FIRST NATIONAL EQUITIES LIMITED

ANNUAL ACCOUNTS 2012

www.fnetrade.com

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".

CONTENTS

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 Ahmad 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

HR& Remuneration Committee:

1.	Mr. Shahzad Akbar	Chairman
2.	Mr. Ali A. Malik	Member
3.	Mr. Muhammad Iqbal Khan	Member

Chief Financial Officer
Mr. Rais Ahmad Dar

Company Secretary
Mr. Asif Mumtaz Mian, FCMA

Auditors:
H.A.M.D & Co.
Chartered Accountants
Lahore.

Legal Advisor:
Minto & Mirza, Advocates

Shares 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 Bank 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) 35843721-27
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
Website: www.fnetrade.com

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 Friday, November 30, 2012 at 7:00 p.m. to transact the following business:-

ORDINARY BUSINESS:

1 To confirm the minutes of the last AGM held on November 30, 2011.

2 To receive, consider and adopt the audited annual financial statements of the company for the year ended June 30, 2012 together with the directors' and auditors' reports thereon.

3 To appoint external auditors of the company for the year ending on June 30, 2013 and fix their remuneration. The present auditors namely H.A.M.D & Co., 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.

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

Karachi.
Dated: November 09, 2012

Notes:

1 The Shares Transfer Books will remain closed from November 23, 2012 to November 30, 2012(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, 2012 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.

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, 2012, together with the auditors' report thereon.

Overall Economy

Pakistan's economy achieved 3.7% growth (2.4% last year); The overall economy was negatively affected by 19% higher oil price to USD 111/barrel (USD 93), energy shortfall (5K MW), Rs. 400 bln circular debt (Rs. 360 bln), high interest rate and testing law and order situation. On the positive side, inflation declined to 11% (13.7%). Against around USD 200 mln surplus previous year for the first time in the last 6 years, the current account balance turned back into USD 3.8 bln deficit in 2012. However, about 18% higher remittances to USD 13.2 bln (12.1 bln) and declining oil prices in 4Q supported country's current account. Despite 18% greater tax collection to Rs. 1.92 trl (Rs. 1.6 trl), our fiscal deficit gap swelled to 6% of GDP in FY12.

Stock Market

During FY12, KSE-100 Index gained 10.4% or 1,300 points to close at 13,800. The year showed a volatility of 3,700 index points. First half of the year was quite depressing in terms of shares volume and value traded in the market due to strained Pak US relationship, local political and law and order issues, economic challenges and liquidity constraints. In 2H 2011-12, the index, volume and value turnovers registered substantial gains thanks to the regulators announcement of relaxation in a number of initiatives including Capital Gains Tax (CGT) and MTS regulations to further promote equity investment, and good corporate earnings in Cements, Fertilizers, Banks and E&P sectors. KSE recorded 33% higher shares volume traded at 129 mln/day (96 mln/day) and 3.5% higher value traded at Rs. 4 bln/day (Rs. 3.83 bln/day) in 2012.

Financial Results	**2012**	**2011**
	(Rupees in Million)	
Gross revenue	268.154	36.6
Operating revenue	1.8	(3.7)
Profit/ (Loss) before taxation	67.8	(177.4)
Less: taxation	36.1	1.2
Profit/ (Loss) after tax	31.6	(176.2)
Accumulated Profit/ (Loss) brought forward	(1231.3)	(1055.1)
Accumulated Profit/ (Loss) carried forward	(1199.7)	(1231.3)
Earning per share (Rs.)	0.27	(3.06)

We are thankful to Almighty Allah that we have succeeded to turnaround the performance of the company and your company has earned profit of Rs.67.8 million as compared to loss of Rs.177.4 million in last year. On revenues side we have increased it to Rs. 268.15 million as compared to 36.6 million of last year. On expenses side we continued our efforts to cut down administrative and financial expenses. Resultantly we have managed to post an earning of Rs.0.27 per share as compared to loss of Rs. 3.06 per share in last year. The increase in operating revenues, increase in the value of company's investments, reversal of provision of doubtful debts, waiver of bank markup on restructuring and decrease in administrative & finance cost contributed towards the profitability of the company.

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 has not only improved the financial health of the company but also streamlined 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 previous years has started to flourish its results and will remain one of our top priority in future .We are very positive that as a results of these measures along with the increase in the values of company's investments the company will be able to generate sufficient profits in future to off set its accumulated losses.

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

There have been no material changes since June 30, 2012 to the date of this report that require adjustment to Financial Statements.

At FNE., 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 Financial Reporting 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.
- A total of four 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	4	4
2	Malik Attiq-ur-Rehman	4	4
3	Muhammad Iqbal khan	4	3
4	Mr. Shahzad Akbar	4	3
5	Mr. Rais Ahmad Dar	4	4
6	Mr. Mohammad Ali Khan	4	4
7	Mr. Amir Shehzad	4	4

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	Mr. Muhammad Iqbal Khan	6	5
2	Malik Attiq-ur-Rehman	6	6
3	Mr. Shahzad Akbar	6	5

The statement showing pattern of share holding in the company, as on June 30, 2012 is attached.

The trades in the shares of the Company carried out by its Directors, CEO, CFO, Company Secretary & their spouses & minor children during the year under review are as under:

Trades By:	Purchases	Sales
	---------------------(No. of Shares)----------------------	
Directors, CEO, their Spouses and Minor Children		
Mr. Ali Aslam Malik	483,373	-
Mr. Muhammad Iqbal Khan	1,610	-
Mr. Shahzad Akbar	8,855	-
Mr. Mohammad Ali Khan	700	-
Mr. Rais Ahmad Dar	840	-
Mr. Amir Shehzad	1400	-
Mrs. Adeela Ali	-	-
Mr. Omer Ali Malik	-	-

Appropriate arrangements were made to carry out the orientation courses for the directors to acquaint them with their fiduciary duties and a director has also started the certification under directors training program which will hopefully be completed in current year.

The Company Secretary furnished a Secretarial Compliance Certificate, in the prescribed form, as required under listing regulation 35(xxii) 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 36 of the annexed audited separate financial statements.

During the year the BOD appointed the M/s. H.A.M.D & Co., Chartered Accountants as auditor of the company for the year ended on June 30, 2012 to fill the casual vacancy created due to the resignation of the auditors M/s Ilyas Saeed & Co appointed in last AGM The present external auditors Messrs H.A.M.D & Co., Chartered Accountants shall retire at the conclusion of annual general meeting and being eligible, have offered themselves for reappointment for the year ending on June 30, 2013.

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: November 08, 2012

Ali A. Malik
(Chairman & CEO)

Financial Statistical Summary (2006 - 2012)

PARTICULARS	June 30, (Rupees '000)						
	2012	2011	2010	2009	2008	2007	2006
OPERATING RESULTS							
Operating Revenues	41,819	(3,720)	75,209	(94,734)	392,414	615,486	974,632
Other Operating income	226,338	40,295	211,288	4,001	16,215	21,899	7,558
Gross Revenue	268,157	36,575	286,497	(90,733)	408,629	637,385	982,190
Administrative Expenses	(64,469)	(73,734)	(78,707)	(93,518)	(141,960)	(143,570)	(140,323)
	203,688	(37,159)	207,790	(184,251)	266,669	493,815	841,867
Finance Cost	(103,365)	(130,304)	(164,329)	(218,027)	(196,640)	(206,433)	(254,919)
Other Operating Expenses	(46,118)	(11,835)	(11,796)	(365,259)	(46,113)	(203,362)	(29,217)
	54,205	(179,298)	31,665	(767,537)	23,916	84,020	557,731
Fair value loss on remeasurement of held for trading investment - net	10,755	(3,928)	(6,436)	(40,987)	(11,021)	20,403	(106,241)
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	-
	10,755	(3,928)	(97,266)	(350,859)	(11,021)	20,998	(105,248)
Share of profit of associates - net of tax	2,827	5,819	511	(23,033)	5,947	2,088	135
Profit / (Loss) before Tax	67,787	(177,407)	(65,090)	(1,141,429)	18,842	107,106	452,618
Taxation - net	(36,152)	1,205	(62,595)	-	(13,341)	(27,775)	(40,996)
Profit / (Loss) after Tax	31,635	(176,202)	(127,685)	(1,141,429)	5,501	79,331	411,622
Payout Ratio	-	-	-	-	-	30%	60%
BALANCE SHEET SUMMARY							
Non-Current Assest							
Fixed assets	206,919	214,444	223,681	230,894	239,611	189,670	145,151
Long term Investment	39,073	38,018	30,438	28,442	68,170	42,223	40,135
Deferred cost	29,064	64,617	65,874	126,806	12,198	-	-
Receivable from associates	175,411	175,411	175,411	-	-	-	-
Long term loans & advances	-	-	-	-	-	125	10,849
Long Term deposits	3,185	2,863	2,863	2,629	3,557	2,616	1,889
	453,652	**495,353**	**498,267**	**388,771**	**323,536**	**234,634**	**198,024**
Current assets							
Short term investments	151,033	83,413	194,720	443,783	1,088,442	1,677,850	1,598,176
Receivable against CFS/cary over transaction	-	-	-	-	-	-	402,485
Trade debts	287,764	198,165	208,436	284,716	844,228	536,346	89,774
Loans & advances	2,606	4,312	4,681	1,875	4,500	1,869	5,686
Trade deposits & short term prepayments	355	412	1,066	150	29,464	304,999	28,018
Accrued mark up	-	-	-	-	-	6,062	-
Other Receivables	85,934	57,703	28,989	2,723	3,255	-	9,866
Taxation Recoverable - net	31,641	30,420	25,520	23,364	20,722	2,514	20,980
Cash and bank balance	772	3,004	10,039	5,555	20,232	39,207	111,949
	560,105	**377,429**	**473,451**	**762,166**	**2,010,843**	**2,568,847**	**2,266,934**
CURRENT LIABILITIES							
Trade & other payables	204,282	221,901	160,041	115,265	490,889	1,203,683	316,299
Interest and mark-up accrued on borrowings	65	52	9,181	40,417	17,139	5,108	30,801
Payable in respect of continuous funding system	-	-	-	-	410,667	-	-
Short term borrowings	167,376	273,157	484,976	808,160	840,487	390,810	678,823
finance certificate	-	-	-	-	-	235,127	235,127
Current maturity on long term loans	-	-	-	40,322	-	-	-
Loan from director	-	13,700	-	-	-	-	-
Current portion of liabilities against assests subject to finance lease	-	-	-	-	-	-	-
	371,723	508,810	654,198	1,004,164	1,759,182	1,834,728	1,261,050
Net Current Assets	**188,382**	**(131,381)**	**(180,747)**	**(241,998)**	**251,661**	**734,119**	**1,005,884**
Non-current liabilities							
Loan from director	-	5,141	4,449	-	-	-	-
Loan from Sponsors	68,498	-	-	-	-	-	-
Defferred liabilites	6,419	5,608	3,515	3,209	4,141	1,627	1,997
Long Term Borrowings	1,010,539	1,077,427	901,027	583,270	-	-	-
	1,085,456	1,088,176	908,991	586,479	4,141	1,627	1,997
Net Assets	**(443,422)**	**(724,204)**	**(591,471)**	**(439,706)**	**571,056**	**967,126**	**1,201,911**
REPRESENTED BY							
Issued, subscribed and paid-up capital	1,380,000	575,000	575,000	575,000	575,000	500,000	500,000
Discount of issue of Right Shares	(603,750)	-	-	-	-	-	-
Unappropriated profit / (Accumulated losses)	(1,199,670)	(1,231,306)	(1,055,103)	(927,418)	101,292	245,791	366,460
Surplus/(deficit) on revaluation of investment-available for sale	(20,002)	(67,898)	(111,368)	(87,288)	(105,236)	221,335	335,451
Total Equity and Liabilities	**(443,422)**	**(724,204)**	**(591,471)**	**(439,706)**	**571,056**	**967,126**	**1,201,911**

Statement of Compliance with the Code of Corporate Governance For the year ended on June 30, 2012

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 Limited 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 CCG in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its board of directors. At present the board includes:

Category	Names
Independent Directors	Mr. Muhammad Iqbal Khan
Executive Directors	Mr. Ali Aslam Malik Mr. Muhammad Ali Khan Mr. Rais Ahmad Dar Mr. Amir Shehzad
Non-Executive Directors	Malik Attiq-ur Rahman Mr. Shahzad Akbar

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company (excluding the listed subsidiaries of listed holding companies where applicable).

3. All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. There was no casual vacancy occurred on the board during the year

5. The company has prepared a “Code of Conduct” and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.

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 appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board/shareholders.

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 meetings, along with agenda and working papers were circulated at least seven days before the meeting. The minutes of the meetings were appropriately recorded and circulated.

9. The board arranged one training programs for its directors during the year.

10. No new appointment of CFO, Company Secretary and Head of Internal Audit, has been made after the revised CCG has taken effect.

11. The directors' report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the company were duly endorsed by CEO and CFO before approval of the board.

13. The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.

14. The company has complied with all the corporate and financial reporting requirements of the CCG.

15. The board has formed an Audit Committee. It comprises three members and all of them are non-executive directors and the chairman of the committee is an independent director.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The board has formed a HR and Remuneration Committee. It comprises three .members, of whom two are non-executive directors and the chairman of the committee is a non-executive director.
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18. The board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company

19. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, 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 the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.

23. We confirm that all other material principles enshrined in the CCG have been complied with except for the clauses xi, xiii and xiv, towards which reasonable progress has been made by the company to seek compliance by the end of next accounting year.

Place: Lahore	Ali A. Malik
Dated: November 08, 2012	(Chairman & CEO)

H.A.M.D & Co.
CHARTERED ACCOUNTANTS

81-Abu Bakr Block, Garden Town
Lahore-Pakistan.
Tel: 92-42-35887044 & 46
Fax: 92-42-35887045

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 deport 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 under taken 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 June 30, 2012.

H.A.M.D. & Co.
Chartered Accountants
Engagement partner: Waseem Ashfaq

Place: Lahore
Date: November 08, 2012

H.A.M.D & Co.
CHARTERED ACCOUNTANTS

81-Abu Bakr Block, Garden Town
Lahore-Pakistan.
Tel: 92-42-35887044 & 46
Fax: 92-42-35887045

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **FIRST NATIONAL EQUITIES LIMITED** ("the company") as at June 30, 2012 and 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 we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

a) In our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984.

b) In our opinion

- **(i)** the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984 and are in agreement with the books of accounts 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) As more fully described in note 21, the company has classified current portion of its long term loans from Bank Alfalah Limited into non-current liabilities amounting to Rs. 170 million. Had a proper classification made, the total current liabilities would have been Rs. 541.72 million and consequently the long term liabilities would be Rs. 915.455 million as at June 30, 2012. Similarly the comparative balance would be restated as Rs.588.467 million and Rs. 1,008.518 million respectively for the current and long term liabilities.

d) In our opinion, and to the best of our information and according to the explanations given to us, except for the effect of the matter stated above in (c), 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, 2012 and of the profit, comprehensive profit, its cash flows and changes in equity for the year then ended; and

e) In our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

<u>Emphasis of matter</u>

f) We draw attention to the contents of note 2.2 to the accompanying financial statements, the Company earned profit after tax of Rs. 31.635 million in the year. The company's accumulated losses have been at Rs. 1,199.670 million as at June 30, 2012, and its equity was in negative at Rs. 443.422 million on that date. These conditions along with other matters set forth in note 2.2 indicate the existence of material uncertainty that may cast doubt about the company's ability to continue as a going concern for a foreseeable future period. However, management and directors are also working on a plan of action in order to turn around the company, as described in that note. Therefore the accompanying financial statements have been prepared on going concern basis of accounting, and, our opinion is not qualified in this respect.

g) The financial statements for the year ended June 30, 2011 were audited by another firm of Chartered Accountants, who vide their audit report dated October 31, 2011 have expressed an unqualified opinion and expressed an emphasis of matter paragraph regarding the going concern basis of accounting.

H.A.M.D. & Co.
Chartered Accountants
Engagement partner: Waseem Ashfaq

Place: Lahore
Date: November 08, 2012

FIRST NATIONAL EQUITIES LIMITED
BALANCE SHEET
AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
NON-CURRENT ASSETS			
Property and equipment	4	**69,286,711**	76,812,437
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	**39,072,926**	38,018,141
Long term deposits	9	**3,185,179**	2,862,429
Deferred taxation	10	**29,063,813**	64,616,688
		453,651,920	495,352,986
CURRENT ASSETS			
Short term investments	11	**151,033,005**	83,412,589
Trade debts	12	**287,764,467**	198,164,918
Loans and advances	13	**2,606,185**	4,311,726
Trade deposits and short term prepayments	14	**355,008**	412,788
Other receivables	15	**85,933,777**	57,703,062
Advance tax		**31,641,379**	30,420,127
Cash and bank balances	16	**771,566**	3,003,582
		560,105,387	377,428,792
Total Assets		**1,013,757,307**	872,781,779
CURRENT LIABILITIES			
Trade and other payables	17	**204,282,254**	221,901,035
Accrued mark-up	18	**65,564**	51,600
Short term borrowings	19	**167,375,981**	273,156,599
Loan from director	20	**-**	13,700,000
		371,723,799	508,809,234
NON-CURRENT LIABILITIES			
Long term financing	21	**1,010,538,937**	1,077,427,207
Loan from director	22	**-**	5,141,523
Loan from sponsors	23	**68,497,501**	-
Deferred liabilities	24	**6,419,272**	5,607,696
		1,085,455,710	1,088,176,425
TOTAL LIABILITIES		**1,457,179,509**	1,596,985,659
CONTINGENCIES AND COMMITMENTS	25		
NET ASSETS		**(443,422,202)**	(724,203,880)
REPRESENTED BY:			
Issued, subscribed and paid-up capital	26	**1,380,000,000**	575,000,000
Discount on issue of Right Shares		**(603,750,000)**	-
Accumulated loss carried forward		**(1,199,670,481)**	(1,231,305,943)
		(423,420,481)	(656,305,943)
Unrealized diminution on re-measurement of investments classified as available for sale	11.1.3	**(20,001,720)**	(67,897,937)
		(443,422,202)	(724,203,880)

The annexed notes from 1 to 47 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, 2012

	Note	2012 Rupees	2011 Rupees
Operating revenue	27	**41,818,794**	33,649,290
Gain/(loss) on sale of investments		**739**	(37,368,906)
Other operating income	28	**226,337,608**	40,295,338
		268,157,141	36,575,722
Administrative expenses	29	**64,468,543**	73,734,217
Operating profit/(loss)		**203,688,598**	(37,158,495)
Finance cost	31	**103,365,483**	130,304,962
Other operating expenses	32	**46,118,269**	11,835,114
		54,204,846	(179,298,571)
Unrealized Profit/(loss) on re-measurement of investments classified as financial assets at fair value through profit or loss-held for trading-net	11.2	**10,754,865**	(3,928,595)
Share of profit of associate-net	8.1	**2,827,770**	5,819,535
Profit/(loss) before taxation		**67,787,481**	(177,407,631)
Taxation	33	**36,152,019**	(1,205,195)
Profit/(loss) after taxation		**31,635,462**	(176,202,436)
PROFIT/(LOSS) PER SHARE - BASIC AND DILUTED	34	**0.27**	(3.06)

The annexed notes from 1 to 47 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, 2012

	Note	2012 Rupees	2011 Rupees
Profit/(Loss) after tax		**31,635,462**	(176,202,436)
Unrealised gain/(Loss) during the year in the market value of investments classified as 'available for sale'		**42,376,010**	(8,576,113)
Reclassification adjustment of realized loss on sale of investments-available for sale		**742,581**	45,495,914
Share of unrealised surplus - investment in associate	8.1	**4,777,625**	6,550,610
		47,896,217	43,470,411
Total comprehensive income/(loss) for the year-net of tax		**79,531,679**	(132,732,025)

The annexed notes from 1 to 47 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, 2012

	Issued, subscribed and paid-up capital	Discount on issue of right shares	Reserves		Unrealised surplus / (deficit) on re-measurement of investments classified as available for sale	Total
			Accumulated (loss) / profit	Sub-total		
	----------(Rupees)----------					
Balance as at June 30, 2010	575,000,000	-	(1,055,103,508)	(1,055,103,508)	(111,368,348)	(591,471,856)
Loss after taxation for the period ended June 30, 2011	-	-	(176,202,435)	(176,202,435)	-	(176,202,435)
Other comprehensive income for the period	-	-	-	-	43,470,411	43,470,411
Balance as at June 30, 2011	**575,000,000**	-	**(1,231,305,943)**	**(1,231,305,943)**	**(67,897,937)**	**(724,203,880)**
Right issue during the period (80,500,000 @ Rs10/Each Share)	805,000,000	-	-	-	-	805,000,000
Discount on issue of right shares	-	(603,750,000)	-	-	-	(603,750,000)
Profit after taxation for the period ended June 30, 2012	-	-	31,635,462	31,635,462	-	31,635,462
Other comprehensive income for the period	-	-	-	-	47,896,217	47,896,217
Balance as at June 30, 2012	**1,380,000,000**	**(603,750,000)**	**(1,199,670,481)**	**(1,199,670,481)**	**(20,001,720)**	**(443,422,202)**

The annexed notes from 1 to 47 form an integral part of these financial statements.

Chief Executive

Director

FIRST NATIONAL EQUITIES LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
Cash flows from operating activities			
Cash generated from operations	38	**(53,749,529)**	13,296,342
Finance cost paid		**(46,403,565)**	(137,497,582)
Gratuity paid		**(985,458)**	(304,569)
Income taxes paid		**(1,820,396)**	(2,437,231)
Long-term deposits		**(322,750)**	-
Receivable from associates		**-**	-
Net cash used in the operating activities	A	**(103,281,698)**	(126,943,040)
Cash flows from investing activities			
Investment in available for sale financial assets - net		**(7,942,305)**	56,688,862
Investment in marketable securities - net		**746,695**	40,218,479
Investments in associates		**-**	14,813,178
Fixed capital expenditure incurred		**(108,772)**	(22,500)
Proceeds from disposal of property and equipment		**243,000**	1,187,500
Mark-up received		**28,318,911**	28,095,230
Dividend received		**1,555,063**	1,891,149
Net cash from investing activities	B	**22,812,591**	142,871,898
Cash flows from financing activities			
Repayment of borrowing under repurchase agreements		**-**	(10,000,000)
Proceeds from Right Issue		**201,250,000**	-
Net proceeds from long-term financing		**(66,888,270)**	174,463,248
Proceeds from loan from director		**(18,841,523)**	14,392,299
Proceeds from loan from Sponsor		**68,497,501**	-
Net cash from financing activities	C	**184,017,708**	178,855,547
Net increase in cash and cash equivalents	(A+B+C)	**103,548,601**	194,784,405
Cash and cash equivalents at the beginning of period		**(270,153,017)**	(464,937,423)
Cash and cash equivalents at the end of period	37	**(166,604,415)**	(270,153,017)

The annexed notes from 1 to 47 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, 2012

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 Limited.

The Company has Trading Right Entitlement Certificate of Karachi Stock Exchange Limited. The principal activities of the Company include shares brokerage, consultancy services and IPO underwriting.

2 ACCOUNTING CONVENTION AND BASIS FOR PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with requirements of Companies Ordinance, 1984 (the Ordinance), the directives issued by Securities and Exchange Commission of Pakistan and approved financial reporting standards as applicable in Pakistan. Approved financial reporting 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 Ordinance. In case requirements differ, the provisions or directives of the Ordinance, prevail.

2.2 Going concern-Assumptions

The Company has earned profit after tax of Rs. 31,635,462 during the year ended June 30, 2012, after adjustment of unusual items of written-back of provisions on doubtful debts of Rs. 140,531,008/-and due to waiver of mark-up of Rs. 56,947,954/- by Summit bank, aggregating to Rs.197,478,962/- and its accumulated losses as at June 30, 2012 amount to Rs. 1,199,670,481/-(2011: Rs. 1,231,305,943/-) which has resulted in negative equity of Rs. 443,422,201/- (2011: Rs. 724,203,880/-). The company has reclassified current portion of its long term loans in non current liabilities, due to the negotiations of restructuring / rescheduling of loans with Bank Alfalah Limited.

However, the financial statements of the Company for the year ended June 30, 2012 have been prepared on a going concern basis as the members of the Company in their EOGM held on May 23, 2011 had approved the issuance of 80.5 million shares to inject a further liquidity of 201.2 million which was injected during the year on October 07, 2011. Now the management believes that due to availability of the liquidity, negotiations with financial institutions for restructuring / rescheduling of loans, potential increase in prices of Company's investments in 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. Therefore these financial statements have been prepared applying going concern basis of accounting.

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 the existing standards and interpretations that became effective beginning from July 01, 2011 and are relevant to the Company:

- IAS 24 (revised), 'Related Party Disclosures', effective from January 1, 2011. The revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. Application of the revised standard will only impact the format and extent of disclosures presented in the Company's financial statements.

- Amendments to “IFRS 7 Financial Instruments” , Applies to annual periods beginning on or after 1 July 2011 The amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- 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.

- There are a number of minor amendments in other IFRS and IAS which are part of annual improvement project published in (not addressed above). These amendments are unlikely to have any impact on the company’s financial statements and therefore have not been analyzed in detail.
  Standards, interpretations and amendments to published approved accounting standards that are not yet effective

2.5 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 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.

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 30.

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 recognized 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, includes membership cards, Licenses and tenancy rights, 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 amortized. 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 categorized 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 recognized at cost and the carrying amount of investment is increased or decreased to recognize the Company's share of the post acquisition profits or losses in income and its share of the post acquisition movement in reserves is recognized 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 recognized 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 recognized 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 recognized at trade date, which is the date that the Company commits to purchase or sell the asset. All other purchases and sales are recognized as derivative forward transactions until settlement occurs.

Investments are derecognized 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 in equity 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 recognized initially at fair value and subsequently at amortized 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 / finalized during the year.

Deferred

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

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

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

"Trade and other payables are recognized initially at fair value plus directly attributable cost, if any, and subsequently measured at amortized cost using the effective interest method. Trade payables in respect of securities purchased are recorded at settlement date of transaction.

These are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

3.8 Provisions are recognized 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 recognized 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 recognized 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 unrecognized 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 unrecognized actuarial gains or losses at each valuation date in excess of the 10% of the present value of the defined benefit obligation are amortized 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 recognized 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 recognized immediately in the financial statements. The resulting impairment loss is taken to the profit and loss account.

3.13 Borrowing cost

Borrowing costs are recognized 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 capitalized 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

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount of revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, net of any direct expenses. Revenue is recognized on the following basis:

- Brokerage income is recognized when brokerage services are rendered

- Dividend income is recognized when the right to receive the dividend is established.

- Commission income is recognized on an accrual basis.

- Return on deposits is recognized using the effective interest method.

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

- Gains / (losses) arising on sale of investments are included in the profit and loss account in the period in which they arise.

- Unrealized capital gains / (losses) arising from mark to market of investments classified as 'financial assets at fair value through profit or loss - held for trading' are included in profit and loss account for the period in which they arise.

- Income on KSE exposure deposit is recognized using the effective interest rate.
  period in which they arise.

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 recognized 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 margin trading 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 recognized at their fair value on the date on which a derivative contract is entered into. Subsequently, any changes in fair values arising on marking to market 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 recognized amounts and the Company intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3.19 Related party transactions

All transactions involving related parties arising in the normal course of business are conducted at normal commercial rates on the same terms and conditions as third party transactions, except in extremely rare circumstances where, subject to the approval of the Board of Directors, it is in the interest of the Company to do so.

4 PROPERTY AND EQUIPMENT

Description	Building on lease hold land	Furniture and fittings	Office equipment	Computer and accessories	Vehicles	Total
	---Rupees---					
Cost						
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)
Balance as at June 30, 2011	65,335,686	20,549,138	15,483,093	18,788,577	15,114,625	135,271,119
Balance as at July 01, 2011	65,335,686	20,549,138	15,483,093	18,788,577	15,114,625	135,271,119
Additions during the year	-	-	108,772	-	-	108,772
Disposals during the year	-	(811,657)	(38,860)	-	(40,414)	(890,931)
Balance as at June 30, 2012	**65,335,686**	**19,737,481**	**15,553,005**	**18,788,577**	**15,074,211**	**134,488,960**
Depreciation						
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)
Balance as at June 30, 2011	10,824,792	10,306,337	8,058,649	18,676,726	10,592,178	58,458,682
Balance as at July 01, 2011	10,824,792	10,306,337	8,058,649	18,676,726	10,592,178	58,458,682
Charge for the year	1,633,396	2,034,725	1,553,035	90,083	1,939,996	7,251,235
Depreciation on disposals	-	(443,613)	(23,640)	-	(40,414)	(507,667)
Balance as at June 30, 2012	**12,458,188**	**11,897,449**	**9,588,044**	**18,766,809**	**12,491,760**	**65,202,250**
Depreciation Rate	2.5%	10%	10%	33.33%	20%	
Written down value as at June 30, 2012	**52,877,498**	**7,840,032**	**5,964,961**	**21,769**	**2,582,452**	69,286,711
Written down value as at June 30, 2011	54,510,894	10,242,801	7,424,444	111,851	4,522,447	76,812,437

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 disposed off during the year are as follows:

Description	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers	Location
Furniture & Fixture							
Abbottabad Branch	183,557	108,637	74,920	95,582	Negotiation	M.Tariq Khan	Abbottabad
Mardan Branch	628,100	334,976	293,124	115,500	Negotiation	M.Javaid Khan	Mardan
Office Equipment							
Air Condition	38,860	23,640	15,220	19,418	Negotiation	M.Tariq Khan	Abbottabad
Vehicles							
Hero -KBH-2605	40,414	40,414	-	12,500	Negotiation	M.Farhan	Karachi
2012	**890,931**	**507,667**	**383,264**	**243,000**			
2011	2,018,000	989,289	1,028,711	1,175,000			

5 CAPITAL WORK IN PROGRESS

	Note	2012 Rupees	2011 Rupees
Commercial space - Karachi financial towers		**33,340,000**	33,340,000
Property acquired through auction		**36,156,614**	36,156,614
		69,496,614	69,496,614

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, 2012	**31,220,225**	**22,000,000**	**14,915,000**	**68,135,225**
Total	**31,220,225**	**22,000,000**	**14,915,000**	**68,135,225**
Balance as at June 30, 2011	31,220,225	22,000,000	14,915,000	68,135,225
Total	31,220,225	22,000,000	14,915,000	68,135,225

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 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 favor 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 favor 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 favor of commercial bank for securing financing facilities.

6.3 In accordance with the requirements of the stock exchange (Corporatisation, Demutualization and Integration) Act, 2012, the company is entitled to receive equity shares of Karachi Stock Exchange "KSE" and a trading right entitlement in lieu of its membership card of KSE. The said process of demutualization was finalized subsequent to year end whereby the company received shareholding in KSE and a trading right entitlement certificate in respect thereof.

7 RECEIVABLE FROM ASSOCIATES

	Note	2012 Rupees	2011 Rupees
First Pakistan Securities Limited		**90,993,620**	90,993,620
Switch Securities (Private) Limited		**84,417,832**	84,417,832
		175,411,452	175,411,452

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 ten years.

8 LONG TERM INVESTMENTS - RELATED PARTIES

	Note	2012 Rupees	2011 Rupees
Long term			
National Asset Management Company Limited (NAMCO)	8.1	**39,072,926**	38,018,141
Short term			
NAMCO Income fund - Available for sale			
Opening		-	14,813,178
Unrealised (loss)		-	-
Realised gain		-	1,065,388
Sold during the year		-	(15,878,566)
Closing		-	-
		39,072,926	38,018,141
Less: Investment shown under short-term investments		-	-
		39,072,926	38,018,141

8.1 Investment in associate accounted for under equity method - National Asset Management Company Limited - holding 40% [4,000,000 ordinary shares (2011: 4,000,000 ordinary shares) of Rs 10. each fully paid-up. Cost of investment Rs 40,000,000/-

	Note	2012	2011
Investment as at July 1, 2011		**31,467,531**	25,647,996
Share in reserves of associate		**4,777,625**	6,550,610
Share of profit	8.2	**2,827,770**	5,819,535
Balance as at June 30, 2012		**39,072,926**	38,018,141

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, 2012 in accordance with the treatment specified in International Accounting Standard 28: "Accounting for Investment in Associates". The company holds 40% i.e. 4,000,000 ordinary shares (June 30, 2011: 4,000,000 ordinary shares) of Rs. 10 each fully paid-up. Cost of investment Rs.40 million (June 30, 2011: Rs. 40 million)

Summarized 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
June 30, 2012					
National Asset Management Company Limited	**111,209,582**	**6,398,895**	**34,544,833**	**7,069,425**	**40%**
June 30, 2011					
National Asset Management Company Limited	136,702,344	34,528,619	27,864,619	14,548,837	40%

	Note	2012 Rupees	2011 Rupees

9 LONG TERM DEPOSITS

Central Depository Company Limited		**150,000**	150,000
Karachi Stock Exchange Limited		**1,100,000**	1,100,000
National Clearing Company of Pakistan Limited		**300,000**	300,000
Others		**1,635,179**	1,312,429
		3,185,179	2,862,429

10 DEFERRED TAX ASSETS - NET

Deductible temporary differences on:		
Provision for gratuity	**2,246,745**	1,962,694
Provision for doubtful debts	**38,993,330**	74,832,025
Investment in associate	**324,476**	693,650
	41,564,551	77,488,369
Taxable temporary differences on:		
Accelerated tax depreciation	**(12,500,738)**	(12,871,681)
	29,063,813	64,616,688

The balance of available tax losses as at June 30, 2012 amounted to Rs. 302,460,456 (2011: Rs. 250,607,384). The Company has not recognized 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, 2013.

11 SHORT-TERM INVESTMENTS - NET

	Note	2012 Rupees	2011 Rupees
Available for sale	11.1	**125,991,679**	69,122,754
At fair value through profit or loss- held for trading	11.2	**25,041,326**	14,289,835
Investment - related party	8	**-**	-
		151,033,005	83,412,589

11.1 Available for sale

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

No. of Shares		Name of Scrip / Company	2012		2011	
Jun-12	Jun-11		**Average Cost**	**Market Value**	Average Cost	Market Value
		Commercial banks				
3,200,000	3,200,000	Bank Islami Pakistan Limited- note 11.1.2	**40,136,850**	**34,240,000**	40,136,850	10,880,000
		Cement				
7,902,134	7,964,500	Pioneer Cement Limited - note 11.1.2	**94,640,274**	**72,699,633**	95,278,555	43,884,395
19,000	-	Lucky Cement Limited - note 11.1.2	**1,502,900**	**2,192,410**	-	-
		Electicity				
2	-	Nishat Chunian Power	**29.30**	**30**	-	-
		Chamical				
100,000	-	Fauji Fertilizer Bin Qasim - note 11.1.2	**6,264,916**	**4,082,000**	-	-
		Leasing Companies				
1,353,525	1,353,525	SME Leasing Limited - note 11.1.2	**6,767,625**	**11,098,905**	6,767,625	12,858,488
		Food Producers				
1,509	-	Punjab Oil Mills Limited	**70,159**	**79,992**	-	-
		Textile composite				
376,500	376,500	Redco Textiles Limited	**528,650**	**312,495**	528,650	207,075
		Closed-end mutual fund				
264,612	245,011	NAMCO Balanced Fund - related party	**600,175**	**1,137,832**	600,175	1,180,953
		Support services				
41,980	41,980	TRG Pakistan	**234,446**	**143,572**	234,446	107,469
		Miscellaneous				
500	500	Diamond Industries Limited	**25,000**	**4,810**	25,000	4,375
13,259,762	13,182,016		**150,771,024**	**125,991,679**	143,571,301	69,122,754

Total deficit

Unrealised loss on re-measurement of investments classified as 'available for sale'	**(24,779,345)**		**(74,448,547)**	
	(24,779,345)		**(74,448,547)**	
	125,991,679	**125,991,679**	**69,122,754**	**69,122,754**

11.1.1 Securities having average cost of Rs. 143,293,569 (2011: Rs 117,232,080) and fair value of Rs. 113,660,615 (2011: Rs.46,141,003) 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 unrealized loss on investments classified as 'available for sale':

	Note	2012 Rupees	2011 Rupees
Short-term investments	11.1	**(24,779,345)**	(74,448,547)
Long-term investments	8	**-**	-
Share in reserves of associate	8.1	**4,777,625**	6,550,610
		(20,001,720)	(67,897,937)

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

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

No. of Shares		Name of Scrip / Company	2012		2011	
Jun-12	Jun-11		**Average Cost**	**Market Value**	Average Cost	Market Value
		Closed-end mutual fund				
224,640	208,000	NAMCO Balanced Fund - related party	**2,005,120**	**965,952**	723,840	2,005,120
		Modarabas				
200,000	200,000	First I.B.L Modaraba - IPO Investments	**212,000**	**280,000**	560,000	212,000
		Insurance				
324,347	324,347	EFU General Insurance	**11,258,084**	**22,707,533**	15,938,412	11,258,084
		Textile composite				
397,000	397,000	Redco Textiles Limited	**218,350**	**329,510**	377,150	218,350
		Cement				
52,500	52,500	Pioneer Cement Limited	**289,275**	**483,000**	334,425	289,275
		Oil & gas marketing Companies				
927	927	Pakistan State Oil Company Limited	**245,266**	**218,624**	241,205	245,266
		Fertilizers				
156	120	Engro Corporation Limited	**16,216**	**15,887**	17,358	19,590
1,000	1,000	Fauji Fertilizer Bin Qasim Limited	**42,150**	**40,820**	26,040	42,150
1,200,570	1,183,894		**14,286,461**	**25,041,326**	18,218,430	14,289,835

Unrealized gain/ (loss) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'-held for trading	**10,754,865**		**(3,928,595)**	
	25,041,326	**25,041,326**	**14,289,835**	**14,289,835**

11.2.1 Securities having average cost of Rs. 11,909,204 (2011: Rs 26,397,635) and fair value of Rs. 23,478,174 (2011: Rs 20,329,798) 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	2012 Rupees	2011 Rupees
12 TRADE DEBTS			
Considered good	**12.1**	**287,764,467**	198,164,918
Considered doubtful		**308,204,672**	410,600,945
		595,969,139	608,765,863
Less: provision for bad and doubtful debts	**12.2**	**(308,204,672)**	(410,600,945)
		287,764,467	198,164,918

12.1 This includes receivable from National Clearing Company of Pakistan Limited (NCCPL) amounting to Rs. 237,779 (2011: Rs 3,363,650) in respect of trading in securities settled subsequent to the year end.

12.2 Movement in provision against trade debts

	2012 Rupees	2011 Rupees
Opening balance	**410,600,945**	406,032,445
Charged / (reversed) for the year	**(140,531,008)**	4,568,500
Charged during the year	**38,134,735**	-
Closing balance	**308,204,672**	410,600,945

13 LOANS AND ADVANCES

	Note	2012 Rupees	2011 Rupees
Considered good:			
Loans to others			
Employees	**13.1**	**1,786,805**	1,121,554
Advances			
Suppliers and others		**819,380**	3,190,172
		2,606,185	4,311,726

13.1 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.

14 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2012 Rupees	2011 Rupees
Exposure deposit	**14.1**	**263,458**	403,458
Prepayments		**91,550**	9,330
		355,008	412,788

14.1 This represents amount deposited with Karachi Stock Exchange 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 Limited.

	Note	2012 Rupees	2011 Rupees

15 OTHER RECEIVABLES

	Note	2012 Rupees	2011 Rupees
Mark up on receivable from associates	15.1	**84,274,383**	56,131,662
Others		**1,659,393**	1,571,400
		85,933,777	57,703,062

15.1 This mark up is charged on receivable from associates as more fully explained in note 7.

16 CASH AND BANK BALANCES

	2012 Rupees	2011 Rupees
Cash at bank in:		
Current accounts	**750,411**	2,982,185
Saving accounts	**11,880**	20,939
	762,291	3,003,124
Stamps in hand	**9,275**	458
	771,566	3,003,582

17 TRADE AND OTHER PAYABLES

	Note	2012 Rupees	2011 Rupees
Creditors	17.1	**158,080,737**	184,191,332
Accrued expenses		**31,666,690**	24,292,771
Unclaimed dividends		**2,544,013**	2,544,013
Others	17.2	**11,990,814**	10,872,919
		204,282,254	221,901,035

	Note	2012 Rupees	2011 Rupees
17.1 This includes Amounts due to related parties at the year end are as follows:			
First Pakistan Securities Limited		**20,608,371**	-
		20,608,371	-
17.2 Amounts due to related party at the year end is as under:			
National Asset Management Company Limited		**15,662**	20,032

18 ACCRUED MARK-UP

	2012 Rupees	2011 Rupees
Mark-up accrued on:		
Short-term borrowings	**65,564**	51,600
	65,564	51,600

19 SHORT-TERM BORROWINGS

	Note	Sanctioned Limit Rupees	2012 Rupees	2011 Rupees
From banking companies-Secured				
Bank Alfalah Ltd	19.1	272,000,000	**167,022,829**	271,915,590
NIB Bank Ltd	19.2	2,936,000	**353,152**	1,241,009
			167,375,981	273,156,599

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%.

20 LOAN FROM DIRECTOR

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

	Note	Sanctioned Limit Rupees	2012 Rupees	2011 Rupees
21 LONG-TERM FINANCING				
From banking companies-secured				
Bank Alfalah-TF-I	21.1	150,000,000	**150,000,000**	150,000,000
Bank Alfalah-TF-II	21.2	200,208,000	**230,589,075**	230,589,075
Bank Alfalah-TF-III	21.2	49,792,000	**49,792,204**	49,792,204
Summit Bank Ltd (Arif Habib Bank Ltd)-TF	21.3	200,000,000	**-**	100,097,501
United Bank Limited (Reclassified during the year)	21.4	300,000,000	**7,170,024**	7,170,024
The Bank of Punjab (Reclassified during the year)	21.5	500,000,000	**135,307,837**	135,204,000
From non-banking company-unsecured				
Sindh Industrial Trading Estates -S.I.T.E.	21.6		**152,584,934**	152,584,934
Overdue interest on long term loan	21.7		**285,094,864**	251,989,469
			1,010,538,937	1,077,427,207

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 Company is in negotiation process for the restructuring / rescheduling of the TF-I TF-II and TF-III with the bank and is hopeful for the favorable decision.
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.
The Company is in negotiation process for the restructuring / rescheduling of the TF-I TF-II and TF-III with the bank and is hopeful for the favorable decision.

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 installments in arrears after completion of grace period of 18 months.

21.4 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%.
M/S UBL has filed the recovery suite against the company for the recovery of outstanding balances before the Banking Court, Karachi. The company has thus stopped accruing any further mark-up.
In view of litigation pending in the court, there is no probability of any payment, both of the principal and markup, being made by the company during the next twelve months. The gross payment/installments shall accrue for payment now only on the superior court's pronouncing final judgment in this case. The learned legal advisor has stated that this process shall be completed in many years and not months. Therefore, the UBL markup liability of Rs. 1,936,934/- has been transferred from short term to long term liabilities. Also the corresponding principal loan of Rs. 7,170,024/- have been reclassified to long term borrowings.

21.5 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 losses or claim's arising from the instant litigation.

In view of litigation filed by the bank and now pending in the court, there is no probability of any payment, both of the principal and markup, being made by the company during the next 12 months. The gross payment / installments shall accrue for payment now only on the superior court's pronouncing final judgment in this case. The learned legal advisor has stated that this process shall be completed in many years and not months. Therefore, the short term liability of BOP of Rs. 135,307,837/- has been transferred from short term to long term liabilities.

21.6 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 25.

In view of litigation filed by the S.I.T.E. and now pending in the court, there is no probability of any payment, both of the principal and markup, being made by the company during the next twelve months. The gross payment / installments shall accrue for payment now only on the superior court's pronouncing final judgment in this case. The learned legal advisor has stated that this process shall be completed in many years and not months. Therefore, the S.I.T.E. long term liability of Rs. 152,584,934/- has been transferred from short term to long term liabilities.

21.7 This represents overdue interest on long term loan with Bank Alfalah Limited and United Bank Limited amounting to Rs. 283,157,930 and Rs. 1,936,934 respectively.

Current maturity of long term loans

The company has re-classified outstanding current maturity of long term loans amounting to Rs. 322,584,934/- (2011: Rs. 248,718,656) in long term financing as at June 30, 2012. Break-up as follows:

	Note	2012 Rupees	2011 Rupees
Bank Alfalah-TF-I / TF-II		**145,104,000**	65,273,150
Bank Alfalah-TF-III		**24,896,000**	12,448,000
Summit Bank Ltd (Arif Habib Bank Ltd)-TF		**-**	18,412,572
Sindh Industrial Trading Estates -S.I.T.E.		**152,584,934**	152,584,934
		322,584,934	248,718,656

The company has not made any payment of current maturity and is in negotiations with financial institutions for converting current maturity of loans into long term loans, as detailed in note 21.1 and 21.6 respectively.

22 LOAN FROM DIRECTOR

	Note	2012 Rupees	2011 Rupees
Carrying value of loan		**-**	4,449,224
Less: present value adjustment		**-**	-
Unwinding of discount on loan from director		**-**	692,299
		-	5,141,523

This represents present value of interest free/markup, of unsecured loan obtained from Mr. Ali Aslam Malik (CEO) of the Company amounting to Rs. Nil (2011: Rs. 9,169,000) recognized at amortized cost after discounting at average rate of borrowing. Loan is repayable on demand and is interest free.

	Note	2012 Rupees	2011 Rupees

23 LOAN FROM SPONSORS

	Note	2012 Rupees	2011 Rupees
Loan From Sponsors		**68,497,501**	-
		68,497,501	-

This represents unsecured interest free loan received from Mrs. Adeela Ali w/o Mr. Ali Aslam Malik.

24 DEFERRED LIABILITIES

	Note	2012 Rupees	2011 Rupees
Gratuity	**30**	**6,419,272**	5,607,696
		6,419,272	5,607,696

25 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 had filed an appeal with the CIT (appeals) in respect of the above mentioned disallowance and decision was made in favor of the company as on 26-07-2012

- 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. 99,321,837/- 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 Honorable 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 favorable decision. Meanwhile, the company has been granted stay dated 01/02/2012 by the honorable high court.

- 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 favorable decision.

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

	Note	2012 Rupees	2011 Rupees
Commitment			
Capital expenditure contracted for but not incurred		**100,020,000**	100,020,000

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

26 SHARE CAPITAL

26.1 Authorized capital

	2012 Rupees	2011 Rupees
150,000,000 (2011: 100,000,000) Ordinary shares of Rs.10 each	**1,500,000,000**	1,000,000,000

26.2 Issued, subscribed and paid-up share capital

	2012 Rupees	2011 Rupees
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
80,500,000 Ordinary shares of Rs. 10 each issued fully paid in cash as right shares at discount	**805,000,000**	-
	1,380,000,000	575,000,000

The company has issued right shares at Rs.2.50 on Sep 20, 2011 at a discount of Rs.7.50 per share on the face value of Rs.10 each to generate additional capital of Rs.201.250 million.

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

	2012		2011	
	Shares held	Percentage	Shares held	Percentage
First Florance Developers (Pvt.) Limited	79,217,650	57.404%	5,587,650	9.718%
Yarmouk Paper & Board Industry (Pvt.) Limited	300,000	0.217%	300,000	0.522%
MCD Pakistan Limited	2,353,950	1.706%	2,353,950	4.094%
First Pakistan Securities Limited	13,238,808	9.593%	13,241,540	23.029%
Switch Securities (Pvt.) Limited	7,422,899	5.379%	7,422,899	12.909%

26.4 The directors, their spouses and minor children hold 2,750,229 shares as at June 30, 2012 (2011: 2,253,451 shares).

	Note	2012 Rupees	2011 Rupees
27 OPERATING REVENUE			
Brokerage income		**38,263,330**	29,693,274
Dividend income		**1,555,063**	1,891,149
Other		**2,000,400**	2,064,867
		41,818,794	33,649,290

	Note	2012 Rupees	2011 Rupees
28 OTHER OPERATING INCOME			
Income from financial assets			
Mark-up on:			
Deposits Accounts		**18,474**	904
Exposure deposits		**157,714**	28,496
Receivable from associates		**28,142,723**	28,065,830
		28,318,911	28,095,230
Income from non-financial assets			
Gain /(Loss) on disposal of property and equipment		**(140,265)**	158,789
Provision written back	12.2	**140,531,008**	-
Mark-up waived off	28.1	**56,947,954**	-
Accrued expenses written off		**-**	1,548,739
Reversal of mark up SITE		**-**	8,262,558
Miscellaneous	28.2	**680,000**	2,230,022
		226,337,608	40,295,338

28.1 This represents overdue markup waived off by Summit Bank Limited upon full and final settlement / payment of its restructured term finance facility on Nov 30, 2011 under an agreement dated Sep 30, 2011.

28.2 This includes rent received from National Asset Management Company Limited amounting to Rs 680,000 (2011: Rs 600,000), a related party.

	Note	2012 Rupees	2011 Rupees
29 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	29.1	**29,172,459**	35,820,063
Rent, rates and taxes		**6,334,942**	6,197,241
Fuel and repairs and maintenance		**4,643,082**	5,081,677
Utilities		**4,806,449**	5,388,375
Fees and subscription		**2,115,787**	2,416,191
KSE, clearing house and CDC charges		**2,187,525**	2,090,718
Corporate expenses		**-**	33,900
Insurance charges		**22,447**	221,946
Travelling and conveyance		**949,534**	765,692
Depreciation	4	**7,251,235**	8,230,234
Communication, printing and stationery		**2,231,182**	2,857,588
Legal and professional charges		**808,786**	1,632,916
Entertainment		**1,256,522**	1,984,373
Advertisement expenses		**164,272**	259,210
Others		**2,524,322**	754,093
		64,468,543	73,734,217

29.1 Salaries, allowances and other benefits include Rs.1,797,034 (2011: Rs 2,397,674) in respect of staff retirement benefits.

	Note	2012 Rupees	2011 Rupees

30 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, 2012. Projected Unit Credit method using the following significant assumptions, was used for the valuation of the scheme:

	2012	2011
a) Discount rate	**13%**	14%
b) Expected rate of increase in salary	**13%**	14%
Amount recognized in the profit and loss account		
Current service cost	**1,058,792**	1,979,545
Interest cost	**738,242**	416,909
Recognition of actuarial (gains) / losses	**-**	-
Expense	**1,797,034**	2,396,454
Amount recognized in the balance sheet		
Present value of defined benefit obligation	**4,044,610**	5,273,156
Add /(less) : unrecognized actuarial gains	**2,052,834**	(232,570)
Add: benefits payable to outgoing members	**321,828**	567,110
Liability recognized as at June 30, 2012	**6,419,272**	5,607,696
Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation as at July 1, 2011	**5,273,156**	3,474,244
Current service cost	**1,058,792**	1,979,545
Interest cost	**738,242**	416,909
Actuarial gains	**(2,285,404)**	272,917
Liability transferred from associated concern	**-**	205,151
Benefits due but not paid	**(82,077)**	(567,110)
Benefits paid	**(658,099)**	(508,500)
Present value of defined benefit obligation as at June 30, 2012	**4,044,610**	5,273,156
Movement of liability		
Liability as at July 1, 2011	**5,607,696**	3,514,591
Add: expense for the year	**1,797,034**	2,396,454
Add: liability transferred from associated concern	**-**	205,151
Less: payments made during the year	**(985,458)**	(508,500)
Liability as at June 30, 2012	**6,419,272**	5,607,696

Five year data on experience adjustments

	2012	2011	2010	2009	2008
	(Rupees)				
Present value of defined benefit obligation, June 30	4,044,610	5,273,156	3,474,244	2,479,375	3,114,567
Experience adjustment arising on plan liabilities gains / (losses)	(2,285,404)	272,917	689,458	(477,903)	133,433

Based on actuarial advice the Company intends to charge an amount of approximately Rs 1,595,436 in respect of the gratuity scheme in the financial statements for the year ending June 30, 2012.

The information provided in this note has been obtained from the valuation carried out by an independent actuary as at June 30, 2012.

31 FINANCE COST

	Note	2012 Rupees	2011 Rupees
Mark-up on:			
Short term borrowings		**162,133**	1,524,017
Long Term Financing		**89,985,278**	120,072,383
Bank and other charges	31.1	**13,214,072**	8,009,263
Documentation charges		**4,000**	7,000
Unwinding of discount on loan from director		**-**	692,299
		103,365,483	130,304,962

31.1 This includes finance charges paid by the company in order to pay off / settle clearing with National Clearing Company of Pakistan Limited (NCCPL).

		Note	2012 Rupees	2011 Rupees
32	**OTHER OPERATING EXPENSES**			
	Auditors' remuneration	**32.1**	**1,040,000**	950,000
	Trade debts written off		**-**	109,129
	Provision for doubtful debts		**38,134,735**	4,568,500
	Commission to trading agents		**6,943,533**	6,207,485
			46,118,269	11,835,114

32.1 Auditors' remuneration		
Statutory audit fee	**550,000**	550,000
Half yearly review fee	**200,000**	200,000
Special reports, certifications and sundry services	**165,000**	100,000
Code of corporate governance	**75,000**	75,000
Out of pocket expenses	**50,000**	25,000
	1,040,000	950,000

33 TAXATION

Current:		
for the year	**599,144**	379,548
for prior years	**-**	(2,841,986)
Deferred	**35,552,875**	1,257,243
	36,152,019	(1,205,195)

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 113(A) of the Income Tax Ordinance, 2001.

34 EARNING PER SHARE - BASIC AND DILUTED

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

Profit/(loss) after taxation attributable to ordinary shareholders	**31,635,462**	(176,202,435)
Weighted average number of ordinary shares in issue during the year	**119,346,120**	57,500,000
Earning Per Share	**0.27**	(3.06)

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.

35 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:

	2012			2011		
	Chief executive	**Executive Directors**	**Executives**	**Chief executive**	**Executive Directors**	**Executives**
	(Rupees)					
Managerial remuneration	6,000,000	3,060,000	2,295,000	6,000,000	3,060,000	4,801,801
Utilities	367,134	63,923	-	693,699	48,648	18,000
Conveyance and travelling	1,048,067	338,316	90,611	722,067	465,175	464,195
	7,415,201	3,462,239	2,385,611	7,415,766	3,573,823	5,283,996
No of persons	1	3	4	1	3	9

The chief executive, executive directors and 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 Nil as at June 30, 2012 (2011: Rs 33,900).

36 RELATED PARTY TRANSACTIONS

	2012			
	Key Management	Associates	Other related parties	Total
	------(Rupees)------			
Transactions during the year				
Purchase of marketable securities for and on behalf of	**-**	**381,321,716**	**-**	**381,321,716**
Sale of marketable securities for and on behalf of	**-**	**302,173,080**	**-**	**302,173,080**
Brokerage income	**-**	**2,230,185**	**-**	**2,230,185**
Rent received	**-**	**680,000**	**-**	**680,000**
Remuneration to key management personnel	**13,263,051**	**-**	**-**	**13,263,051**
Gratuity charged	**960,000**	**-**	**-**	**960,000**
Mark up on receivable from associates	**-**	**28,142,723**	**-**	**28,142,723**

	2011			
	Key Management	Associates	Other related parties	Total
	------(Rupees)------			
Transactions during the year				
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

The Company has related party relationship with its associated undertakings, 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.

37 CASH AND CASH EQUIVALENTS

	Note	2012 Rupees	2011 Rupees
Cash and bank balances		**771,566**	3,003,582
Short-term borrowings		**(167,375,981)**	(273,156,599)
		(166,604,415)	(270,153,017)

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

		Note	2012 Rupees	2011 Rupees
38	**CASH GENERATED FROM OPERATIONS**			
	Profit/(Loss) before taxation		**67,787,481**	(177,407,630)
	Adjustment for non cash items			
	Depreciation		**7,251,235**	8,230,234
	Gain/(Loss) on disposal of property and equipment		**140,265**	(158,789)
	(Gain) / Loss on disposal of investments		**(739)**	37,368,906
	Share of profit of associate - net of tax		**(2,827,770)**	(5,819,535)
	Unrealized (Profit)/Loss on investments at fair value through profit or loss-held for trading-net		**(10,754,865)**	3,928,595
	Provision for doubtful debts		**38,134,735**	4,568,500
	Provision for gratuity		**1,797,034**	2,397,674
	Finance cost		**103,365,483**	130,304,961
	Provision of markup written back		**(56,947,954)**	-
	Provision written back		**(140,531,008)**	-
	Dividend income		**(1,555,063)**	(1,891,149)
	Mark-up income on exposure deposits		**(157,714)**	(28,496)
	Mark-up income from related party		**(28,142,723)**	(28,065,830)
	Mark-up income on fixed deposits		**(18,474)**	(904)
	Working capital changes	**38.1**	**(31,289,451)**	39,869,805
	Cash generated from operations		**(53,749,529)**	13,296,342

38.1	**Changes in working capital**			
	Decrease / (increase) in current assets			
	Trade debts		**12,796,725**	5,702,171
	Loans and advances		**1,705,541**	369,393
	Trade deposits and short-term prepayments		**57,780**	653,008
	Other receivables		**(28,230,715)**	(28,714,258)
			(13,670,670)	(21,989,686)
	Increase / (decrease) in current liabilities			
	Trade and other payables		**(17,618,781)**	61,859,491
			(31,289,451)	39,869,805

39 FINANCIAL INSTRUMENTS BY CATEGORY

	2012				
	Loans and receivables	**Available for sale**	**At fair value through profit and loss**	**At amortised cost**	**Total**
	------------(Rupees)------------				
Assets					
Non-current assets					
Long-term deposits	**3,185,179**	**-**	**-**	**-**	**3,185,179**
Receivable from associates	**175,411,452**	**-**	**-**	**-**	**175,411,452**
Current assets					
Short-term investments	**-**	**125,991,679**	**25,041,326**	**-**	**151,033,005**
Trade debts - net	**287,764,467**	**-**	**-**	**-**	**287,764,467**
Loans and advances	**2,606,185**	**-**	**-**	**-**	**2,606,185**
Trade deposits	**263,458**	**-**	**-**	**-**	**263,458**
Other receivables	**85,933,777**	**-**	**-**	**-**	**85,933,777**
Cash and bank balances	**762,291**	**-**	**-**	**-**	**762,291**
Liabilities					
Current liabilities					
Trade and other payables	**-**	**-**	**-**	**204,282,254**	**204,282,254**
Accrued mark-up	**-**	**-**	**-**	**65,564**	**65,564**
Short-term borrowings	**-**	**-**	**-**	**167,375,981**	**167,375,981**
Loan from director	**-**	**-**	**-**	**-**	**-**
Non-current liabilities					
Long-term financing	**-**	**-**	**-**	**1,010,538,937**	**1,010,538,937**
Loan from director	**-**	**-**	**-**	**68,497,501**	**68,497,501**

	2011				
	Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost	Total
	-----------------------------------(Rupees)-----------------------------------				
Assets					
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	-	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	56,131,662	-	-	-	56,131,662
Cash and bank balances	3,003,124	-	-	-	3,003,124
Liabilities					
Current liabilities					
Trade and other payables	-	-	-	221,901,035	221,901,035
Accrued mark-up	-	-	-	51,600	51,600
Short-term borrowings	-	-	-	273,156,599	273,156,599
Loan from director	-	-	-	13,700,000	13,700,000
Non-current liabilities					
Long-term financing	-	-	-	1,077,427,207	1,077,427,207
Loan from director	-	-	-	5,141,523	5,141,523

	2012				
	Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost	Total
	-----------------------------------(Rupees)-----------------------------------				
Income / other items					
Operating revenue	**2,000,400**	**-**	**-**	**-**	**2,000,400**
Other operating income	**28,318,911**	**-**	**-**	**-**	**28,318,911**
Gain on sale of investments-held for trading	**-**	**-**	**743,321**	**-**	**743,321**
(Expenses / other items)					
Loss on sale of investments-available for sale	**-**	**(742,581)**	**-**	**-**	**(742,581)**
Finance cost	**-**	**-**	**-**	**162,133**	**162,133**
Unrealized loss on re-measurement of investments	**-**	**-**	**10,754,865**	**-**	**10,754,865**

	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

	2011				
	Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost	Total
	------------------------------------(Rupees)------------------------------------				
(Expenses / other items)					
Loss on sale of investments	-	(40,769,085)	-	-	(40,769,085)
Finance cost	-	-	-	1,524,017	1,524,017
Unrealized loss on re-measurement of investments	-	-	(3,928,595)	-	(3,928,595)

40 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.

40.1 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.

40.1.1 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.

40.1.2 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, 2012			
	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	**-**	**-**	**3,185,179**	**3,185,179**
Receivable from associates	**-**	**-**	**175,411,452**	**175,411,452**
	-	**-**	**178,596,631**	**178,596,631**
Current assets				
Short-term investments	**-**	**-**	**151,033,005**	**151,033,005**
Trade debts - net	**-**	**-**	**287,764,467**	**287,764,467**
Loans and advances	**-**	**-**	**2,606,185**	**2,606,185**
Trade deposits	**263,458**	**-**	**-**	**263,458**
Other receivables	**-**	**-**	**85,933,777**	**85,933,777**
Cash and bank balances	**11,880**	**-**	**750,411**	**762,291**
	275,338	**-**	**528,087,845**	**528,363,183**
Sub Total	**275,338**	**-**	**706,684,476**	**706,959,814**

	As at June 30, 2012			
	Exposed to Yield / Interest risk		Not exposed to Yield / Interest rate risk	Total
	Up to one year	More than one year		
Financial liabilities				
Current liabilities				
Trade and other payables	**-**	**-**	**204,282,254**	**204,282,254**
Accrued mark-up	**-**	**-**	**65,564**	**65,564**
Short-term borrowings	**167,375,981**	**-**	**-**	**167,375,981**
Loan from director	**-**	**-**	**-**	**-**
	167,375,981	**-**	**204,347,818**	**371,723,799**
Non current liabilities				
Long term financing	**-**	**1,010,538,937**	**-**	**1,010,538,937**
Loan from director	**-**	**-**	**-**	**-**
Loan from sponsor	**-**	**-**	**68,497,501**	**68,497,501**
	-	**1,010,538,937**	**68,497,501**	**1,079,036,438**
Sub Total	**167,375,981**	**1,010,538,937**	**272,845,319**	**1,450,760,237**
On-balance sheet gap	**(167,100,643)**	**(1,010,538,937)**	**433,839,157**	**(743,800,423)**
Off-balance financial instruments	**-**	**-**	**-**	**-**
Off-balance sheet gap	**-**	**-**	**-**	**-**
Total interest rate sensitivity gap	**(167,100,643)**	**(1,010,538,937)**		
Cumulative interest rate sensitivity gap	**(167,100,643)**	**(1,010,538,937)**		

	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		
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	-	-	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
Sub Total	424,397	-	524,848,361	525,272,758

	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		
Financial liabilities				
Current liabilities				
Trade and other payables	-	-	221,901,035	221,901,035
Accrued mark-up	-	-	51,600	51,600
Short-term borrowings	273,156,599	-	-	273,156,599
	273,156,599	-	221,952,635	495,109,234
Non current liabilities				
Long term financing	-	1,077,427,207	-	1,077,427,207
Loan from director	-	5,141,523	-	5,141,523
Loan from sponsor	-	-	-	-
	-	1,082,568,729	-	1,082,568,729
Sub Total	273,156,599	1,082,568,729	221,952,635	1,577,677,963
On-balance sheet gap	(272,732,202)	(1,082,568,729)	302,895,727	(1,052,405,205)
Off-balance financial instruments	-	-	-	-
Off-balance sheet gap	-	-	-	-
Total interest rate sensitivity gap	(272,732,202)	(1,082,568,729)		
Cumulative interest rate sensitivity gap	(272,732,202)	(1,082,568,729)		

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

	2012	2011
	Percentage	
Short term borrowings	**14.40 - 16.04**	14.79 - 17.66
Long term financing	**13.91 - 15.53**	14.29 - 17.02
Receivable from associates	**16**	16
Bank balances	**-**	-
Exposure deposits with KSE	**17**	17

40.1.2.2 Sensitivity analysis for variable rate instruments

In case of 100 basis points increase / decrease in KIBOR on June 30, 2012 with all other variables held constant, would not have any material impact on the net assets of Company and net profit for the year.

The sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the impact on Company's net assets of future movements in interest rates.

40.1.3 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 polices.

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, 2012 the net loss for the year relating to securities classified as fair value through profit and loss would decrease / increase by Rs. 537,743 (2011: Rs. 196,430) 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, 2012, 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. 1,238,967 (2011: Rs. 3,722,427) 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, 2012 is not necessarily indicative of the effect on the Company's net assets of future movements in the level of KSE100 index.

40.2 Credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties failed to perform as contracted. All the financial assets of the Company except Rs.9,275 (2011: Rs. 458) 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 management is confident that credit quality of debts which are not past due nor impaired remains sound at the balance sheet date.

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, 2012 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.

	2012		2011	
	Total outstanding amount	Payment over due (in days)	Outstanding amount	Payment over due (in days)
	Rupees		Rupees	
Financial instruments carried at amortised cost				
Trade debts - net	**287,764,467**	**1 - 360**	198,164,918	1 - 360
Loan from director	**-**		5,141,523	

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.

	2012			
	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	**-**	**1,970,426**	**2,600,144**	**591,398,570**
Loan from director	**-**	**-**	**-**	**-**

	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

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

40.3 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 analysis 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.

	2012			
	Up to three months	More than three months and up to one year	More than one year	Total
	--------------------------------(Rupees)--------------------------------			
Current liabilities				
Trade and other payables	**204,282,254**	**-**	**-**	**204,282,254**
Accrued mark-up	**65,564**	**-**	**-**	**65,564**
Short-term borrowings	**167,375,981**	**-**	**-**	**167,375,981**
Loan from director	**-**	**-**	**-**	**-**
Non current liabilities				
Long term financing	**-**	**-**	**1,010,538,937**	**1,010,538,937**
Loan from director	**-**	**-**	**68,497,501**	**68,497,501**
Loan from sponsor	**-**	**-**	**-**	**-**

	2011			
	Up to three months	More than three months and up to one year	More than one year	Total
	--------------------------------(Rupees)--------------------------------			
Current liabilities				
Trade and other payables	221,901,035	-	-	**221,901,035**
Accrued mark-up	51,600	-	-	**51,600**
Short-term borrowings	273,156,599	-	-	**273,156,599**
Loan from director	13,700,000	-	-	**13,700,000**
Non current liabilities				
Long term financing	-	-	1,077,427,207	**1,077,427,207**
Loan from director	-	-	-	**-**
Loan from sponsor	-	-	5,141,523	**5,141,523**

40.4 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.

41 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.

42 USE OF COLLATERAL AND TRADING SECURITIES

The Company utilizes customers marginable securities for meeting the exposure deposit requirements of the Karachi Stock Exchange 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 utilized by the Company with the consent of the customers. As at June 30, 2012 securities amounting to Rs.19,917,192 (2011: Rs. 12,743,639) and Rs.97,493,510 (2011: Rs. 185,839,828) were pledged / utilized by the Company for meeting the exposure deposit requirement of the Karachi Stock Exchange Limited and for securing financing facilities from banks respectively.

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

44 RE-CLASSIFICATION AND RE-ARRANGEMENTS

Corresponding figures have been reclassified and rearranged wherever necessary to reflect more appropriate presentations of events and transactions for the purpose of comparison. Significant reclassification and rearrangement are as follows:

Particulars	From	To	Rupees
S.I.T.E Loan	Current portion of long term loan	Long term financing	152,584,934
Bank of Punjab Loan	Short term borrowings	Long term financing	135,307,837
United Bank Limited Loan	Short term borrowings	Long term financing	7,170,024
Accrued markup of UBL Loan	Accrued markup	Overdue interest on long term loan	1,936,634

45 NUMBER OF EMPLOYEES

	2012	2011
Number of employees at the year end.	**89**	113

46 GENERAL AND CORRESPONDING FIGURES

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

47 DATE OF AUTHORISATION

These financial statements have been authorized for issue on **November 08, 2012** by the Board of Directors of the Company.

Chief Executive

Director

PATTERN OF SHAREHOLDING
As at June 30, 2012

NUMBER OF SHAREHOLDERS	From	To	TOTAL SHARES HELD
177	1	100	5,156
92	101	500	27,405
90	501	1000	61,959
113	1001	5000	275,665
17	5001	10000	132,062
46	10001	100000	1,793,907
21	100001	1000000	6,677,973
5	1000001	2000000	6,988,985
3	2000001	3000000	7,755,950
1	4000001	5000000	4,765,990
1	6000001	7000000	6,257,949
1	11000001	12000000	11,760,309
1	12000001	13000000	12,279,040
1	16000001	17000000	16,317,650
1	62000001	63000000	62,900,000
570			138,000,000

Categories of Shareholders

AS at June 30, 2012.

Categories	Number	Shares Held	Percentage
Related Parties			
First Florance Developers (Pvt.) Limited	2	79,217,650	57.404
Yarmouk Paper & Board Industry (Pvt.) Limited	1	300,000	0.217
MCD Pakistan Limited	1	2,353,950	1.706
First Pakistan Securities Limited	4	13,238,808	9.593
Switch Securities (Pvt.) Limited	2	7,422,899	5.379
Directors, Chief Executive and their Spouse and Minor Children			
Ali Aslam Malik	4	1,950,374	1.413
Malik Atiq-ur-Rehman	2	175,850	0.127
Muhammad Iqbal Khan	1	2,760	0.002
Shahzad Akbar	1	15,180	0.011
Mohammad Ali Khan	1	1,200	0.001
Rais Ahmed Dar	1	1,440	0.001
Amir Shehzad	1	2,400	0.002
Mrs. Adeela Ali	1	575	0.000
Omer Ali Malik (M) Through Guardian Ali A. Malik	1	54,300	0.039
Mrs. Ghazala Rais Dar	1	546,150	0.396
Executives	0	-	0.000
Banks/DFIs/NBFIs	6	418,914	0.304
Modarabas/ Mutual Funds & Foreign Investors	2	11,760,884	8.522
Joint Stock Companies	25	6,561,599	4.755
Insurance Companies	1	46,591	0.034
NIT & ICP	1	10,498	0.008
Individual	511	13,917,978	10.085
	570	138,000,000	100.000

Detail of Shareholding 10% & more

First Florance Developers (Pvt.) Limited	79,217,650	57.404

Branch Network
of First National Equities Limited

Lahore Office

FNE House, 179-B, Abu Bakar Block,
New Garden Town, Lahore
Tel: 042-35843721-27
Fax: 042-35843730

Abbottabad Office

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

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

Mardan Office

Shop No 32-33, Cantonment Plaza,
The Mall, Mardan
Tel: 0937-875827-29
Fax: 0937-875830

Peshawar offices

2nd Floor, State Life Building, 34 The Mall,
Peshawar Cantt, Peshawar
Tel: 091-5260935, 5260965
Fax: 091-5260977

Daska Office

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

Rawalpindi Offices

53/7, Haider Road, Rawalpindi Cantt,
Rawalpindi.
Tel: 051-5563195-96
Fax: 051-5563194

Multan Office

Office No. 32, 1st Floor, Khan Centre,
Abdali Road, Multan Cantt. Multan.
Tel: 061-4783311-13

Islamabad Office

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

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 Particiapant I.D. ____________ No.Sub-Account No. ____________
C N I C No. | | | | | | | | | | | | | | | | 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 Friday , Novembe 30, 2012 at 07:00 p.m. and at any adjournment thereof.

Please affix rupees five revenue stamp

(Signatures should agree with the specimen signature)

Signature of Shareholder ____________________
Signature of Proxy ____________________

Dated this ______ day of __________ ,2012

For beneficial owners as per CDC list

1.WITNESS

Signature: ____________________
Name: ____________________
Address: ____________________
CNIC NO: | | | | | | | | | | | | | | | |
or Passport No. ____________________

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: 042-35843721-27
Fax: 042-35843730

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