.78
Amjad Pervez	1	500	0.00
Malik Atiq-ur-Rehman	1	679,000	1.36
Muhammad Iqbal Khan	1	1,000	0.00
Shahzad Akbar	1	5,500	0.01
Sheikh Khalid Tawab	1	40,500	0.08
Mrs. Adeela Ali	1	1,000,500	2.00
<b>Banks/DFIs/NBFIs</b>	5	6,262,000	12.52
<b>Insurance Companies</b>	4	601,000	1.20
<b>Modarabas/ Mutual Funds &amp; Foreign Investors</b>	8	724,000	1.45
<b>Joint Stock Companies</b>	34	7,721,518	15.44
<b>Individuals</b>	811	6,733,622	13.47
	875	<b>50,000,000</b>	100
<b>Detail of Shareholding 10% &amp; more</b>			
First Pakistan Securities Limited	1	11,748,600	23.50



## Branch Network of First National Equities Limited

### 1) Peshawar Main Branch

State Life Building  
2nd Floor, 34-The Mall  
Peshawar  
Tel : 091-111-000-363  
Fax : 091-5260977

### 2) Peshawar City Branch

Bank Square, Chowk Yadgar  
Near Askari Bank  
Peshawar City  
Tel : 091-2580746-49  
Fax : 091-2580750

### 3) Peshawar Sadar (Jasmine Arcade) Branch

508, Fifth Floor, Jasmine Arcade  
Sadar Peshawar  
Tel : 091-5275661, 5275055  
Fax : 091-5275632

### 4) Abbottabad Branch

1st Floor, Gohar Sons Arcade,  
Mansehra Road, Supply Bazar  
Abbottabad  
Tel : 0992-341305, 341104  
Fax : 0992-341203

### 5) Mingora (Swat) Branch

1st Floor, Shahzad Plaza, Makan Bagh  
Saidu Road, Mingora Swat  
Tel : 0946-712523, 712975  
Fax : 0946-711070

### 6) D.I. Khan Branch:

3rd Floor, State Life Building,  
Dera Ismail Khan  
Tel : 0966-730721-3  
Fax : 0966-730724

### 7) Mardan Branch:

Shop No. 22, 23 & 24  
Cantonment Plaza, The Mall,  
Mardan  
Tel : 0937-875827-29  
Fax : 0937-875830

### 8) Islamabad Branch

13-P Mezanine Floor, Empire Centre  
F/7 Markaz  
Islamabad  
Tel : 051-111-000-363  
Fax : 051-2653528

### 9) Rawalpindi Branch

53/7, Haider Road, Rawalpindi Cantt  
Rawalpindi  
Tel : 051-5782397  
Fax : 051-5563194

### 10) Mirpur AJK Branch

Haji Lal Din City Plaza  
Plot # 114, Sector F/1, Kotli Road  
Mir Pur, Azad Jammu Kashmir  
Tel : 058610-39655, 39658  
Fax : 058610-39656



This Page is Left Blank Intentionally

# Form of Proxy

I/ We \_\_\_\_\_ of \_\_\_\_\_ being a member of First National Equities Limited and holder of \_\_\_\_\_ Ordinary Shares as per Share Register Folio No. \_\_\_\_\_.

Beneficial Owners As per CDC	
CDC Participant I.D. No. _____	Sub-Account No. _____
N I C No. <input type="text"/>	or Passport No. _____

Hereby appoint \_\_\_\_\_ of \_\_\_\_\_ or failing him/her \_\_\_\_\_ of \_\_\_\_\_ as my/ our proxy to vote and act for me/ our behalf at the Annual General Meeting of the Company to be held at FNE House, 19-C, Sunset Lane 6, South Park Avenue, Phase II Ext. DHA Karachi on Saturday, 29th September, 2007 at 9:00 a.m. and at any adjournment thereof.

Please affix rupees five revenue stamp

(Signatures should agree with the specimen signature)

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2007

Signature of Shareholder \_\_\_\_\_

Signature of Proxy \_\_\_\_\_

**For beneficial owners as per CDC list**

**1. WITNESS**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

NIC No.

or Passport No. \_\_\_\_\_

**2. WITNESS**

Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_

NIC No.

or Passport No. \_\_\_\_\_

**Important:**

- This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company at FNE House, 19-C, Sunset Lane 6, South Park Avenue, Phase II, Ext DHA. Karachi, not less than 48 hours before the time of holding the meeting.
- No person shall act as proxy unless he/she himself/ herself is a member of the Company, except that a corporation may appoint a person who is not a member.
- If a member appoint more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of proxy shall be rendered invalid.

**For CDC Account Holders/ Corporate Entities:**

In addition to the above the following have to be met:

- The proxy form shall be witnessed by the two persons whose names, addresses and NIC numbers shall be mentioned on the form.
- Attested copies of NIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- The proxy shall produce his/ her original NIC or passport at the time of the Meeting.
- In case of corporate entity, the Board of Directors' resolution/ power of attorney with specimen signature shall be submitted (unless it has provided earlier) alongwith proxy form of the Company.







**FIRST NATIONAL EQUITIES LIMITED**  
19-C, Sunset Lane 6, South Park Avenue,  
Phase II Extension, D.H.A. Karachi.



## FIRST NATIONAL EQUITIES LIMITED

FNE House, 19C, Sunset Lane-6, South Park Avenue,  
Phase II Extension, D.H.A. Karachi.

UAN : (92-21) 111-000-363

Fax : (92-21) 5395900

Website : [www.fnetrade.com](http://www.fnetrade.com)