



Vision...

Connecting people,

ideas and capital, we will be our clients'

First Choice

for achieving their financial aspirations"

Mission...

"We will put interest of

our stakeholders

above our own; and

measure our success

by how much we

help them in

achieving theirs".

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COMPANY INFORMATION

Board of Directors:

Mr. Ali A. Malik	Chairman / Director / Chief Executive
Mr. Muhammad Iqbal Khan	Director
Malik Atiq ur Rehman	Director
Mr. Shahzad Akbar	Director
Mr. Saad Tawab	Director
Mr. Tajamal Rashid	Director
Mr. Muhammad Ali Khan	Director
Mr. Yoshihiro Saito	Director

Audit Committee:

Mr. Muhammad Iqbal Khan	Chairman
Malik Atiq ur Rehman	Member
Mr. Shahzad Akbar	Member

CFO & Company Secretary

Mr. Tajamal Rashid

Auditors:

A. F. Ferguson & Co
Chartered Accountants
Karachi

Legal Advisor:

Minto & Mirza, Advocates

Income Tax Advisor

Sharif & Company, Advocates

Registrar:

Technology Trade (Pvt) Limited
Dagia House, 241-C, Block - 02,
P.E.C.H.S. Off: Main Shahrah-e-Quaideen, Karachi.
Tel: (92-21) 34391316-7 & 19, 34387960-61
Fax: (92-21) 34391318



Bankers:

Allied Bank Limited
Arif Habib Bank Limited
Bank Al Falah Limited
Bank Islami Pakistan Limited
Habib Metropolitan Bank Limited
JS Bank Limited
KASB Bank Limited
MCB Bank Limited
My 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
PABX (92-42) 35843721-7
Fax: (92-42) 35843730

Registered Office:

FNE House: 19-C, Sunset Lane-06, South Park Avenue
Phase – II, Extension, D.H.A. Karachi.
PABX: (92-21) 32462906-9
Fax: (92-21) 32462921
Website: www.fnetrade.com

KSE Office:

135-136, 3rd Floor, Stock Exchange
Building Stock Exchange Road,
Karachi.
Tel: (92-21) 32472119, 32472665, 32472076
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 will be held at FNE House, 19-C, Sunset Lane 6, South Park Avenue, Phase II Ext. DHA, Karachi on Thursday November 05, 2009 at 10:00 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting of the company held on October 18, 2008.
2. To receive, consider and adopt the audited annual financial statements of the company together with the directors' and auditors' reports for the year ended June 30, 2009.
3. To appoint auditors of the company for the year ending June 30, 2010 and to fix their remuneration. Present auditors namely A.F. Ferguson & Co. Chartered Accountants have retired and another firm namely Anjum Asim Shahid Rahman & Co. Chartered Accountants, being eligible, has offered themselves for appointment as auditors of the company.

SPECIAL BUSINESS

4. To consider and to pass the special resolution authorizing the alteration in the Memorandum of Association of the company.
5. To consider and seek approval of the members of the company in respect of investment made by the company amounting to Rs 20 million in the seed capital of NAMCO Income Fund (launched and managed by National Asset Management Company Limited, an associate of the company).
6. To consider and pass the special resolution for the approval of unsettled trade debts of associated companies. The company be and is hereby to recover the mark up at the rate which shall not be less than the company's borrowing cost.
7. To transact any other business of the company that may be placed before the meeting with the permission of the chair.

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

By Order of the Board
TAJAMAL RASHID
 Chief Financial Officer &
 Company Secretary

Karachi: October 15, 2009

Notes:

1. The Register of the Members of the Company will remain closed from October 29, 2009 to November 05, 2009 (both days inclusive). Transfer received in order at Company's Registrar, Technology Trade (Pvt.) Ltd. Dagia House, 241-C, P.E.C.H.S. Block-2, Karachi close of business on October 28, 2009 will be considered in time.
2. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy to attend and vote on his/her behalf. The instrument appointing a Proxy and the power of attorney or other authority under which it is signed or a notarially attested copy of the power of attorney must be received at the Registered Office of the Company duly stamped, signed and witnessed not later than 48 hours before the meeting.
3. Central Depository Company account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A. For Attending the Meeting

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

B. For Appointing Proxies

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



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

This statement sets out the material facts concerning the special business, given in agenda items, to be transacted at the Annual General Meeting of the Company, which will be held on November 05, 2009.

1. The books of the Accounts of the Company are maintained at principal office, 179/B, Abu Bakar Block, New Garden Town, Lahore. The Chief Executive and Chief Financial Officer are also operating Business in the same premises. The management is desirous to change the Registered Office from Karachi to Lahore.

Therefore, it is required to amend the Memorandum of Association of the company and the following resolution is proposed to be passed:

“RESOLVED AS SPECIAL RESOLUTION THAT object clause II of the Memorandum of Association of the Company is hereby amended as follows:

Memorandum of Association of First National Equities Limited. BEFORE AMENDMENT	Memorandum of Association of First National Equities Limited. AFTER AMENDMENT
The Registered Office of the company will be situated in the province of Sind.	The Registered Office of the company will be situated in the province of Punjab.

“FURTHER RESOLVED that Chief Executive Officer and Company Secretary be and are hereby authorized to fulfill all requisite legal, procedural and corporate formalities for affecting the alteration of the Memorandum and Articles of Association, including signing swearing and submitting appropriate applications with the Securities and Exchange Commission of Pakistan for obtaining approval/confirmation of alteration of Memorandum and Articles of Association as required under the Companies Ordinance 1984”.

2. The placement of Amount of Rs 20 million by the company in NAMCO-Income Fund was made, not redeemable for two years, nevertheless, transferable. According to the opinion of our legal Advisor and the law prevalent at the relevant time and as per the SRO No 684(1) of 2008 and SRO 819 of 2007, no special resolution was required for the said placement. In order to remove the objection of SECP and keeping in view the exigencies of the matter in question, the management has decided to take the approval from our shareholders in our forthcoming Annual General Meeting. Information required under SRO 865(1)/2000 are given below

Name of Investee company	Namco Income Fund
Nature, amount and Extent of Investment	Core Investment amounting to Rs. 20,000,000
Average market price of the shares intended to be purchased during preceding six months	Not applicable as fresh issue of the fund therefore no price history available
Break up value of the shares intended to be purchased on the basis of last published financial statement	Not applicable
Price at which shares will be purchased	200000 units @ RS. 100/- per unit
Earning per share of investee company during last three years	Not applicable
Sources of funds from which shares will be purchased	Company's own sources
Period for which investment will be made	Long term Investment
Purpose of investment	Revenue Generation by way of Dividend/ Bonus
Benefits likely to accrue to the company and the share holders from the proposed investment	Dividend/ Capital Gains
Interest of Directors and their relatives in the investee company	Chief Executive of First National equities Ltd. Is also director in the management company of the Income Fund namely “ National asset management company Limited and have no special interest except to the extent of his share holding



Therefore following resolution is proposed to be passed:

“RESOLVED AS SPECIAL RESOLUTION THAT the post facto approval of placement of amounting to Rs. 20 million in the NAMCO-Income Fund is be and hereby approved”.

3. The company being a member of the Karachi stock exchange offered equity brokerage services for a number of individuals and corporate bodies, including the above named Associated Companies on market terms. This activity had been ongoing since the inception of the company and was settled as per settlement terms of the Karachi Stock Exchange notified from time to time. This activity was extremely profitable for the company over a number of years. Due to the well known local and international unprecedented turmoil in the financial markets and the Karachi Stock Exchange including disruption in normal trading activity, insertion of floor mechanism and lack of liquidity in the capital markets resulted in non-settlement of these trade debts by the debtors including Associated Company debts. This force majeure event and non settlement by a number of trade debtors including the Associated Companies was unplanned and forced under the circumstances.
- Given the above force majeure nature of the trade debt settlement problems the Company intends to seek the shareholder approval for regularizing these forced unsettled trade debts by these Associated Companies.

This statement is to set out all material facts concerning such special business in accordance with Section 208 of the Companies Ordinance, 1984 and S.R.O 865(I)/2000 dated December 06, 2000 issued by the Securities & Exchange Commission of Pakistan.

Name of Investee Company/Trade Debtor	First Pakistan Securities Limited
Nature, amount and extent of Investment	Unsettled Trade debts of Rs. 90,993,621
Brief Financial	Profit after Taxation 2006-07 Rs. 54,121,039 2007-08 Rs. 21,590,123 2008-09 Rs.(896,731,054)
Security	Marketable equities
Markup	Rate not less than borrowing cost of the company
Trade Debtors Financial Position	
Source of Funds	Company Cash Flow
Repayment Schedule	Maximum of 3 years with a view to payment as soon as possible

Name of Investee Company/Trade Debtor	Switch Securities Pvt. Ltd.
Nature, amount and extent of Investment	Unsettled Trade debts of Rs. 84,417,832
Brief Financial	Profit after Taxation 2006-07 Rs. 5,815,794 2007-08 Rs. 55,754,384 2008-09 Rs.(536,222,877)
Security	Marketable equities
Markup	Rate not less than borrowing cost of the company
Trade Debtors Financial Position	
Source of Funds	Company Cash Flow
Repayment Schedule	Maximum of 3 years with a view to payment as soon as possible

Therefore following resolution is proposed to be passed

“RESOLVED AS SPECIAL RESOLUTION THAT the debts outstanding as on June 30th, 09 with associated and related companies, namely First Pakistan Securities Limited and Switch Securities Private Limited amounting to Rupees 90,993,620 and Rupees 84,417,832 respectively be acknowledged and approved”

“FURTHER RESOLVED THAT mark up on outstanding amount shall be charged at the rate not less than borrowing cost of the company”



DIRECTORS' REPORT

Dear Share holders

On behalf of the Board of Directors, I am honored to present the Annual Report of your company for the year ended June 30, 2009, together with the auditor's report thereon.

The Macro View

As you know that the year 2009 was one of the most difficult for Pakistan and especially for the stock markets in Pakistan. I don't intend to outline each negative outcome of the year 2009 but I would like to highlight some of the salient issues faced by the Country so that you understand the reason behind your Company's financial performance:

- The electoral process and the new democratic processes were heralded to be harbingers of positive change but the lingering unsolved issues like restoration of judges etc continued to plague the political climate causing continuous uncertainty.
- On the international front the trend of increases in the prices of essential commodities and raw materials especially oil continued to rise causing great difficulty for Pakistan's Balance of Payments. These led to still unresolved issues like creation of a circular debt.
- To top it all, the credit crunch in the international markets acted like fuel on fire causing great damage and distress not only to the domestic stock markets but financial institutions worldwide. This resulted in fire sale of Pakistan equities by international funds to meet redemptions in their domestic markets causing a massive decline in the values of shares leading to the worst possible outcome for your company i.e. effective closure of the Karachi Stock Exchange.

The Stock Market Performance

The biggest event in the market was the panic caused by the international credit crunch and resulting in a massive fall in the values of prices of Pakistani stocks. The KSE 100 index dropped from 15676 on April 18, 2008 to 4782 on January 27, 2009. This was primarily due to international and the local funds trying to liquidate their positions at greatly discounted prices. This forced selling caused panic in the market which lead to the force majeure and implementation of price floor mechanism ensuring no trading at the Karachi Stock Exchange. This lack of liquidity and trading which was unprecedented in the capital markets anywhere in the world hit us very badly.

Our Performance

Understandably your company's performance took a major hit during this year. I am outlining key financial results and you can see that they are significantly worse off than last year.

Financial Results

	2009	2008
	(Rupees in Million)	
Gross Revenue	(90.7)	403.80
Operating Revenue	(94.7)	392.40
Profit/(Loss) before taxation	(1,141.4)	18.84
Less: Taxation	(112.7)	13.34
Profit/(Loss) after Taxation	(1028.7)	5.50
Accumulated profit/(loss) brought forward	101.2	245.79
Profit available for appropriation	(927.4)	251.29
Final Cash Dividend	-	-
Final Stock Dividend	-	-
Earning Per Share	(17.89)	0.09



Dividend

Owing to the heavy losses to the company Board of Directors has decided not to declare any dividend for the year 2008-2009.

Reasons for the Under Performance

We took a large hit on both; our brokerage income and our Investment Portfolio. I will try and explain below in more detail how the factors outlined above impacted our activities.

The Closure of the Market: Our performance till the time of the international credit crisis was good and better than our expectations. The impact of the credit crisis was evident in our annual 2008 accounts and only got worse in 2009. We were doing well and growing exponentially as is evident from our previous results. All of this came to a halt when the markets took a downward turn and were eventually closed in August 2009.

When the markets closed, we like the rest of the market, were unsure as to the length of the closure and therefore maintained full staff strength with no income coming in. This cost us dearly. Additionally the values of our investment portfolio dropped precipitously during the market closure without any possibility of exiting the market. This caused a strain on our relationship with our financial partners.

During the entire period detailed above we had to deal with the following issues:

- 1- Clients were unable to settle their positions with us as the market was frozen and neither they nor we could sell their shares to recover their debts to us.
- 2- We had to continue to make the payments to KSE and the National Clearing Company draining our cash reserves and our lines of credit.

We had to prioritize utilization of our cash resources towards KSE and the NCCL so that we could continue to trade. This decision has allowed us to remain in business even today and on a progressively positive path and direction.

However, things have improved since then and we have agreed new arrangements to settle all outstanding liabilities with our major financial institutions and the rest are being progressed at a fast pace.

We are also working hard to ensure that we recover all outstanding amounts from our trade debtors as soon as possible.

What we are Doing to Reverse this?

Currently we are in the process of restructuring and re-profiling our bank arrangements and hope to have a working relationship successfully before the end of the year so that we can restart the new year with fresh impetus. We are also working on adding value to our Investment Portfolio to enable us to maximize the return for the shareholders as and when the right opportunity arises.

On the Brokerage side we have restructured the firm to take cognizance of the changed market conditions. We have been able to maintain the relationships with our clients despite the turmoil and are now building on this trust and solid relationship to take advantage when the markets improve.

While focusing on improving return on our assets and improving revenue generation your management realizes that without further access to new funds we would be unable to regain our footings. Therefore we have been working towards inducting new equity in the business. We expect that this equity of upto Rs. 500 million will be injected by a combination of current sponsors and new investors.

As you can see from the financial results that we have a loss of Rs. 1,028 million. The majority of these losses are



unrealized losses on investments amounting to Rs.351 million and prudent provisioning amounting to Rs. 354 million done under International Accounting Standards under the watchful eye of our Auditors.

Your company and its management is working hard to ensure that these unrealized losses are recovered and we are very hopeful and majority of these provisions would come back as income in the near future.

Compliance with the Code of Corporate Governance

The directors are pleased to confirm that:

- The financial statements prepared by the management of the company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- Proper Books of account of the company have been maintained.
- Appropriate Accounting Policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and there has been no departure from them.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- Mitigating factors for significant doubts upon the company's ability to continue as a 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.
- There is no statutory payment outstanding on account of taxes, duties, levies and charges.
- A total of four Board Meetings were held during the year details of which together with Attendance by each director are as follows:

Board of Directors' Attendance (Meetings 2008-2009)

S. No.	Name of Director	Total No. of Board Meeting	Number of Meeting(s) attended
1	Mr. Ali A. Malik	4	3
2	Mr. Malik Attiq-ur-Rehman	4	4
3	Mr. Muhammad Iqbal Khan	4	4
4	Maj. Gen. (Rtrd) Khurshid Ali Khan	4	3
5	Mr. Shahzad Akbar	4	4
6	Mr. Tajamal Rashid	2	2
7	Mr. Yoshihiro Saito	4	-
8	Mr. Jahanzeb Luni (Resigned)	2	1
9	Mr. Sheikh Khalid Tawab (Resigned)	4	3
10	Mr. Saad Khalid Tawab	-	-

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

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



Attendance of Members of Audit Committees (Meetings 2008-2009)

S. No.	Name of Director	Total No. of Board Meeting	Number of Meeting(s) attended
1	Mr. Muhammad Iqbal Khan	6	6
2	Mr. Shahzad Akbar	6	6
3	Mr. Sheikh Khalid Tawab (Resigned)	6	3
4	Malik Attiq-ur-Rehman	6	1

The statement showing the pattern of shareholding in the company, as on June 30, 2009 is given on page 52.

- The trades in the shared of the Company carried out by its Directors, CEO, CFO, Company Secretary, and their spouses and minor Children are as under:

Trades by	Purchase/ Allotment	Sales
Directors, CEO, Their Spouses & Minor Children	-----No. of Shares-----	
Ali A. Malik	-	-
Saad Khalid Tawab	575	-
Malik Atiq-ur-Rehman	174,500	-
Muhammad Iqbal Khan	-	-
Shahzad Akbar	-	-
Maj. Gen. (Rtrd.) Khurshid Ali Khan	-	-
Tajamal Rashid	575	-
Yoshihiro Saito	-	-
Mrs. Adeela Ali	-	-
Omer Ali Malik	-	-
Fatima Ali	-	-
CFO & Company Secretary		
Tajamal Rashid	575	-

Auditors

The present Auditors Messrs. A. F. Ferguson & Company Chartered Accountants, retire and the Audit Committee of the Board recommends the appointment of Messer. Anjum Asim Shahid Rahman & Company Chartered Accountants as auditors for the financial year 2009-2010. A resolution to appoint the auditors of the company for the following year will be proposed at the Annual General Meeting.

Acknowledgement

We express our sincere gratitude to our valued clients who continue to patronize us during and after the history's worst turmoil and bankers to the company for their cooperation, Securities & Exchange Commission of Pakistan, Karachi Stock Exchange & Central Depository Company of Pakistan for their continuing guidance, and shareholders for their trust and confidence in us.

Finally, we also appreciate the efforts and dedication of all employees of the Company for their commitment and hard work.

Ali A. Malik
Chief Executive/Director

Lahore
October 9, 2009



Financial Statistical Summary (2004 - 2009)

PARTICULARS	June 30, (Rupees '000)					
	2009	2008	2007	2006	2005	2004
OPERATING RESULTS						
Operating Revenues	(94,734)	392,414	615,486	974,632	440,544	11,350
Other Operating income	4,001	11,397	21,899	7,558	16,197	198
Gross Revenue	(90,733)	403,811	637,385	982,190	456,741	11,548
Administrative Expenses	(93,518)	(137,142)	(143,570)	(140,323)	(78,756)	(6,261)
Operating Profit / (Loss)	(184,251)	266,669	493,815	841,867	377,985	5,287
Finance Cost	(218,027)	(196,640)	(206,433)	(254,919)	(97,088)	(65)
Other Operating Expenses	(365,259)	(46,113)	(203,362)	(29,217)	(11,008)	(638)
	(767,537)	23,916	84,020	557,731	269,889	4,584
Fair value loss on remeasurement of held for trading investment - net	(40,987)	(11,021)	20,403	(106,241)	(35,551)	-
Impairment loss on available for sale securities	(309,872)	-	-	-	-	-
Unrealised gain on mark to market of derivative financial instruments	-	-	-	993	-	-
Unrealised gain - letter of right	-	-	595	-	-	-
	(350,859)	(11,021)	20,998	(105,248)	(35,551)	-
Share of profit of associates - net of tax	(23,033)	5,947	2,088	135	-	-
Profit / (Loss) before Tax	(1,141,429)	18,842	107,106	452,618	234,338	4,584
Taxation - net	112,719	(13,341)	(27,775)	(40,996)	(32,090)	(14)
Profit / (Loss) after Tax	(1,028,710)	5,501	79,331	411,622	202,248	4,570
Payout Ratio	-	-	30%	60%	25%	-
BALANCE SHEET SUMMARY						
Non-Current Asset						
Fixed assets	230,894	239,611	189,670	145,151	114,810	83,080
Long term Investment	28,442	68,170	42,223	40,135	-	-
Deferred cost	126,806	12,198	-	-	-	2,635
Long term loans & advances	-	-	125	10,849	18,712	-
Long Term deposits	2,629	3,557	2,616	1,889	2,229	756
	388,771	323,536	234,634	198,024	135,751	86,471
Current assets						
Short term investments	443,783	1,088,442	1,677,850	1,598,176	531,505	52,037
Other investments	-	-	-	-	1,292,972	-
Receivable against CFS/carry over transaction	-	-	-	402,485	517,945	-
Trade debts	284,716	844,228	536,346	89,774	452,008	244,399
Loans & advances	1,875	4,500	1,869	5,686	1,696	1,377
Trade deposits & short term prepayments	150	29,464	304,999	28,018	45,752	189
Accrued mark up	-	-	6,062	-	-	-
Other Receivables	2,723	3,255	-	9,866	5,059	1,645
Taxation Recoverable - net	23,364	20,722	2,514	20,980	2,122	421
Cash and bank balance	5,555	20,232	39,207	111,949	158,120	350
	762,166	2,010,843	2,568,847	2,266,934	3,007,179	300,418
CURRENT LIABILITIES						
Trade & other payables	115,265	490,889	1,203,683	316,299	1,558,803	162,003
Interest and mark-up accrued on borrowings	40,417	17,139	5,108	30,801	19,711	-
Payable in respect of continuous funding system	-	410,667	-	-	-	-
Short term borrowings	808,160	840,487	390,810	678,823	938,269	38,451
Pre-IPO subscription towards proposed issue of term finance certificate	-	-	235,127	235,127	-	-
Current maturity of long term borrowing	40,322	-	-	-	-	-
Current portion of liabilities against assets subject to finance lease	-	-	-	-	1,697	-
	1,004,164	1,759,182	1,834,728	1,261,050	2,518,480	200,454
Net Current Assets	(241,998)	251,661	734,119	1,005,884	488,699	99,964
Non-current liabilities						
Liabilities against asset subject to finance lease	-	-	-	-	3,968	-
Deferred liabilities	3,209	4,141	1,627	1,997	3,185	-
Long Term Borrowings	583,270	-	-	-	-	-
	586,479	4,141	1,627	1,997	7,153	-
Net Assets	(439,706)	571,056	967,126	1,201,911	617,297	186,435
REPRESENTED BY						
Issued, subscribed and paid-up capital	575,000	575,000	500,000	500,000	500,000	125,000
Share application money	-	-	-	-	-	83,845
Unappropriated profit / (Accumulated losses)	(927,418)	101,292	245,791	366,460	129,838	(22,410)
Surplus/(deficit) on revaluation of investment-available for sale	(87,288)	(105,236)	221,335	335,451	(12,541)	-
Total Equity and Liabilities	(439,706)	571,056	967,126	1,201,911	617,297	186,435



Statement of Compliance with the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the Code in the following manner:

1. The board encourages representation of independent non-executive directors on its Board. At present, the Board includes four independent non-executive directors.
2. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Two casual vacancies occurred during the period under review and were duly filled up within stipulated time as per the requirements of the Companies Ordinance, 1984.
5. The Company has prepared a 'Statement of Ethics & Business Practices', which has been signed by all the directors and employees of the Company.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including the determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meeting were appropriately recorded and circulated.
9. The Board arranged an orientation course for the directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.



11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by the CEO and CFO before approval of the Board.
13. The directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee. It comprises three members all of whom are non-executive directors including the Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has set-up an effective internal audit function within the company.
18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The related party transactions carried out during the year have been placed before the audit committee and approved by the board of directors in their meeting held to approve the annual accounts with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated. In future all related party transactions will be placed before the Audit Committee and Board of Directors on a quarterly basis.
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 observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been duly complied with.

Ali A. Malik

Chief Executive

Dated: October 9, 2009



REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of First National Equities Limited to comply with the Listing Regulation No. 35 of the Karachi Stock Exchange (Guarantee) Limited where the company is listed.

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

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, sub-Regulation (xiii) of Listing Regulation 35 notified by the Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions which are not executed at arm's length prices recording proper justification for using such alternate pricing mechanism. All such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices 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, 2009.

Chartered Accountants
Karachi
Dated: October 14, 2009

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **First National Equities Limited** as at June 30, 2009 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the company as required by the Companies Ordinance, 1984;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the company's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required, and respectively give a true and fair view of the state of the company's affairs as at June 30, 2009 and of the loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980.

Without qualifying our opinion, we draw attention to note 2.2 to the financial statements which indicates that the company has incurred significant operational losses during the year ended June 30, 2009 and its accumulated losses as at June 30, 2009 amounted to Rs 927.418 million which has resulted in a negative equity of Rs 439.706 million and a net current liability position of Rs 439.706 million. The management is negotiating credit terms with certain banks and the projected financial statements for future years assume capital injections by the company's sponsors. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the company's ability to continue as a going concern.

Chartered Accountants
Engagement Partner: Rashid A. Jafer
Dated: October 14, 2009
Karachi



BALANCE SHEET

AS AT JUNE 30, 2009

	Note	2009	2008
		(Rupees '000)	
Non-current assets			
Fixed assets			
- Tangible assets	4	162,759	171,476
- Intangible assets	5	68,135	68,135
Long-term investments	6	28,442	68,170
Long-term deposits	7	2,629	3,557
Deferred tax assets - net	8	126,806	12,198
		<u>388,771</u>	<u>323,536</u>
Current assets			
Short-term investments	9	443,783	1,088,442
Trade debts - net	10	284,716	844,228
Loans and advances	11	1,875	4,500
Trade deposits and short-term prepayments	12	150	29,464
Other receivables	13	2,723	3,255
Taxation recoverable - net		23,364	20,722
Cash and bank balances	14	5,555	20,232
		<u>762,166</u>	<u>2,010,843</u>
Total assets		<u>1,150,937</u>	<u>2,334,379</u>
Current liabilities			
Trade and other payables	15	115,265	490,889
Accrued mark-up	16	40,417	17,139
Payable in respect of continuous funding system transactions		-	410,667
Short-term borrowings	17	808,160	840,487
Current maturity of long-term borrowings	17	40,322	-
		<u>1,004,164</u>	<u>1,759,182</u>
Non-current liabilities			
Deferred liabilities - gratuity	18	3,209	4,141
Long-term borrowings	17	583,270	-
		<u>586,479</u>	<u>4,141</u>
Total liabilities		<u>1,590,643</u>	<u>1,763,323</u>
Contingencies and commitments	19		
Net assets		<u>(439,706)</u>	<u>571,056</u>
FINANCED BY:			
Share capital	20	575,000	575,000
(Accumulated loss) / unappropriated profit		(927,418)	101,292
Unrealised diminution on re-measurement of investments classified as available for sale	9.1.3	(87,288)	(105,236)
		<u>(439,706)</u>	<u>571,056</u>

The annexed notes 1 to 38 form an integral part of these financial statements.

As more fully explained in note 9.3, impairment loss on available for sale equity securities has not been fully charged in these financial statements. Had the company followed the requirements of IAS 39, a further amount of Rs. 90.829 million would have been recognized as impairment loss in the profit and loss account. This would have resulted in a decrease in the deficit on revaluation of available for sale investments by Rs. 90.829 million with a corresponding increase in the loss for the year and the loss per share would have been higher by Rs. 1.58.

Chief Executive

Director



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2009

	Note	2009 (Rupees '000)	2008
Operating revenue	21	73,291	341,495
(Loss) / gain on sale of investments		(168,025)	50,919
Other operating income	22	4,001	11,397
		(90,733)	403,811
Administrative expenses	23	93,518	137,142
Operating (loss) / profit		(184,251)	266,669
Finance costs	25	218,027	196,640
Other operating expenses	26	365,259	46,113
Impairment loss on available for sale securities		309,872	-
		(1,077,409)	23,916
Unrealised loss on re-measurement of investments classified as financial assets at fair value through profit or loss' - held for trading - net	9.2	(40,987)	(11,021)
Share of (loss) / profit of associate - net of tax	6.1	(23,033)	5,947
(Loss) / profit before taxation		(1,141,429)	18,842
Taxation - net	27	(112,719)	13,341
(Loss) / profit after taxation		(1,028,710)	5,501
		(Rupees)	
(Loss) / earnings per share	28	(17.89)	0.09

The annexed notes 1 to 38 form an integral part of these financial statements.

As more fully explained in note 9.3, impairment loss on available for sale equity securities has not been fully charged in these financial statements. Had the company followed the requirements of IAS 39, a further amount of Rs. 90.829 million would have been recognized as impairment loss in the profit and loss account. This would have resulted in a decrease in the deficit on revaluation of available for sale investments by Rs. 90.829 million with a corresponding increase in the loss for the year and the loss per share would have been higher by Rs. 1.58.

Chief Executive

Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2009

Note	2009	2008
	(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / profit before taxation	(1,141,429)	18,842
Adjustments for non-cash and other items:		
Depreciation	11,325	11,164
Gain on disposal of fixed assets	(1,078)	(210)
Loss / (gain) on disposal of investments	168,025	(50,919)
Share of profit of associate - net of tax	23,033	(5,947)
Unrealised loss on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - held for trading - net	40,987	11,021
Impairment loss on available for sale investments	309,872	-
Transaction costs incurred on proposed issue of term finance certificates	-	4,873
Provision for gratuity	1,206	3,052
Provision for doubtful trade debts	353,986	9,391
Provision for leave fare	-	887
Financial charges	218,027	196,640
Provision no longer required written back	-	(3,233)
Dividend income	(9,304)	(33,596)
Mark-up income on fixed income securities	(524)	(6)
Mark-up income on exposure deposits	(1,468)	(6,658)
Mark-up income on fixed deposits	(54)	(841)
	<u>1,114,033</u>	<u>135,618</u>
	(27,396)	154,460
Changes in working capital		
Decrease / (increase) in current assets		
Trade debts	205,526	(317,273)
Loans and advances	2,625	(2,506)
Trade deposits and short-term prepayments	29,314	275,535
Other receivables	532	1,228
	<u>237,997</u>	<u>(43,016)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	(374,447)	(704,063)
Payable in respect of continuous funding system transactions	(410,667)	410,667
	<u>(574,513)</u>	<u>(181,952)</u>
Mark-up paid	(194,749)	(184,609)
Leave fare paid	(834)	(1,963)
Gratuity paid	(2,138)	(3,710)
Income taxes paid	(4,532)	(45,374)
Long-term deposits	928	(941)
Net cash used in operating activities	<u>(775,838)</u>	<u>(418,549)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in available for sale financial assets - net	212,585	(486,608)
Investment in marketable securities - net	(52,167)	789,343
Long term investment	-	(20,000)
Fixed capital expenditure incurred	(5,693)	(62,816)
Proceeds from disposal of fixed assets	4,163	3,236
Purchase of tenancy rights - intangible assets	-	(1,315)
Mark-up received	2,046	7,505
Dividend received	9,305	35,175
Net cash generated from investing activities	<u>170,239</u>	<u>264,520</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under repurchase agreements	200,000	-
Long-term borrowings	623,592	-
Pre-IPO subscription towards proposed issue of term finance certificates	-	(240,000)
Dividends paid	(343)	(74,623)
Net cash generated from / (used in) financing activities	<u>823,249</u>	<u>(314,623)</u>
Net decrease in cash and cash equivalents	<u>217,650</u>	<u>(468,652)</u>
Cash and cash equivalents at the beginning of the year	(820,255)	(351,603)
Cash and cash equivalents at the end of the year	<u>31</u> <u>(602,605)</u>	<u>(820,255)</u>

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2009

	Issued, subscribed and paid- up capital	Reserve for issue of bonus shares	Unappropri- ated profit / (Accumul- ated losses)	Unrealised appreciation / (diminution) on re-measurement of investments classified as 'available for sale'	Total
	(Rupees '000)				
Balance as at June 30, 2007	500,000	-	245,791	221,335	967,126
Final cash dividend @ Rs 1.5 per share for the year ended June 30, 2007 declared subsequent to year end	-	-	(75,000)	-	(75,000)
Transfer to reserve for issue of bonus shares made subsequent to year end	-	75,000	(75,000)	-	-
Issue of bonus shares	75,000	(75,000)	-	-	-
Realised gain on disposal of investments classified as 'available for sale'	-	-	-	98,013	98,013
Profit after taxation for the year ended June 30, 2008	-	-	5,501	-	5,501
Unrealised diminution during the year in the market value of investments classified as 'available for sale'	-	-	-	(424,584)	(424,584)
Balance as at June 30, 2008	575,000	-	101,292	(105,236)	571,056
Realised loss on disposal of investments classified as 'available for sale'	-	-	-	132,011	132,011
Loss after taxation for the year ended June 30, 2009	-	-	(1,028,710)	-	(1,028,710)
Unrealised diminution during the year in the market value of investments classified as 'available for sale'	-	-	-	(117,368)	(117,368)
Share of unrealised surplus - investment in associate	-	-	-	3,305	3,305
Balance as at June 30, 2009	575,000	-	(927,418)	(87,288)	(439,706)

The annexed notes 1 to 38 form an integral part of these financial statements.

Chief Executive

Director



NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the year ended June 30, 2009

1 THE COMPANY AND ITS OPERATIONS

First National Equities Limited is a limited liability company incorporated in Pakistan under the Companies Ordinance, 1984. The registered office of the company is situated at 19-C, Sunset Lane-6, South Park Avenue, Phase-II Extension, DHA, Karachi. The company is listed on the Karachi Stock Exchange (Guarantee) Limited.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Going concern

The company has incurred significant operational losses during the year ended June 30, 2009 and its accumulated losses as at June 30, 2009 amounted to Rs 927.418 million which has resulted in negative equity of Rs 439.706 million. However, the financial statements of the company for the year ended June 30, 2009 have been prepared on a going concern basis as the management believes that due to potential availability of finances / funding from the company's sponsors in the form of new capital injections, restructuring of facilities from banks (as more fully explained in note 17.3 to the financial statements) and consequent to the new viable business plans for future operations, the company will be able to generate sufficient profits in the future enabling it to set-off the accumulated losses.

2.3 Accounting convention

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

2.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

During the year ended June 30, 2009, IFRS 7 'Financial Instruments: Disclosures' became effective. IFRS 7 has superseded IAS 30 and the disclosure requirements of IAS 32. Adoption of this standard has only resulted in additional disclosures which have been set out in note 32. and note 33 to these financial statements.

There are other standards, amendments and interpretations that were mandatory for accounting periods beginning on or after July 1, 2008 but were considered not to be relevant or did not have any significant effect on the Company's operations.



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

IAS 1 (Revised), 'Presentation of financial statements' (effective for annual periods beginning on or after January 1, 2009), was issued in September 2007. The revised standard requires an entity to present, in a statement of changes in equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) will be required to be presented separately from owner changes in equity, either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). When the entity applies an accounting policy retrospectively or makes retrospective statement or reclassifies items in the financial statements, they will be required to present a restated financial position (balance sheet) as at the beginning of the comparative period in addition to the current requirement to present the balance sheet as at the end of the current and the comparative period. The adoption of this standard will only impact the presentation of the financial statements.

IFRS 7 (Amendment), 'Financial Instruments: Disclosure'. There are a number of minor amendments to IFRS 7 in respect of enhanced disclosures about liquidity risk and fair value measurements. These amendments are unlikely to have an impact on the Company's financial statements and have therefore not been analysed in detail.

IAS 38 (Amendment), 'Intangible assets' (effective from January 1, 2009). The amended standard states that a prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access of goods or receipt of services. This amendment is not expected to have a significant effect on the Company's financial statements.

IAS 23 (Amendment), 'Borrowing costs' (effective from January 1, 2009). The amendment is the part of IASB's annual improvements project published in May 2008. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. Further, the definition of borrowing cost has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. The amendments will not have any impact on the company's financial statements as the present accounting policy as disclosed in note 3.12 to these financial statements is in accordance with the revised standard.

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial Instruments: Presentation', and IFRS 7, 'Financial Instruments: Disclosures') (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. An investment in associate is treated as a single asset for the purposes of impairment testing. Any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases.

IAS 36 (Amendment), 'Impairment of assets' (effective from January 1, 2009). The amendment is part of the IASB's annual improvements project published in May 2008. Where fair value less costs to sell is calculated on the basis of discounted cash flows, disclosures equivalent to those for value-in-use calculation should be made. The Company will apply the IAS 36 (Amendment) and provide the required disclosures where applicable for impairment tests from July 1, 2009.

There are other amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after January 1, 2009 but are considered not to be relevant or to have any significant effect on the Company's operations and are therefore not detailed in these financial statements.

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:

- i) Classification and valuation of investments (notes 3.2 and 9);
- ii) Income taxes (notes 3.5, 8 and 27);
- iii) Estimate of liability in respect of employee retirement gratuity (notes 3.9 and 24); and
- iv) Provision for doubtful trade debts (notes 3.3 and 10)

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Fixed assets

3.1.1 Property and equipment

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

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

Depreciation on all property and equipment is calculated using the straight-line method in accordance with the rates specified in note 4.2 to these financial statements and after taking into account residual value, if material. The residual value and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation on additions is charged from the month the property and equipment is available for use while no depreciation is charged in the month of disposal.

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

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

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

3.1.2 Intangible assets

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

3.2 Investments

The management determines the appropriate classification of its investments in accordance with the requirements of International Accounting Standards (IAS) 39: "Financial Instruments : Recognition and Measurement", at the time of the purchase and re-evaluates this classification on a regular basis. The existing portfolio of the company has been categorised as follows:



a) Investment in associates

Associates are all entities over which the company has significant influence but not control. Investment in associates where the company has significant influence are accounted for using the equity method of accounting. Under the equity method of accounting, the investment in associates are initially recognised at cost and the carrying amount of investment is increased or decreased to recognise the company's share of the post acquisition profits or losses in income and its share of the post acquisition movement in reserves is recognised in reserves.

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

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

c) Available for sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity investments, and (c) financial assets at fair value through profit or loss. These investments are initially recognised at fair value which includes transaction costs associated with the investments. Subsequent to initial recognition, these investments are marked to market using the closing market rates and are carried at these values on the balance sheet being their fair value. Net gains and losses arising on changes in fair values of these investments are taken to equity. They are included in non-current assets unless management intends to dispose of the investments within twelve months from the balance sheet date.

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

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

Impairment loss in respect of investments is recognised when there is any objective evidence as a result of one or more events that may have an impact on the estimated future cash flows of the investment. A significant or prolonged decline in the fair value of an investment 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 account. 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 account.



3.3 Trade debts and other receivables

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

3.4 Securities under repurchase / resale agreements – Continuous Funding System

Transactions of sale under repurchase (repo) are entered into at contracted rates for specified periods of time. These securities are not derecognised from the financial statements and are continued to be recognised as investments and measured in accordance with accounting policies for such investments. The counter party financial liabilities for amount received under these transactions are recorded as liabilities (payable in respect of continuous funding system transactions) on the settlement date at fair value and subsequently at amortised cost using the effective interest method.

Transactions of purchase under resale (reverse-repo) are entered into at contacted rates for specified periods of time. These securities are not recognised in the financial statements as investments, as the company does not obtain control over the assets. Amounts paid under these arrangements are recorded as financial assets (receivable against continuous funding system transactions) on the settlement date at fair value and subsequently at amortised cost using the effective interest method.

3.5 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any. The charge for current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalised during the year.

Deferred

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

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

3.6 Cash and cash equivalents

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



3.7 Trade and other payables

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

3.8 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. The amount recognised represents the best estimate of the expenditure required to settle the obligation at the balance sheet date. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate.

3.9 Staff retirement benefits

The company operates:

- (a) an unfunded gratuity scheme covering all employees. The liability recognised in the balance sheet in respect of defined benefit gratuity scheme is the present value of the defined benefit obligation at the balance sheet date together with the adjustments for unrecognised actuarial gains or losses and past service costs, if any. The defined benefit obligation is calculated by an independent actuary using the Projected Unit Credit Method. The unrecognised actuarial gains or losses at each valuation date in excess of the 10% of the present value of the defined benefit obligation are amortised over the average remaining working lives of the employees in the following year.
- (b) an approved contributory provident fund for all employees. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available. The Board of Directors has approved the closure of the provident fund through a circular resolution dated October 14, 2008.

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

3.10 Borrowings

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

3.11 Proposed dividend and transfer between reserves

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



3.12 Impairment

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

3.13 Borrowing cost

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

3.14 Fiduciary assets

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

3.15 Revenue recognition

- Brokerage income is recognised when brokerage services are rendered.
- Dividend income is recognised when the right to receive the dividend is established.
- Commission income is recognised on an accrual basis.
- Return on deposits is recognised using the effective interest method.
- Income on fixed term investments is recognised using the effective interest method.
- Income on KSE exposure deposits is recognised using the effective interest method.

3.16 Foreign currency transaction and translation

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

3.17 Functional and presentation currency

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



3.18 Financial instruments

3.18.1 Financial assets and liabilities

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

3.18.2 Derivative financial instruments

Derivative financial instruments are recognised at their fair value on the date on which a derivative contract is entered into. Subsequently, any changes in fair values arising on marking to market of these instruments are taken to the profit and loss account.

3.18.3 Off setting

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

4 TANGIBLE ASSETS

	Note	2009 (Rupees '000)	2008
- Capital work-in-progress	4.1	69,497	90,241
- Operating fixed assets	4.2	<u>93,262</u>	<u>81,235</u>
		<u>162,759</u>	<u>171,476</u>

4.1 Capital work-in-progress

Commercial space - Karachi Financial Towers	33,340	33,340
Commercial space - Business and Finance Centre	-	20,744
Property acquired through auction	<u>36,157</u>	<u>36,157</u>
	<u>69,497</u>	<u>90,241</u>



4.2 Operating fixed assets

	Building on lease hold land	Furniture and fittings	Office equipment	Computers and accessories	Motor vehicles		Total
					Owned	Held under finance lease	
(Rupees in '000)							
As at July 1, 2008							
Cost	44,026	17,992	15,192	18,396	19,435	-	115,041
Accumulated depreciation	(6,147)	(4,288)	(3,613)	(13,209)	(6,549)	-	(33,806)
Net book value	37,879	13,704	11,579	5,187	12,886	-	81,235
Year ended June 30, 2009:							
Opening net book value	37,879	13,704	11,579	5,187	12,886	-	81,235
Additions	21,310	2,620	974	408	1,125	-	26,437
Disposal:							
Cost	-	(63)	(217)	(90)	(5,157)	-	(5,527)
Depreciation	-	18	60	90	2,274	-	2,442
	-	(45)	(157)	-	(2,883)	-	(3,085)
Depreciation charge for the year	(1,412)	(1,927)	(1,545)	(3,406)	(3,035)	-	(11,325)
Closing net book value	57,777	14,352	10,851	2,189	8,093	-	93,262
As at June 30, 2009							
Cost	65,336	20,549	15,949	18,714	15,403	-	135,951
Accumulated depreciation	(7,559)	(6,197)	(5,098)	(16,525)	(7,310)	-	(42,689)
Net book value	57,777	14,352	10,851	2,189	8,093	-	93,262
Depreciation rate % per annum	2.5	10	10	33.33	20		
As at July 1, 2007							
Cost	44,026	17,477	13,095	16,619	20,596	-	111,813
Accumulated depreciation	(5,046)	(2,594)	(2,304)	(9,639)	(7,226)	-	(26,809)
Net book value	38,980	14,883	10,791	6,980	13,370	-	85,004
Year ended June 30, 2008:							
Opening net book value	38,980	14,883	10,791	6,980	13,370	-	85,004
Additions	-	860	2,323	2,069	5,169	-	10,421
Disposal:							
Cost	-	(345)	(226)	(292)	(6,330)	-	(7,193)
Depreciation	-	66	54	198	3,849	-	4,167
	-	(279)	(172)	(94)	(2,481)	-	(3,026)
Depreciation charge for the year	(1,101)	(1,760)	(1,363)	(3,768)	(3,172)	-	(11,164)
Closing net book value	37,879	13,704	11,579	5,187	12,886	-	81,235
As at June 30, 2008							
Cost	44,026	17,992	15,192	18,396	19,435	-	115,041
Accumulated depreciation	(6,147)	(4,288)	(3,613)	(13,209)	(6,549)	-	(33,806)
Net book value	37,879	13,704	11,579	5,187	12,886	-	81,235
Depreciation rate % per annum	2.5	10	10	33.33	20		

4.3 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.



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

	Cost	Accumulated depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers	Location
	(Rupees in '000)						
Office equipment							
Split	217	60	157	59	Negotiation	Mr. Shahzad	Swat
Vehicles							
Suzuki Potohar	710	251	459	510	Negotiation	Akbar Ali Khan	Lahore
Suzuki Cultus	560	214	346	485	Negotiation	Ali Amir	Karachi
Suzuki Cultus	558	316	242	447	Negotiation	Muhammad Faraz	Karachi
Suzuki Cultus	560	254	306	430	Negotiation	Mukhtar Pasha	Karachi
Toyota Corolla	1,014	158	856	925	Negotiation	Muhammad Rafique - Ex-executive *	Karachi
Suzuki Cultus	560	317	243	365	Negotiation	First Pakistan Securities Limited - Associated undertaking *	Lahore
Suzuki Mehran	264	22	242	348	Negotiation	Nisar Ali	Lahore
Honda City	933	741	192	504	Negotiation	First Pakistan Securities Limited - Associated undertaking *	Lahore
2009	<u>5,376</u>	<u>2,333</u>	<u>3,043</u>	<u>4,073</u>			
2008	<u>6,563</u>	<u>3,893</u>	<u>2,670</u>	<u>2,899</u>			

* Represent related parties

5 INTANGIBLE ASSETS

(2009)				
Cost				
Description	Membership card of Karachi Stock Exchange	License to use Rooms at Karachi Stock Exchange - note 5.1	Tenancy rights Building - note 5.2	Total
	(Rupees in '000)			
As at July 1, 2008	31,220	22,000	14,915	68,135
Additions during the year	-	-	-	-
As at June 30, 2009	<u>31,220</u>	<u>22,000</u>	<u>14,915</u>	<u>68,135</u>
(2008)				
Cost				
Description	Membership card of Karachi Stock Exchange	License to use Rooms at Karachi Stock Exchange - note 5.1	Tenancy rights Building - note 5.2	Total
	(Rupees in '000)			
As at July 1, 2007	31,220	22,000	13,600	66,820
Additions during the year	-	-	1,315	1,315
As at June 30, 2008	<u>31,220</u>	<u>22,000</u>	<u>14,915</u>	<u>68,135</u>



5.1 This represents the consideration paid for the right to occupy two rooms situated at Stock Exchange Building, Karachi. The Karachi Stock Exchange (Guarantee) Limited is the absolute owner of the said rooms and has granted full rights to occupy the premises under Leave and License agreement for the purposes of the company's business. The company has hypothecated license of these rooms in favour of commercial Bank for securing financing facilities.

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

6	INVESTMENTS - RELATED PARTIES	Note	2009	2008
			(Rupees '000)	
	Long term			
	National Asset Management Company Limited	6.1	28,442	48,170
	Short term			
	NAMCO Income Fund - Available for Sale			
	Opening		20,000	20,000
	Add: unrealised gain		383	-
	Closing	6.2	20,383	20,000
			48,825	68,170
	Less: investment shown under short-term investments		20,383	-
			<u>28,442</u>	<u>68,170</u>
6.1	Investment in associate accounted for under equity method - National Asset Management Company Limited - holding 40% [4,000,000 ordinary shares (2008: 4,000,000 ordinary shares) of Rs 10 each fully paid-up. Cost of investment Rs 40 million (2008: 40 million)]			
	Investment as at July 1		48,170	42,223
	Share in reserves of associate		3,305	-
	Share of (loss) / profit	6.1.1	(23,033)	5,947
	Balance as at June 30		<u>28,442</u>	<u>48,170</u>

6.1.1 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, 2009 in accordance with the treatment specified in International Accounting Standard 28: "Accounting for Investment in Associates".



6.1.2 Summarised financial information of associate

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

	Assets	Liabilities	Income*	Profit (loss) after taxation	Percentage of interest held
	----- (Rupees in '000) -----				
June 30 , 2009					
National Asset Management Company Limited	<u>199,782</u>	<u>129,707</u>	<u>34,173</u>	<u>(59,056)</u>	<u>40%</u>
June 30 , 2008					
National Asset Management Company Limited	<u>308,221</u>	<u>187,797</u>	<u>49,612</u>	<u>14,868</u>	<u>40%</u>

* Represents net Income from all sources of the Company.

- 6.2 This represents payment made by the company towards its participation as core investor to the fund. The company has agreed to hold this investment for a minimum period of two years from the date of close of Initial Offering Period (i.e. May 08, 2008).

	Note	2009	2008
		(Rupees '000)	
7 LONG-TERM DEPOSITS			
Central Depository Company of Pakistan Limited		150	150
Karachi Stock Exchange (Guarantee) Limited		1,100	1,350
National Clearing Company of Pakistan Limited		300	300
Others		<u>1,079</u>	<u>1,757</u>
		<u>2,629</u>	<u>3,557</u>
8 DEFERRED TAX ASSETS - NET			
Deductible temporary differences on:			
Provision for gratuity and leave fare assistance		98	473
Provision for doubtful debts		123,895	-
Investment in associate		4,045	(2,860)
Unused tax losses	8.1	-	17,577
		128,038	15,190
Taxable temporary differences on:			
Accelerated tax depreciation		<u>(1,232)</u>	<u>(2,992)</u>
		<u>126,806</u>	<u>12,198</u>

- 8.1 The balance of available tax losses as at June 30, 2009 amounted to Rs 144.350 million. The company has not recognised any deferred tax debit balance on these losses on account of prudence. The management intends to review the outcome of the revised business plans based on the potential new capital injections and restructuring and rescheduling of borrowing arrangements with the banks after which the management will reassess the recognition of deferred tax assets on unabsorbed tax losses during the year ending June 30, 2010.



9	SHORT-TERM INVESTMENTS - NET	Note	2009	2008
			(Rupees '000)	
	Available for sale	9.1	303,968	944,176
	At fair value through profit or loss			
	- held for trading	9.2	119,432	144,266
	Investment - related party	6	20,383	-
			<u>443,783</u>	<u>1,088,442</u>

9.1 Available for sale

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

2009		2008		2009		2008	
Number of shares / certificates / units		Particulars		Average cost	Market value	Average cost	Market value
		Investment banks / companies / securities		(Rupees in '000)			
23,400	418,700	Arif Habib Securities Limited - note 9.1.2		1,465	647	70,065	67,612
11,900	15,000	Jahangir Siddiqui & Company Limited		1,435	276	8,335	7,952
-	79,500	Pervez Ahmed Securities Limited		-	-	6,092	3,941
		Commercial banks					
3,206,500	3,797,000	Bank Islami Pakistan Limited		62,833	20,425	74,421	56,234
-	68,700	MCB Bank Limited		-	-	19,697	22,422
-	100,000	Bank Alfalah Limited		-	-	4,771	4,106
150	-	United Bank Limited		5	6	-	-
		Cement					
19,659,641	19,814,641	Pioneer Cement Limited - note 9.1.2		612,063	266,978	617,821	558,178
5,000	100,000	D.G. Khan Cement Company Limited		118	148	8,047	6,714
20,000	310,000	Lucky Cement Limited		1,357	1,171	32,891	30,358
3,000	-	Fauji Cement Company Limited		16	20	-	-
		Leasing companies					
1,353,525	1,353,525	SME Leasing Limited		14,889	6,768	14,888	18,949
		Insurance					
328	-	Pakistan Reinsurance Company Limited		7	11	-	-
		Textile spinning					
-	50,000	D.S. Industries Limited		-	-	3,057	2,536
		Textile composite					
-	148,100	Nishat Mills Limited		-	-	13,523	12,732
200,000	200,000	Redco Textiles Limited		501	100	500	356
		Fertilizers					
-	60,400	Engro Chemical Pakistan Limited		-	-	16,295	16,961
		Chemicals					
52,700	100,000	I.C.I Pakistan Limited		10,092	7,391	20,620	16,137
		Oil and gas exploration companies					
-	481,100	Oil and Gas Development Company Limited		-	-	59,786	59,830
-	111,200	Pakistan Oil Fields Limited		-	-	41,651	40,570
		Transport					
500	3,717,500	Pakistan International Airlines Corporation		2	2	36,952	18,588
		Miscellaneous					
500	-	Diamond Industries Limited		33	25	-	-
				<u>704,816</u>	<u>303,968</u>	<u>1,049,412</u>	<u>944,176</u>
		Total deficit					
		Impairment loss recognised in profit and loss account - note 9.3		(309,872)	-	-	-
		Unrealised loss on re-measurement of investments classified as 'available for sale'		(90,976)	-	(105,236)	-
				(400,848)	-	(105,236)	-
		Investments - net		<u>303,968</u>	<u>303,968</u>	<u>944,176</u>	<u>944,176</u>



- 9.1.1** Securities having average cost of Rs 689.257 million (2008: Rs 738.899 million) and fair value of Rs 296.980 million (2008: Rs 639.912 million) have been pledged with various commercial banks for obtaining short-term running finance facility under mark-up arrangements as specified in note 17.
- 9.1.2** 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.
- 9.1.3** Movement in unrealised (loss) / gain on investments classified as 'available for sale'

	2009	2008
	(Rupees '000)	
Short-term investments	(90,976)	(105,236)
Long-term investments	383	-
Share in reserves of associate	3,305	-
	<u>(87,288)</u>	<u>(105,236)</u>

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

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

2009	2008		2009		2008	
Number of shares / certificates / units		Particulars	Carrying Value/ Average cost	Market value	Carrying Value/ Average cost	Market value
			(Rupees in '000)			
208,000	2,000,000	Closed-end mutual fund NAMCO Balanced Fund - related party	623	982	19,500	18,620
		Modarabas				
200,000	200,000	First I.B.L Modaraba - IPO Investments	2,060	1,090	2,000	2,060
		Commercial banks				
-	80,000	MCB Bank Limited	-	-	31,734	26,110
		Insurance				
298,400	-	EFU General Insurance	40,697	26,286	-	-
		Textile composite				
397,000	397,000	Redco Textiles Limited	707	199	1,052	707
		Cement				
1,000	-	Pioneer Cement Limited	8	14	-	-
		Oil & gas marketing companies				
389,900	75,700	Pakistan State Oil Company Limited	108,480	83,302	34,063	31,585
		Oil & gas exploration companies				
-	500,000	Oil & Gas Development Company Limited	-	-	64,990	62,180
		Transport				
500	-	Pakistan International Airlines Corporation	1	2	-	-
		Fertilizers				
1,000	10,700	Engro Chemical Pakistan Limited	133	128	1,948	3,004
420,000	-	Fauji Fertilizer Bin Qasim Limited	7,710	7,429	-	-
			160,419	119,432	155,287	144,266
		Unrealised loss on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - held for trading	(40,987)	-	(11,021)	-
			119,432	119,432	144,266	144,266

- 9.2.1** Securities having average cost of Rs 156.728 million (2008: Rs 0.109 million) and fair value of Rs 116.893 million (2008: Rs 0.168 million) have been pledged with various commercial banks for obtaining short term running finance facility under mark-up arrangements as specified in note 17.



9.3 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 or 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. As at December 31, 2008, deficit arising on revaluation of investments classified as available for sale amounting to Rs 207.09 million should have been charged to the profit and loss account as impairment loss in accordance with the requirements of IAS 39. However, the Securities and Exchange Commission of Pakistan (SECP), vide its SRO 150(I)/2009 dated February 13, 2009 gave an option to companies and mutual funds to either follow the requirements of IAS 39 and charge the impairment loss to the profit and loss account as at December 31, 2008 or to show this impairment loss under equity as per the following allowed alternative treatment:

- The amount taken to equity as specified above, including any adjustment / effect for price movements during the quarter of calendar year 2009 shall be taken to Profit and loss account on quarterly basis during the calendar year ending on December 31, 2009.
- The amount taken to equity as specified above shall be treated as a charge to Profit and loss account for the purposes of distribution as dividend.

The company opted not to charge the impairment loss of Rs 207.09 million in the profit and loss account at December 31, 2008 but to show it under equity and to charge it on a quarterly basis during the calendar year 2009. At June 30, 2009, an amount of Rs 90.829 million still remains to be charged to the profit and loss account.

10	TRADE DEBTS	Note	2009	2008
			(Rupees '000)	
	Secured			
	Considered good	10.1, 10.2 & 10.3	284,716	844,228
	Unsecured			
	Considered doubtful		546,213	192,227
			<u>830,929</u>	<u>1,036,455</u>
	Less: provision for bad and doubtful debts		<u>(546,213)</u>	<u>(192,227)</u>
			<u>284,716</u>	<u>844,228</u>
10.1	This includes an amount of Rs Nil (2008: Rs 4.457 million) receivable from Karachi Stock Exchange (Guarantee) Limited in respect of trading in securities which was settled subsequent to the year end.			
10.2	Amounts due from related parties at the year end amounted to Rs 175.412 million (2008: Rs 14.797 million).			
10.3	This includes receivable from National Clearing Company of Pakistan Limited (NCCPL) amounting to Rs 4.993 million (2008: Rs Nil) in respect of trading in securities settled subsequent to the year end.			
10.4	Trade debts (including certain outstanding balances from related parties of the company namely First Pakistan Securities Limited amounting to Rs 90.994 million and Switch Securities (Private)			



Limited amounting to Rs 84.418 million) comprise mainly of balances which had arisen due to the unprecedented fall in the current market during the current year.

The above balance have been classified as doubtful and adequate provision made there against after considering the value of collateral pledged / held by the company.

The management is constantly pursuing the above debtors for recovery of their outstanding amounts and is making concerted efforts for obtaining additional amount of collateral and discussing with the debtors for entering into a formal settlement agreement. The management also intends to recover the amount of interest from the customers for the period from the date the amounts were due to the date the amounts would be settled. However, as a matter of prudence, the management has not made any accrual in the financial statements in respect of such interest.

In respect of certain outstanding balances against related parties which had primarily arisen consequent to the placement of Floor Mechanism and aforementioned unprecedented fall in the market, the management is fully aware about the relevant requirements of the Companies Ordinance, 1984. In this connection, the management intends to take the relevant approvals of the Board of Directors and shareholders of the company in the forthcoming meetings.

10.5	Movement in provision against trade debts		2009	2008
			(Rupees '000)	
	Opening balance		192,227	182,836
	Charge for the year		353,986	9,391
	Closing balance		<u>546,213</u>	<u>192,227</u>
10.5.1	Charge for the year includes provision in respect of First Pakistan Securities Limited (a related party) and Switch Securities Limited (a related party) amounting to Rs 9.773 million and Rs 61.269 million respectively.			
11	LOANS AND ADVANCES	Note	2009	2008
			(Rupees '000)	
	Considered good			
	Loans to related parties			
	- Executive		-	125
	Loans to others			
	- Employees	11.1	519	669
	Advances			
	- Suppliers and others		<u>1,356</u>	<u>3,706</u>
			<u>1,875</u>	<u>4,500</u>
11.1	These represent interest-free emergency loans given to employees of the company in accordance with the employee service rules and are recovered through deductions from salaries upto a maximum period of 12 months.			
12	TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS	Note	2009	2008
			(Rupees '000)	
	Exposure deposit	12.1	-	27,942
	Prepayments		<u>150</u>	<u>1,522</u>
			<u>150</u>	<u>29,464</u>
12.1	This represents amount deposited with Karachi Stock Exchange (Guarantee) Limited against exposure arising out of the transactions entered into by the company in respect of which settlements have not taken place as at the year end. The company has deposited the exposure amount in the form of securities (as more fully explained in note 35 to the financial statements) in accordance with the regulations of the Karachi Stock Exchange (Guarantee) Limited.			



13	OTHER RECEIVABLES	Note	2009	2008
			(Rupees '000)	
	Dividend receivable		391	392
	Others		2,332	2,863
			<u>2,723</u>	<u>3,255</u>
14	CASH AND BANK BALANCES			
	Cash at bank in:			
	- Current accounts		5,522	19,253
	- Savings accounts		20	939
	Stamps on hand		13	40
			<u>5,555</u>	<u>20,232</u>
15	TRADE AND OTHER PAYABLES			
	Trade creditors	15.1 & 15.2	96,246	465,739
	Accrued expenses		14,192	13,215
	Provision for leave fare		-	834
	Unclaimed dividends		2,544	2,887
	Others		2,283	8,214
			<u>115,265</u>	<u>490,889</u>
15.1	These include payable to National Clearing Company of Pakistan Limited (NCCPL) amounting to Rs Nil (2008: Rs 372.168 million) in respect of trading in securities settled subsequent to the year end.			
15.2	Amounts due to related parties at the year end are as under:	Note	2009	2008
			(Rupees '000)	
	First Pakistan Securities Limited		-	3,627
	Switch Securities (Private) Limited		-	6,251
	National Asset Management Company Limited		-	20
			<u>-</u>	<u>9,898</u>
16	ACCRUED MARK-UP			
	Mark-up accrued on:			
	- Short-term running finances		36,917	17,139
	- Repurchase agreement borrowings		3,500	-
			<u>40,417</u>	<u>17,139</u>
17	BORROWINGS			
17.1	Short-term borrowings			
	From banking companies			
	Secured			
	Short-term running finances utilised under mark-up arrangements	17.2	608,160	840,487
	Unsecured			
	Short-term borrowing under repurchase agreement	17.4	200,000	-
			<u>808,160</u>	<u>840,487</u>
	Long-term borrowings			
	From banking companies			
	Secured		623,592	-
	Less: Current portion shown under current liabilities		(40,322)	-
			<u>583,270</u>	<u>-</u>



17.2 The principal terms of running finance utilised under mark-up arrangements are given below:

Lender	Nature of facility	Facility amount (Rs in '000)	Outstanding amount (Rs in '000)	Date of expiry	Pricing structure	Security
Commercial Bank - note 17.3	Term Finance I	150,000	150,000	2016	6 months KIBOR + 1%	Equitable mortgage of properties.
	Term Finance II	200,208	200,208	2014	6 months KIBOR + 1%	Pledge of certain shares
	Term Finance III	49,792	49,792	2014	6 months KIBOR + 1%	Pledge of certain shares
	Cash Finance	272,000	302,381	30-06-2010	6 months KIBOR + 1%	Pledge of certain shares
Commercial Bank - note 17.4	Running Finance	200,000	179,289	31-Mar-09	1 month KIBOR + 215 bps	Pledge of certain shares
Commercial Bank - note 17.3	Demand Finance	500,000	193,211	2013	3 months KIBOR + 150 bps	Pledge of certain shares
Commercial Bank - note 17.4	Running Finance	200,000	143,721	25-Sep-09	3 months KIBOR + 350 bps	Pledge of certain shares
Commercial Bank - note 17.4	Running Finance	150,000	3,269	31-Jul-09	3 months KIBOR + 250 bps	Pledge of certain shares
Commercial Bank - note 17.4	Running Finance	300,000	9,880	31-Dec-08	1 month KIBOR + 225 bps	Pledge of certain shares

The banks have the power to dispose off the above shares.

17.3 Subsequent to the year ended June 30, 2009, the management had approached all banks for rescheduling of its existing financing facilities. The present short-term financing provided by two commercial Banks have been rescheduled and restructured for a period ranging between 1 to 7 years with a grace period of 1 to 2 years.

Consequent to the above restructuring and rescheduling of financing from these banks the outstanding amount of the company in short-term running finance facilities utilised under mark-up arrangements uptill June 30, 2009 (excluding amount payable upon execution of restructuring / rescheduling facilities amounting to Rs 31.325 million and cash finance facility amounting to Rs. 272 million) has been reclassified by the management as long-term financing.

The management is in discussions with the remaining banks for rescheduling and restructuring of liabilities the outcome of which is pending to date.

17.4 This represents repurchase borrowings obtained from an Institution. This carries mark-up at the rate of 14% per annum and is repayable by August 2009. The management has not paid this amount subsequent to the year ended June 30, 2009 as at the date of settlement and is renegotiating the terms of its repayment. The facility is secured against pledge owned equity shares of the company.



18	DEFERRED LIABILITIES	Note	2009 (Rupees '000)	2008 (Rupees '000)
	Provision for gratuity	24	3,209	4,141
			<u>3,209</u>	<u>4,141</u>

19 CONTINGENCIES & COMMITMENTS

19.1 Contingencies

Income tax assessment of the company for tax years 2005 and 2006 has amended by the Taxation Officer on account of allocation of expenses and disallowance of certain items resulting in a tax demand of Rs 78.449 million. The company has filed and appeal with the CIT (appeals) in respect of the above mentioned disallowance which is pending to date. No provision has been made against this tax demand in these financial statements as the company is contesting the order before the appellate forums and the management is hopeful of a favourable decision in appeal.

19.2	Commitments	Note	2009 (Rupees '000)	2008 (Rupees '000)
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	Capital expenditure contracted for but not incurred	19.2.1	<u>100,020</u>	<u>100,020</u>
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19.2.1 This represents amount contracted to be paid to ENSHAANLC Developers (Private) Limited for acquiring commercial space, being paid in instalment, in Karachi Financial Tower.

20 SHARE CAPITAL

20.1 Authorised capital

2009 Number of share	2008 Number of share		2009 (Rupees '000)	2008 (Rupees '000)
<u>100,000,000</u>	<u>100,000,000</u>	Ordinary shares of Rs 10 each	<u>1,000,000</u>	<u>1,000,000</u>

20.2 Issued, subscribed and paid-up share capital

2009 Number of share	2008 Number of share		2009 (Rupees '000)	2008 (Rupees '000)
50,000,000	50,000,000	Ordinary shares of Rs 10 each issued for cash	500,000	500,000
<u>7,500,000</u>	<u>7,500,000</u>	Ordinary shares of Rs 10 each issued as fully paid bonus shares	<u>75,000</u>	<u>75,000</u>
<u>57,500,000</u>	<u>57,500,000</u>		<u>575,000</u>	<u>575,000</u>

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

	2009		2008	
	Shares held	Percentage	Shares held	Percentage
First Florance Developers (Pvt.) Limited	5,747,650	9.996%	5,747,650	9.996%
F. Rabbi Steel (Pvt.) Limited	1,740,000	3.026%	1,920,000	3.339%
Yarmouk Paper & Board Industry (Pvt.) Limited	345,000	0.600%	345,000	0.600%
MCD Pakistan Limited	4,798,950	8.346%	4,972,950	8.649%
First Pakistan Securities Limited	13,242,040	23.030%	11,343,040	19.727%
Switch Securities (Pvt.) Limited	7,422,899	12.909%	6,330,074	11.009%

20.4 The directors, their spouses and minor children hold 4,004,525 shares as at June 30, 2009 (2008: 3,875,525 shares).



	Note	2009	2008
		(Rupees '000)	
21 OPERATING REVENUE			
Brokerage		44,840	201,583
Dividend income		9,304	33,596
Commission earned		7,025	8,716
Underwriting commission		1,000	-
Other		11,122	97,600
		<u>73,291</u>	<u>341,495</u>
22 OTHER OPERATING INCOME	Note	2009	2008
		(Rupees '000)	
Income from financial assets			
Mark-up on:			
Fixed income securities		524	6
Fixed deposits		54	841
Exposure deposits		1,468	6,658
		<u>2,046</u>	<u>7,505</u>
Income from non-financial assets			
Gain on disposal of operating fixed assets		1,078	210
Provision no longer required written back		-	3,233
Miscellaneous	22.1	877	449
		<u>4,001</u>	<u>11,397</u>
22.1	This includes rent received from National Asset Management Company Limited amounting to Rs 0.6 million (2008: Rs 0.6 million), a related party.		
23 ADMINISTRATIVE EXPENSES	Note	2009	2008
		(Rupees '000)	
Salaries, allowances and other benefits	23.1	41,458	53,850
Rent, rates and taxes		8,472	4,833
Repairs and maintenance		7,409	7,045
Utilities		7,570	10,587
Fees & subscription		1,148	6,464
KSE, clearing house and CDC charges		3,897	28,629
Corporate expenses		32	102
Insurance charges		476	935
Travelling and conveyance		1,113	2,479
Depreciation	4.2	11,325	11,164
Communication, printing and stationery		3,737	4,060
Legal and professional charges		4,136	883
Entertainment		1,796	1,466
Advertisement expenses		111	903
Others		838	3,742
		<u>93,518</u>	<u>137,142</u>
23.1	Salaries, allowances and other benefits include Rs 1.680 million (2008: Rs 4.325 million) in respect of staff retirement benefits.		
24 EMPLOYEE BENEFITS			
24.1 Unfunded gratuity scheme			
24.1.1	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, 2009. Projected Unit Credit method using the following significant assumptions, was used for the valuation of the scheme:		



	2009	2008
	Percentages	
a) Discount rate	12%	12%
b) Expected rate of increase in salary	12%	12%

24.1.2 Amount recognised in the profit and loss account

	2009	2008
	(Rupees '000)	
Current service cost	832	2,584
Interest cost	374	468
Recognition of actuarial (gains) / losses	-	-
Expense	<u>1,206</u>	<u>3,052</u>

24.1.3 Amount recognised in the balance sheet

Present value of defined benefit obligation	2,479	3,115
Add: unrecognised actuarial gains	730	251
Add: benefits payable to outgoing members	-	775
Liability recognised as at June 30	<u>3,209</u>	<u>4,141</u>

24.1.4 Movement in the present value of defined benefit obligation

Present value of defined benefit obligation as at July 1	3,115	4,681
Current service cost	832	2,584
Interest cost	373	468
Actuarial gains	(478)	(133)
Benefits due but not paid	-	(775)
Benefits paid	(1,363)	(3,710)
Present value of defined benefit obligation as at June 30	<u>2,479</u>	<u>3,115</u>

24.1.5 Movement of liability

Liability as at July 1	4,141	4,799
Add: expense for the year	1,206	3,052
Less: payments made during the year	(1,363)	(3,710)
Liability as at June 30	<u>3,984</u>	<u>4,141</u>

24.1.6 Five year data on experience adjustments

	2009	2008	2007	2006	2005
	(Rupees '000)				
Present value of defined benefit obligation, June 30	2,479	3,115	4,681	2,881	1,351
Experience adjustment arising on plan liabilities gains / (losses)	(478)	133	118	45	(80)

24.1.7 Based on actuarial advice the company intends to charge an amount of approximately Rs 1.304 million in respect of the gratuity scheme in the financial statements for the year ending June 30, 2010.

24.1.8 The information provided in notes 24.1.1 to 24.1.7 has been obtained from the valuation carried out by an independent actuary as at June 30, 2009.

24.2 Defined contribution plan

An amount of Rs.0.474 million (2008: Rs 1.273 million) has been charged during the period from July 1, 2008 to September 30, 2008 in respect of contributory provident fund maintained



by the company. The Board of Directors has approved the closure of the provident fund through a circular resolution dated October 14, 2008 and the benefit of defined contribution plan will no longer exist with effect from October 01, 2008.

25	FINANCE COSTS	Note	2009	2008
			(Rupees '000)	
	Mark-up on:			
	- Short term running finances		183,818	65,662
	- Repurchase agreement borrowings		24,500	81,537
	- Term finance certificates		-	9,920
	- Borrowed securities		-	13,427
	- Continuous funding system transactions		8,845	25,735
	Bank charges		764	357
	Others		100	2
			<u>218,027</u>	<u>196,640</u>
26	OTHER OPERATING EXPENSES			
	Auditors' remuneration	26.1	925	955
	Donations	26.2	13	234
	Provision for doubtful trade debts		353,986	9,391
	Debts written off		1,475	-
	Advance to suppliers written off		808	-
	Transaction cost - FNEL (TFC)		-	4,873
	Commission to trading agents		8,052	30,660
			<u>365,259</u>	<u>46,113</u>
26.1	Auditors' remuneration			
	Statutory audit fee		550	500
	Half yearly review fee		200	150
	Special reports, certifications and sundry services		75	205
			<u>100</u>	<u>100</u>
	Out of pocket expenses		<u>925</u>	<u>955</u>
26.2	None of the directors or any of their spouses had any interest in the donees.			
27	TAXATION - NET	Note	2009	2008
	Current			
	- for the year		2,791	39,635
	- for prior years		(902)	(12,469)
	Deferred		<u>(114,608)</u>	<u>(13,825)</u>
			<u>(112,719)</u>	<u>13,341</u>
27.1	Relationship between tax expenses and accounting profit			
	Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for current year income tax has been made under the provisions of minimum tax under Section 233(A) of the Income Tax Ordinance, 2001.			
28	EARNINGS PER SHARE - BASIC		2009	2008
			(Rupees '000)	
	(Loss) / profit after taxation attributable to ordinary shareholders		<u>(1,028,710)</u>	<u>5,501</u>
			Number of shares	
	Weighted average number of ordinary shares in issue during the year		<u>57,500,000</u>	<u>57,500,000</u>
			Rupees	
	(Loss) / earnings per share		<u>(17.89)</u>	<u>0.09</u>



- 28.1** Diluted earnings per share has not been calculated as the company does not have any convertible instruments in issue as at June 30, 2008 and 2009 which would have any effect on the earnings per share if the option to convert is exercised. The effect of potential capital injections (as more fully explained in note 2.2 to the financial statements) has not been calculated as the quantum of the issue will be decided during the year ending June 30, 2010.

29 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:

	2009			2008		
	Chief Executive	Directors	Executives	Chief Executive	Directors	Executives
	(Rupees '000)					
Managerial remuneration	6,000	1,200	8,927	5,262	58	10,109
Bonus	-	-	-	4,942	-	1,359
Retirement benefits	-	-	-	1,936	-	4,372
Utilities	548	-	21	130	-	91
Leave passage	-	-	-	300	-	549
Conveyance and travelling	1,103	181	1,287	841	330	1,212
	<u>7,651</u>	<u>1,381</u>	<u>10,235</u>	<u>13,411</u>	<u>388</u>	<u>17,692</u>
Number of Persons	<u>1</u>	<u>7</u>	<u>10</u>	<u>2</u>	<u>7</u>	<u>14</u>

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

29.2 Remuneration to other directors

Aggregate amount charged in the financial statements for fee to directors was Rs 0.024 million (2008: Rs 0.070 million).

30 RELATED PARTY TRANSACTIONS

	2009			
	Key management	Associates	Other related parties	Total company
	(Rupees '000)			
Transactions during the year				
Purchase of marketable securities for and on behalf of	-	6,601,802	-	6,601,802
Sale of marketable securities for and on behalf of	-	6,462,668	-	6,462,668
Brokerage income	-	948	-	948
Fixed assets having book value of Rs 1,291 thousand disposed off for	925	869	-	1,794
Rent received	-	600	-	600
Charge in respect of defined contribution plan	-	-	474	474
Remuneration to key management personnel	14,239	-	-	14,239
Payment made to defined contribution plan	-	-	368	368
Gratuity Charge	570	-	-	570
	2008			
	Key management	Associates	Other related parties	Total company
	(Rupees '000)			
Transactions during the year				
Purchase of marketable securities for and on behalf of	-	153,403,481	1,663,520	155,067,001
Sale of marketable securities for and on behalf of	5,658	152,685,549	1,664,676	154,355,883
Brokerage income	8	27,667	642	28,317
Fixed assets having book value of Rs 1,587 thousand disposed off for	1,086	612	-	1,698
Rent received	-	600	-	600
Short-term investment made	-	20,000	-	20,000
Charge in respect of defined contribution plan	-	-	1,273	1,273
Remuneration to key management personnel	31,491	-	-	31,491
Payment made to defined contribution plan	-	-	1,273	1,273
Gratuity Charge	1,584	-	-	1,584



The company has related party relationship with its associated undertakings, employee benefit plans and 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 employments / entitlements. Balances outstanding from / to related parties as at the year end have been disclosed in the relevant balance sheet notes.

Details of remuneration to the chief executive officer, directors and executives are disclosed in note 29 to the financial statements.

31 CASH AND CASH EQUIVALENTS

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

	Note	2009 (Rupees '000)	2008
Cash and bank balances	14	5,555	20,232
Short-term running finances	17	(608,160)	(840,487)
		<u>(602,605)</u>	<u>(820,255)</u>

32 FINANCIAL INSTRUMENTS BY CATEGORY

	2009				
	Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost	Total
Assets	Rupees in '000				
Non-current assets					
Long-term deposits	2,629	-	-	-	2,629
Current assets					
Short-term investments	-	324,351	119,432	-	443,783
Trade debts - net	284,716	-	-	-	284,716
Loans and advances	1,875	-	-	-	1,875
Other receivables	2,723	-	-	-	2,723
Cash and bank balances	5,542	-	-	-	5,542
Liabilities					
Current liabilities					
Trade and other payables	-	-	-	115,265	115,265
Accrued mark-up	-	-	-	40,417	40,417
Short - term borrowings	-	-	-	808,160	808,160
Current maturity of long - term borrowings	-	-	-	40,322	40,322
Non-current liabilities					
Long- term borrowings	-	-	-	583,270	583,270
	2008				
	Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost	Total
Assets	Rupees in '000				
Non-current assets					
Long-term investments	-	20,000	-	-	20,000
Long-term deposits	3,557	-	-	-	3,557



Current assets

Short-term investments	-	944,176	144,266	-	1,088,442
Trade debts - net	844,228	-	-	-	844,228
Loans and advances	4,500	-	-	-	4,500
Trade deposits	27,942	-	-	-	27,942
Other receivables	3,255	-	-	-	3,255
Cash and bank balances	20,192	-	-	-	20,192

Liabilities**Current liabilities**

Trade and other payables	-	-	-	490,889	490,889
Accrued mark-up	-	-	-	17,139	17,139
Payable in respect of continuous funding system transactions	-	-	-	410,667	410,667
Short-term borrowings	-	-	-	840,487	840,487
Current Maturity of long term borrowings	-	-	-	-	-

Non-current liabilities

Long-term borrowings	-	-	-	-	-
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2009

Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost	Total
Rupees in '000				

Income / other items

Operating revenue	11,122	-	-	-	11,122
Other operating income	2,046	-	-	-	2,046
Gain on sale of investment					

(Expenses / other items)

Loss on sale of investments	-	(132,011)	(36,014)	-	(168,025)
Finance cost	-	-	-	(211,437)	(211,437)
Impairment loss on available for sale securities	-	(309,872)	-	-	(309,872)
Unrealized loss on re-measurement of investment	-	-	(40,987)	-	(40,987)

2008

Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost	Total
Rupees in '000				

Income / other items

Operating revenue	97,600	-	-	-	97,600
Other operating income	7,505	-	-	-	7,505
Gain on sale of investment	-	98,013	-	-	98,013

(Expenses / other items)

Loss on sale of investments	-	-	(47,094)	-	(47,094)
Finance cost	-	-	-	(196,281)	(196,281)
Unrealized loss on re-measurement of investment	-	-	(11,021)	-	(11,021)

As at June 30, 2009 financial assets which had been pledged as collateral for liabilities or contingent liabilities of the company have been disclosed in the relevant balance sheet notes.



33 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.

33.1 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.

33.1.1 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.

33.1.2 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.

Financial assets

Non-current assets

Long-term deposits

Current assets

Short-term investments

Trade debts - net

Loans and advances

Other receivables

Cash and bank balances

Sub Total

Financial liabilities

Current liabilities

Trade and other payables

Accrued mark-up

Payable in respect of continuous funding system transactions

Short-term borrowings

Current Maturity of long term borrowings

Non current liabilities

Long term borrowings

Sub Total

On-balance sheet gap

Off-balance financial instruments

As at June 30, 2009			
Exposed to Yield / Interest risk		Not exposed to Yield / Interest rate risk	Total
Upto one year	More than one year		
		2,629	2,629
		443,783	443,783
		284,716	284,716
		1,875	1,875
		2,723	2,723
20		5,522	5,542
20		738,619	738,639
20		741,248	741,268
		115,265	115,265
		40,417	40,417
		-	-
808,160		-	808,160
40,322		-	40,322
	583,270	-	583,270
848,482	583,270	155,682	1,587,434
(848,462)	(583,270)	585,566	(846,166)
		-	-



Off-balance sheet gap	-	-	-	-
Total interest rate sensitivity gap	(848,462)	(583,270)	585,566	(846,166)
Cumulative interest rate sensitivity gap	(848,462)	(583,270)		

As at June 30, 2008

Financial assets

Non-current assets

Long-term investments	-	-	20,000	20,000
Long-term deposits	-	-	3,557	3,557
	-	-	23,557	23,557

Current assets

Short-term investments	-	-	1,088,442	1,088,442
Trade debts - net	-	-	844,228	844,228
Loans and advances	-	-	4,500	4,500
Trade deposits	-	-	27,942	27,942
Other receivables	-	-	3,255	3,255
Cash and bank balances	939	-	19,253	20,192
	939	-	1,987,620	1,988,559
Sub Total	939	-	2,011,177	2,012,116

Financial liabilities

Current liabilities

Trade and other payables	-	-	490,889	490,889
Accrued mark-up	-	-	17,139	17,139
Payable in respect of continuous funding system transactions	410,667	-	-	410,667
Short-term borrowings	840,487	-	-	840,487
Current Maturity of long term borrowings	-	-	-	-

Non Current liabilities

Long term borrowings	-	-	-	-
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Sub Total

	1,251,154	-	508,028	1,759,182
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On-balance sheet gap

	(1,250,215)	-	1,503,149	252,934
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Off-balance financial instruments

	-	-	-	-
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Off-balance sheet gap

	-	-	-	-
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Total interest rate sensitivity gap	(1,250,215)	-	1,503,149	252,934
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Cumulative interest rate sensitivity gap	(1,250,215)	-		
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33.1.2.1 The mark-up rates per annum on financial assets and liabilities are as follows:

	2009	2008
	-----Percentage-----	
Short term borrowings	14.00-18.00	11.09 - 17.88
Payable in respect of continuous funding system transactions	-	11 - 21
Bank balances	-	5 - 7.5
Exposure deposits with KSE	-	7 - 8

33.1.2.2 Sensitivity analysis for variable rate instruments

As at June 30, 2009, long term borrowings have been entered into at KIBOR plus margins which exposes the company to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2009, with all other variables held constant, the net assets of company would have been higher / lower by Rs 7.075 million and net loss for the year would have been lower / higher by the same amount.

The composition of the company's long term borrowings and KIBOR rates is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2009 is not necessarily indicative of the impact on company's net assets of future movements in interest rates.



33.1.3 Price Risk

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

33.1.4 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, 2009, the net loss for the year relating to securities classified as fair value through profit and loss would decrease / increase by Rs. 5.839 million (2008: Rs. 6.402 million) 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, 2009, 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. 12.657 million (2008: Rs. 46.220 million) as a result of gains / losses on equity securities classified as available for sale.

33.1.5 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, 2009 is not necessarily indicative of the effect on the company's net assets of future movements in the level of KSE 100 index.

33.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. All the financial assets of the company except Rs 0.013 million (2008: Rs 0.040 million) are exposed to credit risk. To manage the exposure to credit risk, the company applies credit limits to its customers and in certain cases obtains margins and deposits in the form of cash and marketable securities. The company has established internal policies for extending credit which captures essential details regarding customers. Based on the review of borrower's credentials as available internally and value of collaterals held as security, the management is confident that credit quality of debts which are not past due nor impaired remains sound at the balance sheet date.

33.2.1 The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated was Rs NIL million (2008: Rs NIL million). The company is making its concerted efforts for entering into settlement agreement with certain outstanding debtors who had not paid on time."

33.2.2 A portion 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.

33.2.3 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 10.5 and 9.1 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, 2009 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 35 to the financial statements.

33.2.4 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 32 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.



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

	2009		2008	
	Total outstanding amount	Payment over due (in days)	Total outstanding amount	Payment over due (in days)
	Rupees in '000		Rupees in '000	
Financial instruments carried at amortised cost				
Trade debts - net	284,716	1 - 360	844,228	1 - 360

33.2.6 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.

	As at June 30, 2009			
	Total outstanding amount	Upto one month	One to three months	More than three months
	Rupees in '000			
Financial instruments carried at amortised cost				
Trade debts - net	546,213	21,556	4,308	520,349
	As at June 30, 2008			
	Total outstanding amount	Upto one month	One to three months	More than three months
	Rupees in '000			
Financial instruments carried at amortised cost				
Trade debts - net	192,227	-	-	192,227

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

33.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The company currently is not exposed to significant level of liquidity risk keeping in view the current market situation. Negotiations are in progress with the financial institutions to meet any deficit required to meet the short-term liquidity commitments.

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

	As at June 30, 2009			
	Upto Three months	More than three months & upto one year	More than one year	Total
	Rupees in '000			
Current liabilities				
Trade and other payables	115,265	-	-	115,265
Accrued mark-up	40,417	-	-	40,417
Payable in respect of continuous funding system transactions	-	-	-	-
Short-term borrowings	808,160	-	-	808,160
Current maturity of long term borrowings	-	40,322	-	40,322
Non current liabilities				
Long term borrowings	-	-	583,270	583,270
	As at June 30, 2008			
	Upto Three months	More than three months & upto one year	More than one year	Total
	Rupees in '000			
Current liabilities				
Trade and other payables	490,889	-	-	490,889
Accrued mark-up	17,139	-	-	17,139
Payable in respect of continuous funding system transactions	410,667	-	-	410,667
Short-term borrowings	840,487	-	-	840,487
Current maturity of long term borrowings	-	-	-	-
Non current liabilities				
Long term borrowings	-	-	-	-



- 33.3.1** During the year the company had defaulted in repayment of certain borrowing arrangement entered between the bank and the company. These defaults mainly occurred consequent to the unprecedented shortfall in liquidity of the company which are mainly due to losses incurred and significant deterioration in the value of assets used to generate cash flows. As at June 30, 2009 financing amounting to Rs. 1,145.974 million were in default. The company had also not paid the mark-up amounting to Rs. 40.417 million on these defaulted loans. Subsequent to the year ended June 30, 2009 the company has renegotiated the terms of certain financing arrangements which have been restructured for various period ranging between 4 to 7 years. The details of these renegotiations / restructuring are given in note 17 to the financial statements.

33.4 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.

34 CAPITAL RISK MANAGEMENT

The objective of managing capital is to safeguard 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.

35 USE OF COLLATERAL AND TRADING SECURITIES

The company utilises customers marginable securities for meeting the exposure deposit requirements of the Karachi Stock Exchange (Guarantee) Limited, for meeting securities shortfall at the time of settlements on behalf of the customers and for securing financing facilities from bank. These securities are utilised by the company with the consent of the customers. As at June 30, 2009, securities amounting to Rs 57.463 million and Rs 431.54 million were pledged / utilised by the company for meeting the exposure deposit requirement of the Karachi Stock Exchange (Guarantee) Limited and for securing financing facilities from banks respectively.

36 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISKS

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

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

37 GENERAL AND CORRESPONDING FIGURES

- 37.1** Amounts have been rounded off to the nearest thousand rupees unless otherwise stated.
- 37.2** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. An amount of Rs 4.818 million has been reclassified from 'other operating income' and has been netted off with KSE, clearing house and CDC charges under the head 'administrative expenses'. No other significant reclassifications have been made during the current year.

38 DATE OF AUTHORISATION

These financial statements were authorised for issue on October 09, 2009. by the Board of Directors of the company.



Chief Executive

Director

as at
June 30, 2009

PATTERN OF SHAREHOLDING

NUMBER OF SHAREHOLDERS	From	To	TOTAL SHARES HELD
99	1	100	5,005
128	101	500	37,680
107	501	1000	76,239
94	1001	5000	215,577
19	5001	10000	135,650
9	10001	15000	104,169
5	15001	20000	95,406
5	20001	25000	108,550
1	25001	30000	27,025
1	30001	35000	30,250
1	35001	40000	39,750
1	40001	45000	43,000
5	45001	50000	242,591
1	55001	60000	56,000
3	65001	70000	205,227
1	70001	75000	70,500
1	75001	80000	80,000
1	85001	90000	86,500
2	90001	95000	186,700
2	95001	100000	200,000
2	100001	105000	202,575
1	105001	110000	107,500
1	115001	120000	120,000
2	120001	125000	241,848
1	125001	130000	130,000
1	180001	185000	181,500
1	260001	265000	261,850
2	300001	305000	603,100
2	315001	320000	640,000
1	335001	340000	338,000
1	340001	345000	345,000
1	430001	435000	431,000
1	545001	550000	546,150
1	600001	605000	600,500
1	765001	770000	767,705
1	885001	890000	889,500
1	1145001	1150000	1,150,000
1	1160001	1165000	1,164,950
1	1225001	1230000	1,229,349
1	1415001	1420000	1,420,000
1	2010001	2015000	2,014,500
1	2435001	2440000	2,436,200
1	2800001	2805000	2,801,350
1	2910001	2915000	2,912,025
1	4795001	4800000	4,798,950
1	4835001	4840000	4,835,990
1	5745001	5750000	5,747,650
1	6255001	6260000	6,257,949
1	12275001	12280000	12,279,040
519			57,500,000



Categories of Shareholders

As at June 30, 2009.

Categories	Number	Shares Held	Percentage
Related Parties			
First Florance Developers (Pvt.) Limited	1	5,747,650	9.996
F. Rabbi Steel (Pvt.) Limited	1	1,740,000	3.026
Yarmouk Paper & Board Industry (Pvt.) Limited	1	345,000	0.600
MCD Pakistan Limited	1	4,798,950	8.346
First Pakistan Securities Limited	1	13,242,040	23.030
Switch Securities (Pvt.) Limited	1	7,422,899	12.909
Directors, Chief Executive and their Spouse and Minor Children			
Ali Aslam Malik	1	2,476,525	4.307
Malik Atiq-ur-Rehman	1	262,350	0.456
Muhammad Iqbal Khan	1	1,150	0.002
Shahzad Akbar	1	6,325	0.011
Maj Gen (Retd.) Khurshid Ali Khan	1	575	0.001
Tajamal Rashid	1	575	0.001
Yoshihiro Saito	1	575	0.001
Mrs. Adeela Ali	1	1,150,575	2.001
Omer Ali Malik (M) Through Guardian Ali A. Malik	1	94,300	0.164
Fatima Ali (M) Through Guardian Ali A. Malik	1	11,000	0.019
Saad Khalid Tawab	1	575	0.001
Executives	-	-	-
Banks/DFIs/NBFIs	9	743,929	1.294
Modarabas/ Mutual Funds & Foreign Investors	3	768,252	1.336
Joint Stock Companies	37	4,976,182	8.654
Insurance Companies	1	46,591	0.081
NIT & ICP	1	65,227	0.113
Individual	451	13,598,755	23.650
	519	57,500,000	100.000
Detail of Shareholding 10% & more			
First Pakistan Securities Limited	1	13,242,040	23.030
Switch Securities (Pvt.) Limited	1	7,422,899	12.909



Branch Network

of First National Equities Limited

Lahore Office

FNE House, 179-B, Abu Bakar Block,
New Garden Town, Lahore.
Tel: 042-35843721-27, 042-35845011-15
Fax: 042-35843730

Karachi Offices

- 1) FNE HOUSE, 19-C, Sunset Lane 6, South Park Avenue,
Phase II Extension, D.H.A. Karachi.
Tel: 021-35395931-32-34-39-40
Fax: 021-35889743
- 2) Room No. 135-136, 3rd Floor,
New Stock Exchange Building, Karachi.
Tel: 021-32472119, 32472014, 32472076, 32472665
Fax: 021- 32472332.
- 3) Office # 306, 3rd Floor, Business & Finance Centre,
I.I.Chundrigar Road, Karachi
Tel: 021-32462906-9
Fax: 021-32462921

Peshawar offices

- 1) 2nd Floor, State Life Building, 34 The Mall, Peshawar Cantt,
Peshawar.
Tel: 091-5262667-5277574, 5253950-51, 5286590
Fax: 091-5260977
- 2) Office # 2, Ground Floor, Bank Square , Chowk Yadgar,
Peshawar City, Peshawar
Tel: 091-2580746-51
Fax: 091-2580750
- 3) Room # 508, 5th Floor, Jasmine Arcade, Fakhr-e-Alam Road,
Peshawar Saddar, Peshawar
Tel: 091-5275661, 5275055, 5274695
Fax: 091-5275632
- 4) Room No. 6, MCB Upper Floor, 1st Floor,
Block A Phase V,
PDA Building, Hyatabad
Peshawar.
Tel: 091-5822384-5
Fax: 091-5822386

Islamabad Office

- 1) 13-P Mezzanine Floor, Empire Centre F-7 Markaz,
Islamabad.
Tel: 051-2653521-27
Fax: 051-2653528

Rawalpindi Offices

- 1) 53/7, Haider Road, Rawalpindi Cantt., Rawalpindi
Tel: 051-5563195-96, 5562214, 5562205
Fax: 051-5563194
- 2) Ground Floor, Kings Plaza,
50 Judicial Colony Rawalpindi.
Tel# 051-5954939, 5954616

Abbottabad Office

1st Floor, Goher Sons Arcade, Mansehra Road Supply Bazaar,
Abbottabad,
Tel#:0992-341305, 341102, 341104, 341203, 341844
Fax: 0992-341103

Mardan Office

Shop No 22-24, Cantonment Plaza,
The Mall, Mardan
Tel: 0937-875827-875829, 875832
Fax: 0937-875830

Mirpur Office

2nd Floor, Haji Lal Din City Plaza, Plot No. 114,
Sector F/1, Kotli Road,
Mirpur Azad Jammu Kashmir
Tel: 05827-439655-58
Fax: 05827-439656



FORM OF PROXY

FIRST NATIONAL EQUITIES LIMITED

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

For Beneficial Owners As per CDC List

CDC Participant I.D. No. _____

Sub-Account No. _____

NIC 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 Thursday, 05 November,
2009 at 10:00 a.m. and at any adjournment thereof.

Please affix
rupees five
revenue stamp

(Signatures should
agree with the
specimen signature)

Dated this _____ day of _____, 2009

For beneficial owners as per CDC list

1. WITNESS

Signature: _____

Name: _____

Address: _____

NIC NO: _____

or Passport No. _____

Signature of Shareholder _____

Signature of Proxy _____

2. WITNESS

Signature: _____

Name: _____

Address: _____

NIC 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 NIC numbers shall be mentioned on the form.
- ii) Attested copies of NIC 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 NIC 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) along with 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.