

QUARTERLY ACCOUNTS

2014

(Unaudited) For the
Period Ended
March 31, 2014



FIRST NATIONAL EQUITIES LIMITED

www.fnetrade.com



V I S I O N

Connecting people,

ideas and capital,
we will be our clients'.....

First Choice

for achieving their
financial aspirations".....



MISSION

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

C O N T E N T S

04- Company Information

05- Directors' Review

06- Condensed Interim Balance Sheet

07- Condensed Interim Profit & Loss Account

08- Condensed Interim Statement of Comprehensive Income

09- Condensed Interim Cash Flow Statement

10- Condensed Interim Statement of Changes in Equity

11- Notes to Condensed Interim Financial Statements



COMPANY INFORMATION

Board of Directors:

1.	Mr. Shahzad Akbar	Director/ Chairman
2.	Mr. Ali A. Malik	Director/ CEO
3.	Mr. Muhammad Iqbal Khan	Director
4.	Malik Attiq-ur-Rehman	Director
5.	Mr. Saeed Ahmed Bajwa	Director
6.	Mr. Rais Ahmed Dar	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

HR& Remuneration Committee:

1.	Malik Attiq-ur-Rehman	Chairman
2.	Mr. Shahzad Akbar	Member
3.	Mr. Ali A. Malik	Member

Chief Financial Officer

Mr. Azeem-ul-Hassan

Company Secretary

Mr. Azeem-ul-Hassan

Auditors:

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

Legal Advisor:

Minto & Mirza, Advocates

Shares 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
Tel: (92-42) 35843721-27,
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

KSE Office:

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

Website: www.fnetrade.com



DIRECTORS' REVIEW

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the accounts of the First National Equities Limited for the period ended on March 31, 2014.

Market Review

During 9 months' 14, the benchmark KSE 100 index posted a gain of 29% to forms new high above 27,000 pts. Market capitalization rose by 28% to PkRs. 6.6 tn Average traded volume stood at Pk.Rs 8.4 bn, up 78% from the same period last year. In terms of shares, average traded volume improved by 26% to 214 mn shares against 169 mn shares in the same period last year. Improved country dynamics is also culminating into improved foreign participations that already hold approx. 7% of market capitalization. During the period, Foreigners bought shares of worth US\$1.2bn and sold shares of US\$1.1bn, rendering into net buy of US\$23mn shares.

Financial Results

	For 9 months Ended March, 31, 2014	For 9 months Ended March, 31, 2013
	------(Rupees)-----	
Gross revenue	162,894,363	50,428,517
Operating Profit/ (Loss)	97,809,063	10,853,239
Profit/ (Loss) before Tax	58,984,284	(32,572,775)
Taxation	(2,208,047)	(1,343,187)
Profit/ (Loss) after tax	56,776,237	(33,915,962)
Earning per share	0.41	(0.25)

We pleased to report that the outcomes of improved market sentiments has started to flourish and your company had earned an operating revenue of Rs. 36.262 million as compared to Rs. 28.962 million in same period of last year. The gross revenues has increased to Rs. 162.894 million as compared to Rs. 50.428 million in same period of last year.

Despite one time increase in the administrative expenses which was due to regulatory fees paid for Right issue process we have managed to earn the operating profit of Rs. 97.809 million as compared to Rs. 10.853 million in same period of last year. Resultantly the company has managed to earn a profit after tax of Rs. 56.776 million as compared to the loss of Rs. 33.916 million in the same period of last year. The earning per share has been recorded as Rs. 0.41 per share as compared to the loss per share of Rs. 0.25 in the same period of last year. These results vindicate the management determination and commitment towards progress of the company. Further the Right issue process is in final phase and management is making the vigorous efforts to complete it in shortest possible time.

Acknowledgement

We are grateful to the Company's stakeholders for their continued confidence and support. We record our appreciation and thanks to the Securities and Exchange Commission of Pakistan, BOD and Managements of Karachi Stock Exchange, Central Depository Company of Pakistan, National Clearing Company of Pakistan and our clients, Bankers & Financial Institution for their continued support and guidance. We also appreciate the management and other staff members of the company for their commitment and dedicated efforts for achieving these result under such testing times.

Place: Lahore
Dated: April 29, 2014

Ali A. Malik
(Chief Executive Officer)



FIRST NATIONAL EQUITIES LIMITED
CONDENSED INTERIM BALANCE SHEET (UNAUDITED)
AS AT MARCH 31, 2014

	Note	(Un-audited) March 31, 2014	(Audited) June 30, 2013
------(Rupees)-----			
NON-CURRENT ASSETS			
Property and equipment	6	93,541,815	98,053,916
Capital work in progress	7	33,340,000	33,340,000
Intangible assets	8	51,915,000	51,915,000
Investment in associates	9	51,675,259	53,492,143
Investment - available for sale	8.4	40,073,830	40,073,830
Long term deposits		2,729,079	2,679,079
Receivable from associates	10	157,811,452	175,411,452
Deferred taxation		24,927,836	25,649,466
		456,014,271	480,614,886
CURRENT ASSETS			
Short term investments	11	92,827,351	266,529,622
Trade debts	12	304,838,978	281,256,650
Loans and advances		1,316,619	922,364
Trade deposits and short term prepayments	13	800,410	498,110
Other receivables		136,826,322	115,386,221
Advance tax		34,071,290	32,544,622
Cash and bank balances	14	15,215,389	3,561,059
		585,896,359	700,698,648
Total Assets		1,041,910,630	1,181,313,534
CURRENT LIABILITIES			
Trade and other payables		133,566,880	471,504,926
Short term borrowings	15	26,725,836	35,462,841
Current maturity of long term financing		1,081,236	552,734,882
		161,373,952	1,059,702,649
NON-CURRENT LIABILITIES			
Long term financing	16	876,944,498	513,953,761
Other Loans		315,714,532	-
Loan from sponsors	17	138,497,501	68,497,501
Deferred liabilities		7,396,557	7,503,532
		1,338,553,088	589,954,794
Total Liabilities		1,499,927,040	1,649,657,443
CONTINGENCIES AND COMMITMENTS			
	19	-	-
Net Assets		(458,016,410)	(468,343,909)
REPRESENTED BY:			
Authorized share capital		1,500,000,000	1,500,000,000
Issued, subscribed and paid-up capital		1,380,000,000	1,380,000,000
Discount on issue of Right Shares		(603,750,000)	(603,750,000)
Share Deposit Money		11,429,493	-
Accumulated loss		(1,311,008,235)	(1,367,784,472)
		(523,328,742)	(591,534,472)
Unrealized gain/(loss) on re-measurement of investments classified as available for sale		65,312,332	123,190,563
		(458,016,410)	(468,343,909)

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

Chief Executive



Quarterly Report '14

Director

FIRST NATIONAL EQUITIES LIMITED
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2014

Note	Nine Months Period Ended		Three Months Period Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
------(Rupees)-----				
Operating revenue	36,262,690	28,962,221	9,112,644	9,914,520
Gain / (Loss) on sale of investments	85,592,303	(507,966)	1,680,547	(466,974)
Other operating income	41,039,370	21,974,262	6,855,687	7,034,112
	162,894,363	50,428,517	17,648,878	16,481,658
Administrative expenses	65,085,300	39,575,278	12,811,515	11,489,827
Operating profit	97,809,063	10,853,239	4,837,363	4,991,831
Finance cost	36,273,883	56,716,315	12,141,686	17,136,095
Other operating expenses	2,102,907	5,518,228	1,536,834	1,482,002
	59,432,273	(51,381,304)	(8,841,157)	(13,626,266)
Unrealized profit on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - held for trading - net	11 502,105	8,505,096	195,611	762,777
Share of profit of associate - net	9 (950,094)	10,303,433	(1,677,588)	8,243,484
Profit/(Loss) before taxation	58,984,284	(32,572,775)	(10,323,134)	(4,620,005)
Taxation				
- current	1,486,417	278,818	67,035	106,099
- deferred	721,630	1,064,369	-	-
	2,208,047	1,343,187	67,035	106,099
Profit/(loss) after taxation	56,776,237	(33,915,962)	(10,390,169)	(4,726,104)
Profit/(loss) per share - basic	0.41	(0.25)	(0.08)	(0.03)

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

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

Chief Executive



Quarterly Report '14

Director

FIRST NATIONAL EQUITIES LIMITED
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2014

Note	Nine Months Period Ended		Three Months Period Ended	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
	----- (Rupees) -----			
Profit/(loss) after tax	56,776,237	(33,915,962)	(10,390,169)	(4,726,104)
Other comprehensive income/(loss) for the period				
Unrealized gain/(loss) during the period in the market value of investments classified as 'available for sale'	25,589,981	88,865,089	15,718,683	26,563,398
Reclassification adjustment of realized (profit)/loss on sale of investments- available for sale	(85,592,303)	511,103	(1,680,547)	466,974
Share of unrealized surplus/(deficit) - Investment in associate	2,124,091	1,859,185	(1,079,544)	(3,105,506)
Other comprehensive income for the period	(57,878,231)	91,235,377	12,958,592	23,924,866
Total comprehensive profit/(loss) for the period	(1,101,994)	57,319,415	2,568,423	19,198,762

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

Chief Executive



Quarterly Report '14

Director

**FIRST NATIONAL EQUITIES LIMITED
CONDENSED INTERIM CASH FLOWS STATEMENT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2014**

	Note	(Un-audited) March 31, 2014	(Un-audited) March 31, 2013
------(Rupees)-----			
Net cash (utilized in) / generated from operating activities	18	(76,162,623)	32,839,211
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale of marketable securities		27,625	96,534
Sale of investments classified as 'available-for-sale' - net		202,757,242	629,342
Fixed capital expenditure incurred		(94,500)	(89,000)
Mark-up received		8,266	803
Dividend received		13,101,662	640,749
Net cash generated from investing activities		215,800,295	1,278,428
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayments long term loans		(200,675,830)	-
Share deposit money		11,429,493	-
Loan from sponsor		70,000,000	-
Net cash utilized in financing activities		(119,246,337)	-
Net increase in cash and cash equivalents		20,391,336	34,117,639
Cash and cash equivalents at the beginning of period		(31,901,782)	(166,604,415)
Cash and cash equivalents at the end of period	14	(11,510,446)	(132,486,776)

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

Chief Executive



Quarterly Report '14

Director

**FIRST NATIONAL EQUITIES LIMITED
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2014**

	Issued, subscribed and paid-up capital	Discount on issue of right shares	Share Deposit Money	Accumulated Profit/(loss)	Unrealised surplus / (deficit) on re-measurement of investments classified as available for sale	Total
------(Rupees)-----						
Balance as at July 01, 2012 (Restated)	1,380,000,000	(603,750,000)	-	(1,349,388,029)	(20,001,721)	(593,139,750)
Loss after taxation for the Nine Months ended March 31, 2013	-	-	-	(33,915,963)	-	(33,915,963)
Other Comprehensive Income for the period	-	-	-	-	91,235,377	91,235,377
Balance as at March 31, 2013	1,380,000,000	(603,750,000)	-	(1,383,303,992)	71,233,656	(535,820,336)
Balance as at April 01, 2013	1,380,000,000	(603,750,000)	-	(1,383,303,992)	71,233,656	(535,820,336)
Profit after taxation for the three Months ended June 30, 2013	-	-	-	15,519,520	-	15,519,520
Other Comprehensive Income for the period	-	-	-	-	51,956,907	51,956,907
Balance as at June 30, 2013	1,380,000,000	(603,750,000)	-	(1,367,784,472)	123,190,563	(468,343,909)
Balance as at July 01, 2013	1,380,000,000	(603,750,000)	-	(1,367,784,472)	123,190,563	(468,343,909)
Profit after taxation for the Nine Months ended March 31, 2014	-	-	-	56,776,237	-	56,776,237
Share Deposit Money	-	-	11,429,493	-	-	11,429,493
Other Comprehensive loss for the period	-	-	-	-	(57,878,231)	(57,878,231)
Balance as at March 31, 2014	1,380,000,000	(603,750,000)	11,429,493	(1,311,008,235)	65,312,332	(458,016,410)

The annexed notes 1 to 22 form an integral part of these condensed interim financial statements.

Chief Executive



Quarterly Report '14

Director

**FIRST NATIONAL EQUITIES LIMITED
NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2014**

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 Limited.

The Company has Trading Right Entitlement Certificate of the Karachi Stock Exchange Limited. The principal activities of the Company include shares brokerage, consultancy services and IPO 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 and the listing regulation of the Stock Exchanges of Pakistan where the company is listed. This condensed interim financial report of the Company for the nine months ended March 31, 2014 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, 2013.

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, 2013.

The new standards, amendments to the approved accounting standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2013, 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

The preparation of the condensed interim financial information in conformity with approved accounting standards require management to make estimates, assumptions and use judgments that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Estimates, assumptions and judgments are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognized prospectively commencing from the period of revision.

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, 2013.

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, 2013.



	Note	(Un-audited) March 31, 2014	(Audited) June 30, 2013
6	PROPERTY AND EQUIPMENT	------(Rupees)-----	
	Following is the cost of property and equipment that have been added /disposed off during the nine months period ended March 31, 2014:		
	Additions:		
	Leasehold Land - transferred from CWIP	-	36,156,614
	Vehicles - owned	-	89,000
	Computer accessories	<u>94,500</u>	<u>-</u>
		<u>94,500</u>	<u>36,245,614</u>
	Disposals:		
	Office equipment	-	(409,486)
	Furniture and Fittings	-	(1,216,312)
		<u>-</u>	<u>(1,625,798)</u>
7	CAPITAL WORK IN PROGRESS		
	Advance for commercial space - Karachi financial towers	<u>33,340,000</u>	<u>33,340,000</u>
		<u>33,340,000</u>	<u>33,340,000</u>

8 INTANGIBLE ASSETS

	Cost			Total
	TRE Certificate & KSE Equity Shares (8.1)	License to use Room at Karachi Stock Exchange (8.2)	Tenancy rights - Building (8.3)	
	------(Rupees)-----			
Balance as at March 31, 2014	15,000,000	22,000,000	14,915,000	51,915,000
Total	<u>15,000,000</u>	<u>22,000,000</u>	<u>14,915,000</u>	<u>51,915,000</u>
Balance as at June 30, 2013	15,000,000	22,000,000	14,915,000	51,915,000
Total	<u>15,000,000</u>	<u>22,000,000</u>	<u>14,915,000</u>	<u>51,915,000</u>

8.1 "Pursuant to demutualization of the Karachi Stock Exchange (KSE), the ownership rights in the Stock Exchange were segregated from the right to trade on an exchange. As a result of such demutualization, the Company received shares and TREC from Karachi Stock Exchange against its membership card."

The active market for TREC is currently not available. The TREC has been accounted for as intangible asset as per provisions of IAS 38. As the TRE certificate is not common tradable instrument, therefore after demutualization, value approved by the Board of Directors of KSE has been used as its initial value. The Board of Directors has already set a value of Rs 15 million for TREC which is also being used in determining the base minimum capital to be maintained by each TREC holder under regulations for Risk management.

8.2 Room at Karachi stock exchange represents the consideration paid for the right to occupy two rooms situated at Stock Exchange Building, Karachi. The Karachi Stock Exchange Limited is the absolute owner of the said rooms and has granted full rights to occupy the premises under Leave and License agreement for the purposes of the Company's business. The Company has hypothecated license of these rooms in favour of commercial bank securing financing facilities.

8.3 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.

8.4 In accordance with the requirements of the stock exchange (Corporatisation, Demutualization and Integration) Act, 2012, the company has received Equity Shares 4,007,383 of Karachi Stock Exchange "KSE" and Trading Right Entitlement in lieu of value of company's membership card of KSE. The said process of demutualization was finalized on August 15, 2012.



	Note	(Un-audited) March 31, 2014	(Audited) June 30, 2013
------(Rupees)-----			
9 INVESTMENTS IN ASSOCIATES - RELATED PARTY			
National Asset Management Company Limited	9.1	51,675,259	53,492,143
9.1 INVESTMENT IN ASSOCIATES			
Opening balance		50,501,262	34,295,301
Share in reserve of associate		2,124,091	2,990,881
Share of post acquisition profit for the period	9.1.1	(950,094)	16,205,961
		<u>51,675,259</u>	<u>53,492,143</u>
9.1.1	"The share of the company in National Asset Management Company Limited has been accounted for under the equity method of accounting based on its un-audited condensed interim financial statements for the nine months ended March 31, 2014 in accordance with the treatment specified in International Accounting Standard 28, 'Accounting for Investment in Associates'. Company holds 37.38% i.e. 4,000,000 ordinary shares (June 30, 2013: 4,000,000 ordinary shares) of Rs. 10 each fully paid-up. Cost of investment Rs. 40 million (June 30, 2013: 40 million)"		
10 RECEIVABLE FROM ASSOCIATES			
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.			
	Note	(Un-audited) March 31, 2014	(Audited) June 30, 2013
------(Rupees)-----			
11 SHORT TERM INVESTMENTS			
Available for sale			
- Average cost		24,459,506	141,624,814
- Unrealized gain on re-measurement of investments		63,188,241	120,199,682
- Carrying value		<u>87,647,747</u>	<u>261,824,496</u>
Financial assets at fair value through profit or loss - held for trading			
- Average cost		4,677,499	3,470,695
- Unrealized gain on re-measurement of investments		502,105	1,234,431
- Closing carrying value		<u>5,179,604</u>	<u>4,705,126</u>
		<u>92,827,351</u>	<u>266,529,622</u>
12 TRADE DEBTS			
Considered good		304,838,978	281,256,650
Considered doubtful		308,204,672	308,204,672
		<u>613,043,650</u>	<u>589,461,322</u>
Less: provision for bad and doubtful debts		<u>(308,204,672)</u>	<u>(308,204,672)</u>
		<u>304,838,978</u>	<u>281,256,650</u>
13 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS			
Exposure deposit	13.1	800,410	418,110
Prepayments		-	80,000
		<u>800,410</u>	<u>498,110</u>



- 13.1 This represents amount deposited with the Karachi Stock Exchange Limited against exposure arising out of the transactions entered into by the Company in respect of which settlements have not taken place as at the period end. The amount is deposited in accordance with the regulations of the Karachi Stock Exchange Limited.

Note	(Un-audited) March 31, 2014	(Un-audited) March 31, 2013
------(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		15,215,389	1,931,101
Short-term running finances	15.1	<u>(26,725,836)</u>	<u>(147,586,609)</u>
		<u>(11,510,447)</u>	<u>(145,655,508)</u>

Note	(Un-audited) March 31, 2014	(Audited) June 30, 2013
------(Rupees)-----		

15 SHORT-TERM BORROWINGS - SECURED

Short-term running finance - Bank Alfalah Limited

15.1	<u>26,725,836</u>	<u>35,462,841</u>
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- 15.1 This carry markup at the rate of six months KIBOR plus 1% per annum.

16 LONG TERM FINANCING

Long term financing utilized under mark-up arrangements	16.1 - 16.3	501,928,703	718,679,074
Add: overdue interest on long term financing	16.4	<u>376,097,031</u>	<u>348,009,569</u>
		<u>878,025,734</u>	<u>1,066,688,643</u>
Less: Current portion of long term financing		<u>1,081,236</u>	<u>552,734,882</u>
		<u>876,944,498</u>	<u>513,953,761</u>

- 16.1 "This includes a loan liability of Rs.135,307,837 payable to the Bank of Punjab (BoP). The company is contesting the case in the banking tribunal for the recovery of the amount file by the BoP and hearing have been pending for quiet some time. In the light of directions from the Securities & Exchange Commission of Pakistan (SECP), the outstanding liability was previously classified into short term liability in the audited financial statements as of June 30, 2013, against which the Company has preferred an appeal which has been accepted by SECP and is pending for hearing. On the other hand, the legal advisor of the Company is of considered opinion that legal process of the recovery suit stated above shall take many years in which the court will give its judgement about the liability amount and the terms of repayment of the loan amount and the markup/ interest thereon. The management and directors, in view of long pending litigations with the BoP in the court, and the opinion from the legal advisor, that there would be no likelihood payment in the near future period, have exercised its best judgement and for the fair presentation, on the basis of economic realities, and substance over form concept, decided to reclassified this liability as a non-current liability from its classification in the previous period. "

- 16.2 The company has reached an out of Court settlement with United Bank Limited (UBL) and has finalized a restructuring arrangement to settle its total outstanding liability of Rs.7,333,321 (inclusive of any mark-up) and has been disclosed accordingly in these condensed interim financial statements.

- 16.3 The company has settled its total liability towards Sindh Industrial Trading Estates (S.I.T.E.) in the light of Court's Order dated October 21, 2013. The balance amount of liability of Rs. 16,237,442 reflecting in the Company's books of account, being excess recorded, has been reversed to Profit & Loss Account.

- 16.4 This represents overdue interest on long term loan with Bank Alfalah Limited (BAF) amounting to Rs. 376,097,031. The Company is in the process of negotiation with BAF for restructuring/rescheduling of total exposure.

(Un-audited) March 31, 2014	(Audited) June 30, 2013
------(Rupees)-----	

17 LOAN FROM SPONSORS

Loan obtained from sponsors

<u>138,497,501</u>	<u>68,497,501</u>
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This unsecured interest free loan has been received from Mrs. Adeela Ali w/o Mr. Ali Aslam Malik.



Note	(Un-audited) March 31, 2014	(Un-audited) March 31, 2013
------(Rupees)-----		
18 CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	58,984,284	(32,572,775)
Adjustments for:		
Depreciation	4,606,575	4,715,127
Gain on disposal of investments	(85,592,303)	507,966
Share of profit from associate - net of tax	950,094	(10,303,433)
Assets at fair value through profit or loss - held for trading - net	(502,105)	(8,505,096)
Finance cost	36,273,883	56,716,315
Dividend income	(13,101,662)	(640,749)
Other Operating Income	(18,011,079)	-
Mark-up income on fixed deposits	(8,266)	(803)
	(75,384,863)	42,489,327
	(16,400,579)	9,916,552
Changes in working capital		
Decrease / (increase) in current assets		
Trade debts	(5,982,328)	(34,608,174)
Loans and advances	(394,255)	(86,113)
Trade deposits and short-term prepayments	(302,300)	(46,152)
Other receivables	(21,440,101)	(21,596,041)
	(28,118,984)	(56,336,480)
(Decrease) / increase in current liabilities		
Trade and other payables	(22,223,514)	87,452,199
	(66,743,077)	41,032,271
Finance cost paid	(6,249,486)	(6,603,782)
Gratuity paid	(106,975)	(190,243)
Income taxes paid	(3,013,085)	(1,396,535)
Long-term deposits	(50,000)	(2,500)
Net cash (utilized in) / generated from operating activities	(76,162,623)	32,839,211

19 CONTINGENCIES AND COMMITMENTS

19.1 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 had filed an appeal with the CIT (appeals) in respect of the above mentioned disallowance and decision was made in favor of the Company as on 26-07-2012, the tax department has filed second appeal before the Appellate Tribunal.

- 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.

In view of litigation pending in the court the Company has stopped accruing markup on financing facilities with The Bank of Punjab as the legal advisor of the Company is hopeful for a favourable settlement.



Note	(Un-audited) March 31, 2014	(Audited) June 30, 2013
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----- (Rupees) -----

19.2	Commitments			
	Capital expenditure contracted for but not incurred	19.2.1	<u>100,020,000</u>	<u>100,020,000</u>

19.2.1 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.

20 RELATED PARTY TRANSACTIONS

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

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

For the period ended March 31, 2014 (Un-audited)

Key management personnel	Associated Undertakings	Other related parties	Total company
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----- (Rupees) -----

Transactions during the period

Purchase of marketable securities for and on behalf of	148,598,919	796,887,503	-	945,486,422
Sale of marketable securities for and on behalf of	104,925,690	906,846,039	-	1,011,771,729
Brokerage income	101,091	1,380,048	-	1,481,139
Rent Income	-	510,000	-	510,000
Rent Expense	-	-	4,500,000	4,500,000
Remuneration to key management personnel	6,444,196	-	-	6,444,196
Loan from sponsor	-	-	138,497,501	138,497,501
Markup on receivable from associates	-	20,836,629	-	20,836,629

For the period ended March 31, 2013 (Un-audited)

Key management personnel	Associated Undertakings	Other related parties	Total company
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----- (Rupees) -----

Transactions during the period

Purchase of marketable securities for and on behalf of	4,240,400	911,480,488	-	915,720,888
Sale of marketable securities for and on behalf of	5,287,561	876,013,017	-	881,300,578
Brokerage income	32,543	2,747,463	-	2,780,006
Rent Income	-	552,000	-	552,000
Rent Expense	-	-	1,800,000	1,800,000
Remuneration to key management personnel	9,663,463	-	-	9,663,463
Loan from sponsor	-	-	68,497,501	68,497,501
Markup on receivable from associates	-	21,049,269	-	21,049,269

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 authorized for issue on **April 29, 2014** by the Board of Directors of the Company.

Chief Executive



Quarterly Report '14

Director

Branch Network of First National Equities Limited

Lahore Office

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

Abbottabad Office

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

Karachi Offices

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

Mardan Office

1st Floor Shop No 32-33, Cantonment Plaza,
The Mall, Mardan.
Tel: 0937-875827-29
Fax: 0937-875830

Daska Office

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

Peshawar offices

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

Rawalpindi Offices

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





FIRST NATIONAL EQUITIES LIMITED

Principal Office:

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

Registered Office:

FNE HOUSE, 19-C, Sunset Lane 6, South Park
Avenue, Phase II Extension, D.H.A. Karachi
Tel: (+92-21) 35395901-5 Fax: (+92-21) 35395920