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# **Annual Accounts**

**2 0 1 1**

**FIRST NATIONAL EQUITIES LIMITED**



*Vision...*

***Connecting people,***

ideas and capital, we will be our clients'

**First Choice**

for achieving their financial aspirations"



# *Mission...*

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

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## COMPANY INFORMATION

### Board of Directors:

- |    |                         |                         |
|----|-------------------------|-------------------------|
| 1. | Mr. Ali A. Malik        | Chairman/ Director/ CEO |
| 2. | Mr. Muhammad Iqbal Khan | Director                |
| 3. | Malik Attiq-ur-Rehman   | Director                |
| 4. | Mr. Shahzad Akbar       | Director                |
| 5. | Mr. Mohammad Ali Khan   | Executive Director      |
| 6. | Mr. Rais Ahmed Dar      | Executive Director      |
| 7. | Mr. Amir Shehzad        | Executive Director      |

### Audit Committee:

- |    |                            |                           |
|----|----------------------------|---------------------------|
| 1. | Mr. Muhammad Iqbal Khan    | Chairman                  |
| 2. | Malik Attiq-ur-Rehman      | Member                    |
| 3. | Mr. Shahzad Akbar          | Member                    |
| 4. | Mr. Asif Mumtaz Mian, FCMA | Secretary Audit Committee |

### Chief Financial Officer

Mr. Rais Ahmed Dar

### Company Secretary

Mr. Asif Mumtaz Mian, FCMA

### Auditors:

Anjum Asim Shahid Rahman  
Chartered Accountants  
Lahore.

### Legal Advisor:

Minto & Mirza, Advocates

### Registrar:

Technology Trade (Pvt.) Limited.  
Dagia House, 241-C, Block – 02,  
P.E.C.H.S. Off: Main Shahrah-e-Quaideen, Karachi.  
Tel: (92-21) 34391316-7 & 34387960-61  
Fax: (92-21) 34391318



**Bankers:**

Allied Bank Limited.  
Summit Bank Limited.  
Bank Alfalah Limited.  
Bank Islami Pakistan Limited.  
Habib Metropolitan Bank Limited.  
KASB Bank Limited.  
JS Bank Limited.  
MCB Limited.  
NIB Bank Limited.  
The Bank of Punjab  
United Bank Limited.

**Principal Office:**

FNE House, 179-B, Abu Bakar Block,  
New Garden Town, Lahore  
Tel: (92-42) 35843722-27, 35845011-15  
Fax: (92-42) 35843730.

**Registered Office:**

FNE HOUSE, 19-C, Sunset Lane 6,  
South Park Avenue, Phase II  
Extension, D.H.A. Karachi  
Tel: (92-21) 35395901-05  
Fax: (92-21) 35395920

**KSE Office:**

Room No. 135-136, 3rd Floor,  
New Stock Exchange Building, Karachi  
Tel: (92-21) 32472119, 32472014, 32472758  
Fax: (92-21) 32472332



## NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the members of First National Equities Limited ( "the company") will be held at its registered office be located at 19-C, Sunset Lane-6, South Park Avenue, Phase II, Ext: D.H.A, Karachi, on Wednesday , November 30, 2011 at 7:00 p.m. to transact the following business:-

### ORDINARY BUSINESS:

1. To confirm the minutes of the last EOGM held on May 23, 2011.
2. To receive, consider and adopt the audited annual financial statements of the company for the year ended June 30, 2011 together with the directors' and auditors' reports thereon.
3. To appoint external auditors of the company for the year ending on June 30, 2012 and to fix their remuneration. The present auditor namely Anjum Asim Shahid Rahman, Chartered Accountants, retire and being eligible, has offered themselves for re-appointment as auditors of the company.
4. To transact any other business of the company that may be placed before the meeting with the permission of the chair.

### SPECIAL BUSINESS.

- 5 To consider and if thought fit, pass the following resolution as Special Resolution with or with out modification, addition, deletion:

"Resolved as and by way of special resolution that the consent and approval of the members of the company be and is hereby accorded under section 196 of the Companies Ordinance, 1984 for sale or otherwise dispose off Plot No. 54, Survey No. 666/C, Main Mall Road, Peshawar Cantt. Peshawar

Further Resolved That the Chief Executive Officer of the Company be and is hereby singly authorized on the behalf of the company to sell / or otherwise dispose off the aforementioned plot in the manner he deems appropriate and perform all required, legal, procedural and other actions and sign, execute and deliver such documents necessary for the purpose of giving effect to the sprit and intent of this special resolution"

- 6 To consider and if thought fit, pass the following resolution as Special Resolution with or with out modification, addition, deletion:

"Resolved as and by way of special resolution that consent and approval of the members of the company be and is hereby accorded under section 208 of the Companies Ordinance, 1984 for partial change in the terms of Special Resolution passed by the members of the company in Annual General Meeting held on November 05, 2009, which was passed to approve and acknowledge the debts of associated companies namely First Pakistan Securities Limited & Switch Securities (Pvt) Limited"

Further Resolved that the Chief Executive Officer of the Company be and is hereby singly authorized on the behalf of the company to take all related necessary action and sign, execute and deliver such documents necessary for the purpose of giving effect to the sprit and intent of this special resolution"

- 7 To consider and if thought fit, pass the following resolution as Special Resolution with or with out modification:

"Resolved as and by way of special resolution that consent and approval of the members of the company be and is hereby accorded to establish a new company to acquire the membership of mercantile/commodity exchange(s) and carry on the business of commodities brokerage

"Further Resolved as and by way of special resolution that consent and approval of the members of the company be and is hereby accorded under section 208 of the Companies Ordinance, 1984 to make an investment up to Rs. 30.00 million by way of equity investment in aforesaid company"

Further Resolved that the Chief Executive Officer of the Company be and is hereby singly authorized on the behalf of the company to take all action necessary for this investment and sign, execute and deliver such documents necessary for the purpose of giving effect to the sprit and intent of this special resolution"

Attached to this notice is a statement of material facts covering the above mentioned special business, as required under section 160(1) (b) of the Companies Ordinance, 1984.

Karachi.  
Dated: November 04, 2011

By Order of the Board  
**Asif Mumtaz Mian, FCMA**  
(Company Secretary)



**Notes:**

1. The Shares Transfer Books will remain closed from November 23, 2011 to November 30, 2011 (both days inclusive) to enable the Company to determine the right of members to attend the above meeting.
2. Transfer received in order at office of the Company's Shares Registrar, Technology Trade (Pvt.) Ltd. Dagia House, 241-C, P.E.C.H.S. Block-2, Karachi by the close of business hours on November 22, 2011 will be treated in time for the entitlement of vote and attending AGM. Members are also requested to immediately notify of any change in their registered addresses by writing to the office of Company's Share Registrar.
3. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy who shall have same rights as available to a member. In order to be a valid, the duly stamped, signed and witnessed instrument of proxy and the power of attorney or a notarially certified copy of such power of attorney or other authority under which it is signed must be deposited at the registered office of the company, not later than 48 hours before the time of holding the meeting.
4. 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 beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub account number along with valid original CNIC or valid original passport to authenticate his /her identity at the time of 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**

- a. In case of individuals beneficial owners of CDC shall submit the proxy form as per above requirements along with participant IDS and account sub account number together with attested copy of the valid CNIC or passport.
- b. The proxy shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- c. In case of corporate entity, the Board of Director's resolution/ power of attorney with specimen signature of the proxy member shall be submitted (unless it has been submitted earlier ) along with proxy form.
- d. The proxy shall produce his/her valid original CNIC or valid original passport at the time of the meeting.

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

This statement sets out the material facts concerning the special business, given in agenda items, to be transacted at the Annual General Meeting of the Company which will be held on November 30, 2011.

- 1 The members of the company had approved and resolved in AGM held on October 30, 2010 to sale out the fixed asset of the company but it could not be sold out in year 2010-2011. The Board has again proposed to sale out the aforesaid fixed asset of the company So approval of the members is again being sought by passing special resolution given in the notice The following is detail of fixed asset, as required under SRO 1227(1)2005 dated December 12, 2005.

Description	Commercial Plot with Boundary Wall/Main Gate
Location	Plot No. 54, Survey No. 666/C, Main Mall Road, Peshawar Cantt. Peshawar.
Area	1100.677 S. yds (36.42 Marlas)
Cost	Rs. 36.157 (ml)
Book Value	Rs. 36.157 (ml)
Current Market Price/ Fair Value	Rs. 61.90 (ml) (Approximately)
Proposed manner of selling	Negotiation.
Reason for the sale	To improve the liquidity position of the company.
Expected Benefits to the shareholders	Expected Capital Gain.





- 2 The members of the company had passed a special resolution in AGM held on November 05, 2009 to acknowledge and approve the out standing debt of the associated companies. The repayment schedule was approved as maximum three year. Due to liquidity crunch, low business volumes and the factor that stock market situation has not been materially recovered so far, the Board has proposed to members of the company to extend the repayment Schedule from three years to maximum of ten years with a view to pay as soon as possible So approval of the members of company is being sought for the change of repayment schedule by passing special resolutions given in the notice The following is detail in accordance with Section 208 of the Companies Ordinance, 1984 and S.R.O 865(I)/2000 dated December 06, 2000

Name of Investee Company/Trade Debtor	First Pakistan Securities Limited
Nature, amount and extent of Investment	Unsettled Trade debts of Rs. 90,993,621 as on 30-06-2009
Brief Financial	Profit after Taxation 2006-07 Rs.54,121,039 2007-08 Rs.21,590,123 2008-09 Rs.(896,731,054) 2009-10 Rs. (138,576,301) 2010-11 Rs. (146,141,752)
Security	Marketable equities
Markup	Rate not less than borrowing cost of the company
Trade Debtors Financial Position	
Source of Funds	Company Cash Flow
Repayment Schedule	Maximum of 10 years with a view to payment as soon as possible

Name of Investee Company/Trade Debtor	Switch Securities (Pvt). Ltd.
Nature, amount and extent of Investment	Unsettled Trade debts of Rs. 84,417,832 as on June 30, 2009
Brief Financial	Profit after Taxation 2006-07 Rs.5,815,794 2007-08 Rs.55,754,384 2008-09 Rs.(536,222,877) 2009-10 Rs.(70,187,311) 2010-11 Rs (106,525,889)
Security	Marketable equities
Markup	Rate not less than borrowing cost of the company
Trade Debtors Financial Position	
Source of Funds	Company Cash Flow
Repayment Schedule	Maximum of 10 years with a view to payment as soon as possible

- 3 With a view to make the company's asset more revenue generating, for better utilization of the resources and for diversification of business the Board has proposed to explore new avenues of revenues. It has proposed to the members of the company to establish a new company to acquire and secure the membership of mercantile/commodities exchange (s) and carry on the business of commodities brokerage. So consent and approval of the members is being sought u/s 208 of the Companies Ordinance, 1984, for the investment up to Rs. 30.00 million by way of equity investment in aforesaid company" The following is detail in accordance with Section 208 of the Companies Ordinance, 1984 and S.R.O 865(I)/2000 dated December 06, 2000



Name of Investee Company	New company will be incorporated
Nature, amount and extent of Investment	Investment in shares capital up to 30 million
Average Market Price	Unlisted company
Break up Value	N/A
Price at which shares will be purchased	Rs. 10
Earning per share in last three years	N/A
Source of Funds	Company Cash Flow
Period for which investment will be made	Long term Investment
Purpose of the Investments	Dividend Income
Benefits likely to accrue to the company and shareholders	The revenues of the company will increase
Interest of directors and their relatives in the investee company	Interest of directors and their relatives in the investee company may be up the extent of their shareholding in that new company



## DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Financial Statements of your Company for the year ended June 30, 2011, together with the auditors' report thereon.

The year 2011 was very difficult year for Pakistan as economy was badly hurt by summer 2010 flood in large area of the country. The economic growth for the year was reported at 2.4%. Inflation, violence, terrorism and law & order incidents kept the economy under severe pressure. Above all power outage and its shortage proved a damaging factor for the economy and badly affected the productivity of the different sectors. The Large Scale Manufacturing growth was down to 1.2 % YoY from 4.8 % of last year. Resultantly the business sentiment was at low fade.

The Stock Market as pulse of the economy also remained sluggish. Imposition of Capital Gain Tax and poor public interest in shares trading resulted in the low volumes of the exchange and that resulted lower income for the members. Moreover the leverage product could not give a major boost to the market.

<b>Financial Results</b>	<b>2011</b>	<b>2010</b>
	<b>(Rupees in Million)</b>	
Gross revenue	36.6	286.5
Operating revenue	(3.7)	75.2
(Loss) before taxation	(177.4)	(65.09)
Less: taxation	1.2	(62.6)
Profit/ (Loss) after tax	(176.2)	(127.7)
Accumulated Profit/ (Loss) brought forward	(1055.1)	(927.4)
Accumulated Profit/ (Loss) carried forward	(1231.3)	(1,055.1)
Final Cash Dividend	-	-
Final Stock Dividend	-	-
Earning per share	(3.06)	(2.22)

We are thankful to Almighty Allah that despite poor business sentiments in the country, we have succeeded to manage the company's results. Although our gross revenues are lower as compared to last period mainly due to low business volumes of the market but on other hand we continued our efforts to cut down administrative and financial expenses. Resultantly we have managed to minimize our losses

We are pleased to inform our valued members that we have successfully completed the right shares issue process on October 07 2011 and has injected fresh capital of Rs. 201.25 million. This development will not only improve the financial health of the company but will also streamline its day to day operations and strengthen the business capacity of the company. On brokerage side we are continuously in the process of building a solid clientele base by enlarging our branches network and enhancing the business volumes from the exiting and new clientele. The process of successful revival of the receivables started in last year will remain one of our top priorities. We are very positive that the results of these measures will turn the net loss into net profit in the coming period.

Owing company financial position the Board of Directors has decided not to declare any dividend, bonus and not to approve any appropriation for reserves.

There have been no material changes since June 30, 2011 to the date of this report that require adjustment to Financial Statements.



At FNEL, Human Resources in its business partner role, endorses strategies to raise the performance of each team member to its maximum potential. The continuous review of the organizational structure ensured the business' stability. Employees are rewarded based on performance, resulting enhanced retention and motivation at all levels.

The Company is committed towards fulfilling its Corporate Social Responsibility and has been actively performing its Corporate Social Responsibility in areas of healthcare, education, environment community welfare, sports & relief work and aims to enhance its scope and contribution in the future. We at FNEL are well aware of the well being of our employees as well as the community at large. Pollution reduction and waste management processes have been distinct and are being applied to ensure minimal impact on our environment. The Company focuses on energy conservation and all departments and employees adhere to the power conservation measures. Your Company takes its contribution towards national economy seriously and has always discharged its obligations in a transparent accurate and timely manner.

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 in design and has been effectively implemented and monitored.
- Mitigating factors for significant doubts upon the company's ability to continue as going concern have been detailed in note 2.2 to the financial statements.
- There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
- Key historical data is summarized and attached.
- There is no material statutory payment outstanding on account of taxes, duties, levies and charges.
- A total of five 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 Meeting	Number of Meeting(s) attended
1	Mr. Ali Aslam Malik	5	5
2	Malik Attiq-ur-Rehman	5	5
3	Muhammad Iqbal khan	5	4
4	Mr. Shahzad Akbar	5	5
5	Mr. Rais Ahmad Dar	5	5
6	Mr. Muhammad Ali Khan	5	5
7	Mr. Amir Shehzad	5	5

Leave of absence was granted to the Director who could not attend the Board Meeting.

As required under the Code of Corporate Governance, the Audit Committee continued to perform as per its terms of reference duty approved by the Board. 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 Meeting	Number of Meeting(s) attended
1	Muhammad Iqbal Khan	6	5
2	Malik Attiq-ur-Rehman	6	6
3	Mr. Shahzad Akbar	6	6

The statement showing pattern of share holding in the company, as on June 30, 2011 is attached.

There was no trade in the shares of the Company carried out by its Directors, CEO, CFO, Company Secretary & their spouses & minor children during the year under review

The Company Secretary furnished a Secretarial Compliance Certificate, in the prescribed form, as required under listing regulation 35(xxv) of Karachi Stock Exchange, as part of the annual return filed with the Registrar of Companies to certify the secretarial and corporate requirements of the Companies Ordinance, 1984 and listing regulations have been duly complied with.

In order to comply with the requirements of listing regulations, the Company presented all related party transactions before the Audit Committee and Board for their review and approval. These transactions have been approved by the Audit Committee and Board of Directors in their respective meetings. The details of all related party transactions have been provided in note 35 of the annexed audited separate financial statements.

The present external auditors Messrs Anjum Asim Shahid Rahman , Chartered Accountants, shall retire at the conclusion of annual general meeting on November 30, 2011 and being eligible, have offered themselves for reappointment for the year ending on June 30, 2012.

We are grateful to the Company's stakeholders for their long-lasting confidence and support. We record our appreciation and thanks to our Associated Companies, Bankers & Financial Institution, Securities and Exchange Commission of Pakistan, Central Depository Company of Pakistan and the Management of Karachi Stock Exchange for their support and guidance. We also appreciate the valuable contribution and active role of the members of the audit Committee in supporting and guiding the management on matters of great importance leading to growth with sustainability of the Company.

Place: Lahore  
Dated: October 31, 2011

Ali A. Malik  
(Chairman & CEO)



## Financial Statistical Summary (2005 - 2011)

PARTICULARS	June 30, (Rupees '000)						
	2011	2010	2009	2008	2007	2006	2005
<b>OPERATING RESULTS</b>							
Operating Revenues	(3,720)	75,209	(94,734)	392,414	615,486	974,632	440,544
Other Operating income	40,295	211,288	4,001	16,215	21,899	7,558	16,197
Gross Revenue	36,575	286,497	(90,733)	408,629	637,385	982,190	456,741
Administrative Expenses	(73,734)	(78,707)	(93,518)	(141,960)	(143,570)	(140,323)	(78,756)
	(37,159)	207,790	(184,251)	266,669	493,815	841,867	377,985
Finance Cost	(130,304)	(164,329)	(218,027)	(196,640)	(206,433)	(254,919)	(97,088)
Other Operating Expenses	(11,835)	(11,796)	(365,259)	(46,113)	(203,362)	(29,217)	(11,008)
	(179,298)	31,665	(767,537)	23,916	84,020	557,731	269,889
Fair value loss on remeasurement of held for trading investment - net	(3,928)	(6,436)	(40,987)	(11,021)	20,403	(106,241)	(35,551)
Impairment loss on available for sale securities	-	(90,830)	(309,872)	-	-	-	-
Unrealised gain on mark to market of derivative financial instruments	-	-	-	-	-	993	-
Unrealised gain - letter of right	-	-	-	-	595	-	-
	(3,928)	(97,266)	(350,859)	(11,021)	20,998	(105,248)	(35,551)
Share of profit of associates - net of tax	5,819	511	(23,033)	5,947	2,088	135	-
Profit / (Loss) before Tax	(177,407)	(65,090)	(1,141,429)	18,842	107,106	452,618	234,338
Taxation - net	1,205	(62,595)	-	(13,341)	(27,775)	(40,996)	(32,090)
Profit / (Loss) after Tax	(176,202)	(127,685)	(1,141,429)	5,501	79,331	411,622	202,248
Payout Ratio	-	-	-	-	30%	60%	25%
<b>BALANCE SHEET SUMMARY</b>							
<b>Non-Current Assest</b>							
Fixed assets	214,444	223,681	230,894	239,611	189,670	145,151	114,810
Long term Investment	38,018	30,438	28,442	68,170	42,223	40,135	-
Deferred cost	64,617	65,874	126,806	12,198	-	-	-
Receivable from associates	175,411	175,411	-	-	-	-	-
Long term loans & advances	-	-	-	-	125	10,849	18,712
Long Term deposits	2,863	2,863	2,629	3,557	2,616	1,889	2,229
	<b>495,353</b>	<b>498,267</b>	<b>388,771</b>	<b>323,536</b>	<b>234,634</b>	<b>198,024</b>	<b>135,751</b>
<b>Current assets</b>							
Short term investments	83,413	194,720	443,783	1,088,442	1,677,850	1,598,176	531,505
Other investments	-	-	-	-	-	-	1,292,972
Receivable against CFS/cary over transaction	-	-	-	-	-	402,485	517,945
Trade debts	198,165	208,436	284,716	844,228	536,346	89,774	452,008
Loans & advances	4,312	4,681	1,875	4,500	1,869	5,686	1,696
Trade deposits & short term prepayments	412	1,066	150	29,464	304,999	28,018	45,752
Accrued mark up	-	-	-	-	6,062	-	-
Other Receivables	57,703	28,989	2,723	3,255	-	9,866	5,059
Taxation Recoverable - net	30,420	25,520	23,364	20,722	2,514	20,980	2,122
Cash and bank balance	3,004	10,039	5,555	20,232	39,207	111,949	158,120
	<b>377,429</b>	<b>473,451</b>	<b>762,166</b>	<b>2,010,843</b>	<b>2,568,847</b>	<b>2,266,934</b>	<b>3,007,179</b>
<b>CURRENT LIABILITIES</b>							
Trade & other payables	221,901	160,041	115,265	490,889	1,203,683	316,299	1,558,803
Interest and mark-up accrued on borrowings	1,988	9,181	40,417	17,139	5,108	30,801	19,711
Payable in respect of continuous funding system	-	-	-	410,667	-	-	-
Short term borrowings	415,531	484,976	808,160	840,487	390,810	678,823	938,269
Pre-IPO subscription towards proposed issue of term finance certificate	-	-	-	-	235,127	235,127	-
Current maturity on long term loans	248,719	-	40,322	-	-	-	-
Loan from director	13,700	-	-	-	-	-	-
Current portion of liabilities against assests subject to finance lease	-	-	-	-	-	-	1,697
	901,839	654,198	1,004,164	1,759,182	1,834,728	1,261,050	2,518,480
<b>Net Current Assets</b>	<b>(524,410)</b>	<b>(180,747)</b>	<b>(241,998)</b>	<b>251,661</b>	<b>734,119</b>	<b>1,005,884</b>	<b>488,699</b>
<b>Non-current liabilities</b>							
Liabilities against assest subject to finance lease	-	-	-	-	-	-	3,968
Loan from director	5,141	4,449	-	-	-	-	-
Defferred liabilites	5,608	3,515	3,209	4,141	1,627	1,997	3,185.00
Long Term Borrowings	684,398	901,027	583,270	-	-	-	-
	695,147	908,991	586,479	4,141	1,627	1,997	7,153
<b>Net Assets</b>	<b>(724,204)</b>	<b>(591,471)</b>	<b>(439,706)</b>	<b>571,056</b>	<b>967,126</b>	<b>1,201,911</b>	<b>617,297</b>
<b>REPRESENTED BY</b>							
Issued, subscribed and paid-up capital	575,000	575,000	575,000	575,000	500,000	500,000	500,000
Unappropriated profit / (Accumulated losses)	(1,231,306)	(1,055,103)	(927,418)	101,292	245,791	366,460	129,838
Surplus/(deficit) on revaluation of investment-available for sale	(67,898)	(111,368)	(87,288)	(105,236)	221,335	335,451	(12,541)
<b>Total Equity and Liabilities</b>	<b>(724,204)</b>	<b>(591,471)</b>	<b>(439,706)</b>	<b>571,056</b>	<b>967,126</b>	<b>1,201,911</b>	<b>617,297</b>



## Statement of Compliance with the Code of Corporate Governance For the year ended on June 30, 2011

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 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 Board encourages the representation of independent non-executive directors on its Board. At present Board includes three independent non-executive directors.
2. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the 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. There was no causal vacancy of the Board occurred during the period under review.
5. The Company has prepared a 'Statement of Ethics & Business Practices', which has been signed by 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 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 is well aware of the requirement of the clause (xiv) of the Code of Corporate Governance and arrange will be made for the certification under this requirement.
11. 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.
12. 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.
13. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
14. 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.



15. The Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee. It comprises three members all of whom are non-executive directors including the Chairman of the Committee.
17. 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.
18. The Board has set-up an effective internal audit function in the company.
19. 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.
20. The related party transactions carried out during the year have been placed before the audit committee and approved by the board of directors in their meeting held to approve the annual accounts with necessary justification for non arm's length transactions and pricing methods for transactions that were made on the terms equivalent to those that prevail in the arms' length transactions only if such terms can be substantiated. In future all related party transactions will be placed before the Audit Committee and the Board of Directors on quarterly basis.
21. 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.
22. We confirm that all other material principles contained in the Code have been duly complied with.

Place: Lahore  
Dated: October 31, 2011

Ali A. Malik  
(Chairman & CEO)





**Anjum Asim Shahid Rahman**

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## **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 (the Company”) to comply with the Listing Regulations of Karachi Stock Exchange where the company is listed.

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

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board’s statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company’s corporate governance procedures and risks.

Further, Listing Regulations of the Karachi Stock Exchange require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm’s length transactions and transactions which are not executed at arm’s length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm’s length price or not.

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 30 June 2011.

CHARTERED ACCOUNTANTS  
Engagement partner: Asim Iftikhar  
Lahore

Dated:





**Anjum Asim Shahid Rahman**

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## AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of First national Equities Limited (the Company) as at June 30, 2011 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that, except for the matter stated in paragraph (a) below, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary or 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 bases 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 qualified audit 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 opinin:
  - (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, statement of comprehensive income, 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, 2011 and of the loss, total comprehensive loss, its cash flows and changes inequity for the year then ended; and
- d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance. 1980 (XVIII of 1980)

We draw attention to note 2.2 to the financial statements which indicates that during the year the Company incurred significant loss amounting to Rs.176.202 million and has accumulated losses amounting to Rs 1,231.306 million at the year end. In addition, the Company has negative equity at the year end. The going concern of the Company is dependent upon profitable operations, continued support from the sponsors/directors of the Company, satisfactory settlement of its long term loans from banks and compliance with the arrangements agreed with the financial institutions. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as going concern. Our opinion is not qualified in respect of this matter.

**CHARTERED ACCOUNTANTS**

Engagement Partner: Asim Ifitkhar

Lahore

Dated:



# FIRST NATIONAL EQUITIES LIMITED

## BALANCE SHEET

AS AT JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
<b>NON-CURRENT ASSETS</b>			
Property and equipment	4	76,812,437	86,048,883
Capital work in progress	5	69,496,614	69,496,614
Intangible assets	6	68,135,225	68,135,225
Receivable from associates	7	175,411,452	175,411,452
Long term investments	8	38,018,141	30,438,452
Long term deposits	9	2,862,429	2,862,429
Deferred taxation	10	64,616,688	65,873,931
		<u>495,352,986</u>	<u>498,266,986</u>
<b>CURRENT ASSETS</b>			
Short term investments	11	83,412,589	194,720,352
Trade debts	12	198,164,918	208,435,589
Loans and advances	13	4,311,726	4,681,119
Trade deposits and short term prepayments	14	412,788	1,065,796
Other receivables	15	57,703,062	28,988,804
Advance tax		30,420,127	25,520,458
Cash and bank balances	16	3,003,582	10,038,746
		<u>377,428,792</u>	<u>473,450,864</u>
<b>Total Assets</b>		<b>872,781,778</b>	<b>971,717,851</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	17	221,901,034	160,041,543
Accrued mark-up	18	1,988,534	9,181,155
Short term borrowings	19	415,530,623	484,976,169
Current portion of long term financing	21	248,718,656	-
Loan from director	20	13,700,000	-
		<u>901,838,847</u>	<u>654,198,867</u>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	21	684,397,592	901,027,024
Loan from director	22	5,141,523	4,449,224
Deferred liabilities	23	5,607,696	3,514,591
		<u>695,146,811</u>	<u>908,990,839</u>
<b>Total Liabilities</b>		<b>1,596,985,658</b>	<b>1,563,189,706</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	24		
<b>Net Assets</b>		<u>(724,203,880)</u>	<u>(591,471,856)</u>
<b>REPRESENTED BY:</b>			
Issued, subscribed and paid-up capital	25	575,000,000	575,000,000
Accumulated loss carried forward		(1,231,305,943)	(1,055,103,508)
		<u>(656,305,943)</u>	<u>(480,103,508)</u>
Unrealized diminution on re-measurement of investments classified as available for sale	11.1.3	(67,897,937)	(111,368,348)
		<u>(724,203,880)</u>	<u>(591,471,856)</u>

The annexed notes from 1 to 45 form an integral part of these financial statements.

Chief Executive

Director



**FIRST NATIONAL EQUITIES LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
 FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
Operating revenue	26	33,649,290	60,415,310
(Loss)/gain on sale of investments		(37,368,906)	14,793,374
Other operating income	27	40,295,338	211,288,450
		<u>36,575,722</u>	<u>286,497,134</u>
Administrative expenses	28	73,734,217	78,707,521
<b>Operating (Loss)/Profit</b>		<u>(37,158,495)</u>	<u>207,789,613</u>
Finance cost	30	130,304,961	164,329,057
Other operating expenses	31	11,835,114	11,796,031
Impairment loss on available for sale securities	11.1	-	90,830,000
		<u>(179,298,570)</u>	<u>(59,165,475)</u>
Unrealised loss on re-measurement of investments classified as financial assets at fair value through profit or loss-held for trading-net	11.2	(3,928,595)	(6,435,937)
Share of profit of associate-net	8.1	5,819,535	511,184
<b>Loss before taxation</b>		<u>(177,407,630)</u>	<u>(65,090,228)</u>
Taxation	32	(1,205,195)	62,594,893
<b>Loss after taxation</b>		<u>(176,202,435)</u>	<u>(127,685,121)</u>
<b>LOSS PER SHARE - BASIC AND DILUTED</b>	33	<u>(3.06)</u>	<u>(2.22)</u>

*The annexed notes from 1 to 45 form an integral part of these financial statements.*

Chief Executive

Director



**FIRST NATIONAL EQUITIES LIMITED**  
**STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
<b>Loss after tax</b>		<b>(176,202,435)</b>	(127,685,121)
Unrealised diminution during the year in the market value of investments classified as 'available for sale'		<b>(8,576,113)</b>	(43,576,099)
Reclassification adjustment of realized loss on sale of investments-available for sale		<b>45,495,914</b>	14,705,249
Share of unrealised surplus - investment in associate	8.1	<b>6,550,610</b>	4,790,456
		<b>43,470,411</b>	(24,080,394)
<b>Total comprehensive loss for the year-net of tax</b>		<b>(132,732,024)</b>	(151,765,515)

*The annexed notes from 1 to 45 form an integral part of these financial statements.*

\_\_\_\_\_  
 Chief Executive

\_\_\_\_\_  
 Director



**FIRST NATIONAL EQUITIES LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
 FOR THE YEAR ENDED JUNE 30, 2011

	Issued, subscribed and paid-up capital	Reserves		Unrealised surplus / (deficit) on re- measurement of investments classified as available for sale	Total
		Accumulated (loss) / profit	Sub-total		
------(Rupees)-----					
<b>Balance as at July 01, 2009</b>	575,000,000	(927,418,387)	(927,418,387)	(87,287,954)	(439,706,341)
Total comprehensive loss for the year	-	(127,685,121)	(127,685,121)	-	(127,685,121)
Reclassification adjustment realised loss on disposal of investments during the year	-	-	-	14,705,249	14,705,249
Unrealised diminution during the year in the market value of investments classified as 'available for sale'	-	-	-	(43,576,099)	(43,576,099)
Share of unrealised surplus - investment in associate	-	-	-	4,790,456	4,790,456
<b>Balance as at June 30, 2010</b>	575,000,000	(1,055,103,508)	(1,055,103,508)	(111,368,348)	(591,471,856)
Total comprehensive loss for the year	-	(176,202,435)	(176,202,435)	-	(176,202,435)
Reclassification adjustment realised loss on disposal of investments during the year	-	-	-	45,495,914	45,495,914
Unrealised diminution during the year in the market value of investments classified as 'available for sale'	-	-	-	(8,576,113)	(8,576,113)
Share of unrealised surplus - investment in associate	-	-	-	6,550,610	6,550,610
<b>Balance as at June 30, 2011</b>	<b>575,000,000</b>	<b>(1,231,305,943)</b>	<b>(1,231,305,943)</b>	<b>(67,897,937)</b>	<b>(724,203,880)</b>

*The annexed notes from 1 to 45 form an integral part of these financial statements.*

Chief Executive

Director



**FIRST NATIONAL EQUITIES LIMITED**  
**CASH FLOW STATEMENT**  
 FOR THE YEAR ENDED JUNE 30, 2011

	Note	2011 Rupees	2010 Rupees
<b>Cash flows from operating activities</b>			
<b>Cash generated from operations</b>	37	<b>13,296,342</b>	250,696,143
Finance cost paid		(137,497,582)	(195,564,590)
Gratuity paid		(304,569)	(998,652)
Income taxes paid		(2,437,231)	(3,819,784)
Long-term deposits		-	(233,709)
Receivable from associates		-	(175,411,452)
Net cash used in the operating activities	A	<b>(126,943,040)</b>	(125,332,044)
<b>Cash flows from investing activities</b>			
Investment in available for sale financial assets - net		<b>56,688,862</b>	48,459,767
Investment in marketable securities - net		<b>40,218,479</b>	87,376,486
Investments in associates		<b>14,813,178</b>	5,186,823
Fixed capital expenditure incurred		<b>(22,500)</b>	(3,183,136)
Proceeds from disposal of property and equipment		<b>1,187,500</b>	1,412,000
Mark-up received		<b>28,095,230</b>	28,147,224
Dividend received		<b>1,891,149</b>	3,715,865
Net cash from investing activities	B	<b>142,871,898</b>	171,115,029
<b>Cash flows from financing activities</b>			
Repayment of borrowing under repurchase agreements		<b>(10,000,000)</b>	(190,000,000)
Net proceeds from long-term financing		<b>32,089,224</b>	277,434,654
Proceeds from loan from director		<b>14,392,299</b>	4,449,224
Net cash from financing activities	C	<b>36,481,523</b>	91,883,878
<b>Net increase in cash and cash equivalents</b>	(A+B+C)	<b>52,410,381</b>	137,666,863
<b>Cash and cash equivalents at the beginning of period</b>		<b>(464,937,423)</b>	(602,604,286)
<b>Cash and cash equivalents at the end of period</b>	36	<b>(412,527,041)</b>	(464,937,423)

*The annexed notes from 1 to 45 form an integral part of these financial statements.*

Chief Executive

Director



# FIRST NATIONAL EQUITIES LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

### 1 THE COMPANY AND ITS OPERATIONS

First National Equities Limited is a limited liability company incorporated in Pakistan under the Companies Ordinance, 1984. 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 listed on the Karachi Stock Exchange (Guarantee) Limited.

The company is a corporate member of the Karachi Stock Exchange (Guarantee) Limited. The principal activities of the company include shares brokerage, consultancy services and underwriting.

### 2 ACCOUNTING CONVENTION AND BASIS FOR PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, provisions and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 prevail.

#### 2.2 Going concern

The Company has incurred significant operational losses during the year ended June 30, 2011 and its accumulated losses as at June 30, 2011 amount to Rs. 1,231,305,943/- (2010: Rs. 1,055,103,508/-) which has resulted in negative equity of Rs. 724,203,880 /- (2010: Rs. 591,471,856/-). However, the financial statements of the Company for the year ended June 30, 2011 have been prepared on a going concern basis as the members of the Company in their EOGM held on May 23, 2011 approved the issuance of 80.5 million shares to inject a further liquidity of 201.2 million and this liquidity was injected on October 07, 2011. Now the management believes that due to availability of the liquidity, potential increase in prices of the listed companies' shares and consequent to the new viable business plans for future operations, the Company will be able to generate sufficient profits in the future enabling it to set-off the accumulated losses.

#### 2.3 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".

#### 2.4 Accounting standards, amendments and interpretations, which have been effective and adopted by the Company

During the year, certain amendments to existing standards and a new interpretation IFRIC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments became effective; however, they did not have any material effect on the financial statements of the Company.

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

The following standards, amendments and interpretations of approved accounting standards are only effective for annual periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financials statements, other than increased disclosures in certain cases:

- IFRS 9 *Financial Instruments*: effective for annual periods beginning on or after 1 January 2013.
- IFRS 10 *Consolidated Financial Statements*: effective for annual periods beginning on or after 1 January 2013. This IFRS supersedes the requirements relating to consolidated financial statements in IAS 27 *Consolidated and Separate Financial Statements* (as amended in 2008) and also supersedes SIC-12 *Consolidation - Special Purpose Entities*.
- IFRS 11 *Joint Arrangements*: effective for annual periods beginning on or after 1 January 2013. This IFRS supersedes IAS 31 *Interests in Joint Ventures* and SIC 13 *Jointly Controlled Entities - Non Monetary Contributions by Venturers*.





- IFRS 12 *Disclosure of Interests in Other Entities*: effective for annual periods beginning on or after 1 January 2013.
- IFRS 13 *Fair Value Measurement*: effective for annual periods beginning on or after 1 January 2013.
- Amendments to IAS 1 *Presentation of Financial Statements*: these amendments regarding presentation of items of other comprehensive income are effective for annual periods beginning on or after 1 July 2012.
- IAS 19 *Employee Benefits* (amended 2011): effective for annual periods beginning on or after 1 January 2013.
- IAS 24 *Related Party Disclosures* (revised 2009): effective for annual periods beginning on or after 1 January 2011.
- IAS 27 *Separate Financial Statements* (revised 2011): effective for annual periods beginning on or after 1 January 2013.
- IAS 28 *Investments in Associates and Joint Ventures* (revised 2011): effective for annual periods beginning on or after 1 January 2013.
- Amendments to IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction: effective for annual periods beginning on or after 1 January 2011.

## 2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, 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 as follows:

### a) Property and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its property and equipment. The Company estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimate in the future years might affect the carrying amounts of the respective item of property and equipment with a corresponding affect on the depreciation charge and impairment.

### b) Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

### c) Trade debts and other receivables

Impairment loss against doubtful trade and other debts is made on a judgement basis, provisions may differ in the future years based on the actual experience. The difference in provision if any, is recognized in the future period.

### d) Classification and valuation of investments

The Company has determined fair value of investments from active market. Fair value estimates are made at a specific point of time based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgments (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

### e) Staff retirement benefits

Liability under defined benefit plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of this plan, such estimates are subject to uncertainty. Further details are given in Note 29.



### 3 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.

#### 3.1 Property and equipment

These are stated at 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. Cost includes expenditure that is directly attributable to the acquisition of the items. All expenditures connected to the specific assets incurred during installation and construction period are carried under capital work-in-progress. These are transferred to specific assets as and when assets are available for use.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

Depreciation on all property and equipment is calculated using the straight-line method in accordance with the rates specified in note 4 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 year 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 carrying amount is less than the recoverable amount.

#### 3.2 Intangible assets

Intangible assets with indefinite useful life are stated at cost less accumulated impairment losses, if any. An intangible asset is regarded as having an indefinite useful life, when, based on an analysis of all the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the Company. An intangible asset with an indefinite useful life is not amortised. However, it is tested for impairment, if any, at each balance sheet date or whenever there is an indication that the asset may be impaired. Gains or losses on disposal of intangible assets, if any, are taken to the profit and loss account.

#### 3.3 Investments

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standards (IAS) 39: "Financial Instruments : Recognition and Measurement", 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 of investment is increased or decreased to recognise the Company's share of the post acquisition profits or losses in income and its share of the post acquisition movement in reserves is recognised in reserves.

##### 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' category. These investments are initially recognised at fair value and the transaction costs associated with these investments 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 at these values on the balance sheet being their 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

Available for sale financial assets 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, and (c) financial assets at fair value through profit or 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 at these values on the balance sheet being their fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

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, or have been transferred and the Company has transferred substantially all risks and rewards of ownership.

Impairment loss in respect of investments is recognised when there is any objective evidence as a result of one or more events that may have an impact on the estimated future cash flows of the investment. A significant or prolonged decline in the fair value of an investment inequity security below its cost is also an objective evidence of impairment. Provision for impairment in the value of investment, if any, is taken to the profit and loss account. In case of impairment of equity securities classified as available for sale, the cumulative loss that has been recognised directly in surplus on revaluation of securities on the balance sheet below equity is removed there from and recognised in the profit and loss. Any subsequent increase in the value of these investments is taken directly to surplus on revaluation of securities which is shown on the balance sheet below equity. For investments classified as held to maturity, the impairment loss is recognised in the profit and loss.

### 3.4 Trade debts and other receivables

Trade debts and other receivables are recognised initially at fair value and subsequently at amortised cost using the effective interest method less an estimate made for doubtful receivables where there is objective evidence that the Company will not be able to collect all the amounts due. Balances considered bad and irrecoverable are written off.

### 3.5 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 recognised 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 or substantively enacted by the balance sheet date.

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

### 3.6 Cash and cash equivalents

Cash and cash equivalents include cash in hand, balances with banks in current and deposit accounts, stamps in hand, other short-term highly liquid investments with original maturities of less than three months and short term running finances.

### 3.7 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.



### 3.8 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. The amount recognised represents the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

### 3.9 Staff retirement benefits

The Company operates an 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, if any. The defined benefit obligation is calculated by an independent actuary using the Projected Unit Credit Method. The unrecognised actuarial gains or losses at each valuation date in excess of the 10% of the present value of the defined benefit obligation are amortised over the average remaining working lives of the employees in the following year.

### 3.10 Borrowings

These are recorded at the proceeds received. Finance costs are accounted for on accrual basis and are disclosed as accrued interest / mark-up to the extent of the amount remaining unpaid.

### 3.11 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.

### 3.12 Impairment

The carrying amount of assets is reviewed at each balance sheet date to determine whether there is any indication of impairment of any asset or group of assets. If any such indication exists, the recoverable amount of such assets is estimated and impairment losses are recognised immediately in the financial statements. The resulting impairment loss is taken to the profit and loss account.

### 3.13 Borrowing cost

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

### 3.14 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the Company are not treated as assets of the Company.

### 3.15 Revenue recognition

Brokerage income is recognised 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 is recognised using the effective interest method.

Income on fixed term investments is recognised using the effective interest method.

Income on KSE exposure deposits is recognised using the effective interest method.



### 3.16 Foreign currency transaction and translation

Transactions in foreign currencies are translated into the functional currency at the rates of exchange ruling on the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transaction and from translation at year end exchange rates of monetary assets and liabilities in foreign currencies are recognised in income.

### 3.17 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 Pak Rupee, which is the Company's functional and presentation currency.

### 3.18 Financial instruments

#### a) Financial assets and liabilities

Financial instruments carried on the balance sheet include investments, loans, deposits, continuous funding system, trade debts, other receivables, cash and bank balances, trade and other payables, payable in respect of continuous funding system transactions, short-term borrowings 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 is disclosed in the individual policy statements associated with each item.

#### b) 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.

#### c) 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.



## 4 PROPERTY AND EQUIPMENT

Description	Building on lease hold land	Furniture and fittings	Office equipment	Computer and accessories	Vehicles	Total
	-----Rupees-----					
<b>Cost</b>						
Balance as at July 01, 2009	65,335,686	20,549,138	15,958,457	18,703,577	15,402,219	135,949,077
Additions during the year	-	-	98,136	85,000	3,000,000	3,183,136
Disposals during the year	-	-	-	-	(1,825,180)	(1,825,180)
<b>Balance as at June 30, 2010</b>	<b>65,335,686</b>	<b>20,549,138</b>	<b>16,056,593</b>	<b>18,788,577</b>	<b>16,577,039</b>	<b>137,307,033</b>
Balance as at July 01, 2010	65,335,686	20,549,138	16,056,593	18,788,577	16,577,039	137,307,033
Additions during the year	-	-	22,500	-	-	22,500
Disposals during the year	-	-	(596,000)	-	(1,462,414)	(2,058,414)
<b>Balance as at June 30, 2011</b>	<b>65,335,686</b>	<b>20,549,138</b>	<b>15,483,093</b>	<b>18,788,577</b>	<b>15,114,625</b>	<b>135,271,119</b>
<b>Depreciation</b>						
Balance as at July 01, 2009	7,558,000	6,196,289	5,097,756	16,524,312	7,310,452	42,686,809
Charge for the year	1,633,396	2,055,024	1,598,026	1,474,672	2,672,927	9,434,045
Depreciation on disposals	-	-	-	-	(862,704)	(862,704)
<b>Balance as at June 30, 2010</b>	<b>9,191,396</b>	<b>8,251,313</b>	<b>6,695,782</b>	<b>17,998,984</b>	<b>9,120,675</b>	<b>51,258,150</b>
Balance as at July 01, 2010	9,191,396	8,251,313	6,695,782	17,998,984	9,120,675	51,258,150
Charge for the year	1,633,396	2,055,024	1,566,501	677,742	2,297,572	8,230,235
Depreciation on disposals	-	-	(203,634)	-	(826,069)	(1,029,703)
<b>Balance as at June 30, 2011</b>	<b>10,824,792</b>	<b>10,306,337</b>	<b>8,058,649</b>	<b>18,676,726</b>	<b>10,592,178</b>	<b>58,458,682</b>
Depreciation Rate	2.5%	10%	10%	33.33%	20%	
<b>Written down value as at June 30, 2011</b>	<b>54,510,894</b>	<b>10,242,801</b>	<b>7,424,444</b>	<b>111,851</b>	<b>4,522,447</b>	<b>76,812,437</b>
Written down value as at June 30, 2010	56,144,290	12,297,825	9,360,811	789,593	7,456,364	86,048,883

Building on lease hold land comprises Plot No. 19-C, measuring 266 square yards, Sunset Lane No. 6, Phase II extension, DHA, Karachi and Office No. 306 situated at 3rd Floor, Business and Finance Centre, I. I. Chundrigar Road, Karachi. These properties have been mortgaged with a commercial bank for securing financing facilities.

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

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers	Location
<b>Vehicles</b>							
Honda Civic LEB-2467	1,422,000	785,655	636,345	1,000,000	Negotiation	Mr. Usman	Lahore
<b>Office Equipment</b>							
Generator 37 KVA	596,000	203,634	392,366	175,000	Negotiation	Master Autos	Karachi
<b>2011</b>	<b>2,018,000</b>	<b>989,289</b>	<b>1,028,711</b>	<b>1,175,000</b>			
<b>2010</b>	<b>1,825,180</b>	<b>862,704</b>	<b>962,476</b>	<b>1,412,000</b>			



## 5 CAPITAL WORK IN PROGRESS

	Note	2011 Rupees	2010 Rupees
Commercial space - Karachi financial towers		33,340,000	33,340,000
Property acquired through auction		36,156,614	36,156,614
		<u>69,496,614</u>	<u>69,496,614</u>

## 6 INTANGIBLE ASSETS

	Cost			
	Membership card of Karachi Stock Exchange	License to use Room at Karachi Stock Exchange	Tenancy rights Building	Total
	Rupees			
Balance as at June 30, 2011	31,220,225	22,000,000	14,915,000	68,135,225
<b>Total</b>	<b>31,220,225</b>	<b>22,000,000</b>	<b>14,915,000</b>	<b>68,135,225</b>
Balance as at June 30, 2010	31,220,225	22,000,000	14,915,000	68,135,225
<b>Total</b>	<b>31,220,225</b>	<b>22,000,000</b>	<b>14,915,000</b>	<b>68,135,225</b>

**6.1** Room at Karachi stock exchange represents the consideration paid for the right to occupy two rooms situated at 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. The Company has hypothecated license of these rooms in favour of commercial bank securing financing facilities.

**6.2** Tenancy rights of building represent the consideration paid by the Company in connection with the transfer of tenancy rights in favour of the Company against properties situated at Bank Square, Peshawar and Mall road, Nowshera. The ownership of these properties continue to vest with the original owner. The Company has hypothecated the tenancy rights of Bank Square Peshawar in favour of commercial bank for securing financing facilities.

## 7 RECEIVABLE FROM ASSOCIATES

	Note	2011 Rupees	2010 Rupees
First Pakistan Securities Limited		90,993,620	90,993,620
Switch Securities (Private) Limited		84,417,832	84,417,832
		<u>175,411,452</u>	<u>175,411,452</u>

These receivables carry mark-up at the rate not less than the borrowing rate of the company and are recoverable over a maximum period of three years.

## 8 LONG TERM INVESTMENTS - RELATED PARTIES

### Long term

National Asset Management Company Limited (NAMCO)	8.1	38,018,141	30,438,452
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### Short term

NAMCO Income fund - Available for sale			
Opening		14,813,178	20,000,000
Unrealised (loss)		-	(46,380)
Realised gain		1,065,388	-
Sold during the year		(15,878,566)	(5,186,823)
Closing		-	14,766,797
		<u>38,018,141</u>	<u>45,205,249</u>
Less: Investment shown under short-term investments		-	14,766,797
		<u>38,018,141</u>	<u>30,438,452</u>



- 8.1** Investment in associate accounted for under equity method - National Asset Management Company Limited - holding 40% [4,000,000 ordinary shares (2010: 4,000,000 ordinary shares) of Rs 10. each fully paid-up. Cost of investment Rs 40,000,000 (2010: 40,000,000)]

Investment as at July 1, 2010		<b>25,647,996</b>	25,136,812
Share in reserves of associate		<b>6,550,610</b>	4,790,456
Share of profit	<b>8.2</b>	<b>5,819,535</b>	511,184
Balance as at June 30, 2011		<b><u>38,018,141</u></b>	<u>30,438,452</u>

- 8.2** The share of the Company in National Asset Management Company Limited (an associated undertaking / related party) has been accounted for under the equity method of accounting based on its audited financial statements for the year ended June 30, 2011 in accordance with the treatment specified in International Accounting Standard 28: "Accounting for Investment in Associates".

#### Summarised financial information of associate

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

	Assets	Liabilities	Income	Profit/(Loss) after taxation	Percentage of Interest held
<b>June 30, 2011</b>					
National Asset Management Company Limited	<b>136,702,344</b>	<b>34,528,619</b>	<b>27,864,619</b>	<b>14,548,837</b>	<b>40%</b>
<b>June 30, 2010</b>					
National Asset Management Company Limited	135,716,106	60,041,571	46,072,050	1,277,959	40%

	Note	2011 Rupees	2010 Rupees
<b>9 LONG TERM DEPOSITS PARTIES</b>			
Central Depository Company Limited		<b>150,000</b>	150,000
Karachi Stock Exchange (Guarantee) Limited		<b>1,100,000</b>	1,100,000
National Clearing Company of Pakistan Limited		<b>300,000</b>	300,000
Others		<b>1,312,429</b>	1,312,429
		<b><u>2,862,429</u></b>	<u>2,862,429</u>
<b>10 DEFERRED TAX ASSETS - NET</b>			
Deductible temporary differences on:			
Provision for gratuity		<b>1,962,694</b>	1,230,107
Provision for doubtful debts		<b>74,832,025</b>	74,832,025
Investment in associate		<b>693,650</b>	3,346,542
		<b>77,488,369</b>	79,408,674
Taxable temporary differences on:			
Accelerated tax depreciation		<b>(12,871,681)</b>	(13,534,743)
		<b><u>64,616,688</u></b>	<u>65,873,931</u>

The balance of available tax losses as at June 30, 2011 amounted to Rs. 250,607,384 (2010: Rs. 211,714,081/-). The Company has not recognised any deferred tax debit balance on these losses on account of prudence. The management intends to review the outcome of the revised business plans based on the potential new capital injections and restructuring and rescheduling of arrangements with the banks after which the management will reassess the deferred tax assets on unabsorbed tax losses during the year ending June 30, 2012.

#### 11 SHORT-TERM INVESTMENTS - NET

Available for sale	<b>11.1</b>	<b>69,122,754</b>	124,916,825
At fair value through profit or loss- held for trading	<b>11.2</b>	<b>14,289,835</b>	55,036,730
Investment - related party	<b>8</b>	<b>-</b>	14,766,797
		<b><u>83,412,589</u></b>	<u>194,720,352</u>





## 11.1 Available for sale

Detail of investments in shares / certificates / units of listed Companies / mutual funds:

No. of Shares		Name of Scrip / Company	2011		2010	
Jun-11	Jun-10		Average Cost	Market Value	Average Cost	Market Value
<b>3,200,000</b>	3,200,000	<b>Commercial banks</b> Bank Islami Pakistan Limited- note 11.1.2	<b>40,136,850</b>	<b>10,880,000</b>	40,136,850	10,272,000
<b>7,964,500</b>	16,064,000	<b>Cement</b> Pioneer Cement Limited - note 11.1.2	<b>95,278,555</b>	<b>43,884,395</b>	283,231,929	102,327,680
<b>1,353,525</b>	1,353,525	<b>Leasing Companies</b> SME Leasing Limited - note 11.1.2	<b>6,767,625</b>	<b>12,858,488</b>	6,767,625	10,814,665
<b>376,500</b>	376,500	<b>Textile composite</b> Redco Textiles Limited	<b>528,650</b>	<b>207,075</b>	528,650	357,675
<b>245,011</b>	244,000	<b>Closed-end mutual fund</b> NAMCO Balanced Fund - related party	<b>600,175</b>	<b>1,180,953</b>	772,680	849,120
<b>41,980</b>	71,000	<b>Support services</b> TRG Pakistan	<b>234,446</b>	<b>107,469</b>	396,515	291,810
<b>500</b>	500	<b>Miscellaneous</b> Diamond Industries Limited	<b>25,000</b>	<b>4,375</b>	25,000	3,875
<b>13,182,016</b>	<b>21,309,525</b>		<b>143,571,301</b>	<b>69,122,754</b>	331,859,249	124,916,825

### Total deficit

Impairment loss recognised in profit and loss account - note 11.2.2  
Unrealised loss on re-measurement of investments classified as 'available for sale'

-	(90,830,000)
(74,448,547)	(116,112,424)
(74,448,547)	(206,942,424)
<b>69,122,754</b>	<b>69,122,754</b>
<b>124,916,825</b>	<b>124,916,825</b>

**11.1.1** Securities having average cost of Rs. 117,232,080 (2010: Rs 239,699,177) and fair value of Rs. 46,141,003 (2010: Rs 123,701,138) have been pledged with various commercial banks for obtaining finance facilities under mark-up arrangements as specified in note 19 and 21.

**11.1.2** Some of the securities are not held in the name of the Company and have been kept as security with one of the commercial banks for securing financing facilities under mark-up arrangement.

**11.1.3** Movement in unrealised loss on investments classified as 'available for sale':

	Note	2011 Rupees	2010 Rupees
Short-term investments	11.1	(74,448,547)	(116,112,424)
Long-term investments	8	-	(46,380)
Share in reserves of associate	8.1	6,550,610	4,790,456
		<b>(67,897,937)</b>	<b>(111,368,348)</b>



## 11.2 Financial assets at 'fair value through profit or loss'

Detail of investments in shares / certificates / units of listed Companies / mutual funds:

No. of Shares		Name of Scrip / Company	2011		2010	
Jun-11	Jun-10		Average Cost	Market Value	Average Cost	Market Value
<b>208,000</b>	208,000	<b>Closed-end mutual fund</b> NAMCO Balanced Fund - related party	<b>723,840</b>	<b>2,005,120</b>	981,760	723,840
<b>200,000</b>	200,000	Modarabas First I.B.L Modaraba - IPO Investments	<b>560,000</b>	<b>212,000</b>	1,090,000	560,000
<b>324,347</b>	324,347	Insurance EFU General Insurance	<b>15,938,412</b>	<b>11,258,084</b>	26,286,056	15,938,412
<b>397,000</b>	397,000	Textile composite Redco Textiles Limited	<b>377,150</b>	<b>218,350</b>	198,500	377,150
<b>52,500</b>	52,500	Cement Pioneer Cement Limited	<b>334,425</b>	<b>289,275</b>	735,225	334,425
<b>927</b>	142,427	Oil & gas marketing Companies Pakistan State Oil Company Limited	<b>241,205</b>	<b>245,266</b>	32,143,157	37,059,505
<b>120</b>	100	Fertilizers Engro Corporation Limited	<b>17,358</b>	<b>19,590</b>	20,279	17,358
<b>1,000</b>	1,000	Fauji Fertilizer Bin Qasim Limited	<b>26,040</b>	<b>42,150</b>	17,690	26,040
<b>1,183,894</b>	1,325,374		<b>18,218,430</b>	<b>14,289,835</b>	61,472,667	55,036,730
Unrealized loss on re-measurement of investments classified as 'financial assets at fair value through profit or loss'-held for trading			<b>(3,928,595)</b>		<b>(6,435,937)</b>	
			<b>14,289,835</b>	<b>14,289,835</b>	<b>55,036,730</b>	<b>55,036,730</b>

**11.2.1** Securities having average cost of Rs. 26,397,635 (2010: Rs 59,085,283) and fair value of Rs. 20,329,798 (2010: Rs 53,298,451) have been pledged with various commercial banks for obtaining finance facilities under mark-up arrangements as specified in note 19 and 21.

**11.2.2** International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) requires an entity to assess at each balance sheet date whether there is any objective evidence that a financial asset or liability is impaired. A significant decline in the fair value of an investment in an equity security below its cost is objective evidence of such impairment. When a decline in the fair value of an investment in equity securities classified as available for sale has been recognized directly in equity and there is objective evidence that the investment is impaired, the cumulative loss that had been recognized directly in equity is removed from equity and is recognised in the profit and loss account even though the investment has not been derecognized. Impairment losses recognized in the profit and loss account for an investment in an equity security classified as available for sale are not reversed through the profit and loss account but are recognized in the available for sale reserve in equity.



	Note	2011 Rupees	2010 Rupees
<b>12 TRADE DEBTS</b>			
Considered good	12.1	198,164,918	208,435,589
Considered doubtful		410,600,945	406,032,445
		608,765,863	614,468,034
Less: provision for bad and doubtful debts	12.2	(410,600,945)	(406,032,445)
		<u>198,164,918</u>	<u>208,435,589</u>
<b>12.1</b>	This includes receivable from National Clearing Company of Pakistan Limited (NCCPL) amounting to Rs. 3,363,650 million (2010: Rs 2,254,434) in respect of trading in securities settled subsequent to the year end.		
	This includes an amount of Rs. nil (2010: Rs. 69,245) receivable from Karachi Stock Exchange (Guarantee) Limited in respect of trading in securities.		
<b>12.2 Movement in provision against trade debts</b>			
Opening balance		406,032,445	546,212,659
Charged / (reversed) for the year		4,568,500	(140,180,214)
Closing balance		<u>410,600,945</u>	<u>406,032,445</u>
<b>13 LOANS AND ADVANCES</b>			
<b>Considered good:</b>			
<b>Loans to related parties</b>			
Executive	13.1	-	88,842
<b>Loans to others</b>			
Employees	13.1	1,121,554	1,329,087
<b>Advances</b>			
Suppliers and others		3,190,172	3,263,190
		<u>4,311,726</u>	<u>4,681,119</u>
<b>13.1</b>	These represent interest-free loans given to employees of the Company in accordance with the employee service rules and are recovered through deductions from salaries up to a maximum period of 12 months.		
<b>14 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Exposure deposit	14.1	403,458	800,190
Prepayments		9,330	265,606
		<u>412,788</u>	<u>1,065,796</u>
<b>14.1</b>	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 Company has deposited the exposure amount in the form of securities in accordance with the regulations of the Karachi Stock Exchange (Guarantee) Limited.		
<b>15 OTHER RECEIVABLES</b>			
Mark up on receivable from associates	15.1	56,131,662	28,065,832
Others		1,571,400	922,972
		<u>57,703,062</u>	<u>28,988,804</u>
<b>15.1</b>	This mark up is charged on receivable from associates as more fully explained in note 7.		



	Note	2011 Rupees	2010 Rupees
<b>16 CASH AND BANK BALANCES</b>			
<b>Cash at bank in:</b>			
Current accounts		2,982,185	10,016,562
Saving accounts		20,939	20,127
		3,003,124	10,036,689
Stamps in hand		458	2,057
		<b>3,003,582</b>	<b>10,038,746</b>

#### 17 TRADE AND OTHER PAYABLES

Creditors	17.1	184,191,332	132,419,079
Accrued expenses		24,292,771	19,445,835
Unclaimed dividends		2,544,013	2,544,013
Others	17.2	10,872,919	5,632,616
		<b>221,901,034</b>	<b>160,041,543</b>

	Note	2011 Rupees	2010 Rupees
<b>17.1 Amounts due to related parties at the year end are as follows:</b>			
First Pakistan Securities Limited		-	1,584,849
Switch Securities (Private) Limited		-	4,837,650
			<b>6,422,499</b>
<b>17.2 Amounts due to related party at the year end is as under:</b>			
National Asset Management Company Limited		<b>20,032</b>	<b>20,032</b>

#### 18 ACCRUED MARK-UP

<b>Mark-up accrued on:</b>			
Short-term borrowings		1,988,534	9,069,374
Repurchase agreement borrowings		-	111,781
		<b>1,988,534</b>	<b>9,181,155</b>

	Note	Sanctioned Limit Rupees	2011 Rupees	2010 Rupees
<b>19 SHORT-TERM BORROWINGS</b>				
From banking companies-Secured				
Bank Alfalah Ltd	19.1	272,000,000	271,915,590	271,964,745
NIB Bank Ltd	19.2	2,936,000	1,241,009	2,555,309
United Bank Limited	19.3	300,000,000	7,170,024	7,170,024
Bank of Punjab	19.4	500,000,000	135,204,000	193,286,091
From others-unsecured				
Miss. Beenish Batool	19.5		-	10,000,000
			<b>415,530,623</b>	<b>484,976,169</b>

**19.1** The borrowing has been obtained for investment in shares/ NCCPL settlement/ securities requirements. The borrowing is secured against pledge of shares with 30% margin, 1st registered hypothecation charge on present and future receivables of the company and personal guarantee of Mr. Ali Aslam Malik (CEO).

The mark-up rate is 6 Month KIBOR + 1%.

**19.2** The borrowing has been obtained for renewal for adjustment of outstanding liability. The borrowing is secured against pledge of shares of companies at 30% - 50% margin, Demand Promissory Note and letter of pledge, lien and authority for securities.

The mark-up rate is 3 Month KIBOR + 2.50%.



- 19.3** The borrowing has been obtained to finance daily clearing obligations of Karachi Stock Exchange and settlement of client's trade. The borrowing are secured against pledge of shares through CDC as per list approved by UBL's Treasury Middle Office with minimum margin of 30%.

The mark-up rate is 1 Month KIBOR + 2.25%.

- 19.4** The financing facility has been obtained for working capital requirement and improvement in liquidity. The facility is secured against pledge of shares.

The mark-up rate is 3 Months KIBOR + 1.5%.

According to management they have filed a counter claim against the bank based on non performance of their obligation to sell the shares on the call margin. Management and legal advisor do not anticipate any loss(es) or claim(s) arising from the instant litigation.

- 19.5** This represents repurchase borrowings obtained from an individual person. This carried mark-up at the rate of 17% per annum. This loan was fully repaid during the year. The facility was secured against NAMCO income fund.

## 20 LOAN FROM DIRECTOR

This represents short term interest free loan obtained from the director of the Company.

Note	Sanctioned Limit Rupees	2011 Rupees	2010 Rupees
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## 21 LONG-TERM FINANCING

From banking companies-secured

Bank Alfalah-TF-I	<b>21.1</b>	150,000,000	<b>150,000,000</b>	150,000,000
Bank Alfalah-TF-II	<b>21.2</b>	200,208,000	<b>230,589,075</b>	230,589,075
Bank Alfalah-TF-III	<b>21.2</b>	49,792,000	<b>49,792,204</b>	49,792,204
Summit Bank Ltd (Arif Habib Bank Ltd)-TF	<b>21.3</b>	200,000,000	<b>100,097,501</b>	140,665,593

From non-banking company-unsecured

Sindh Industrial Trading Estates	<b>21.4</b>		<b>152,584,934</b>	200,000,000
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Overdue interest on long term loan

<b>21.5</b>		<b>250,052,535</b>		129,980,152
		<b>933,116,248</b>		

Less: Current portion

Long term financing		<b>(65,273,099)</b>		-
Sindh Industrial Trading Estates	<b>21.4</b>		<b>(152,584,934)</b>	-
Bank Alfalah-TF-III	<b>21.2</b>		<b>(12,448,051)</b>	-
Interest on long term loan from Summit Bank Ltd.			<b>(12,188,546)</b>	-

Over due portion of long term financing

<b>(6,224,026)</b>				-
<b>684,397,592</b>				<b>901,027,024</b>

- 21.1** The finance facility has been obtained for Working capital requirement and improvement in liquidity. The facility is secured against equitable mortgage of commercial plot of land bearing # 19-C, Sun set lane # 6, phase-2, DHA, Karachi, equitable mortgage of room # 135 & 136, Stock Exchange Building, Karachi, equitable mortgage of room # 306, 3rd Floor, Business & Finance Centre, I. I Chundrigar Road, Karachi, EM of showroom (commercial), municipal showroom # 2, ground floor, adjacent to Askari Bank Ltd, Bank Square, Chowk Yadgar, Peshawar City and Personal guarantee of Mr. Ali Aslam Malik (CEO).

The mark-up rate is 6 Months KIBOR + 1%. Its tenure is 7 years with 2 years grace period.

- 21.2** These finances have been obtained for Working capital requirement and improvement in liquidity. These facilities are secured against pledge of shares with 30% margin, 1st registered hypothecation charge on present and future receivables of the company and personal guarantee of Mr. Ali Aslam Malik (CEO).

The mark-up rate is 6 Months KIBOR + 1%. Its tenure is 5 years with 2 years grace period.

- 21.3** The financing facility has been obtained to finance the working capital / short term investment requirements. The facility is secured against pledge of shares with 30% margin and property / shares worth Rs. 25 Million to be provided as a token of acceptance of restructuring of facility an unconditional undertaking by Mr. Ali Aslam Malik (CEO) to comply with the restructuring terms.



The mark-up rate is 3 Months KIBOR (average offer side). Its tenure is 5 years in 14 equal instalments in arrears after completion of grace period of 18 months.

- 21.4** This represents financing against repurchase borrowing agreement with Sindh Industrial Trading Estates(SITE). The facility is secured against pledge of owned equity shares of the Company.

SITE has filed a recovery suit against the Company as described in note 24.

- 21.5** This represents overdue interest on long term loan with Bank Alfalah Limited and Summit Bank Limited (formerly Arif Habib Bank Limited) amounting to Rs. 193,172,654 and Rs. 44,691,335 respectively.

<b>Note</b>	<b>2011 Rupees</b>	<b>2010 Rupees</b>
<b>22 LOAN FROM DIRECTOR</b>		
Carrying value of loan	4,449,224	9,169,000
Less: present value adjustment	-	4,719,776
Unwinding of discount on loan from director	692,299	-
	<u>5,141,523</u>	<u>4,449,224</u>

This represents present value of unsecured loan obtained from Mr. Ali Aslam Malik (CEO) of the Company amounting to Rs. 9,169,000 (2010: Rs. 9,169,000) recognised at amortised cost after discounting at average rate of borrowing.

## **23 DEFERRED LIABILITIES**

Gratuity	5,607,696	3,514,591
	<u>5,607,696</u>	<u>3,514,591</u>

## **24 CONTINGENCIES AND COMMITMENTS**

### **Contingencies**

- Income tax assessment of the Company for tax years 2005, 2006 and 2007 has been amended by the Taxation Officer on account of allocation of expenses and disallowance of certain items resulting in a tax demand of Rs. 149,322,823. The Company has filed an appeal with the CIT (appeals) in respect of the above mentioned disallowance which is pending to date. No provision has been made against this tax demand in these financial statements as the Company is contesting the order before the appellate forums and the management and the tax advisor is hopeful for a favourable decision in appeal.

- The Bank of Punjab has filed a suit under section 16 of the Financial Institution's Ordinance, 2001(Recovery of Finance) in the Sindh High Court against the Company during the year for the principal and mark-up of short term borrowings amounting to Rs. 157,225,000/- and Rs. 35,986,000/- respectively. The amounts were transferred to long term financing by the Company. The Company availed the short term borrowings facility against the pledge of listed Company shares (Trust Investment Bank shares 259,000 and Pioneer Cement Shares 8,508,500). Due to financial crunch in the country the Company was unable to payback the principal and mark-up on due date. Against the subject case of Bank of Punjab, the Company has also filed the counter claim against the bank on the ground that the bank has failed to recover the amount by selling off the pledged shares even the margin on the pledged shares reduced below the agreed limit of 30%.

The Honourable Court adjudicated the case against the Company. The Bank of Punjab sold all the pledged shares of Pioneer Cement after judgment of the Court. The Company, however, has filed a special appeal under section 22 of the Financial Institutions Ordinance (Recovery of Finances) Ordinance, 2001 against the decision of the Single Bench of Sindh High Court which is currently pending. Based on the legal advice the Company is hopeful of a favourable decision.

- United Bank Limited has filed a suit against the Company on October 14, 2010 under section 10 of The Financial Institutions (Recovery of Finances) Ordinance 2001 for recovery of outstanding balance in the Banking Court No. III at Karachi. The verdict on the said appeal is still pending. The Company is hopeful of a favourable decision.



- Sindh Industrial Trading Estates (S.I.T.E) Limited has filed a recovery suit for Rs. 174,058,936 during the year against the Company in the Honourable Sindh High Court which is pending settlement. The Company is vigorously contesting the claim of S.I.T.E and is hopeful of settlement of the case in its favour.

	Note	2011 Rupees	2010 Rupees
<b>Commitment</b>			
Capital expenditure contracted for but not incurred		<u>100,020,000</u>	<u>100,020,000</u>

This represents amount contracted to be paid to ENSHAA NLC Developers (Private) Limited for acquiring commercial space, being paid in instalment, in Karachi Financial Tower.

## 25 SHARE CAPITAL

<b>25.1 Authorised capital</b>			
150,000,000 (2010: 100,000,000) Ordinary shares of Rs. 10 each		<u>1,500,000,000</u>	<u>1,000,000,000</u>
<b>25.2 Issued, subscribed and paid-up share capital</b>			
50,000,000 Ordinary shares of Rs. 10 each issued for cash		500,000,000	500,000,000
7,500,000 Ordinary shares of Rs. 10 each issued as fully paid bonus shares		75,000,000	75,000,000
		<u>575,000,000</u>	<u>575,000,000</u>

- 25.3 The following shares were held by the related parties of the Company:

	2011		2010	
	Shares held	Percentage	Shares held	Percentage
First Florance Developers (Pvt.) Limited	5,587,650	9.718%	5,747,650	9.996%
F. Rabbi Steel (Pvt.) Limited	2,208,986	3.842%	1,787,361	3.108%
Yarmouk Paper & Board Industry (Pvt.) Limited	300,000	0.522%	345,000	0.600%
MCD Pakistan Limited	2,353,950	4.094%	4,798,950	8.346%
First Pakistan Securities Limited	13,241,540	23.029%	13,240,890	23.028%
Switch Securities (Pvt.) Limited	7,422,899	12.909%	7,422,899	12.909%

- 25.4 The directors, their spouses and minor children hold 2,253,451 shares as at June 30, 2011 (2010: 4,085,801 shares).

	Note	2011 Rupees	2010 Rupees
<b>26 OPERATING REVENUE</b>			
Brokerage income		29,693,274	55,280,942
Dividend income		1,891,149	3,715,865
Other		2,064,867	1,418,503
		<u>33,649,290</u>	<u>60,415,310</u>

## 27 OTHER OPERATING INCOME

Income from financial assets			
Mark-up on:			
Fixed deposits		904	696
Exposure deposits		28,496	80,696
Receivable from associates		28,065,830	28,065,832
		<u>28,095,230</u>	<u>28,147,224</u>



	Note	2011 Rupees	2010 Rupees
<b>Income from non-financial assets</b>			
Gain on disposal of property and equipment		158,789	449,524
Provision written back		-	140,180,214
Mark-up waived off		-	36,830,614
Amortization of director's loan		-	4,719,776
Accrued expenses written off		1,548,739	-
Reversal of mark up SITE		8,262,558	-
Miscellaneous	27.1	2,230,022	961,098
		<u>40,295,338</u>	<u>211,288,450</u>

27.1 This includes rent received from National Asset Management Company Limited amounting to Rs 600,000 (2010: Rs 600,000), a related party.

## 28 ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits	28.1	35,820,063	39,839,345
Rent, rates and taxes		6,197,241	6,150,578
Fuel and repairs and maintenance		5,081,677	5,277,855
Utilities		5,388,375	6,001,720
Fees and subscription		2,416,191	1,126,379
KSE, clearing house and CDC charges		2,090,718	1,608,150
Corporate expenses		33,900	50,000
Insurance charges		221,946	121,209
Travelling and conveyance		765,692	1,108,680
Depreciation	4	8,230,234	9,434,045
Communication, printing and stationery		2,857,588	3,361,547
Legal and professional charges		1,632,916	1,285,800
Entertainment		1,984,373	2,106,994
Advertisement expenses		259,210	164,672
Others		754,093	1,070,547
		<u>73,734,217</u>	<u>78,707,521</u>

28.1 Salaries, allowances and other benefits include Rs. 2,397,674 (2010: Rs 1,304,063) in respect of staff retirement benefits.

## 29 EMPLOYEE BENEFITS

### Unfunded gratuity scheme:

As mentioned in note 3.9, the Company operates an unfunded gratuity scheme. The latest actuarial valuation of the scheme was carried out as at June 30, 2011. Projected Unit Credit method using the following significant assumptions, was used for the valuation of the scheme:

	Note	2011 Rupees	2010 Rupees
a) Discount rate		14%	12%
b) Expected rate of increase in salary		14%	12%
Amount recognised in the profit and loss account			
Current service cost		1,979,545	1,006,538
Interest cost		416,909	297,525
Recognition of actuarial (gains) / losses		-	-
Expense		<u>2,396,454</u>	<u>1,304,063</u>
Amount recognised in the balance sheet			
Present value of defined benefit obligation		5,273,156	3,474,244
Add/(loss) : unrecognised actuarial gains		(232,570)	40,347
Add: benefits payable to outgoing members		567,110	-
Liability recognised as at June 30, 2011		<u>5,607,696</u>	<u>3,514,591</u>





	Note	2011 Rupees	2010 Rupees
<b>Movement in the present value of defined benefit obligation</b>			
Present value of defined benefit obligation as at July 1, 2010		3,474,244	2,479,375
Current service cost		1,979,545	1,006,538
Interest cost		416,909	297,525
Actuarial gains		272,917	689,458
Liability transferred from associated concern		205,151	-
Benefits due but not paid		(567,110)	-
Benefits paid		(508,500)	(998,652)
Present value of defined benefit obligation as at June 30, 2011		<u>5,273,156</u>	<u>3,474,244</u>
<b>Movement of liability</b>			
Liability as at July 1, 2010		3,514,591	3,209,180
Add: expense for the year		2,396,454	1,304,063
Add: liability transferred from associated concern		205,151	-
Less: payments made during the year		(508,500)	(998,652)
Liability as at June 30, 2011		<u>5,607,696</u>	<u>3,514,591</u>

Five year data on experience adjustments

	2011	2010	2009	2008	2007
	------(Rupees)-----				
Present value of defined benefit obligation, June 30	5,273,156	3,474,244	2,479,375	3,114,567	4,680,677
Experience adjustment arising on plan liabilities gains / (losses)	272,917	689,458	(477,903)	133,433	118,469

Based on actuarial advice the Company intends to charge an amount of approximately Rs 3,183,103 in respect of the gratuity scheme in the financial statements for the year ending June 30, 2011.

The information provided in this note has been obtained from the valuation carried out by an independent actuary as at June 30, 2011.

	Note	2011 Rupees	2010 Rupees
<b>30 FINANCE COST</b>			
<b>Mark-up on:</b>			
Short term borrowings		1,524,017	14,927,713
Long term financing		120,072,383	117,400,041
Repurchase agreement borrowings		-	29,103,836
Bank and other charges		8,009,263	2,819,357
Documentation charges		7,000	78,110
Unwinding of discount on loan from director		692,299	-
		<u>130,304,961</u>	<u>164,329,057</u>
<b>31 OTHER OPERATING EXPENSES</b>			
Auditors' remuneration	31.1	950,000	950,000
Donations	31.2	-	5,000
Trade debts written off		109,129	-
Provision for doubtful debts		4,568,500	-
Dividends receivable written off		-	391,187
Commission to trading agents		6,207,485	10,449,844
		<u>11,835,114</u>	<u>11,796,031</u>



	Note	2011 Rupees	2010 Rupees
<b>31.1 Auditors' remuneration</b>			
Statutory audit fee		550,000	550,000
Half yearly review fee		200,000	200,000
Special reports, certifications and sundry services		100,000	100,000
Code of corporate governance		75,000	75,000
Out of pocket expenses		25,000	25,000
		<u>950,000</u>	<u>950,000</u>

31.2 None of the directors or any of their spouses had any interest in the donees.

### 32 TAXATION

Current:			
for the year		379,548	3,488,052
for prior years		(2,841,986)	(1,825,092)
Deferred		1,257,243	60,931,933
		<u>(1,205,195)</u>	<u>62,594,893</u>

#### Relationship between tax expenses and accounting profit

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for current year income tax has been made under the provisions of minimum tax under Section 233(A) of the Income Tax Ordinance, 2001.

### 33 LOSS PER SHARE - BASIC AND DILUTED

Loss per share is calculated by dividing loss after tax for the period by weighted average number of shares outstanding during the period as follows:

Loss after taxation attributable to ordinary shareholders	(176,202,435)	(127,685,121)
Weighted average number of ordinary shares in issue during the year	57,500,000	57,500,000
Loss per share	(3.06)	(2.22)

No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

### 34 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:

	2011			2010		
	Chief executive	Directors	Executives	Chief executive	Directors	Executives
	------(Rupees)-----					
Managerial remuneration	6,000,000	3,060,000	4,801,801	6,000,000	1,795,162	11,431,129
Retirement benefits	-	-	-	-	-	759,231
Utilities	693,699	48,648	18,000	688,019	36,326	32,040
Conveyance and travelling	722,067	465,175	464,195	788,359	267,967	2,417,376
	<u>7,415,766</u>	<u>3,573,823</u>	<u>5,283,996</u>	<u>7,476,378</u>	<u>2,099,455</u>	<u>14,639,776</u>
No of persons	1	7	9	1	7	9

The chief executive, all directors and all executives are provided with the free use of Company's owned and maintained cars.

#### Remuneration to other directors

Aggregate amount charged in the financial statements for fee to directors was Rs. 33,900 as at June 30, 2011 (2010: Rs 50,000).



**35 RELATED PARTY TRANSACTIONS****Transactions during the year**

2011			
Key Management	Associates	Other related parties	Total
------(Rupees)-----			
Purchase of marketable securities for and on behalf of	- 529,225,525	-	529,225,525
Sale of marketable securities for and on behalf of	- 534,919,317	-	534,919,317
Brokerage income	- 1,158,766	-	1,158,766
Rent received	- 600,000	-	600,000
Remuneration to key management personnel	13,331,054	-	13,331,054
Gratuity charged	680,000	-	680,000
Mark up on receivable from associates	- 28,065,830	-	28,065,830

**Transactions during the year**

2010			
Key Management	Associates	Other related parties	Total
------(Rupees)-----			
Purchase of marketable securities for and on behalf of	- 321,143,707	-	321,143,707
Sale of marketable securities for and on behalf of	- 481,087,846	-	481,087,846
Brokerage income	- 630,226	-	630,226
Fixed assets having book value of Rs 609,958 disposed off for	930,000	-	930,000
Rent received	- 600,000	-	600,000
Remuneration to key management personnel	16,409,839	-	16,409,839
Gratuity charged	600,000	-	600,000
Mark up on receivable from associates	- 28,065,832	-	28,065,832

The Company has related party relationship with its associated undertakings, employee benefit plans, its directors and executive officers. Transactions with associated undertakings 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 employment / entitlement. Balances outstanding from / to related parties as at the year end have been disclosed in the relevant balance sheet notes.

**36 CASH AND CASH EQUIVALENTS**

Note	2011 Rupees	2010 Rupees
Cash and bank balances	3,003,582	10,038,746
Short-term borrowings	(415,530,623)	(474,976,169)
	<u>(412,527,041)</u>	<u>(464,937,423)</u>

Cash and cash equivalents included in the cash flow statement comprise of the above mentioned balance sheet amounts.

**37 CASH GENERATED FROM OPERATIONS**

Loss before taxation	(177,407,630)	(65,090,228)
<b>Adjustment for non cash items</b>		
Depreciation	8,230,234	9,434,045
Gain on disposal of property and equipment	(158,789)	(449,524)
(Gain) / Loss on disposal of investments	37,368,906	(14,793,374)
Share of Loss / (profit) of associate - net of tax	(5,819,535)	(511,184)
Unrealised loss on investments at fair value through profit or loss-held for trading-net	3,928,595	6,435,937
Impairment loss on available for sale investments	-	90,830,000
Provision for doubtful debts	4,568,500	-
Provision for gratuity	2,397,674	1,304,063
Dividend receivable written off	-	391,187
Finance cost	130,304,961	164,329,057



	Note	2011 Rupees	2010 Rupees
Provision written back		-	(140,180,214)
Dividend income		(1,891,149)	(3,715,865)
Mark-up income on exposure deposits		(28,496)	(80,696)
Mark-up income from related party		(28,065,830)	(28,065,832)
Mark-up income on fixed deposits		(904)	(696)
Working capital changes	37.1	39,869,805	230,859,467
<b>Cash generated from operations</b>		<b>13,296,342</b>	<b>250,696,143</b>
<b>37.1 Changes in working capital</b>			
<b>Decrease / (increase) in current assets</b>			
Trade debts		5,702,171	216,461,592
Loans and advances		369,393	(2,806,094)
Trade deposits and short-term prepayments		653,008	(916,286)
Other receivables		(28,714,258)	(26,655,924)
		(21,989,686)	186,083,288
<b>Increase / (decrease) in current liabilities</b>			
Trade and other payables		61,859,491	44,776,179
		<b>39,869,805</b>	<b>230,859,467</b>

### 38 FINANCIAL INSTRUMENTS BY CATEGORY

	2011				
	Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost	Total
------(Rupees)-----					
<b>Assets</b>					
<b>Non-current assets</b>					
Long-term deposits	2,862,429	-	-	-	2,862,429
Receivable from associates	175,411,452	-	-	-	175,411,452
<b>Current assets</b>					
Short-term investments	-	69,122,754	14,289,835	-	83,412,589
Trade debts - net	198,164,918	-	-	-	198,164,918
Loans and advances	4,311,726	-	-	-	4,311,726
Trade deposits	403,458	-	-	-	403,458
Other receivables	57,703,062	-	-	-	57,703,062
Cash and bank balances	3,003,124	-	-	-	3,003,124
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	-	-	-	221,901,034	221,901,034
Accrued mark-up	-	-	-	1,988,534	1,988,534
Short-term borrowings	-	-	-	415,530,623	415,530,623
Current portion of long-term financing	-	-	-	248,718,656	248,718,656
Loan from director	-	-	-	13,700,000	13,700,000
<b>Non-current liabilities</b>					
Long-term financing	-	-	-	684,397,592	684,397,592
Loan from director	-	-	-	5,141,523	5,141,523



2010				
Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost	Total

**Assets**

------(Rupees)-----

**Non-current assets**

Long-term deposits	2,862,429	-	-	-	2,862,429
Receivable from associates	175,411,452	-	-	-	175,411,452

**Current assets**

Short-term investments	-	139,683,622	55,036,730	-	194,720,352
Trade debts - net	208,435,589	-	-	-	208,435,589
Loans and advances	4,681,119	-	-	-	4,681,119
Trade deposits	800,190	-	-	-	800,190
Other receivables	28,065,832	-	-	-	28,065,832
Cash and bank balances	10,036,689	-	-	-	10,036,689

**Liabilities**

**Current liabilities**

Trade and other payables	-	-	-	160,041,543	160,041,543
Accrued mark-up	-	-	-	9,181,155	9,181,155
Short-term borrowings	-	-	-	484,976,169	484,976,169
Current portion of long-term financing	-	-	-	-	-

**Non-current liabilities**

Long-term financing	-	-	-	901,027,024	901,027,024
Loan from director	-	-	-	4,449,224	4,449,224

2011				
Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost	Total

------(Rupees)-----

**Income / other items**

Operating revenue	2,064,867	-	-	-	2,064,867
Other operating income	28,095,230	-	-	-	28,095,230
Gain on sale of investments-held for trading	-	-	3,400,179	-	3,400,179

**(Expenses / other items)**

Loss on sale of investments-available for sale	-	(40,769,085)	-	-	(40,769,085)
Finance cost	-	-	-	(1,524,017)	(1,524,017)
Impairment loss on available for sale securities	-	-	-	-	-
Unrealized loss on re-measurement of investments	-	-	(3,928,595)	-	(3,928,595)



2010				
Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost	Total

------(Rupees)-----

#### Income / other items

Operating revenue	1,418,503	-	-	-	1,418,503
Other operating income	28,147,224	-	-	-	28,147,224
Gain on sale of investments-held for trading	-	-	29,417,233	-	29,417,233

#### (Expenses / other items)

Loss on sale of investments	-	(14,623,858)	-	-	(14,623,858)
Finance cost	-	-	-	(44,031,549)	(44,031,549)
Impairment loss on available for sale securities	-	(90,830,000)	-	-	(90,830,000)
Unrealized loss on re-measurement of investments	-	-	(6,435,937)	-	(6,435,937)

### 39 FINANCIAL RISK MANAGEMENT

#### Financial risk factors

The Company's activities are exposed to a variety of financial risks namely market risk, credit risk and liquidity risk. The Company has established adequate procedures to manage each of these risks as explained below.

#### 39.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

##### 39.1.1 Currency risk

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.

##### 39.1.2 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 assets and liabilities through appropriate policies.

As at June 30, 2011			
Exposed to Yield / Interest risk		Not exposed to Yield / Interest rate risk	Total
Up to one year	More than one year		

------(Rupees)-----

#### Financial assets

##### Non-current assets

Long-term deposits	-	-	2,862,429	2,862,429
Receivable from associates	-	-	175,411,452	175,411,452
	-	-	178,273,881	178,273,881



As at June 30, 2011			
Exposed to Yield / Interest risk		Not exposed to Yield / Interest rate risk	Total
Up to one year	More than one year		
------(Rupees)-----			
Current assets			
Short-term investments	-	83,412,589	83,412,589
Trade debts - net	-	198,164,918	198,164,918
Loans and advances	-	4,311,726	4,311,726
Trade deposits	403,458	-	403,458
Other receivables	-	57,703,062	57,703,062
Cash and bank balances	20,939	2,982,185	3,003,124
	424,397	346,574,480	346,998,877
<b>Sub Total</b>	<b>424,397</b>	<b>524,848,361</b>	<b>525,272,758</b>
Financial liabilities			
Current liabilities			
Trade and other payables	-	221,901,034	221,901,034
Accrued mark-up	-	1,988,534	1,988,534
Short-term borrowings	415,530,623	-	415,530,623
Current Maturity of long term borrowings	248,718,656	-	248,718,656
Loan from director	-	13,700,000	13,700,000
	664,249,279	237,589,568	901,838,847
Non current liabilities			
Long term financing	-	684,397,592	684,397,592
Loan from director	-	5,141,523	5,141,523
	-	689,539,115	689,539,115
<b>Sub Total</b>	<b>664,249,279</b>	<b>689,539,115</b>	<b>1,591,377,962</b>
<b>On-balance sheet gap</b>	<b>(663,824,882)</b>	<b>(689,539,115)</b>	<b>287,258,793 (1,066,105,204)</b>
Off-balance financial instruments	-	-	-
Off-balance sheet gap	-	-	-
Total interest rate sensitivity gap	<b>(663,824,882)</b>	<b>(689,539,115)</b>	
Cumulative interest rate sensitivity gap	<b>(663,824,882)</b>	<b>(689,539,115)</b>	

As at June 30, 2010			
Exposed to Yield / Interest risk		Not exposed to Yield / Interest rate risk	Total
Up to one year	More than one year		
------(Rupees)-----			
Financial assets			
Non-current assets			
Long-term deposits	-	2,862,429	2,862,429
Receivable from associates	-	175,411,452	175,411,452
	-	178,273,881	178,273,881
Current assets			
Short-term investments	-	194,720,352	194,720,352
Trade debts - net	-	208,435,589	208,435,589
Loans and advances	-	4,681,119	4,681,119
Trade deposits	800,190	-	800,190
Other receivables	-	28,988,804	28,988,804
Cash and bank balances	20,127	10,016,562	10,036,689
	820,317	446,842,426	447,662,743
<b>Sub Total</b>	<b>820,317</b>	<b>625,116,307</b>	<b>625,936,624</b>



As at June 30, 2010			
Exposed to Yield / Interest risk		Not exposed to Yield / Interest rate risk	Total
Up to one year	More than one year		
------(Rupees)-----			
<b>Financial liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	-	-	160,041,543
Accrued mark-up	-	-	9,181,155
Short-term borrowings	484,976,169	-	484,976,169
Current Maturity of long term borrowings	-	-	-
	484,976,169	-	169,222,698
			654,198,867
<b>Non current liabilities</b>			
Long term financing	-	901,027,024	-
Loan from director	-	4,449,224	-
	-	905,476,248	-
	484,976,169	905,476,248	169,222,698
			1,559,675,115
On-balance sheet gap	(484,155,852)	(905,476,248)	455,893,609
Off-balance financial instruments	-	-	-
Off-balance sheet gap	-	-	-
Total interest rate sensitivity gap	(484,155,852)	(905,476,248)	
Cumulative interest rate sensitivity gap	(484,155,852)	(905,476,248)	

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

	2011	2010
	Percentage	
Short term borrowings	14.79 - 17.66	14.85 - 17.26
Long term financing	14.29 - 17.02	14.77 - 16.35
Receivable from associates	16	16
Bank balances	-	-
Exposure deposits with KSE	17	17

### 39.1.2.2 Sensitivity analysis for variable rate instruments

In case of 100 basis points increase / decrease in KIBOR on June 30, 2011, with all other variables held constant, the net assets of Company would have been higher / lower by Rs. 1,215,964 (2010: Rs. 1,614,316) and net loss for the year would have been lower / higher by the same amount.

The sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the impact on Company's net assets of future movements in interest rates.

### 39.1.3 Price Risk

The Company is exposed to equity price in respect of investments classified as available for sale and at fair value through profit or loss. To manage price risk arising from these equity investments the Company applies appropriate internal policies.

The investment of the Company classified as available for sale and at fair value through profit or loss would normally be affected due to fluctuation of equity prices in the stock exchange. In case of 5% increase / decrease in KSE 100 index on June 30, 2011, the net loss for the year relating to securities classified as fair value through profit and loss would decrease / increase by Rs. 196,430 (2010: Rs. 321,797) and net assets of the Company would increase / decrease by





the same amount . In case of 5% increase / decrease in KSE 100 index on June 30, 2011, the net loss for the year relating to securities classified as available for sale and other components of equity and net assets of the Company would increase / decrease by Rs. 3,722,427 (2010: Rs. 5,805,621) as a result of gains / losses on equity securities classified as available for sale.

The above analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Company's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2011 is not necessarily indicative of the effect on the Company's net assets of future movements in the level of KSE100 index.

### 39.2 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.458 (2010: Rs 2,057) are exposed to credit risk. To manage the exposure to credit risk, the Company applies credit limits to its customers and in certain cases obtains margins and deposits in the form of cash and marketable securities. The Company has established internal policies for extending credit which captures essential details regarding customers. Based on the review of borrower's credentials as available internally and value of collaterals held as security, the management is confident that credit quality of debts which are not past due nor impaired remains sound at the balance sheet date.

The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated was Rs. NIL (2010: Rs. NIL). The Company is making its concerted efforts for entering into settlement agreement with certain outstanding debtors who had not paid on time."

Apportion of the outstanding amounts of trade debts are secured against pledge of customers securities. The Company is entitled to sell these securities, at its own discretion, in case of default by the customers. During the year the Company has disposed off certain securities of its clients in case of non-payment to the Company . The outstanding receivables settled on this account and the amount of securities realized through disposal / transfer to the Company's own account have not been disclosed as it was not practicable to determine the amount of these collaterals / outstanding receivable due to the quantum of transactions that had taken place on these arrangement . The management intends to take appropriate measures for determining these amount in future periods.

A reconciliation of provision made during the year in respect of outstanding trade debts and certain investments categorized as available for sale is given in notes 12.2 and 11.1 to these financial statements.

The Company hold certain collaterals which are permitted by the customer for repledge in the absence of default . The fair value of such collateral held as at June 30, 2011 and those which have been repledged along with the details of the Company's obligation as to their return and the significant terms and condition associated with their use are given in note 41 to the financial statements.

The maximum exposure to credit risk , by class of financial instrument , at the end of the reporting period without taking into account any collateral held or other credit enhancement is given in note 38 to the financial statements. The Company does not hold any collateral in respect of these assets except for certain trade debts which have been collateralized against certain equity securities.

An analysis of the age of significant financial assets that are past due but not impaired are as under.

	2011		2010	
	Total outstanding amount Rupees	Payment over due (in days)	Outstanding amount Rupees	Payment over due (in days)
Financial instruments carried at amortised cost				
Trade debts - net	198,164,918	1 - 360	208,435,589	1 - 360
Loan from director	5,141,523		4,449,224	

An analysis of the significant financial assets that are individually impaired are as under. The factors in determining the impairment loss mainly comprises management's assessment of potential loss which is expected to arise on these financial assets. Such assessment is mainly based on the potential recoveries / cash flows from the customers.



2011			
Total outstanding amount	Up to one month	One to three months	More than three months
------(Rupees)-----			
Financial instruments carried at amortised cost			
Trade debts - net	- 6,879,703	2,789,613	595,732,898
Loan from director	-	-	5,141,523

2010			
Total outstanding amount	Up to one month	One to three months	More than three months
------(Rupees)-----			
Financial instruments carried at amortised cost			
Trade debts - net	- 120,665,587	7,748,741	483,730,025
Loan from director	-	-	4,449,224

Although the Company has made provision against the aforementioned portfolio, the Company still holds certain collateral to be able to enforce in recovery.

### 39.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company currently is not exposed to significant level of liquidity risk keeping in view the current market situation. Negotiations are in progress with the financial institutions to meet any deficit required to meet the short-term liquidity commitments.

The table below analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

2011			
Up to three months	More than three months and up to one year	More than one year	Total
------(Rupees)-----			
<b>Current liabilities</b>			
Trade and other payables	221,901,034	-	221,901,034
Accrued mark-up	1,988,534	-	1,988,534
Short-term borrowings	415,530,623	-	415,530,623
Current maturity of long term borrowings	- 248,718,656	-	248,718,656
Loan from director	- 13,700,000	-	13,700,000
<b>Non current liabilities</b>			
Long term financing	-	684,397,592	684,397,592
Loan from director	-	5,141,523	5,141,523



	2010			Total
	Up to three months	More than three months and up to one year	More than one year	
	------(Rupees)-----			
<b>Current liabilities</b>				
Trade and other payables	160,041,543	-	-	160,041,543
Accrued mark-up	9,181,155	-	-	9,181,155
Short-term borrowings	484,976,169	-	-	484,976,169
Current maturity of long term borrowings	-	-	-	-
<b>Non current liabilities</b>				
Long term financing	-	-	901,027,024	901,027,024
Loan from director	-	-	4,449,224	4,449,224

#### 39.4 Fair value of financial assets and liabilities

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

#### 40 CAPITAL RISK MANAGEMENT

The objective of managing capital is to ensure the Company's ability to continue as a going concern, so that it could continue to provide adequate returns to shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

#### 41 USE OF COLLATERAL AND TRADING SECURITIES

The Company utilises customers marginable securities for meeting the exposure deposit requirements of the Karachi Stock Exchange (Guarantee) Limited, for meeting securities shortfall at the time of settlements on behalf of the customers and for securing financing facilities from bank. These securities are utilised by the Company with the consent of the customers. As at June 30, 2011, securities amounting to Rs 12,743,639 (2010: Rs. 32,514,798) and Rs. 185,839,828 (2010: Rs. 200,388,712) were pledged / utilised by the Company for meeting the exposure deposit requirement of the Karachi Stock Exchange (Guarantee) Limited and for securing financing facilities from banks respectively.

#### 42 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISKS

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 collateralised 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.

#### 43 NUMBER OF EMPLOYEES

Number of employees at the year end.

2011	2010
113	122

#### 44 GENERAL AND CORRESPONDING FIGURES

44.1 Amounts have been rounded off to the nearest rupees unless otherwise stated.

#### 45 DATE OF AUTHORISATION

These financial statements have been authorized for issue on **October 31, 2011** by the Board of Directors of the Company.

Chief Executive

Director



## PATTERN OF SHAREHOLDING

as at June 30, 2011

NUMBER OF SHAREHOLDERS	From	To	TOTAL SHARES HELD
149	1	100	4,871
112	101	500	32,452
106	501	1000	74,073
88	1001	5000	181,606
9	5001	10000	71,600
7	10001	15000	82,604
5	15001	20000	94,775
5	20001	25000	111,195
3	25001	30000	80,748
1	35001	40000	40,000
4	45001	50000	196,591
2	50001	55000	105,800
2	60001	65000	128,772
1	65001	70000	70,000
2	70001	75000	140,551
1	85001	90000	86,500
2	95001	100000	200,000
1	100001	105000	102,500
2	105001	110000	216,014
2	120001	125000	242,363
1	175001	180000	175,350
1	180001	185000	183,469
1	195001	200000	199,355
1	200001	205000	202,048
1	250001	255000	253,726
1	295001	300000	300,000
1	300001	305000	302,525
1	315001	320000	320,000
1	410001	415000	415,000
1	545001	550000	546,150
1	600001	605000	600,500
1	785001	790000	788,986
1	875001	880000	875,136
1	885001	890000	889,000
1	1160001	1165000	1,164,950
1	1225001	1230000	1,229,349
1	1345001	1350000	1,345,200
1	1415001	1420000	1,420,000
1	1840001	1845000	1,840,500
1	2350001	2355000	2,353,950
1	2485001	2490000	2,490,000
1	2910001	2915000	2,912,000
1	4765001	4770000	4,765,990
1	5535001	5540000	5,539,162
1	5585001	5590000	5,587,650
1	6255001	6260000	6,257,949
1	12275001	12280000	12,279,040
531			57,500,000



## Categories of Shareholders

AS at June 30, 2011.

Categories	Number	Shares Held	Percentage
<b>Related Parties</b>			
First Florance Developers (Pvt.) Limited	1	5,587,650	9.718
F. Rabbi Steel (Pvt.) Limited	1	2,208,986	3.842
Yarmouk Paper & Board Industry (Pvt.) Limited	1	300,000	0.522
MCD Pakistan Limited	1	2,353,950	4.094
First Pakistan Securities Limited	1	13,241,540	23.029
Switch Securities (Pvt.) Limited	1	7,422,899	12.909
			0.000
<b>Directors, Chief Executive and their Spouse and Minor Children</b>			
			0.000
			0.000
			0.000
Ali Aslam Malik	1	1,467,001	2.551
Malik Atiq-ur-Rehman	1	175,850	0.306
Muhammad Iqbal Khan	1	1,150	0.002
Shahzad Akbar	1	6,325	0.011
Mohammad Ali Khan	1	500	0.001
Rais Ahmed Dar	1	600	0.001
Amir Shehzad	1	1,000	0.002
Mrs. Adeela Ali	1	575	0.001
Omer Ali Malik (M) Through Guardian Ali A. Malik	1	54,300	0.094
Mrs. Ghazala Rais Dar		546,150	0.950
			0.000
Executives	0	-	0.000
			0.000
<b>Banks/DFIs/NBFIs</b>	4	418,914	0.729
			0.000
<b>Modarabas/ Mutual Funds &amp; Foreign Investors</b>	1	875,136	1.522
			0.000
<b>Joint Stock Companies</b>	16	4,759,948	8.278
			0.000
<b>Insurance Companies</b>	1	46,591	0.081
			0.000
<b>NIT &amp; ICP</b>	1	64,772	0.113
			0.000
<b>Individual</b>	493	17,966,163	31.246
			0.000
	<b>531</b>	<b>57,500,000</b>	<b>100.000</b>

### Detail of Shareholding 10% & more

First Pakistan Securities Limited	1	13,241,540	23.029
Switch Securities (Pvt.) Limited	1	7,422,899	12.909



## Branch Network of First National Equities Limited

### Lahore Office

1. FNE House, 179-B, Abu Bakar Block,  
New Garden Town, Lahore  
Tel: 042-35843722-27, 042-35845011-15  
Fax: 042-35843730.
2. Office No. 2, 1st Floor, Sharif Complex,  
Main Market, Gulberg-II, Lahore

### Karachi Offices

1. FNE HOUSE, 19-C, Sunset Lane 6,  
South Park Avenue, Phase II  
Extension, D.H.A. Karachi  
Tel: 021-35395901-05  
Fax: +92-021-35395920
2. Room No. 135-136, 3rd Floor,  
New Stock Exchange Building, Karachi  
Tel: 021-32472119, 32472014, 32472758  
Fax: 021- 32472332

### Peshawar offices

1. 2nd Floor, State Life Building, 34 The Mall,  
Peshawar Cantt, Peshawar  
Tel: 091-5260935, 5260965  
Fax: 091-5260977
2. Office # 2, Ground Floor, Bank Square ,  
Chowk Yadgar, Peshawar City, Peshawar  
Tel: 091-2580746-51  
Fax: 091-2580750

### Rawalpindi Offices

1. 53/7, Haider Road, Rawalpindi Cantt,  
Rawalpindi.  
Tel: 051-5563195-96  
Fax: 051-5563194
2. Ground Floor, Kings Plaza,  
50 Judicial Colony  
Rawalpindi.  
Tel# 051-5954939

### Islamabad Office

Room # 508, 5th Floor,  
ISE Tower, Blue Area,  
Islamabad.  
Tel# 051- 2894545  
Fax #051-2894549

### Abbottabad Office

1st Floor, Goher Sons Arcade,  
Mansehra Road Supply Bazaar,  
Abbottabad,  
Tel#:0992-341305, 0992-341104

### Mardan Office

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

### Daska Office

Basement Nagina Suiting, Kachehri Road,  
Daska, Sialkot.  
Tel: 052-6617585, 052-6600021

### Mirpur (Azad Kashmir) Office

2nd Floor, Haji Lal Din City Plaza,  
Plot No. 114, Sector F/1, Kotli Road,  
Mirpur Azad Jammu Kashmir  
Tel: 058610-39655-58  
Fax: 0586-39656





# FORM OF PROXY

## FIRST NATIONAL EQUITIES LIMITED

19 -C Sunset Lane 6, South Park Avenue, Phase II, Ext: DHA Karachi.

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

For Beneficial Owners As per CDC List	
CDC Participant I.D. _____	No.Sub-Account No. _____
C N I C No. <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <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 Wednesday, November 30, 2011 at 07:00 p.m. and at any adjournment thereof.

Please affix rupees five revenue stamp

(Signatures should agree with the specimen signature)

Dated this \_\_\_\_\_ day of \_\_\_\_\_, 2011

**For beneficial owners as per CDC list**

**1.WITNESS**

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

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

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

CNIC NO:

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

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

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

**2.WITNESS**

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

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

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

CNIC NO:

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

**Important:**

1 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.

2 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.

3 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:

- i) The proxy form shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.
- ii) Attested copies of CNIC or the passport of the beneficial owners and the proxy shall be furnished with the proxy form.
- iii) The proxy shall produce his/ her original CNIC or passport at the time of the Meeting.
- iv) 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**  
FNE House: 19-C, Sunset Lane-06, South Park Avenue  
Phase – II, Extension, D.H.A. Karachi.



**FIRST NATIONAL EQUITIES LIMITED**

**Principal Office:**

FNE House 179/B, Abu Bakar Block,  
New Garden Town, Lahore.  
Tel: 042-35843722-27 Fax: 042-35843730

**Registered Office:**

19-C Sunset Lane-6,  
Phase II Extension, DHA, Karachi  
Tel: (+92-21) 35395901-5 Fax: (+92-21) 35395920