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"Connecting people,
ideas and capital, we will be our clients'

First Choice

for achieving their financial aspirations"

M i s s i o n . . .

"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:

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

Audit Committee:

Mr. Muhammad Iqbal Khan	Chairman
Shaikh Khalid Tawab	Member
Mr. Shahzed Akbar	Member

CFO & Company Secretary

Sheikh Tajamal Rashid

Auditors:

A. F. Ferguson & Co
Chartered Accountants
Karachi

Legal Advisor:

Minto & Mirza, Advocates

Registrar:

Technology Trade (Pvt) Limited
Dagia House, 241-C, Block - 02,
P.E.C.H.S. Off: Main Shahrah-e-Quaideen, Karachi
Tel: (92-21) 4391316-7 & 19, 4387960-61
Fax : (92-21) 4391318



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 Khyber
The Bank of Punjab
United Bank Limited

KSE Office:

135-136, 3rd Floor, Stock Exchange
Building Stock Exchange Road,
Karachi
Tel: (92-21) 2421396, 2472758, 2472119
Fax: (92-21) 2472332

Registered Office:

FNE House: 19-C, Sunset Lane-06, South Park Avenue
Phase – II, Extension, D.H.A. Karachi.
UAN: (92-21) 111-000-363
PABX: (92-21) 5395903-08
Fax: (92-21) 5395945
Website: www.fnetrade.com

Principal Office

FNE House, 179-B, Abu Bakar Block,
New Garden Town, Lahore
UAN: (92-42) 111-000-016
Fax: (92-42) 5843730



NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the members of the First National Equities Limited will be held at FNE House, 19-C, Sunset Lane 6, South Park Avenue, Phase II Ext. DHA. Karachi on Saturday, October 18, 2008 at 11:00 a.m. to transact the following business:-

ORDINARY BUSINESS

1. To confirm the minutes of the last Annual General Meeting held on September 29, 2007.
2. To receive, consider and adopt the Audited Annual Accounts of the Company together with the Directors' and Auditors' Reports for the year ended June 30, 2008.
3. To appoint auditors and fix their remuneration for the year to be ended June 30, 2009. The present auditors M/s. A. F. Ferguson & Co., Chartered Accountants retire and being eligible, offer themselves for reappointment.

By Order of the Board

TAJAMAL RASHID
Chief Financial Officer &
Company Secretary

Karachi: 23 September, 2008

Notes:

1. The Register of the Members of the Company will remain closed from October 11, 2008 to October 18, 2008 (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 10, 2008 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.



DIRECTORS' REPORT

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report of your Company for the year ended 30th June, 2008, together with the auditors' report thereon.

Economy Review

Pakistan's economy remained under significant pressure during FY 08. The period saw a very volatile political environment, continuous increase in international oil and commodity prices, putting a tremendous pressure on the economy. The fiscal deficit of the country increased resulting in higher inflation. The interest rates were upward revised by the State Bank of Pakistan. All this resulted in very uncertain environment for the businessmen and the investors. The fiscal deficit of the country increased to 7% of the GDP and current account deficit rose to 9% of the GDP.

Poor law and order conditions and continuous power shortage was another big problem that haunted the economy. All problems and pressures working together slowed down the economy registering a decline in all the growth indicators.

Capital Market Review

After a robust growth of half a decade the KSE posted negative returns for the FY 08. This was due to the lack of interest and withdrawal of the investors owing to their worries for deteriorating law & order condition, Increase in inflation, oil prices & the global economic slowdown. The foreign and local investors both preferred to divest and stayed away from making new long business positions.

During the year fertilizer and oil exploration sector remained top performers while the auto and banking sectors were worst hit due to the tightening of the monetary policy.

Financial Results

	2008	2007
	(Rupees in Million)	
Gross revenue	408.63	637.38
Operating revenue	392.41	615.48
Profit Before taxation	18.84	107.11
Less: taxation	13.34	27.78
Profit after tax	5.50	79.33
Accumulated profit(loss) brought forward	245.79	366.46
Profit Available for Appropriation	251.29	445.79
Final cash dividend	-	75.00
Final Stock Dividend	-	15%
Earning per share	Rs.0.09	Rs. 1.37

Dividend

Owing to low profitability and future expansion plan in the branches net work Board of Directors has decided not to announce any dividend for the year 2007-2008

Review of Operations

During the FY 08, your Company earned gross revenue of RS. 408.63 million as compared to RS. 637.38 million in FY 07. Main reason for the decrease in the profitability is the decrease in the capital gains. The market crisis emerging during the month of May 2008 has lead the company's profitability to a very low level.

In spite of the worst market conditions your company is positioning itself for the future retail outreach. We have taken our branch net work from 11 to 20 during the year and 2 more branches are in the process of registration. First National Equities Limited has committed team of leading professionals and skill full employees who are working devotedly to achieve the targets successfully.

Future Outlook

Despite Pakistan's economic and political worries we remain optimistic about the future of Pakistan and its capital markets. In our opinion the equity market has discounted itself to its fullest and any good news from the political and economic front can restore the confidence of the skeptical investor. We expect the market to bounce back during the coming period.

Compliance with the Code of Corporate Governance

The Directors are pleased to confirm that:

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and there has been no departure from them.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts upon the company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
- Key historical data is summarized and printed on page 11.



- The company operates an approved contributory provident fund. The fund was established in the year 2004-05 and has made an investment in TFCs of RBS (Formerly Prime Commercial Bank Limited) Shares of Companies listed on Karachi Stock Exchange and Namco Income Fund. Based on the latest un-audited financial statements of the fund, the bank balance amounted to Rs. 495,028/- and value of investment amounted to Rs.3,821,740 as on June 30, 2008.
- There is no material statutory payment outstanding on account of taxes, duties, levies and charges.
- A total of six board meetings were held during the year details of which together with attendance by each director are as follows:

S. No.	Name of Director	Total No. of Board Meeting	Number of Meeting(s) attended
1	Mr. Ali Aslam Malik	2	2
2	Mr. Amjad Pervez	4	4
3	Mr. Shahzad Akbar	6	5
4	Malik Atiq-ur-Rehman	6	5
5	Sheikh Khalid Tawab	6	5
6	Mr. Muhammad Iqbal Khan	6	6
7	Maj. Gen (Retd.) Khurshid Ali Khan	6	3
8	Mr. Jahanzeb Luni	6	2
9	Mr. Yoshihiro Saito	6	4

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

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

S. No.	Name of Director	Total No. of Board Meeting	Number of Meeting(s) attended
1	Sheikh Khalid Tawab	6	5
2	Mr. Shahzad Akbar	6	6
3	Muhamamd Iqbal Khan	6	6

The statement showing pattern shareholding in the company, as on June 30, 2008 is given on page 43.

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

Trades By	Purchase/ Allotment	Sales
Directors, CEO, Their Spouses and Minor Children	-----No. Of Shares-----	
Sheikh Khalid Tawab	6,075	
Ali Aslam Malik	588,025	
Malik Attiq-ur-Rehman		591,650
Muhammad Iqbal Khan	150	
Shahzad Akbar	825	
Maj. Gen (Retd.) Khurshid Ali Khan	575	
Jahanzeb Luni	575	
Yoshihiro Saito	575	
Mrs. Adeela Ali	150,075	
Omer Ali Malik (M)	94,300	
Fatima Ali (M)	11,000	
CFO & Company Secretary		
Sheikh Tajamal Rashid		

Auditors

The present Auditors Messrs. A.F. Ferguson & Co., Chartered Accountants, retire and being eligible, offer themselves to be reappointed as the Company's auditors for the ensuing year. The Audit Committee of the board recommends the (re)appointment of Messrs. A.F. Ferguson & Co., Chartered Accountants as auditors for the financial year 2008-09. A resolution to appoint the auditors of the Company for the ensuing year will be proposed at the Annual General Meeting.

Acknowledgment

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

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

Karachi
September 13, 2008

Ali A. Malik
Chief Executive / Director



Financial Statistical Summary (2003 - 2008)

PARTICULARS	June 30, (Rupees '000)				
	2008	2007	2006	2005	2004
OPERATING RESULTS					
Operating Revenues	392,414	615,486	974,632	440,544	11,350
Other Operating income	16,215	21,899	7,558	16,197	198
Gross Revenue	408,629	637,385	982,190	456,741	11,548
Administrative Expenses	(141,960)	(143,570)	(140,323)	(78,756)	(6,261)
Operating Profit	266,669	493,815	841,867	377,985	5,287
Finance Cost	(196,640)	(206,433)	(254,919)	(97,088)	(65)
Other Operating Expenses	(46,113)	(203,362)	(29,217)	(11,008)	(638)
	23,916	84,020	557,731	269,889	4,584
Fair value loss on re-measurement of held for trading investment - net	(11,021)	20,403	(106,241)	(35,551)	-
Unrealised gain on mark to market of derivative financial instruments	-	-	993	-	-
Unrealised gain - letter of right	-	595	-	-	-
	(11,021)	20,998	(105,248)	(35,551)	-
Share of profit of associates - net of tax	5,947	2,088	135	-	-
Profit / (Loss) before Tax	18,842	107,106	452,618	234,338	4,584
Taxation - net	(13,341)	(27,775)	(40,996)	(32,090)	(14)
Profit / (Loss) after Tax	5,501	79,331	411,622	202,248	4,570
Payout Ratio	-	30%	60%	25%	-
BALANCE SHEET SUMMARY					
Non-Current Assets					
Fixed assets	239,611	189,670	145,151	114,810	83,080
Long term Investment	68,170	42,223	40,135	-	-
Deferred Tax Asset / Cost	12,198	-	-	-	2,635
Long term loans & advances	-	125	10,849	18,712	-
Long Term deposits	3,557	2,616	1,889	2,229	756
	323,536	234,634	198,024	135,751	86,471
Current Assets					
Short term investments	1,088,442	1,677,850	1,598,176	531,505	52,037
Other investments	-	-	-	1,292,972	-
Receivable against CFS/cary over transaction	-	-	402,485	517,945	-
Trade debts	844,228	536,346	89,774	452,008	244,399
Loans & advances	4,500	1,869	5,686	1,696	1,377
Trade deposits & short term prepayments	29,464	304,999	28,018	45,752	189
Accrued mark up	-	6,062	-	-	-
Other Receivables	3,255	-	9,866	5,059	1,645
Taxation Recoverable - net	20,722	2,514	20,980	2,122	421
Cash and bank balance	20,232	39,207	111,949	158,120	350
	2,010,843	2,568,847	2,266,934	3,007,179	300,418
Current Liabilities					
Trade & other payables	490,889	1,203,683	316,299	1,558,803	162,003
Interest and mark-up accrued on borrowings	17,139	5,108	30,801	19,711	-
Payable in respect of continuous funding system	410,667	-	-	-	-
Short term borrowings	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 portion of liabilities against assests subject to finance lease	-	-	-	1,697	-
	1,759,182	1,834,728	1,261,050	2,518,480	200,454
Net Current Assets	251,661	734,119	1,005,884	488,699	99,964
Non-current liabilities					
Liabilities against assest subject to finance lease	-	-	-	3,968	-
Deferred liabilities	4,141	-	-	-	-
Deferred tax liabilities - net	-	1,627	1,997	3,185	-
	4,141	1,627	1,997	7,153	-
Net Assets	571,056	967,126	1,201,911	617,297	186,435
REPRESENTED BY					
Issued, subscribed and paid-up capital	575,000	500,000	500,000	500,000	125,000
Share application money	-	-	-	-	83,845
Unappropriated profit / (Accumulated losses)	101,292	245,791	366,460	129,838	(22,410)
Surplus/(deficit) on revaluation of investment - available for sale	(105,236)	221,335	335,451	(12,541)	-
Total Equity and Liabilities	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. 37 Chapter XI of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

1. The company encourages the representation of independent non-executive directors and directors representing minority interest on its Board of Directors. At present the board includes three independent non-executive directors who are also representing minority share holders.
2. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies, including the Company.
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurred during the period under review and was 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 formulated 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 meetings, along with agenda and working papers, were circulated at least seven days before the meeting. The minutes of the meeting were appropriately recorded and circulated.
9. The Board arranged an orientation course for the directors during the year to apprise them of their duties and responsibilities.
10. The Board has approved the appointment of CFO, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment, as determined by the CEO.



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11. The directors' report for the 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.
 18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program 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 the International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
 19. The statutory auditors or the persons associated with them have not been appointed to provide other services, except in accordance with the listing regulations and the auditors have observed IFAC guidelines in this regard.
 20. We confirm that all other material principles contained in the Code have been duly complied with on behalf of the Board of Directors.

Ali A. Malik
Chief Executive
Lahore
Dated: 13 September, 2008

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of First National Equities Limited to comply with the Listing Regulation No. 37 of the Karachi Stock Exchange (Guarantee) Limited where the company is listed.

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

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

Based on our review nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the company for the year ended June 30, 2008.

Chartered Accountants
Karachi

Dated: September 17, 2008.

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of **First National Equities Limited** as at June 30, 2008 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, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Chartered Accountants

Karachi

Dated: September 17, 2008.

BALANCE SHEET

AS AT JUNE 30, 2008

	Note	2008	2007
		(Rupees '000)	
Non-current assets			
Fixed assets			
- Tangible assets	4	171,476	122,850
- Intangible assets	5	68,135	66,820
Long-term investments	6	68,170	42,223
Long-term loans	7	-	125
Long-term deposits	8	3,557	2,616
Deferred tax assets - net	9	12,198	-
		323,536	234,634
Current assets			
Short-term investments	10	1,088,442	1,677,850
Trade debts - net	11	844,228	536,346
Loans and advances	12	4,500	1,869
Trade deposits and short-term prepayments	13	29,464	304,999
Other receivables	14	3,255	6,062
Taxation recoverable - net		20,722	2,514
Cash and bank balances	15	20,232	39,207
		2,010,843	2,568,847
Total assets		2,334,379	2,803,481
Current liabilities			
Trade and other payables	16	490,889	1,198,884
Accrued mark-up	17	17,139	5,108
Payable in respect of continuous funding system transactions		410,667	-
Short-term borrowings	18	840,487	390,810
Pre-IPO subscription towards proposed issue of term finance certificates	19	-	235,127
		1,759,182	1,829,929
Non-current liabilities			
Deferred liabilities	20	4,141	6,426
Total liabilities		1,763,323	1,836,355
Commitments	21		
Net assets		571,056	967,126
FINANCED BY:			
Share capital	22	575,000	500,000
Unappropriated profit		101,292	245,791
Unrealised (loss) / gain on re-measurement of investments classified as available for sale	10.1	(105,236)	221,335
		571,056	967,126

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive

Director



PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2008

	Note	2008 (Rupees '000)	2007
Operating revenue	24	392,414	615,486
Other operating income	25	16,215	21,899
		<u>408,629</u>	<u>637,385</u>
Administrative expenses	26	141,960	143,570
Operating profit		<u>266,669</u>	<u>493,815</u>
Finance costs	28	196,640	206,433
Other operating expenses	29	46,113	203,362
		<u>23,916</u>	<u>84,020</u>
Unrealised (loss) / gain on re-measurement of investments classified as financial asset at fair value through profit or loss' - held for trading - net	10.2	(11,021)	20,403
Unrealised gain - letter of right		-	595
		<u>(11,021)</u>	<u>20,998</u>
Share of profit of associate - net of tax	6.1	5,947	2,088
Profit before taxation		<u>18,842</u>	<u>107,106</u>
Taxation - net	30	13,341	27,775
Profit after taxation		<u>5,501</u>	<u>79,331</u>
		(Rupees)	
Earnings per share	31	<u>0.09</u>	<u>1.37</u>

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive

Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2008

Note	2008	2007
	(Rupees '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	18,842	107,106
Adjustments for non-cash and other items:		
Depreciation	11,164	11,731
Gain on disposal of fixed assets	(210)	(478)
Gain on disposal of investments	(50,919)	(207,999)
Share of profit of associate - net of tax	(5,947)	(2,088)
Unrealised loss / (gain) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - held for trading - net	11,021	(20,403)
Transaction costs incurred on proposed issue of term finance certificates	4,873	-
Provision for gratuity	3,052	2,803
Provision for bad and doubtful debts	9,391	177,836
Provision for leave fare	887	1,918
Financial charges	196,640	206,433
Provision no longer required written back	(3,233)	-
Dividend income	(33,596)	(55,510)
Unrealised gain on mark to market of derivative financial instrument	-	(595)
Mark-up income on fixed income securities	(6)	(8,391)
Mark-up income on exposure deposits	(6,658)	-
Mark-up income on fixed deposits	(841)	(9,068)
	<u>135,618</u>	<u>96,189</u>
Changes in working capital	<u>154,460</u>	<u>203,295</u>
Decrease / (increase) in current assets		
Receivable against continuous funding system transactions	-	402,485
Trade debts	(317,273)	(624,408)
Loans and advances	(2,506)	10,531
Trade deposits and short-term prepayments	275,535	(276,981)
Other receivables	1,228	803
	<u>(43,016)</u>	<u>(487,570)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	(704,063)	885,346
Payable in respect of continuous funding system transactions	410,667	-
	<u>(181,952)</u>	<u>601,071</u>
Mark-up paid	(184,609)	(232,126)
Leave fare paid	(1,963)	(1,668)
Gratuity paid	(3,710)	(930)
Income taxes paid	(45,374)	(9,679)
Long-term deposits	(941)	(727)
Net cash (used in) / generated from operating activities	<u>(418,549)</u>	<u>355,941</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in available for sale financial assets - net	(486,608)	(64,838)
Investment in marketable securities	789,343	99,450
Long term investment	(20,000)	-
Fixed capital expenditure incurred	(62,816)	(53,659)
Proceeds from disposal of fixed assets	3,236	1,897
Purchase of tenancy rights - intangible assets	(1,315)	-
Mark-up received	7,505	19,351
Dividend received	35,175	57,214
Net cash generated from investing activities	<u>264,520</u>	<u>59,415</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings under repurchase agreements	-	(150,000)
Pre-IPO subscription towards proposed issue of term finance certificates	(240,000)	-
Dividends paid	(74,623)	(200,085)
Net cash used in financing activities	<u>(314,623)</u>	<u>(350,085)</u>
Net (decrease) / increase in cash and cash equivalents	<u>(468,652)</u>	<u>65,271</u>
Cash and cash equivalents at the beginning of the year	(351,603)	(416,874)
Cash and cash equivalents at the end of the year	<u>34</u> <u>(820,255)</u>	<u>(351,603)</u>

The annexed notes 1 to 42 form an integral part of these financial statements.



Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2008

	Issued, subscribed and paid- up capital	Reserve for issue of bonus shares	Unappropri- ated profit	Unrealised gain / (loss) on re-measurement of investments classified as 'available for sale'	Total
	(Rupees '000)				
Balance as at June 30, 2006	500,000	-	366,460	335,451	1,201,911
Final cash dividend @ Rs 4 per share for the year ended June 30, 2006 declared subsequent to year end	-	-	(200,000)	-	(200,000)
Realised gain on disposal of investments classified as 'available for sale'	-	-	-	(31,956)	(31,956)
Profit after taxation for the year ended June 30, 2007	-	-	79,331	-	79,331
Unrealised gain during the year in the market value of investments classified as 'available for sale'	-	-	-	(82,160)	(82,160)
Balance as at June 30, 2007	500,000	-	245,791	221,335	967,126
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 loss 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

The annexed notes 1 to 42 form an integral part of these financial statements.

Chief Executive

Director



for the year ended
June 30, 2008

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 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, financing from continuous funding system, 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 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".

2.3 New standards, interpretations and amendments to approved accounting standards that are effective in the current period

- i) Amendments to International Accounting Standard (IAS) 1 - 'Presentation of financial statements - Capital Disclosures', introduces certain new disclosures about the level of the company's capital and how the company manages its capital. Adoption of this amendment has only resulted in additional disclosures which have been set out in note 37 to these financial statements.
- ii) Application of "IFRIC 10 - Interim Financial Reporting and Impairment" has resulted in prohibition on reversal of an impairment loss recognised in a previous interim period in respect of goodwill or an investment in either an equity instrument or a financial asset carried at cost. Application of this interpretation has not resulted in any effect on the company's operations in the current year.

Other new standards, amendments and interpretations that are mandatory for accounting periods beginning on or after July 1, 2007 but are not considered relevant or do not have any significant effect on the company's operations, are not detailed in these financial statements.



2.4 New standards, amendments and interpretations to approved accounting standards that are not yet effective

The following new standards, amendments and interpretations to approved accounting standards, are effective for the company's accounting periods beginning on or after July 1, 2008 are either not relevant to the company's operations or are not expected to have a significant impact on the company's financial statements other than increased disclosures in certain cases:

IAS 1 - Presentation of Financial Statements (Revised September 2007)	effective from January 1, 2009
IAS 23 - Borrowing Costs (Revised March 2007)	effective from January 1, 2009
IAS 27 (Revised) - Consolidated and Separate Financial Statements	effective from July 1, 2009
IFRS 3 (Revised) - Business Combinations	effective from July 1, 2009
IFRS 7 - Financial Instruments: Disclosures	effective from April 28, 2008
IFRS 8 - Operating Segments	effective from January 1, 2009
IFRIC 12 - Service Concession Arrangements	effective from January 1, 2008
IFRIC 13 - Customer Loyalty Programmes	effective from July 1, 2008
IFRIC 14 - IAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction	effective from January 1, 2008
IAS 29 - Financial Reporting in Hyper inflationary Economies	effective from April 28, 2008
IFRIC 15 - Agreements for the Construction of Real Estate	effective from January 1, 2009
IFRIC 16 - Hedges of a Net Investment in a Foreign Operation	effective from October 1, 2008

2.5 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 10);
- ii) Income taxes (notes 3.5, 9, 20.1 and 30);
- iii) Estimate of liability in respect of employee retirement gratuity (notes 3.9 and 27); and
- iv) Provision for bad and doubtful debts (notes 3.3 and 11)

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. Provisions are made for permanent diminution in the value of assets, if any. 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 of investments classified as available for sale is recognised when there is a permanent diminution in their values. When investments classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are taken to 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 months or 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 are amortised over the average remaining working lives of the employees in excess of the 10% of the present



value of the defined benefit obligation in the following year.

- (b) an approved contributory provident fund for all employees. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

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

3.10 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 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.

3.13 Fiduciary assets

Assets held in trust or in a fiduciary capacity by the company are not treated as assets of the company and are disclosed in note 23 to these financial statements.

3.14 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.

3.15 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.

3.16 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.

3.17 Financial instruments

3.17.1 Financial assets and liabilities

Financial instruments carried on the balance sheet include investments, loans, deposits, receivable against continuous funding system, trade debts, other receivables, cash and bank balances, trade and other payables, payable in respect of continuous funding system, 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.

3.17.2 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.

3.17.3 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	2008	2007
		(Rupees '000)	
- Capital work-in-progress	4.1	90,241	37,846
- Operating fixed assets	4.2	81,235	85,004
		<u>171,476</u>	<u>122,850</u>
4.1 Capital work-in-progress			
Commercial space - Karachi Financial Towers	4.1.1	33,340	13,336
Commercial space - Business and Finance Centre	4.1.2	20,744	-
Property acquired through auction		<u>36,157</u>	<u>24,510</u>
		<u>90,241</u>	<u>37,846</u>

4.1.1 This represents amount paid for acquiring commercial space in Karachi Financial Towers. This property is under construction and the above amount represents installment paid to date.

4.1.2 This includes amount paid for acquisition of a commercial space and civil works carried out at Business and Finance Centre, Karachi amounting to Rs 18.361 million and Rs 2.383 million respectively.



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, 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	<u>38,980</u>	<u>14,883</u>	<u>10,791</u>	<u>6,980</u>	<u>13,370</u>	-	<u>85,004</u>
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
Depreciation charge for the year	(1,101)	(1,760)	(1,363)	(3,768)	(3,172)	-	(11,164)
Closing net book value	<u>37,879</u>	<u>13,704</u>	<u>11,579</u>	<u>5,187</u>	<u>12,886</u>	-	<u>81,235</u>
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	<u>37,879</u>	<u>13,704</u>	<u>11,579</u>	<u>5,187</u>	<u>12,886</u>	-	<u>81,235</u>
Depreciation rate % per annum	2.5	10	10	33.33	20		
As at July 1, 2006							
Cost	44,026	13,741	10,649	11,242	14,182	-	93,840
Accumulated depreciation	(3,945)	(1,018)	(1,123)	(5,094)	(4,329)	-	(15,509)
Net book value	<u>40,081</u>	<u>12,723</u>	<u>9,526</u>	<u>6,148</u>	<u>9,853</u>	-	<u>78,331</u>
Year ended June 30, 2007:							
Opening net book value	40,081	12,723	9,526	6,148	9,853	-	78,331
Additions	-	3,736	2,446	5,377	7,586	678	19,823
Disposal:							
Cost	-	-	-	-	(1,850)	-	(1,850)
Depreciation	-	-	-	-	431	-	431
Depreciation charge for the year	(1,101)	(1,576)	(1,181)	(4,545)	(1,419)	(115)	(11,731)
Transfers	-	-	-	-	563	(563)	-
Closing net book value	<u>38,980</u>	<u>14,883</u>	<u>10,791</u>	<u>6,980</u>	<u>13,370</u>	-	<u>85,004</u>
As at June 30, 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	<u>38,980</u>	<u>14,883</u>	<u>10,791</u>	<u>6,980</u>	<u>13,370</u>	-	<u>85,004</u>
Depreciation rate % per annum	2.5	10	10	33.33	20	20	

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

	Cost	Accumulate depreciation	Book value	Sale proceeds	Mode of disposal	Particulars of buyers	Location
(Rupees in '000)							
Furniture and fitting							
False ceiling	86	16	69	69	Negotiation	Mr. Yasir Khan	Peshawar
Office equipment							
Split	78	15	63	63	Negotiation	Mr. Yasir Khan	Peshawar
UPS	69	13	56	56	Negotiation	Mr. Yasir Khan	Peshawar
Vehicles							
Honda Civic VTI	1,287	786	501	612	Negotiation	National Asset Management Company Limited *	Karachi
Honda Civic VTI	941	360	581	700	Negotiation	Mr. Ahmed Faraz	Lahore
Honda Civic VTI	1,248	780	468	468	As per company policy	Mr. Amjad Pervez *	Karachi
Honda City	851	620	231	231	As per company policy	(Ex-executive) Mr Ali Raza *	Karachi
Honda City	835	522	313	313	As per company policy	(Executive) Mr. Raj Kumar	Karachi
Suzuki Cultus	608	423	185	185	As per company policy	(Ex-employee) Mr. Muhammad Rafique *	Karachi
Suzuki Cultus	560	358	202	202	As per company policy	(Executive) Mr. Ahsan Hashmi *	Karachi
2008	<u>6,563</u>	<u>3,893</u>	<u>2,669</u>	<u>2,899</u>	As per company policy	(Ex-executive)	
2007	<u>1,850</u>	<u>431</u>	<u>1,419</u>	<u>1,897</u>			

* Represents Related Parties



5 INTANGIBLE ASSETS

Description	2008			Total
	Cost			
	Membership card of Karachi Stock Exchange	License to use Rooms at Karachi Stock Exchange - note 5.1	Tenancy rights Building - note 5.2	
	(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>
	2007			
	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, 2006	31,220	22,000	-	53,220
Additions during the year	-	-	13,600	13,600
As at June 30, 2007	<u>31,220</u>	<u>22,000</u>	<u>13,600</u>	<u>66,820</u>
5.1	This represents the consideration paid for right to occupy the rooms situated at Karachi Stock Exchange (Guarantee) Limited, Stock Exchange Building, Karachi. The Karachi Stock Exchange (Guarantee) Limited is the absolute owner of the said rooms and has granted full rights to occupy the premises under Leave and License agreement for the purposes of the company's business.			
5.2	These represent the consideration paid by the company in connection with the transfer of tenancy rights in favour of the company against property situated at Bank Square, Peshawar and Mall road, Nowshera. The ownership of these properties continue to vest with the original owner.			

6 LONG-TERM INVESTMENTS - RELATED PARTY

	Note	2008 (Rupees in '000)	2007
National Asset Management Company Limited	6.1	48,170	42,223
NAMCO Income Fund - Available for Sale	6.2	<u>20,000</u>	-
		<u>68,170</u>	<u>42,223</u>
6.1 Investment in associate under equity method - National Asset Management Company Limited - holding 40% [4,000,000 ordinary shares (2007: 4,000,000 ordinary shares) of Rs 10 each fully paid-up. Cost of investment Rs 40 million (2007: 40 million)]			
Opening balance		42,223	40,135
Share of post acquisition profit for the year	6.1.1	<u>5,947</u>	<u>2,088</u>
		<u>48,170</u>	<u>42,223</u>
6.1.1 The share of the company in National Asset Management Company Limited has been accounted for under the equity method of accounting based on its unaudited financial statements for the year ended June 30, 2008 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 after taxation	Percentage of interest held
June 30, 2008 (un-audited) National Asset Management Company Limited	308,221	187,797	49,612	14,868	40%
June 30, 2007 (un-audited) National Asset Management Company Limited	146,103	40,546	28,563	5,220	40%

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.

*Represents net income from all sources of the company



7 LONG-TERM LOANS

	Note	2008 (Rupees in '000)	2007
Due from related party - considered good			
- Executive	7.1 & 7.2	125	425
Less: receivable within one year	12	(125)	(300)
		<u>-</u>	<u>125</u>

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

7.2 Reconciliation of carrying amount of loan to executive is as follows:

	2008 (Rupees '000)	2007
As at July 1	425	-
Disbursement	-	500
Repayments	(300)	(75)
As at June 30	<u>125</u>	<u>425</u>

7.3 The maximum aggregate amount due from executive at the end of any month during the year was Rs 0.425 million (2007: Rs 0.5 million).

8 LONG-TERM DEPOSITS

	Note	2008 (Rupees '000)	2007
Central Depository Company of Pakistan Limited		150	150
Karachi Stock Exchange (Guarantee) Limited		1,350	1,100
National Clearing Company of Pakistan Limited		300	300
Others		1,757	1,066
		<u>3,557</u>	<u>2,616</u>

9 DEFERRED TAX ASSETS - NET

Deductible temporary differences on:

Provision for gratuity and leave fare assistance
Unused tax losses

	Note	2008 (Rupees in '000)	2007
		473	-
9.1		17,577	-
		<u>18,050</u>	<u>-</u>

Taxable temporary differences on:

Accelerated tax depreciation
Investment in associate

	(2,992)	-
	(2,860)	-
	<u>12,198</u>	<u>-</u>

9.1 The company has an aggregate amount of Rs 50.220 million in respect of tax losses as at June 30, 2008 and has recognised deferred tax debit balance amounting to Rs 17.577 million which represents the management's best estimate of the probable tax benefit which is expected to realise in future tax years.

10 SHORT-TERM INVESTMENTS - NET

	Note	2008 (Rupees '000)	2007
Available for sale	10.1	944,176	686,126
Financial assets at fair value through profit or loss account - held for trading	10.2	144,266	991,724
		<u>1,088,442</u>	<u>1,677,850</u>

10.1 Available for sale

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

2008 Number of shares / certificates / units		Particulars	2008		2007	
			Average cost	Market value	Average cost	Market value
			(Rupees in '000)			
Closed-end mutual funds						
-	2,104,823	First Dawood Mutual Fund	-	-	18,122	18,943
-	474,000	Meezan Balanced Fund	-	-	4,740	4,859
-	2,834,000	Pakistan Strategic Allocation Fund	-	-	28,340	29,757
-	500,000	PICIC Energy Fund	-	-	5,000	3,750
Open-end mutual funds						
-	40,000	Alfalsh GHP Income Multiplier Fund	-	-	2,000	2,006
-	202,148	Pakistan International Element Islamic Fund	-	-	10,000	11,882
-	215,898	UTP Fund of Funds	-	-	10,000	12,680
Investment banks / companies / securities						
418,700	-	Arif Habib Securities Limited	70,065	67,612	-	-
15,000	-	Jahangir Siddiqui & Company Limited	8,335	7,952	-	-
79,500	-	Pervez Ahmed Securities Limited	6,092	3,941	-	-
Commercial banks						
3,797,000	-	Bank Islami Pakistan Limited	74,421	56,234	-	-
68,700	-	MCB Bank Limited	19,697	22,422	-	-
100,000	-	Bank Alfalah Limited	4,771	4,106	-	-
Cement						
19,814,641	15,668,631	Pioneer Cement Limited	617,821	558,178	371,701	586,007
100,000	-	D.G. Khan Cement Company Limited	8,047	6,714	-	-
310,000	-	Lucky Cement Limited	32,891	30,358	-	-
Leasing companies						
1,353,525	1,353,525	SME Leasing Limited	14,888	18,949	14,888	16,242
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	-	Redco Textiles Limited	500	356	-	-
Fertilizers						
60,400	-	Engro Chemical Pakistan Limited	16,295	16,961	-	-
Chemicals						
100,000	-	I.C.I Pakistan Limited	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						
3,717,500	-	Pakistan International Airlines Corporation	36,952	18,588	-	-
			1,049,412	944,176	464,791	686,126
Unrealised (loss) / gain on re-measurement						
of investments classified as 'available for sale'			(105,236)	-	221,335	-
Investments - net			944,176	944,176	686,126	686,126

10.1.1 Securities having average cost of Rs 738.899 million (2007: Rs 142.300 million) and fair value of Rs 639.912 million (2007: Rs 224.464 million) have been pledged with various commercial banks for obtaining short-term running finance facility under mark-up arrangements as specified in note 18.1.

10.1.2 Securities having average cost of Rs 295.124 million and fair value of Rs 284.958 million have been acquired under Continuous Funding System (CFS) and are held in the name of the financiers.



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

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

2008	2007	Particulars	2008		2007	
			Carrying value / Average cost	Market value	Carrying value / Average cost	Market value
Number of shares / certificates / units			(Rupees in '000)			
-	469,484	Open-end mutual fund National Investment Trust	-	-	30,000	28,944
2,000,000	2,000,000	Closed-end mutual fund NAMCO Balanced Fund	19,500	18,620	20,000	19,500
200,000	-	Modarabas First I.B.L Modaraba - IPO Investments	2,000	2,060	-	-
-	81,300	Investment banks / companies / securities Arif Habib Securities Limited	-	-	9,738	9,480
-	87,900	JS Investments Limited	-	-	5,713	6,496
-	160,000	Commercial banks Askari Bank Limited	-	-	16,324	16,944
80,000	151,300	MCB Bank Limited	31,734	26,110	53,920	55,225
-	360,011	National Bank of Pakistan	-	-	88,933	94,323
-	439,000	NIB Bank Limited	-	-	18,958	19,316
-	471,000	Saudi Pak Commercial Bank Limited	-	-	11,866	11,846
-	174,500	Standard Chartered Bank (Pakistan) Limited	-	-	9,889	9,240
-	730,000	The Bank of Punjab	-	-	67,540	85,045
-	174,500	United Bank Limited	-	-	37,750	38,381
-	109,000	Insurance Adamjee Insurance Company Limited	-	-	34,839	35,529
-	52,500	Textile weaving Samin Textile Limited	-	-	2,666	2,940
-	540,000	Textile composite Nishat Mills Limited	-	-	63,205	70,443
397,000	-	Redco Textile Limited	1,052	707	-	-
-	365,500	Cement Fauji Cement Company Limited	-	-	7,954	7,200
-	179,100	D.G. Khan Cement Company Limited	-	-	21,117	20,865
75,700	62,500	Oil & gas marketing companies Pakistan State Oil Company Limited	34,063	31,585	25,588	24,466
500,000	537,027	Oil & gas exploration companies Oil & Gas Development Company Limited	64,990	62,180	71,026	64,336
-	94,000	Pakistan Oilfields Limited	-	-	32,333	29,798
-	133,500	Pakistan Petroleum Limited	-	-	35,120	35,037
-	5,157,000	Technology & communication Callmate Telips Telecom Limited	-	-	255,272	255,272
-	290,000	Pakistan Telecommunication Company Limited	-	-	17,343	16,530
10,700	-	Fertilizers Engro Chemical Pakistan Limited	1,948	3,004	-	-
-	285,100	Fauji Fertilizer Company Limited	-	-	34,227	34,568
			155,287	144,266	971,321	991,724
		Unrealised (loss) / gain on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - held for trading	(11,021)	-	20,403	-
		Investments - net	144,266	144,266	991,724	991,724

10.2.1 Securities having average cost of Rs 0.109 million (2007: Rs 468.099 million) and fair value of Rs 0.168 million (2007: Rs 264.954 million) have been pledged with various commercial banks for obtaining short term running finance facility under mark-up arrangements as specified in note 18.1.

10.2.2 Securities having average cost of Rs 130.787 million and fair value of Rs 119.875 million have been acquired under Continuous Funding System (CFS) and are held in the name of the financiers.

11 TRADE DEBTS

	Note	2008 (Rupees'000)	2007
Secured			
Considered good	11.1 & 11.2	844,228	536,346
Unsecured			
Considered doubtful		192,227	182,836
		<u>1,036,455</u>	<u>719,182</u>
Less: provision for bad and doubtful debts		<u>(192,227)</u>	<u>(182,836)</u>
		<u>844,228</u>	<u>536,346</u>
11.1	This includes an amount of Rs 4.457 million (2007: Rs 89.444 million) receivable from Karachi Stock Exchange (Guarantee) Limited in respect of trading in securities which was settled subsequent to the year end.		
11.2	Amounts due from related parties at the year end amounted to Rs 14.797 million (2007: Rs 36.848 million).		

12 LOANS AND ADVANCES

	Note	2008 (Rupees'000)	2007
Considered good			
Loans to related parties			
- Executive	7	125	300
Loans to others			
- Employees	12.1	669	265
Advances			
- Suppliers and others		<u>3,706</u>	<u>1,304</u>
		<u>4,500</u>	<u>1,869</u>
12.1	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.		

13 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2008 (Rupees'000)	2007
Exposure deposit	13.1	27,942	303,007
Prepayments		<u>1,522</u>	<u>1,992</u>
		<u>29,464</u>	<u>304,999</u>
13.1	This represents amount deposited with Karachi Stock Exchange (Guarantee) Limited against exposure arising out of the transactions entered into by the company in respect of which settlements have not taken place as at the year end. The amount is deposited in accordance with the regulations of the Karachi Stock Exchange (Guarantee) Limited.		

14 OTHER RECEIVABLES

	Note	2008 (Rupees '000)	2007
Dividend receivable		392	1,971
Unrealised gain - letter of right		-	595
Others		<u>2,863</u>	<u>3,496</u>
		<u>3,255</u>	<u>6,062</u>

15 CASH AND BANK BALANCES

	2008 (Rupees '000)	2007
Cash at bank in:		
- Current accounts	19,253	39,164
- Savings accounts	939	-
Stamps on hand	<u>40</u>	<u>43</u>
	<u>20,232</u>	<u>39,207</u>



16 TRADE AND OTHER PAYABLES

	Note	2008 (Rupees '000)	2007
Trade creditors	16.1 & 16.2	465,739	1,177,183
Accrued expenses		13,215	8,364
Provision for leave fare		834	1,910
Provision for rent payable		-	3,233
Unclaimed dividends		2,887	2,510
Payable in respect of loan syndication		-	1,940
Others		8,214	3,744
		<u>490,889</u>	<u>1,198,884</u>

16.1 These include payable to National Clearing Company of Pakistan Limited (NCCPL) amounting to Rs. 372.168 million (2007: payable to Karachi Stock Exchange (Guarantee) Limited amounting to Rs 492.793 million) in respect of trading in securities settled subsequent to the year end.

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

First Pakistan Securities Limited	3,627	118
Switch Securities (Private) Limited	6,251	80
National Asset Management Company Limited	20	20
	<u>9,898</u>	<u>218</u>

17 ACCRUED MARK-UP

	Note	2008 (Rupees '000)	2007
Mark-up accrued on:			
- Short-term running finances		17,139	4,913
- Repurchase agreement borrowings		-	195
		<u>17,139</u>	<u>5,108</u>

18 SHORT-TERM BORROWINGS

		2008 (Rupees '000)	2007
From banking companies			
Secured			
Short-term running finances utilised under mark-up arrangements	18.1	840,487	240,982
Unsecured		-	149,828
Short-term borrowing		<u>840,487</u>	<u>390,810</u>

18.1 The facilities for short-term running finances available from various banks amounted to Rs 3,000 million (2007: Rs 1,392 million). These facilities carry mark-up at rates ranging from Re. 0.3038 to Re. 0.4899 (2007: Re 0.3394 to Re 0.3460) per Rs 1,000 per day and are repayable on various dates by March 31, 2009. The arrangements are secured by the pledge of listed shares held by the company.

19 PRE-IPO SUBSCRIPTION TOWARDS PROPOSED ISSUE OF TERM FINANCE CERTIFICATES

Liability in respect of term finance certificate to be issued by the company	-	240,000
Less: transaction cost	-	(4,873)
	<u>-</u>	<u>235,127</u>

- 19.1** During the current year, the company has cancelled the IPO of the proposed issue of Term Finance Certificates. The company has re-paid the entire Pre-IPO subscriptions amounting to Rs 240 million along with outstanding mark-up to the Pre-IPO investors.

Consequent to the aforementioned cancellation, transaction costs amounting to Rs 4.873 million, which had been previously adjusted from the related liability of Pre-IPO subscription amount have been charged to the profit and loss account.

20 DEFERRED LIABILITIES

	Note	2008 (Rupees '000)	2007
Provision for gratuity	27	4,141	4,799
Deferred tax liabilities - net	20.1	-	1,627
		<u>4,141</u>	<u>6,426</u>

20.1 Deferred tax liabilities - net

Taxable temporary differences on:

Accelerated tax depreciation	-	2,108
Transaction cost on Pre-IPO subscription towards proposed issue of term finance certificates	-	336
Investment in associate	-	778
	-	<u>3,222</u>

Deductible temporary differences on:

Short term provisions	-	(1,595)
	-	<u>1,627</u>

21 COMMITMENTS

Capital expenditure contracted for but not incurred	<u>100,020</u>	<u>130,524</u>
---	----------------	----------------

22 SHARE CAPITAL

22.1 Authorised capital

2008	2007		2008 (Rupees '000)	2007
Number of shares				
<u>100,000,000</u>	<u>50,000,000</u>	Ordinary shares of Rs 10 each	<u>1,000,000</u>	<u>500,000</u>

22.2 Issued, subscribed and paid-up share capital

Issued for cash	Issued as bonus shares	Total			
-----Number of shares-----					
50,000,000	-	50,000,000	Opening balance - July 1, 2007	500,000	500,000
-	7,500,000	7,500,000	Bonus shares issued during the year	75,000	-
<u>50,000,000</u>	<u>7,500,000</u>	<u>57,500,000</u>		<u>575,000</u>	<u>500,000</u>



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

	2008		2007	
	Shares held	Percentage	Shares held	Percentage
First Florance Developers (Pvt.) Limited	5,747,650	9.996%	4,911,000	9.822%
F. Rabbi Steel (Pvt.) Limited	1,920,000	3.339%	835,000	1.670%
Yarmouk Paper & Board Industry (Pvt.) Limited	345,000	0.600%	300,000	0.600%
MCD Pakistan Limited	4,972,950	8.649%	4,204,500	8.409%
First Pakistan Securities Limited	11,343,040	19.727%	11,748,600	23.497%
Switch Securities (Pvt.) Limited	6,330,074	11.009%	2,343,260	4.687%

23 FIDUCIARY ASSETS

The company receives amounts from various customers in fiduciary capacity for onward placement in CFS transactions. This arrangement entitles the company to receive commission at specified rates on premium earned on these transactions (note 24.1). As at June 30, 2008, Rs Nil (2007: 384.276 million) were received by the company from various customers in fiduciary capacity.

24 OPERATING REVENUE

	Note	2008	2007
		(Rupees '000)	
Brokerage		201,583	215,609
Dividend income		33,596	55,510
Commission earned	24.1	8,716	24,856
Income from continuous funding system transactions		97,600	111,512
Gain on sale of investments - net		50,919	207,999
		<u>392,414</u>	<u>615,486</u>

24.1 This includes commission earned in fiduciary capacity amounting to Rs 8.716 million (2007: Rs 23.699 million).

25 OTHER OPERATING INCOME

	Note	2008	2007
		(Rupees '000)	
Income from financial assets			
Mark-up on:			
Fixed income securities		6	8,391
Fixed deposits		841	9,068
Exposure deposits		<u>6,658</u>	<u>-</u>
		7,505	17,459
Income from non-financial assets			
Gain on disposal of operating fixed assets		210	478
Provision no longer required written back		3,233	-
Miscellaneous		<u>5,267</u>	<u>3,962</u>
		<u>16,215</u>	<u>21,899</u>

25.1 This includes rent received from National Asset Management Company Limited amounting to Rs 0.6 million (2007: Rs 0.6 million), a related party.

26 ADMINISTRATIVE EXPENSES

	Note	2008 (Rupees '000)	2007
Salaries, allowances and other benefits	26.1	53,850	59,117
Rent, rates and taxes		4,833	3,344
Repairs and maintenance		7,045	10,127
Utilities		10,587	9,577
Fees & subscription		6,464	4,149
KSE, clearing house and CDC charges		33,447	35,121
Corporate expenses		102	130
Insurance charges		935	1,083
Travelling and conveyance		2,479	1,317
Depreciation	4.2	11,164	11,731
Communication, printing and stationery		4,060	3,239
Legal and professional charges		883	1,266
Entertainment		1,466	1,464
Advertisement expenses		903	767
Others		3,742	1,138
		<u>141,960</u>	<u>143,570</u>

26.1 Salaries, allowances and other benefits include Rs 4.325 million (2007: Rs 4.071 million) in respect of staff retirement benefits.

27 EMPLOYEE BENEFITS

27.1 Unfunded gratuity scheme

27.1.1 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, 2008. Projected Unit Credit method using the following significant assumptions, was used for the valuation of the scheme:

	2008	2007
a) Discount rate	12%	10%
b) Expected rate of increase in salary	12%	10%

27.1.2 Amount recognised in the profit and loss account

	2008 (Rupees '000)	2007
Current service cost	2,584	2,589
Interest cost	468	259
Recognition of actuarial (gains) / losses	-	(45)
Expense	<u>3,052</u>	<u>2,803</u>

27.1.3 Amount recognised in the balance sheet

Present value of defined benefit obligation	3,115	4,681
Add: unrecognised actuarial gains	251	118
Add: benefits payable to outgoing members	775	-
Liability recognised as at June 30	<u>4,141</u>	<u>4,799</u>

27.1.4 Movement in the present value of defined benefit obligation

Present value of defined benefit obligation as at July 1	4,681	2,881
Current service cost	2,584	2,589
Interest cost	468	259
Actuarial gains	(133)	(118)
Benefits due but not paid	(775)	-
Benefits paid	<u>(3,710)</u>	<u>(930)</u>
Present value of defined benefit obligation as at June 30	<u>3,115</u>	<u>4,681</u>



27.1.5 Movement of liability

	2008 (Rupees '000)	2007
Liability as at July 1	4,799	2,926
Add: expense for the year	3,052	2,803
Less: payments made during the year	(3,710)	(930)
Liability as at June 30	<u>4,141</u>	<u>4,799</u>

27.1.6 Four year data on experience adjustments

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

27.1.7 Based on actuarial advice the company intends to charge an amount of approximately Rs 2.102 million in respect of the gratuity scheme in the financial statements for the year ending June 30, 2009.

27.1.8 The information provided in notes 27.1.1 to 27.1.7 has been obtained from the valuation carried out by an independent actuary as at June 30, 2008.

27.2 Defined contribution plan

An amount of Rs 1.273 million (2007: Rs 1.268 million) has been charged during the year in respect of contributory provident fund maintained by the company.

28 FINANCE COSTS

	Note	2008 (Rupees '000)	2007
Mark-up on:			
- Short term running finances		65,662	42,527
- Repurchase agreement borrowings		81,537	113,929
- Term finance certificates		9,920	31,442
- Borrowed securities		13,427	17,791
- Continuous funding system transactions		25,735	-
Finance charges on leased assets		-	169
Bank charges		357	559
Others		2	16
		<u>196,640</u>	<u>206,433</u>

29 OTHER OPERATING EXPENSES

		2008 (Rupees '000)	2007
Auditors' remuneration	29.1	955	685
Donations	29.2	234	314
Provision for doubtful trade debts		9,391	177,836
Transaction cost - FNEL (TFC)	19.1	4,873	-
Commission to trading agents		30,660	24,527
		<u>46,113</u>	<u>203,362</u>

29.1 Auditors' remuneration

Statutory audit fee	500	375
Half yearly review fee	150	100
Special reports, certifications and sundry services	205	120
Out of pocket expenses	100	90
	<u>955</u>	<u>685</u>

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

30 TAXATION - NET

	2008 (Rupees '000)	2007
Current		
- for the year	39,635	54,058
- for prior years	(12,469)	(25,913)
Deferred	(13,825)	(370)
	<u>13,341</u>	<u>27,775</u>

30.1 Relationship between tax expenses and accounting profit

Profit for the year from ordinary activities before taxation	<u>18,842</u>	<u>107,106</u>
Tax at the applicable rate of 35% (2007: 35%)	6,595	37,487
Tax impact arising on account of income taxed at reduced rate	5,273	-
Tax impact arising on account of exempt income and income taxed under final tax regime	13,579	15,993
Prior year reversal	(12,469)	(25,913)
Others	363	208
Tax expense for the year	<u>13,341</u>	<u>27,775</u>

31 EARNINGS PER SHARE - BASIC

Profit after taxation attributable to ordinary shareholders	<u>5,501</u>	<u>79,331</u>
Weighted average number of ordinary shares in issue during the year	<u>57,500,000</u>	<u>57,500,000</u>
Earnings per share	<u>0.09</u>	<u>1.37</u>

31.1 Diluted earnings per share has not been calculated as the company does not have any convertible instruments in issue as at June 30, 2007 and 2008 which would have any effect on the earnings per share if the option to convert is exercised.

32 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:

	2008			2007		
	Chief Executive	Directors	Executive	Chief Executive	Directors	Executive
	(Rupees in '000)					
Managerial remuneration	5,262	58	10,109	3,612	70	6,931
Bonus	4,942	-	1,359	21,421	-	1,315
Retirement benefits	1,936	-	4,372	1,112	-	1,886
Utilities	130	-	91	142	-	116
Leave passage	300	-	549	240	-	464
Conveyance and travelling	841	330	1,212	570	499	861
	<u>13,411</u>	<u>388</u>	<u>17,692</u>	<u>27,097</u>	<u>569</u>	<u>11,573</u>
Number of persons	2	7	14	1	7	8

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



32.2 Remuneration to other directors

Aggregate amount charged in the financial statements for fee to directors was Rs 0.070 million (2007: Rs 0.082 million). In addition, the company also bears the travelling expenses of the directors relating to travel for official purposes.

33 RELATED PARTY TRANSACTIONS

	(2008)			
	Key management personnel	Associates	Other related parties	Total company
Transactions during the year	(Rupees in '000)			
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

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

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

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

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

Details of remuneration to the chief executive officer, directors and executives are disclosed in note 32 to the financial statements.

34 CASH AND CASH EQUIVALENTS

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

	Note	2008 (Rupees '000)	2007 (Rupees '000)
Cash and bank balances	15	20,232	39,207
Short-term running finances	18	(840,487)	(240,982)
Short-term borrowing	18	-	(149,828)
		<u>(820,255)</u>	<u>(351,603)</u>

35 FINANCIAL ASSETS AND LIABILITIES

June 30, 2008						
Interest / mark-up bearing			Non Interest / mark-up bearing			Total
Maturity upto one year	Maturity after one year	Sub-total	Maturity upto one year	Maturity after one year	Sub-total	
----- (Rupees in '000) -----						
Financial assets						
Loans	-	-	794	-	794	794
Deposits	27,942	-	-	3,557	3,557	31,499
Investments:						
- available for sale	-	-	944,176	-	944,176	944,176
- financial assets at 'fair value through profit or loss' - held for trading	-	-	144,266	-	144,266	144,266
Trade debts - net	-	-	844,228	-	844,228	844,228
Other receivables	-	-	3,255	-	3,255	3,255
Cash and bank balances	939	-	19,293	-	19,293	20,232
	28,881	-	1,956,012	3,557	1,959,569	1,988,450
Financial liabilities						
Trade and other payables	-	-	490,055	-	490,055	490,055
Mark-up accrued on borrowings	-	-	17,139	-	17,139	17,139
Payable in respect of continuous funding system transactions	410,667	-	-	-	-	410,667
Short-term borrowings	840,487	-	-	-	-	840,487
	1,251,154	-	507,194	-	507,194	1,758,348
Net gap	(1,222,273)	-	1,448,818	3,557	1,452,375	230,102

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



	2008	2007
	-----Percentage-----	
35.1 The mark-up rates per annum on financial assets and liabilities are as follows:		
Short term borrowings	11.09 -17.88	11.9 - 12.63
Pre-IPO subscription towards proposed issue of term finance certificates	-	"6 months KIBOR + 2.5"
Payable in respect of continuous funding system transactions	11 - 21	-
Bank balances	5 - 7.5	-
Exposure deposits with KSE	7 - 8	-

36 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

36.1 Concentration of credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. All the financial assets of the company except Rs 0.040 million (2007: Rs 0.043 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.

36.2 Foreign exchange risk

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

36.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulties in raising funds to meet commitments associated with financial instruments. The company believes that it is not exposed to any significant level of liquidity risk. In addition, the company has availed facility of running finance to meet any deficit required to meet the short-term liquidity commitments.

36.4 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.

36.5 Fair value of financial assets and liabilities

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

37 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.

In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debts.

38- NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors in its meeting held on September 13, 2008 have proposed a final cash dividend in respect of the year ended June 30, 2008 at Rs. NIL per share (2007: Rs 1.5 per share). In addition, the directors have also announced a bonus issue of NIL (2007: 15%). These appropriations will be approved in the forthcoming Annual General Meeting. The financial statements for the year ended June 30, 2008 do not include the effect of these appropriations which will be accounted for subsequent to the year end.

39- USE OF COLLATERAL AND TRADING SECURITIES

The company utilises customers marginable securities to meet the exposure deposit requirements of the Karachi Stock Exchange (Guarantee) Limited and for meeting securities shortfall at the time of settlements on behalf of the customers. These securities are utilised by the company with the consent of the customers. As at June 30, 2008, securities amounting to Rs 370.297 million were pledged / utilised by the company for meeting the exposure deposit requirement by the Karachi Stock Exchange (Guarantee) Limited.

40- FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISKS

a) The company purchases and sells securities as either principal or agents on behalf of its customers. If either the customer or a counter party 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 counter parties 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 counter parties' financial condition. The company monitors collateral levels on a regular basis and requests changes in collateral level as appropriate or if considered necessary.

b) The company enters into security transactions on behalf of its clients involving future settlement. The company has entered into transactions with a contract value of Rs. 225.761 million and market value of Rs. 225.206 million that give rise to future settlement. Transactions involving future settlement give rise to market risk, which represents the potential loss that can be caused by a change in the market value of a particular financial instrument. The company's exposure to market risk is determined by a number of factors, including size, composition and diversification of positions held, the absolute and relative level of interest rate and market volatility. The credit risk for these transactions is limited to the unrealised market valuation gains which have been recorded in the statement of accounts of the customers.

41- GENERAL AND CORRESPONDING FIGURES

41-1 Amounts have been rounded off to the nearest thousands unless otherwise stated.

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

-provision for gratuity amounting to Rs 4.799 million has been reclassified from trade and other payables to provision for staff gratuity under the head deferred liabilities.

42. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 13, 2008 by the Board of Directors of the company.



Chief Executive

Director

as at
June 30, 2008
Pattern of Shareholding

NUMBER OF SHAREHOLDERS	FROM	TO	TOTAL SHARES HELD
96	1	100	5,952
113	101	500	31,984
106	501	1,000	72,761
102	1,001	5,000	248,625
25	5,001	10,000	197,275
13	10,001	15,000	156,050
7	15,001	20,000	129,075
8	20,001	25,000	175,031
5	25,001	30,000	140,600
2	30,001	35,000	66,119
2	35,001	40,000	79,750
3	45,001	50,000	146,000
2	50,001	55,000	109,500
1	55,001	60,000	60,000
4	65,001	70,000	276,150
2	70,001	75,000	142,500
1	75,001	80,000	80,000
1	80,001	85,000	85,000
2	85,001	90,000	176,850
1	90,001	95,000	94,300
3	95,001	100,000	298,000
1	115,001	120,000	117,500
1	120,001	125,000	125,000
1	130,001	135,000	134,300
1	135,001	140,000	137,500
1	155,001	160,000	155,250
1	180,001	185,000	183,500
1	185,001	190,000	190,000
1	205,001	210,000	207,500
1	250,001	255,000	254,500
1	295,001	300,000	300,000
1	300,001	305,000	303,000
1	315,001	320,000	320,000
1	340,001	345,000	345,000
1	360,001	365,000	362,500
1	370,001	375,000	371,075
1	395,001	400,000	400,000
1	410,001	415,000	412,000
1	495,001	500,000	500,000
1	545,001	550,000	546,150
1	625,001	630,000	627,075
1	635,001	640,000	635,125
1	700,001	705,000	702,500
1	735,001	740,000	737,525
1	805,001	810,000	807,650
1	1,090,001	1,095,000	1,090,500
1	1,125,001	1,130,000	1,125,500
1	1,145,001	1,150,000	1,150,000
1	1,225,001	1,230,000	1,229,349
1	1,415,001	1,420,000	1,420,000
1	1,425,001	1,430,000	1,425,500
1	1,470,001	1,475,000	1,470,200
1	2,105,001	2,110,000	2,107,000
1	2,435,001	2,440,000	2,436,200
1	4,710,001	4,715,000	4,714,490
1	4,970,001	4,975,000	4,972,950
1	5,690,001	5,695,000	5,694,949
1	5,745,001	5,750,000	5,747,650
1	11,265,001	11,270,000	11,269,540
537			57,500,000

as at
June 30, 2008

Categories of Shareholders

Categories	Number	Shares Held	Percentage
Related Parties			
First Florance Developers (Pvt) Limited	1	5,747,650	9.996
F. Rabbi Steel (Pvt) Limited	1	1,920,000	3.339
Yarmouk Paper & Board Industry (Pvt) Limited	1	345,000	0.600
MCD Pakistan Limited	1	4,972,950	8.649
First Pakistan Securities Limited	1	11,343,040	19.727
Switch Securities (Pvt) Limited	1	6,330,074	11.009
Directors, Chief Executive and their Spouse and Minor Children			
Sheikh Khalid Tawab	1	46,575	0.081
Ali A. Malik	1	2,476,525	4.307
Malik Atiq-ur-Rehman	1	87,350	0.152
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
Jahanzeb Luni	1	575	0.001
Yoshihiro Saito	1	575	0.001
Mrs. Adeela Ali	1	1,150,575	2.001
Omer Ali Malik (M) Through Gardian Ali A. Malik	1	94,300	0.164
Fatima Ali (M) Through Gardian Ali A. Malik	1	11,000	0.019
Banks/DFIs/NBFIs	6	905,925	1.576
Modarabas/ Mutual Funds & Foreign Investors	2	802,500	1.396
Joint Stock Companies	35	4,416,244	7.680
Individual	477	16,841,092	29.288
	537	57,500,000	100

Detail of Shareholding 10% & more

First Pakistan Securities Limited	1	11,343,040	19.73
Switch Securities (Pvt.) Limited	1	6,330,074	11.01



Branch Network

of First National Equities Limited

KARACHI REGION

- 1) Office # 306, 3rd Floor, Business & Finance Centre, I.I. Chundrigar Road, Karachi
Tel # (92-21) 2462906-20
- 2) Office # D-9 & D-10, Mezzanine Floor, Plot # 715/5, New M. A. Jinnah Road, Karachi
Tel # (92-21) 4860667-69

LAHORE REGION

- 1) FNE House, 179-B, Abu Bakar Block, New Garden Town, Lahore
Tel # (92-42) 111-000-016
Fax # (92-42) 5843730
- 2) Shop No. 11, Ground Floor, Javed Centre 11-Kashmir Block, Allama Iqbal Town, Lahore
Tel # (92-42) 6148573
- 3) Shop No. 113, Bank Square Market, Model Town, Lahore
Tel # (92-42) 5915474-7
- 4) Shop No. 2, Mian Plaza, Main Road, Main Market, Samanabad, Lahore
- 5) 1st Floor, 5-L, Commercial Area, Phase I, DHA, Lahore Cantt. Lahore
Tel # (92-42) 5724039, 5723942
Fax # (92-42) 5721992
- 6) 2nd Floor, Hanif Plaza, 1 Gunpat Road, Lahore
- 7) Office # 22, 1st Floor, Outer Circle, Defense Commercial Plaza, Y Block, Phase -III, DHA Lahore Cantt. Lahore
Tel # (92-42) 8535301
- 8) Shop No. 19, Commercial Zone, Barkat Market, New Garden Town, Lahore
Tel # (92-42) 5941168-69
Fax # (92-42) 5941170

PESHAWAR REGION

- 1) 2nd Floor, State Life Building, 34 The Mall, Peshawar Cantt. Peshawar
Tel # (92-91) 111-000-363
Fax # (92-91) 5260977
- 2) Room # 508, 5th Floor, Jasmine Arcade, Fakhre-e-Alam Road, Peshawar Saddar, Peshawar
Tel # (92-91) 5275661, 5275055
Fax # (92-91) 5275632

- 3) Office # 2, Ground Floor, Bank Square, Chowk Yadgar, Peshawar City. Peshawar
Tel # (92-91) 2580746-49
Fax # (92-91) 2580750
- 4) Shop No. 45, & 46, 1st Floor, Station Hq Nowshera, Welfare Plaza, Near Daewoo Bus Terminal, Nowshera Cantt. Nowshera
Tel # (92-923) 9220320-23
Fax # (92-923) 9220319
- 5) Shop No. 22, 23 & 24, Cantonment Plaza, The Mall, Mardan
Tel # (92-937) 875827-29
Fax # (92-937) 875830
- 6) Shahzad Plaza, Makkan Bagh, Saidu Sharif Road, Mingora, Swat
Tel # (92-946) 720145-49
Fax # (92-946) 720147
- 7) 1st Floor, Goher Sons Arcade, Mansehra Road, Supply Bazar, Abbottabad
Tel # (92-992) 341102-4
Fax # (92-992) 341203

ISLAMABAD REGION

- 1) 13 - P Mezzanine Floor, Empire Centre F - 7 Markaz, Islamabad
Tel # (92-51) 111-000-363
Fax # (92-51) 2653528
- 2) 53/7, Haider Road, Rawalpindi Cantt. Rawalpindi
Tel # (92-51) 5563195-96
Fax # (92-51) 5563194
- 3) 2nd Floor, Haji Lal Din City Plaza, Plot No. 114 Sector F/1, Kotli Road, Mirpur Azad Jammu Kashmir
Tel # (92-58610) 39655-58
Fax # (92-586) 39



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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 Saturday, 18 October, 2008 at 11:00 a.m. and at any adjournment thereof.

Please affix
rupees five
revenue stamp

(Signatures should agree with the specimen signature)

Dated this _____ day of _____, 2008

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) alongwith proxy form of the Company.





FIRST NATIONAL EQUITIES LIMITED

FNE House: 19-C, Sunset Lane-06, South Park Avenue
Phase – II, Extension, D.H.A. Karachi.