



**FIRST NATIONAL EQUITIES LIMITED**

**Half Yearly**  
**ACCOUNTS**

(Unaudited) For the  
Period Ended  
Dec 31, 2011

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## COMPANY INFORMATION

### Board of Directors:

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

### Audit Committee:

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

### Chief Financial Officer

Mr. Rais Ahmed Dar

### Company Secretary

Mr. Asif Mumtaz Mian, FCMA

### Auditors:

Ilyas Saeed & Co.  
Chartered Accountants  
Lahore.

### Legal Advisor:

Minto & Mirza, Advocates

### Registrar:

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

### Bankers:

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

### Principal Office:

FNE House, 179-B, Abu Bakar Block,  
New Garden Town, Lahore  
PABX (92-42) 35843722-7, 35845011-15  
Fax: (92-42) 35843730

### Registered Office:

FNE House: 19-C, Sunset Lane-06, South Park Avenue  
Phase – II, Extension, D.H.A. Karachi.  
PABX: (92-21) 35395901-05,  
Fax: (92-21) 35395920  
Website: [www.fnetrade.com](http://www.fnetrade.com)

### KSE Office:

135-136, 3rd Floor, Stock Exchange  
Building Stock Exchange Road,  
Karachi.  
Tel: (92-21) 32472119, 32472014, 32472758  
Fax: (92-21) 32472332

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



## DIRECTORS' REVIEW

### Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the half yearly accounts of First National Equities Limited for the period ended on December 31, 2011.

### Market Review

The market during the period under review has shown a bearish trend. The KSE 100 Index which was 12,496 on the July 01, 2011 remained at 11,347 on the December 31, 2011. The market volume which is the main revenue generating factor for the brokerage houses remained on lower side with average of the 59.47 million shares per day which is the lowest levels of the last decay. The biggest reasons for sluggish trend were inflation, law and order incidents, power shortage and above all political uncertainty

### Financial Results

	6 months to Dec. 31, 2011	6 months to Dec. 31, 2010
	------(Rupees, 000)-----	
Gross Revenue	79,307	(9,436)
Operating Profit/(loss)	44,696	(46,373)
Profit/ (Loss) before Tax	(43,582)	(121,033)
Taxation	(2,359)	(2,365)
Profit/ (Loss) after tax	(45,940)	(123,398)
Loss Per Share	(0.46)	(2.15)

We pleased to report that despite lower business sentiment in that period, we have earned an operating profit of Rs. 44.69 million as compared to loss of 46.373 million in comparative period. The loss after tax is due to amortization of discount on the right shares and we are still following the policy to cut down administrative, financial and other operating expenses. Resultantly we have managed to lower our loss per share as compared to same period of last year.

### Acknowledgement

We are grateful to the Company's stakeholders for their continued confidence and support. We record our appreciation and thanks to Securities and Exchange Commission of Pakistan, managements of Karachi Stock Exchange, Central Depository Company of Pakistan, National Clearing Company of Pakistan and our Bankers & Financial Institution the for their support and guidance.

Place: Lahore  
Dated: February 28, 2012

Ali A. Malik  
(Chairman & CEO)



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New Garden Town, Lahore - Pakistan.  
Tel: (042) 5861852, 5868849  
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## Ilyas Saeed & Co

Chartered Accountants

### INDEPENDENT AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

#### Introduction

We have reviewed the accompanying condensed interim balance sheet of FIRST NATIONAL EQUITIES LIMITED (the "Company") as at December 31, 2011 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flows statement and condensed interim statement of changes in equity together with the notes forming part thereof (herein referred to as "interim financial information"), for the six-month period then ended. Management is responsible for the preparation and presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review.

#### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

The company has recorded current portion of its long term loans in non current liabilities amounting to Rs. 123,971,150/-. Had it been recorded in current liabilities, the total current liabilities would have been Rs. 539,615,637/-.

Based on our review, except to the preceding paragraph, nothing has come to our attention that causes us to believe that the accompanying interim financial information as at and for the half year ended December 31, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

We draw attention to note 2.1 to the interim financial information which indicates that during the period the Company incurred losses amounting to Rs. 45.940 million and has accumulated losses amounting to Rs. 1,277.246 million and a negative equity of Rs. 564.474 million at the period end. In addition, the company has negative working capital at the period end. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern. This interim financial information, however, has been prepared on a going concern basis in the expectation of future profitability, continuing support from financial institutions and undertaking of the financial support by the sponsoring directors, if required.

The figures for three month periods ended December 31, 2011 and December 31, 2010 in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the six month period ended December 31, 2011.

Date:  
Lahore

CHARTERED ACCOUNTANTS  
Engagement Partner: Irfan Ilyas



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**FIRST NATIONAL EQUITIES LIMITED**  
**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)**  
AS AT DECEMBER 31, 2011

	Note	(Un-audited) December 31, 2011	(Audited) June 30, 2011
------(Rupees)-----			
<b>NON-CURRENT ASSETS</b>			
Property and equipment	6	73,199,549	76,812,437
Capital work in progress	7	69,496,614	69,496,614
Intangible assets	8	68,135,225	68,135,225
Long term investments	9	42,294,188	38,018,141
Long term deposits		3,045,179	2,862,429
Receivable from associates	10	175,411,452	175,411,452
Deferred taxation		62,399,326	64,616,688
		<b>493,981,533</b>	<b>495,352,986</b>
<b>CURRENT ASSETS</b>			
Short term investments	11	63,589,550	83,412,589
Trade debts	12	200,734,737	198,164,918
Loans and advances		2,007,985	4,311,726
Trade deposits and short term prepayments	13	236,791	412,788
Other receivables		73,993,690	57,703,062
Advance tax		30,843,481	30,420,127
Cash and bank balances	14	29,731,880	3,003,582
		<b>401,138,114</b>	<b>377,428,792</b>
<b>Total Assets</b>		<b>895,118,699</b>	<b>872,781,778</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables		179,084,484	221,901,034
Accrued mark-up	16.2	46,986	51,600
Short term borrowings	15	236,513,017	273,156,599
Current portion of long term financing	16.3	-	96,133,722
Loan from director		-	13,700,000
		<b>415,644,487</b>	<b>604,942,955</b>
<b>NON-CURRENT LIABILITIES</b>			
Long term financing	16	970,285,102	981,293,484
Loan from director	17	-	5,141,523
Loan from sponsors	18	68,497,501	-
Deferred liabilities		5,166,887	5,607,696
		<b>1,043,949,490</b>	<b>992,042,703</b>
<b>Total Liabilities</b>		<b>1,459,593,977</b>	<b>1,596,985,658</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	20	-	-
<b>Net Assets</b>		<b>(564,474,330)</b>	<b>(724,203,880)</b>
<b>REPRESENTED BY:</b>			
Authorized share capital		<b>1,500,000,000</b>	1,000,000,000
Issued, subscribed and paid-up capital		<b>1,380,000,000</b>	575,000,000
Discount on issue of Right Shares		<b>(573,562,500)</b>	-
Accumulated loss		<b>(1,277,246,296)</b>	(1,231,305,943)
		<b>(470,808,796)</b>	<b>(656,305,943)</b>
Unrealized diminution on re-measurement of investments classified as available for sale		<b>(93,665,534)</b>	(67,897,937)
		<b>(564,474,330)</b>	<b>(724,203,880)</b>

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

Chief Executive



Director



**FIRST NATIONAL EQUITIES LIMITED  
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

Note	Six Months Period Ended		Three Months Period Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
------(Rupees)-----				
Operating revenue	8,302,220	16,155,217	5,353,159	10,714,890
Loss on sale of investments	(715,649)	(41,152,919)	(678,735)	(42,188,334)
Other operating income	71,719,987	15,561,876	63,484,720	6,282,665
	<u>79,306,558</u>	<u>(9,435,826)</u>	<u>68,159,144</u>	<u>(25,190,779)</u>
Administrative expenses	34,610,008	36,937,172	19,374,130	18,219,556
	<u>44,696,550</u>	<u>(46,372,998)</u>	<u>48,785,014</u>	<u>(43,410,335)</u>
Operating profit / (loss)	57,604,205	77,476,811	30,358,050	39,327,006
Finance cost	1,816,193	3,111,901	1,114,183	2,004,975
Other operating expenses	<u>(14,723,848)</u>	<u>(126,961,710)</u>	<u>17,312,781</u>	<u>(84,742,316)</u>
Unrealized profit /(loss) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - held for trading - net	11 174,963	3,270,020	685,751	5,857,974
Share of profit of associate - net	9 1,154,672	2,658,239	880,344	3,230,061
	<u>(13,394,213)</u>	<u>(121,033,451)</u>	<u>18,878,876</u>	<u>(75,654,281)</u>
Less: Amortization cost of right shares	30,187,500	-	30,187,500	-
<b>(Loss) / profit before taxation</b>	<b>(43,581,713)</b>	<b>(121,033,451)</b>	<b>(11,308,624)</b>	<b>(75,654,281)</b>
Taxation				
- current	141,278	189,201	114,367	111,960
- deferred	2,217,362	2,175,461	2,217,362	2,175,461
	<u>2,358,640</u>	<u>2,364,662</u>	<u>2,331,729</u>	<u>2,287,421</u>
<b>(Loss) / profit after tax</b>	<b>(45,940,353)</b>	<b>(123,398,113)</b>	<b>(13,640,353)</b>	<b>(77,941,702)</b>
Loss per share - basic and diluted	<u>(0.46)</u>	<u>(2.15)</u>	<u>(0.21)</u>	<u>(1.36)</u>

Appropriations have been reflected in the statement of changes in equity.

The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.

Chief Executive



Director

**FIRST NATIONAL EQUITIES LIMITED**  
**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)**  
**FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

Note	Six Months Period Ended		Three Months Period Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	------(Rupees)-----			
<b>Loss after tax</b>	<b>(45,940,353)</b>	(123,398,113)	<b>(13,640,353)</b>	(77,941,702)
<b>Other comprehensive income for the period</b>				
Unrealized diminution during the period in the market value of investments classified as 'available for sale'	<b>(36,155,231)</b>	12,404,891	<b>(16,341,442)</b>	(7,489,915)
Reclassification adjustment of realized loss on sale of investments-available for sale	<b>715,649</b>	42,218,307	<b>676,035</b>	42,188,335
Share of unrealized surplus - investment in associate	<b>9,671,985</b>	6,194,448	<b>1,283,765</b>	1,678,766
<b>Other comprehensive income for the period</b>	<b>(25,767,597)</b>	60,817,646	<b>(14,381,642)</b>	36,377,186
<b>Total comprehensive loss for the</b>	<b>(71,707,950)</b>	(62,580,467)	<b>(28,021,995)</b>	(41,564,516)

*The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.*

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



\_\_\_\_\_  
Director

**FIRST NATIONAL EQUITIES LIMITED  
CONDENSED INTERIM CASH FLOWS STATEMENT (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

Note	(Un-audited) December 31, 2011	(Un-audited) December 31, 2010	
------(Rupees)-----			
<b>Net cash (used in) / generated from operating activities</b>	19	(78,213,247)	14,666,775
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of marketable securities		-	-
(Purchase) / Sale of investments classified as 'available-for-sale' - net		(9,606,620)	53,524,861
Sale of investments -related parties		-	15,878,566
Fixed capital expenditure incurred		(46,280)	-
Proceeds from disposal of property and equipment		-	187,500
Mark-up received		18,129	28,747
Dividend received		307,584	776,430
<b>Net cash used in investing activities</b>		(9,327,187)	70,396,104
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term financing		(99,993,664)	(19,007,501)
Loan from director		(18,841,523)	346,150
Loan from sponsors		68,497,501	-
Issue of right shares		201,250,000	-
Dividend paid		-	-
<b>Net cash generated from financing activities</b>		150,912,314	(18,661,351)
<b>Net increase in cash and cash equivalents</b>		63,371,880	66,401,528
<b>Cash and cash equivalents at the beginning of period</b>		(270,153,017)	(474,937,423)
<b>Cash and cash equivalents at the end of period</b>	14	(206,781,137)	(408,535,895)

*The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.*

Chief Executive



Director

**FIRST NATIONAL EQUITIES LIMITED  
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

	Issued, subscribed and paid-up capital	Discount on issue of right shares	Reserves		Unrealised surplus / (deficit) on re-measurement of investments classified as available for sale	Total
			Accumulated (loss) / profit	Sub-total		
----- <b>(Rupees)</b> -----						
<b>Balance as at July 01, 2010</b>	<b>575,000,000</b>	-	<b>(1,055,103,508)</b>	<b>(1,055,103,508)</b>	<b>(111,368,348)</b>	<b>(591,471,856)</b>
Loss after taxation for the half year ended December 31, 2010	-	-	(123,398,113)	(123,398,113)	-	(123,398,113)
Other comprehensive income for the period	-	-	-	-	60,817,646	60,817,646
<b>Balance as at December 31, 2010</b>	<b>575,000,000</b>	-	<b>(1,178,501,621)</b>	<b>(1,178,501,621)</b>	<b>(50,550,702)</b>	<b>(654,052,323)</b>
Balance as at July 01, 2011	575,000,000	-	(1,231,305,943)	(1,231,305,943)	(67,897,937)	(724,203,880)
Right issue during the period	805,000,000	-	-	-	-	805,000,000
	1,380,000,000	-	(1,231,305,943)	(1,231,305,943)	(67,897,937)	80,796,120
Discount on issue of right shares	-	(573,562,500)	-	-	-	(573,562,500)
Loss after taxation for the half year ended December 31, 2011	-	-	(45,940,353)	(45,940,353)	-	(45,940,353)
Other Comprehensive Income for the period	-	-	-	-	(25,767,597)	(25,767,597)
<b>Balance as at December 31, 2011</b>	<b>1,380,000,000</b>	<b>(573,562,500)</b>	<b>(1,277,246,296)</b>	<b>(1,277,247,296)</b>	<b>(93,665,534)</b>	<b>(564,474,330)</b>

*The annexed notes 1 to 24 form an integral part of these condensed interim financial statements.*

Chief Executive



Director

**FIRST NATIONAL EQUITIES LIMITED  
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2011**

**1 STATUS AND NATURE OF BUSINESS**

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

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

**2 BASIS OF PREPARATION**

This condensed interim financial report is un-audited and is being submitted to the shareholders in accordance with the requirements of Section 245 of the Companies Ordinance, 1984. This condensed interim financial report of the Company for the half year ended December 31, 2011 has been prepared in accordance with the requirements of the International Accounting Standard 34 "Interim Financial Reporting" and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 have been followed. This condensed interim financial report does not include all the information required for full annual financial statements and should be read in conjunction with annual financial statements of the Company for the year ended June 30, 2011.

**2.1 GOING CONCERN**

The Company has incurred significant operational losses during the half year ended December 31, 2011 and its accumulated losses as at December 31, 2011 amounted to Rs. 1,277.246 million which has resulted in negative equity of Rs. 564.474 million. However, the condensed interim financial statements of the Company for the half year ended December 31, 2011 have been prepared on a going concern basis as the management believes that due to funding from the company's sponsors in the form of new capital and loan injections, restructuring of facilities from banks and consequent to the new viable business plans for future operations, the Company will be able to generate sufficient profits in the future enabling it to set-off the accumulated losses.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Company for the year ended June 30, 2011.

The new standards, amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011, were either considered not to be relevant to the Company's operations or did not have significant effect on the accounting policies of the Company.

**4 ACCOUNTING ESTIMATES AND JUDGMENTS**

Judgments and estimates made by the management in the preparation of these condensed interim financial statements are the same as those applied to the preceding annual published financial statements of the Company for the year ended June 30, 2011.

**5 FINANCIAL RISK MANAGEMENT**

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the financial statements of the Company for the year ended June 30, 2011.



	Note	(Un-audited) December 31, 2011	(Audited) June 30, 2011
<b>6</b>		------(Rupees)-----	
<b>PROPERTY AND EQUIPMENT</b>			
Following is the cost of property and equipment that have been added /disposed off during the six months period ended December 31, 2011:			
<b>Additions:</b>			
		-	-
Vehicles - owned		46,280	22,500
Office equipment		-	-
Computer accessories		-	-
		<u>46,280</u>	<u>22,500</u>
<b>Disposals:</b>			
		-	(596,000)
Office equipment		-	(1,462,414)
Vehicles - owned		-	(2,058,414)
		<u>-</u>	<u>(2,058,414)</u>
<b>7</b>		------(Rupees)-----	
<b>CAPITAL WORK IN PROGRESS</b>			
		33,340,000	33,340,000
Commercial space - Karachi financial towers		36,156,614	36,156,614
Property acquired through auction		<u>69,496,614</u>	<u>69,496,614</u>
<b>8</b>		------(Rupees)-----	
<b>INTANGIBLE ASSETS</b>			

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

- 8.1** Room at Karachi stock exchange represents the consideration paid for the right to occupy two rooms situated at Stock Exchange Building, Karachi. The Karachi Stock Exchange (Guarantee) Limited is the absolute owner of the said rooms and has granted full rights to occupy the premises under Leave and License agreement for the purposes of the Company's business. The Company has hypothecated license of these rooms in favour of commercial bank securing financing facilities.
- 8.2** Tenancy rights of building represent the consideration paid by the Company in connection with the transfer of tenancy rights in favour of the Company against properties situated at Bank Square, Peshawar and Mall road, Nowshera. The ownership of these properties continue to vest with the original owner. The Company has hypothecated the tenancy rights of Bank Square Peshawar in favour of commercial bank for securing financing facilities.

	Note	(Un-audited) December 31, 2011	(Audited) June 30, 2011
<b>9</b>		------(Rupees)-----	
<b>LONG-TERM INVESTMENTS - RELATED PARTY</b>			
National Asset Management Company Limited	9.1	<u>42,294,188</u>	38,018,141
<b>Short term</b>			
NAMCO Income Fund - Available for Sale			
Opening		-	14,813,178
Realised gain		-	1,065,388
Sold during the period		-	(15,878,566)
		<u>-</u>	<u>-</u>



	Note	(Un-audited) December 31, 2011	(Audited) June 30, 2011
------(Rupees)-----			
Closing		42,294,188	38,018,141
Less: investment shown under short- term investment		-	-
		<u>42,294,188</u>	<u>38,018,141</u>
<b>9.1 INVESTMENT IN ASSOCIATES</b>			
Opening balance		31,467,531	25,647,996
Share in reserve of associate		9,671,985	6,550,610
Share of post acquisition profit /(loss) for the period	9.1.1	1,154,672	5,819,535
		<u>42,294,188</u>	<u>38,018,141</u>
<b>9.1.1</b>	"The share of the company in National Asset Management Company Limited has been accounted for under the equity method of accounting based on its un-audited condensed interim financial statements for the half year ended December 31, 2011 in accordance with the treatment specified in International Accounting Standard 28, 'Accounting for Investment in Associates'. Company holds 40% i.e. 4,000,000 ordinary shares (June 30, 2011: 4,000,000 ordinary shares) of Rs. 10 each fully paid-up. Cost of investment Rs. 40 million (June 30, 2011: 40 million)"		
<b>10 RECEIVABLE FROM ASSOCIATES</b>			
These receivables carry markup at the rate not less than the borrowing rate of the company and are recoverable over a maximum period of ten years.			
<b>11 SHORT TERM INVESTMENTS</b>			
<b>Available for sale</b>			
- Average cost		152,462,272	143,571,301
- Unrealized diminution on re-measurement of investments		(103,337,519)	(74,448,547)
- Carrying value		49,124,753	69,122,754
<b>Financial assets at fair value through profit &amp; loss - held for trading</b>			
- Average cost		14,289,834	18,218,430
- Unrealized gain / (loss) on re-measurement of investments		174,963	(3,928,595)
- Closing carrying value		14,464,797	14,289,835
		63,589,550	83,412,589
<b>12 TRADE DEBTS</b>			
Considered good		200,734,737	198,164,918
Considered doubtful		410,600,945	410,600,945
		611,335,682	608,765,863
Less: provision for bad and doubtful debts		(410,600,945)	(410,600,945)
		<u>200,734,737</u>	<u>198,164,918</u>
<b>13 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>			
Exposure deposit		13,458	403,458
Prepayments	13.1	223,333	9,330
		<u>236,791</u>	<u>412,788</u>



- 13.1 This represents amount deposited with the 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 period end. The amount is deposited in accordance with the regulations of the Karachi Stock Exchange (Guarantee) Limited.

Note	(Un-audited) December 31, 2011	(Un-audited) December 31, 2010
------(Rupees)-----		

#### 14 CASH AND CASH EQUIVALENTS

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

Cash and bank balances		29,731,880	8,327,742
Short-term running finances	16.1 & 16.2	<u>(236,513,017)</u>	<u>(416,863,637)</u>
		<u>(206,781,137)</u>	<u>(408,535,895)</u>

Note	(Un-audited) December 31, 2011	(Audited) June 30, 2011
------(Rupees)-----		

#### 15 SHORT-TERM BORROWINGS - SECURED

Short-term running finances utilized under mark-up arrangements	15.1	<u>236,513,017</u>	<u>273,156,599</u>
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- 15.1 These carry markup at the rate, ranging from one to six months KIBOR plus 1% to 2.5% per annum.

#### 16 LONG TERM FINANCING

Opening balance		683,063,713	683,063,713
Addition / reclassification during the period - (BOP)	16.1	135,307,837	135,204,000
Addition / reclassification during the period - (UBL - principal)	16.2	7,170,024	7,170,024
Repayments during the period		<u>(100,097,501)</u>	-
Closing balance		725,444,073	825,437,737
Add: overdue interest on long term loans	16.2	244,841,029	251,989,469
		<u>970,285,102</u>	<u>1,077,427,206</u>
Less : Current Portion of long term financing	16.3	-	(96,133,722)
		<u>970,285,102</u>	<u>981,293,484</u>

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

- 16.2 M/S UBL has filed the recovery suit against the company for the recovery of outstanding balances before the banking court, Karachi. The company has thus stopped accruing any further mark up.

In view of litigation pending in the court, there is no probability of any payment, both of the principal and mark up, being made by the company during the next 12 months. The gross payment / installments shall accrue for payment now only on the superior courts pronouncing final judgment in this case. The learned legal advisor has stated that this process shall be completed in many years and not months. Therefore, the UBL mark up liability of Rs. 1,936,934/- has been transferred from short term to long term liabilities.

Also the corresponding principal loan of Rs. 7,170,024/- have been reclassified to long term borrowings.

- 16.3 - In view of litigation filed by the S.I.T.E. and now pending in the court, there is no probability of any payment, both of the principal and mark up, being made by the company during the next 12 months. The gross payment / installments shall accrue for payment now only on the superior courts pronouncing final judgment in this case. The learned legal advisor has stated that this process shall be completed in many years and not months. Therefore, the SITE loan liability of Rs. 152,584,934/- has been transferred from short term to long term liabilities.





- The company has recorded outstanding current maturity of long term loans amounting to Rs. 123,971,150/- (after adjustment of SITE loan of Rs. 152,584,934/- as above) due to Bank Alfalah in long term financing as at December 31, 2011. The company has not made any payment of current maturity and is in negotiations with the financial institutions for converting current maturity of loans into long term loans.

#### 17 LOAN FROM DIRECTOR

This represents present value of unsecured loan obtained from Mr. Ali Aslam Malik, CEO of the Company, amounting to Rs. 9,169,000 recognized at amortized cost after discounting at average rate of borrowing.

#### 18 LOAN FROM SPONSORS

Loan obtained during the period

This unsecured interest free loan has been received from Mrs. Adeela Ali.

Note	(Un-audited) December 31, 2011	(Audited) June 30, 2011
------(Rupees)-----		
	<u>68,497,501</u>	<u>-</u>

  

Note	(Un-audited) December 31, 2011	(Un-audited) December 31, 2010
------(Rupees)-----		

#### 19 CASH FLOWS FROM OPERATING ACTIVITIES

Loss before taxation (43,581,713) (121,033,451)

##### Adjustments for:

Depreciation	3,659,169	4,227,059
Gain /(loss) on disposal of property and equipment	-	204,866
Loss on disposal of investments	715,649	41,152,919
Share of profit from associate - net of tax	(1,154,672)	(2,658,239)
Assets at fair value through profit or loss' - held for trading - net	(174,963)	(3,270,020)
Provision for gratuity	-	94,025
Finance cost	57,604,205	77,476,811
Dividend income	(307,584)	(776,430)
Amortization on issue of right shares	30,187,500	-
Mark-up income on fixed deposits	(426)	(251)
Mark-up income on exposure deposits	(17,703)	(28,496)
	<u>90,511,175</u>	<u>116,422,244</u>
	<u>46,929,462</u>	<u>(4,611,207)</u>

##### Changes in working capital

##### Decrease / (increase) in current assets

Trade debts	(2,569,819)	8,095,106
Loans and advances	2,303,741	(260,575)
Trade deposits and short-term prepayments	175,997	351,779
Other receivables	(16,290,628)	(14,561,978)
	<u>(16,380,709)</u>	<u>(6,375,668)</u>

##### (Decrease) / increase in current liabilities

Trade and other payables	(42,816,550)	44,602,127
	<u>(12,267,797)</u>	<u>33,615,252</u>
Finance cost paid	(64,757,259)	(17,686,916)
Gratuity paid	(440,809)	(257,569)
Income taxes paid	(564,632)	(1,003,992)
Long-term deposits	(182,750)	-

##### Net cash (used in) / generated from operating activities

<u>(78,213,247)</u>	<u>14,666,775</u>
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## 20 CONTINGENCIES AND COMMITMENTS

### 20.1 Contingencies

- Income tax assessment of the Company for tax years 2005, 2006 and 2007 has been amended by the Taxation Officer on account of allocation of expenses and disallowance of certain items resulting in a tax demand of Rs. 149,322,823. The Company has filed an appeal with the CIT (appeals) in respect of the above mentioned disallowance which is pending to date. No provision has been made against this tax demand in these condensed interim financial statements as the Company is contesting the order before the appellate forums and the management and the tax advisor is hopeful for a favourable decision in appeal.
- The Bank of Punjab has filed a suit under section 16 of the Financial Institution's Ordinance, 2001 (Recovery of Finance) in the Sindh High Court against the Company for the principal and mark-up of short term borrowings amounting to Rs. 99,321,837/- and Rs. 35,986,000/- respectively. The amounts were transferred to long term financing by the Company. The Company availed the short term borrowings facility against the pledge of listed Company shares (Trust Investment Bank shares 259,000 and Pioneer Cement Shares 8,508,500). Due to financial crunch in the country the Company was unable to payback the principal and mark-up on due date. Against the subject case of Bank of Punjab, the Company has also filed the counter claim against the bank on the ground that the bank has failed to recover the amount by selling off the pledged shares even the margin on the pledged shares reduced below the agreed limit of 30%.  
The Honourable Court adjudicated the case against the Company. The Bank of Punjab sold all the pledged shares after judgment of the Court. The Company, however, has filed a special appeal under section 22 of the Financial Institutions (Recovery of Finances) Ordinance, 2001 against the decision of the Single Bench of Sindh High Court which is currently pending. Based on the legal advice, the Company is hopeful of a favourable decision. Meanwhile, the company has been granted stay dated 01/02/2012 by the honorable High Court.
- United Bank Limited has filed a suit against the Company on October 14, 2010 under section 10 of The Financial Institutions (Recovery of Finances) Ordinance 2001 for recovery of outstanding balance in the Banking Court No. III at Karachi. The verdict on the said appeal is still pending. The Company is hopeful of a favourable decision.
- Sindh Industrial Trading Estates (SITE) Limited has filed a recovery suit for Rs. 174,058,936/- during the last year against the Company in the Honourable Sindh High Court which is pending settlement. The Company is vigorously contesting the claim of SITE and is hopeful of settlement of the case in its favour.

Note	(Un-audited) December 31, 2011	(Audited) June 30, 2011
------(Rupees)-----		

### 20.2 Commitments

- |   |        |                    |                    |
|---|--------|--------------------|--------------------|
| Capital expenditure contracted for but not incurred | 20.2.1 | <u>100,020,000</u> | <u>100,020,000</u> |
|---|--------|--------------------|--------------------|
- 20.2.1 This represents amount contracted to be paid to ENSHAA NLC Developers (Private) Limited for acquiring commercial space, being paid in installment, in Karachi Financial Tower.

## 21 RELATED PARTY TRANSACTIONS

The Company has related party relationship with its associated undertakings, directors and key management personnel.

- 21.1 The following transactions were carried out with related parties during the period:

For the half year ended December 31, 2011 (Unaudited)			
Key management personnel	Associated Undertakings	Other related parties	Total company
----- (Rupees) -----			

### Transactions during the period

Purchase of marketable securities for and on behalf of	-	111,412,337	-	111,412,337
Sale of marketable securities for and on behalf of	-	87,813,130	-	87,813,130
Brokerage income	-	306,380	-	306,380
Rent received	-	320,000	-	320,000
Remuneration to key management personnel	7,718,193	-	-	7,718,193
Loan from director	-	-	-	-
Loan from sponsor	-	-	68,497,501	68,497,501



## For the half year ended December 31, 2010 (Unaudited)

	Key management personnel	Associated Undertakings	Other related parties	Total company
----- (Rupees) -----				
Transactions during the period				
Purchase of marketable securities for and on behalf of	-	192,139,916	-	192,139,916
Sale of marketable securities for and on behalf of	-	191,038,529	-	191,038,529
Brokerage income	-	284,908	-	284,908
Rent received	-	300,000	-	300,000
Remuneration to key management personnel	9,512,202	-	-	9,512,202
Loan from director	4,795,374	-	-	4,795,374
Loan from sponsor	-	-	-	-

## 22 RE - CLASSIFICATION AND RE - ARRANGEMENTS

Corresponding figures have been re-classified and re-arranged , wherever necessary, to reflect more appropriate presentations of events and transactions for the purpose of comparison. Significant re-classification and re-arrangements are as follows;

	Particulars	From	To	Rupees
-	SITE loan	Current portion of long term loans	Long term financing	152,584,934
-	BOP loan	Short term borrowings	Long term financing	135,204,000
-	UBL loan	Short term borrowings	Long term financing	7,170,024
-	Accrued mark up of UBL loan	Accrued markup	Overdue interest on long term loans	1,936,634

## 21 GENERAL

These condensed interim financial statements are presented in Pak Rupees, which is the Company's functional and presentation currency and rounded off to the nearest rupee.

## 22 DATE OF AUTHORISATION

These condensed interim financial statements were authorised for issue on **February 28, 2012** by the Board of Directors of the Company.

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

\_\_\_\_\_  
Director



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