Vision...

Connecting people,

ideas and capital, we will be our clients'

First Choice

for achieving their financial aspirations"

Mission...

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

CONTENTS

COMPANY INFORMATION

Board of Directors:

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

Audit Committee:

1.	Mr. Muhammad Iqbal Khan	Chairman
2.	Malik Attiq-ur-Rehman	Member
3.	Mr. Shahzad Akbar	Member
4.	Mrs. Amna Butt	Secretary Audit Committee

Chief Financial Officer

Mr. Rais Ahmed Dar

Company Secretary

Mr. Asif Mumtaz Mian, FCMA

Auditors:

Anjum Asim Shahid Rahman & Co.
Chartered Accountants
Lahore.

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) 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.
My Bank Limited.
NIB Bank Limited.
The Bank of Punjab
United Bank Limited.

Principal Office:

FNE House, 179-B, Abu Bakar Block,
New Garden Town, Lahore
Tel: (92-42) 35843722-27, 35845011-15
Fax: (92-42) 35843730.

Registered Office:

FNE HOUSE, 19-C, Sunset Lane 6,
South Park Avenue, Phase II
Extension, D.H.A. Karachi
Tel: (92-21) 35395901-05
Fax: (92-21) 35395920

KSE Office:

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

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the members of First National Equities Limited will be held at the registered office be located at 19-C, Sunset Lane-6, South Park Avenue, Phase II, Ext: D.H.A, Karachi on Saturday, October 30, 2010 at 7:00 p.m. to transact the following business:-

ORDINARY BUSINESS:

1. To confirm the minutes of the last Extra Ordinary General Meeting held on June 26, 2010
2. To receive, consider and adopt the audited annual financial statements of the company together with the directors' and auditors' reports thereon for the year ended June 30, 2010.
3. To appoint auditors of the company for the year ending June 30, 2011 and to fix their remuneration. The present auditor namely Anjum Asim Shahid Rahman & Co. Chartered Accountants, retire and being eligible, has offered themselves for re-appointment as auditors of the company.

SPECIAL BUSINESS.

1. To consider and approve the remuneration of whole-time working directors.
2. To consider and approve authorization for the proposed sale of fixed asset of the company.
3. To transact any other business of the company that may be placed before the meeting with the permission of the chair.

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

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

Karachi: October 09, 2010

Notes:

1. The Shares Transfer Books will remain closed from October 23, 2010 to October 30, 2010 (both days inclusive) to enable the Company to determine the right of members to attend the above meeting.
2. Transfer received in order at office of the Company's Shares Registrar, Technology Trade (Pvt.) Ltd. Dagia House, 241-C, P.E.C.H.S. Block-2, Karachi by the close of business hours on October 22, 2010 will be treated in time for the entitlement of Vote and attending AGM. Members are also requested to immediately notify of any change in their registered addresses by writing to the office of Company's Share Registrar.
3. A member entitled to attend and vote at this meeting may appoint another member as his/her proxy who shall have same rights as available to a member. In order to be a valid, the duly stamped, signed and witnessed instrument of proxy and the power of attorney or a notarially certified copy of such power of attorney or other authority under which it is signed must be deposited at the registered office of the company, not later than 48 hours before the time of holding the meeting.
4. Central Depository Company account holders will further have to follow the under mentioned guidelines as laid down by the Securities and Exchange Commission of Pakistan.

A For Attending the Meeting

i. In case of individual beneficial owners of CDC entitled to attend and vote at the meeting must bring his/her participant ID and account/sub account number along with valid original CNIC or valid original passport to authenticate his /her identity at the time of meeting

ii. In case of corporate entity, the Board of Director's resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

B For Appointing Proxies

i. In case of individuals beneficial owners of CDC shall submit the proxy form as per above requirements along with participant IDS and account sub account number together with attested copy of the valid CNIC or passport.

ii. The proxy shall be witnessed by two persons whose names, addresses and CNIC numbers shall be mentioned on the form.

iii. In case of corporate entity, the Board of Director's resolution/ power of attorney with specimen signature of the proxy member shall be submitted (unless it has been submitted earlier) along with proxy form.

iv. The proxy shall produce his/her valid original CNIC or valid original passport at the time of the meeting.

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

This statement sets out the material facts concerning the special business, given in agenda items, to be transacted at the Annual General Meeting of the Company which will be held on October 30, 2010.

1. The approval of the members of the company is being sought for the directors' remunerations as recommended by the Board of Directors of the Company for performing extra services as whole-time working directors. The material facts including the nature and extent of the directors interest are as follows:

No.	Director Names	Extra Services	Monthly Compensation (Rs)	Other Benefits
1	Mr. Rais Ahmad Dar	Chief Financial Officer	80,000	A Company maintained Car with 150/- liters Petrol Allowance.
2	Mr. Muhammad Ali Khan	Head of Sales	100,000	A Company maintained Car with 150/- liters Petrol Allowance.
3	Mr. Amir Shehzad	Chief Equity Trader	75,000	A Company maintained Car with 125/- liters Petrol Allowance.

Therefore it is proposed to pass the following resolution with or without modification:

"Resolved that the remunerations of the whole time working directors Mr. Rais Ahmad Dar, Mr. Muhammad Ali Khan and Mr. Amir Shehzad as recommended by the board of directors be and are hereby post facto approved".

2: With a view to strengthen the liquidity position of the company as well as the efforts of decreasing the liabilities, the Board has decided to sale out the fixed asset of the company the detail of which is appended below as required under SRO 1227(1)2005 dated December 12, 2005. The consent of the members is required as per section 196(3) to sale out the fixed asset of the company.

Description	Commercial Plot with Boundary Wall/Main Gate
Location	Plot No. 54, Survey No. 666/C, Main Mall Road, Peshawar Cantt. Peshawar.
Area	1100.677 S. yds (36.42 Marlas)
Cost	Rs. 36.157 (ml)
Book Value	Rs. 36.157 (ml)
Current Market Price/ Fair Value	Rs. 61.90 (ml) (Approximately)
Proposed manner of selling	Negotiation.
Reason for the sale	To improve the liquidity position of the company.
Expected Benefits to the shareholders	Expected Capital Gain.

The members are requested to authorize the Chief Executive Officer of the company to finalize the sale process and other necessary requirements by passing the following resolution with or without modification:

"Resolved That the Chief Executive Officer of the Company be and is hereby fully authorized to sell / or otherwise dispose off in the manner he deems appropriate and finalize the sale process and other necessary requirements as required for sale or otherwise dispose off Plot No. 54, Survey No. 666/C, Main Mall Road, Peshawar Cantt. Peshawar."

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 June 30, 2010, together with the auditors' report thereon.

The year 2010 was also very difficult year for the Pakistani economy that remained slow. Violence, terrorism, inflation as well as law and order incidents continued. Power outage and its shortage proved a damaging factor for the economy. Rising interest and parity rates, low availability of credits and uncertainty on political front badly affected the productivity of the different sectors. Resultantly the business sentiment was at low fade.

The Stock Market as pulse of the economy also remained sluggish. Poor public interest in shares trading resulted in the low volumes of the exchange and that resulted lower income for the members. Moreover the non availability of leverage products kept the market performance under severe pressure.

Financial Results	**2010**	**2009**
	(Rupees in Million)	
Gross revenue	286.5	(90.7)
Operating revenue	75.2	(94.7)
(Loss) before taxation	(65.09)	(1,141.4)
Less: taxation	(62.6)	(112.7)
Profit/ (Loss) after tax	(127.7)	(1028.7)
Accumulated Profit/ (Loss) brought forward	(927.4)	101.2
Accumulated Profit/ (Loss) carried forward	(1,055.1)	(927.4)
Final Cash Dividend	-	-
Final Stock Dividend	-	-
Earning per share	(2.22)	(17.89)

We are thankful to Almighty Allah that despite lack of leverage products and poor business sentiments in the country, we have succeeded to turn around the company's results.

The gross and operating revenues have converted into positive figures. The net loss which was more then a billion last year has reduced to only Rs.127.7 millions. This is due to increase in other operating income, revival of receivables, and reduction in financial and administrative cost.

We hope that our restructuring process of arrangements with lenders which was started in the current year will be completed in the coming period. On brokerage side we are continuously in the process of building a solid clientele base by enlarging our branches network and enhancing the business volumes from the exiting and new clientele. The leverage products which are in final phase of approval form the regulators will definitely prove a big boost for the business volumes and brokerage income. The process of successful revival of the receivables started in this period would be one of our top priorities in coming period which would ease the liquidity position .The efforts for the injection of new equity from the current and new investors are in advance stages which will definitely improve the financial health of the company. We are very positive that the results of these measures will turn the net loss into net profit in the coming period.

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

There have been no material changes since June 30. 2010 to the date of this report.

At FNE Human Resources in its business partner role, endorses strategies to raise the performance of each team member to its maximum potential. The continuous review of the organizational structure ensured the business' stability. Employees are rewarded based on performance, resulting enhanced retention and motivation at all levels.

The Company is committed towards fulfilling its Corporate Social Responsibility and has been actively performing its Corporate Social Responsibility in areas of healthcare, education, environment community welfare, sports & relief work and aims to enhance its scope and contribution in the future. We at FNEL are well aware of the well being of our employees as well as the community at large. Pollution reduction and waste management processes have been distinct and are being applied to ensure minimal impact on our environment. The Company focuses on energy conservation and all departments and employees adhere to the power conservation measures. Your Company takes its contribution towards national economy seriously and has always discharged its obligations in a transparent accurate and timely manner.

The Directors are pleased to confirm that:

- The financial statements prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of account of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and the accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in preparation of the financial statements and there has been no departure from them.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- Mitigating factors for significant doubts upon the company's ability to continue as going concern have been detailed in note 2.2 to the financial statements.
- There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
- Key historical data is summarized and attached.
- There is no material statuary payment outstanding on account of taxes, duties, levies and charges.
- A total of five 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	5	5
2	Malik Attiq-ur-Rehman	5	5
3	Mr. Shahzad Akbar	5	5
4	Mr. Muhammad Iqbal khan	5	4
5	Mr. Saad Khalid Tawab	5	2
6	Sheikh Tajamal Rashid	5	5
7	Mr. Muhammad Ali Khan	5	5
8	Mr. Yoshihiro Saito	5	0

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

As required under the Code of Corporate Governance, the Audit Committee continued to perform as per its terms of reference duty approved by the Board. Six meetings of the Audit Committee were held during the year, details of which together with attendance by each member are as follows:

S. No.	Name of Director	Total No. of Board Meeting	Number of Meeting(s) attended
1	Muhammad Iqbal Khan	6	5
2	Malik Attiq-ur-Rehman	6	6
3	Mr. Shahzad Akbar	6	6
4	Miss Najam Raza	6	6

The statement showing pattern of share holding in the company, as on June 30, 2010 is attached.

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

Trades By:	**Purchases/ Allotment**	**Sales**
Directors, CEO, their Spouses and Minor Children	---------------------(No. of Shares)---------------------	
Mr. Ali Aslam Malik	81,476	–
Malik Attiq-ur-Rehman	–	–
Muhammad Iqbal Khan	–	–
Mr. Shahzad Akbar	–	–
Mohammad Ali Khan	500	–
Sheikh Tajamal Rashid	–	–
Mr. Saad Khalid Tawab	–	–
Yoshihiro Saito	–	–
Mrs. Adeela Ali	–	–
Omer Ali Malik	–	–
Fatima Ali Malik		–

The Company Secretary furnished a Secretarial Compliance Certificate, in the prescribed form, as required under listing regulation 35(xxv) of Karachi Stock Exchange, as part of the annual return filed with the Registrar of Companies to certify the secretarial and corporate requirements of the Companies Ordinance, 1984 and listing regulations have been duly complied with.

The three years term of directors elected on July 01, 2007 was ended on June 30, 2010. The following directors had been elected in EOGM held on June 26, 2010 for next term of three (3) years commencing from July 01, 2010:

1. Mr. Ali A. Malik
2. Malik Attiq-ur-Rehman
3. Mr. Muhammad Iqbal Khan
4. Mr. Shahzad Akbar
5. Mr. Amir Shehzad
6. Mr. Mohammad Ali Khan.
7. Mr. Rais Ahmad Dar.

Pursuant to Section 218 of the Companies Ordinance, 1984, it is hereby notified that the Board of Directors of the Company in its meeting held on July 08, 2010 has approved the re-appointment of Mr. Ali. A. Malik as Chief Executive Officer of the Company and appointments of Mr. Rais Ahmad Dar, Mr. Muhammad Ali khan and Mr. Amir Shehzad as Whole-Time Directors of the Company for a period of three years. The Board has also approved / recommended their remunerations as follows which shall be presented in the forthcoming AGM of the Company for the approval of the shareholders:

		Monthly- Gross Salaries Rs.	Special Allowances Rs.
Mr. Ali A Malik	Chief Executive Officer	=400,000/-	=100,000/-
Mr. Rais Ahmad Dar	Chief Financial Officer	=80,000/-	nil
Mr. Muhammad Ali Khan	Head of Sales	=70,000/-	=30,000/-
Mr. Amir Shehzad	Chief Equity Trader	= 75,000/-	nil

These officials are also entitled some other benefits as per their terms of appointments/contracts and be subject to such adjustments, bonuses, increments and other entitlements as may be granted from time to time by the Board of Directors of the Company and/or in accordance with the Service Rules and Policies of the Company for the time being in force or amended from time to time

In order to comply with the requirements of listing regulations, the Company presented all related party transactions before the Audit Committee and Board for their review and approval. These transactions have been approved by the Audit Committee and Board of Directors in their respective meetings. The details of all related party transactions have been provided in note 34 of the annexed audited separate financial statements.

The present external auditors Messrs Anjum Asim Shahid Rehman & Co. Chartered Accountants shall retire at the conclusion of annual general meeting on October 30, 2010 and being eligible, have offered themselves for reappointment for the year ending on June 30, 2011.

We are grateful to the Company's stakeholders for their long-lasting confidence and support. We record our appreciation and thanks to our Associated Companies, Bankers & Financial Institution, Securities and Exchange Commission of Pakistan, Central Depository Company of Pakistan and the Managements of Karachi Stock Exchange for their support and guidance. We also appreciate the valuable contribution and active role of the members of the audit and other committee in supporting and guiding the management on matters of great importance leading to growth with sustainability of the Company.

Ali A. Malik	Lahore
(Chairman & CEO)	October 08, 2010

Financial Statistical Summary (2004 - 2010)

PARTICULARS	June 30, (Rupees '000)						
	2010	2009	2008	2007	2006	2005	2004
OPERATING RESULTS							
Operating Revenues	75,209	(94,734)	392,414	615486	974,632	440,544	11,350
Other Operating income	211,288	4,001	16,215	21899	7,558	16,197	198
Gross Revenue	286,497	(90,733)	408,629	637,385	982,190	456,741	11,548
Administrative Expenses	(78,707)	(93,518)	(141,960)	(143,570)	(140,323)	(78,756)	(6,261)
	207,790	(184,251)	266,669	493,815	841,867	377,985	5,287
Finance Cost	(164,329)	(218,027)	(196,640)	(206,433)	(254,919)	(97,088)	(65)
Other Operating Expenses	(11,796)	(365,259)	(46,113)	(203,362)	(29,217)	(11,008)	(638)
	31,665	(767,537)	23,916	84,020	557,731	269,889	4,584
Fair value loss on remeasurement of held for trading investment - net	(6,436)	(40,987)	(11,021)	20,403	(106,241)	(35,551)	-
Impairment loss on available for sale securities	(90,830)	(309,872)	-	-	-	-	-
Unrealised gain on mark to market of derivative financial instruments	-	-	-	-	993	-	-
Unrealised gain - letter of right	-	-	-	595	-	-	-
	(97,266)	(350,859)	(11,021)	20,998	(105,248)	(35,551)	-
Share of profit of associates - net of tax	511	(23,033)	5,947	2,088	135	-	-
Profit / (Loss) before Tax	(65,090)	(1,141,429)	18,842	107,106	452,618	234,338	4,584
Taxation - net	(62,595)	-	(13,341)	(27,775)	(40,996)	(32,090)	(14)
Profit / (Loss) after Tax	(127,685)	(1,141,429)	5,501	79,331	411,622	202,248	4,570
Payout Ratio	-	-	-	30%	60%	25%	-
BALANCE SHEET SUMMARY							
Non-Current Assest							
Fixed assets	223,681	230,894	239,611	189,670	145,151	114,810	83,080
Long term Investment	30,438	28,442	68,170	42,223	40,135	-	-
Deferred cost	65,874	126,806	12,198	-	-	-	2,635
Receivable from associates	175,411						
Long term loans & advances	-	-	-	125	10,849	18,712	-
Long Term deposits	2,863	2,629	3,557	2,616	1,889	2,229	756
	498,267	**388,771**	**323,536**	**234,634**	**198,024**	**135,751**	**86,471**
Current assets							
Short term investments	194,720	443,783	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	208,436	284,716	844,228	536,346	89,774	452,008	244,399
Loans & advances	4,681	1,875	4,500	1,869	5,686	1,696	1,377
Trade deposits & short term prepayments	1,066	150	29,464	304,999	28,018	45,752	189
Accrued mark up	-	-		6,062	-	-	-
Other Receivables	28,989	2,723	3,255	-	9,866	5,059	1,645
Taxation Recoverable - net	25,520	23,364	20,722	2,514	20,980	2,122	421
Cash and bank balance	10,039	5,555	20,232	39,207	111,949	158,120	350
	473,451	**762,166**	**2,010,843**	**2,568,847**	**2,266,934**	**3,007,179**	**300,418**
CURRENT LIABILITIES							
Trade & other payables	160,041	115,265	490,889	1,203,683	316,299	1,558,803	162,003
Interest and mark-up accrued on borrowings	9,181	40,417	17,139	5,108	30,801	19,711	-
Payable in respect of continuous funding system	-	-	410,667	-	-	-	-
Short term borrowings	484,976	808,160	840,487	390,810	678,823	938,269	38,451
Pre-IPO subscription towards proposed issue of term finance certificate	-	-	-	235,127	235,127	-	-
Current maturity on long term loans	-	40,322	-	-	-	-	-
Current portion of liabilities against assests subject to finance lease	-	-	-	-	-	1,697	-
	654,198	1,004,164	1,759,182	1,834,728	1,261,050	2,518,480	200,454
Net Current Assets	**(180,747)**	**(241,998)**	**251,661**	**734,119**	**1,005,884**	**488,699**	**99,964**
Non-current liabilities							
Liabilities against assest subject to finance lease	-	-	-	-	-	3,968	-
Loan from director	4,449						
Defferred liabilites	3,515	3,209	4,141	1,627	1,997	3,185.00	-
Long Term Borrowings	901,027	583,270	-	-	-	-	-
	908,991	586,479	4,141	1,627	1,997	7,153	-
Net Assets	**(591,471)**	**(439,706)**	**571,056**	**967,126**	**1,201,911**	**617,297**	**186,435**
REPRESENTED BY							
Issued, subscribed and paid-up capital	575,000	575,000	575,000	500,000	500,000	500,000	125,000
Share application money	-	-	-	-	-	-	83,845
Unappropriated profit / (Accumulated losses)	(1,055,103)	(927,418)	101,292	245,791	366,460	129,838	(22,410)
Surplus/(deficit) on revaluation of investment-available for sale	(111,368)	(87,288)	(105,236)	221,335	335,451	(12,541)	-
Total Equity and Liabilities	**(591,471)**	**(439,706)**	**571,056**	**967,126**	**1,201,911**	**617,297**	**186,435**

Statement of Compliance with the Code of Corporate Governance For the year ended on June 30, 2010

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

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

1. The Board encourages the representation of independent non-executive directors on its Board. At present Board includes three independent non-executive directors.

2. The directors of the Company have confirmed that none of them is serving as a director in more than ten listed companies, including this Company.

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

4. One casual vacancy occurred during the period under review and was dully 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 l the directors and employees of the Company.

6. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including the determination of remuneration and terms and conditions of employment of the CEO have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meeting, along with agenda and working papers, were circulated at least seven days before the 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.

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

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

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

14. The Company has complied with all the corporate and financial reporting requirements of the Code.

15. The Board has formed an audit committee. It comprises three members all of whom are non-executive directors including the Chairman of the Committee.

16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.

17. The Board has set-up an effective internal audit function in the company.

18. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review programme of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.

19. The related party transactions carried out during the year have been placed before the audit committee and approved by the board of directors in their meeting held to approve the annual accounts with necessary justification for non arm's length transactions and pricing methods for transactions that were made on the terms equivalent to those that prevail in the arms' length transactions only if such terms can be substantiated. In future all related party transactions will be placed before the Audit Committee and the Board of Directors on quarterly basis.

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

21. We confirm that all other material principles contained in the Code have been duly complied with.

Ali A. Malik
(Chief Executive)
October 08, 2010

Grant Thornton

Anjum Asim Shahid Rahman
1-Inter Floor, Eden Centre,
43 Jail Road, Lahore, 54000,
Pakistan.
T + 92 42 37590 214-16, 7565 430-31
F + 92 42 37599 023
www.gtpak.com

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

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of First National Equities Limited ("the Company") to comply with the Listing Regulations of Karachi Stock Exchange where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code of Corporate Governance and 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 financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Listing Regulations of the Karachi Stock Exchange require the Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were under taken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Company for the year ended 30 June 2010.

Anjum Asim Shahid Rahman

CHARTERED ACCOUNTANTS
Engagement Partner: Asim Iftikhar
Lahore
Dated:

Grant Thornton

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AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of First National Equities Limited ("the Company") as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit. It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with 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 except for the changes as stated in note 2.4 with which we concur;
   - 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, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2010 and of the loss, its cash flows and changes in equity for the year then ended; and

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

Without qualifying our opinion, we draw attention to note 2.2 to the financial statements which indicates that during the year the Company incurred significant loss amounting to Rs. 127.685 million and has accumulated losses amounting to Rs. 1,055.103 million at the year end. In addition, the Company has negative equity at the year end. The going concern of the Company is dependent upon profitable operations, continued support from the sponsors/directors of the Company, satisfactory settlement of its long term loans from banks and compliance with the arrangements agreed with the financial institutions. These conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as going concern.

The financial statements for the year ended June 30, 2009 were audited by another firm of Chartered Accountants who vide their audit report dated October 14, 2009 expressed an unqualified opinion in all respects. However, an emphasis of matter paragraph was added indicating that the Company had incurred significant operational losses and has substantial accumulated losses and negative equity at the year end. The auditors had stated that the conditions indicate the existence of a material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern.

Anjum Asim Shahid Rahman

CHARTERED ACCOUNTANTS
Engagement Partner: Asim Ifitkhar
Lahore
Dated:

BALANCE SHEET

AS AT JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
NON-CURRENT ASSETS			
Property and equipment	4	**86,048,883**	93,262,268
Capital work in progress	5	**69,496,614**	69,496,614
Intangible assets	6	**68,135,225**	68,135,225
Receivable from associates	7	**175,411,452**	-
Long term investments	8	**30,438,452**	28,441,812
Long term deposits	9	**2,862,429**	2,628,720
Deferred taxation	10	**65,873,931**	126,805,864
		498,266,986	388,770,503
CURRENT ASSETS			
Short term investments	11	**194,720,352**	443,781,840
Trade debts	12	**208,435,589**	284,716,967
Loans and advances	13	**4,681,119**	1,875,025
Trade deposits and short term prepayments	14	**1,065,796**	149,510
Other receivables	15	**28,988,804**	2,724,068
Advance tax		**25,520,458**	23,363,634
Cash and bank balances	16	**10,038,746**	5,554,749
		473,450,864	762,165,793
Total Assets		**971,717,851**	1,150,936,296
CURRENT LIABILITIES			
Trade and other payables	17	**160,041,543**	115,265,364
Accrued mark-up	18	**9,181,155**	40,416,688
Short term borrowings	19	**484,976,169**	808,159,035
Current portion of long term financing	20	**-**	40,322,000
		654,198,867	1,004,163,087
NON-CURRENT LIABILITIES			
Long term financing	20	**901,027,024**	583,270,370
Loan from director	21	**4,449,224**	-
Deferred liabilities	22	**3,514,591**	3,209,180
		908,990,839	586,479,550
Total Liabilities		**1,563,189,706**	1,590,642,637
CONTINGENCIES AND COMMITMENTS	23	**-**	-
Net Assets		**(591,471,856)**	(439,706,341)
REPRESENTED BY:			
Issued, subscribed and paid-up capital	24	**575,000,000**	575,000,000
Unappropriated loss carried forward		**(1,055,103,508)**	(927,418,387)
		(480,103,508)	(352,418,387)
Unrealized diminution on re-measurement of investments classified as available for sale	11.1.3	**(111,368,348)**	(87,287,954)
		(591,471,856)	(439,706,341)

The annexed notes from 1 to 43 form an integral part of these financial statements.

As more fully explained in note 11.2.2, remaining impairment loss amounting to Rs. 90.830 million on available for sale equity securities has been fully charged in this financial information.

Chief Executive

Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
Operating revenue	25	**60,415,310**	73,291,680
Gain/(loss) on sale of investments		**14,793,374**	(168,025,440)
Other operating income	26	**211,288,450**	4,000,017
		286,497,134	(90,733,743)
Administrative expenses	27	**78,707,521**	93,518,763
Operating profit/(loss)		**207,789,613**	(184,252,506)
Finance costs	29	**164,329,057**	218,027,840
Other operating expenses	30	**11,796,031**	365,258,910
Impairment loss on available for sale securities	11.1	**90,830,000**	309,872,623
		(59,165,475)	(1,077,411,879)
Unrealised loss on re-measurement of investments classified as financial assets at fair value through profit or loss'-held for trading-net	11.2	**(6,435,937)**	(40,986,521)
Share of profit/(loss) of associate-net	8.1	**511,184**	(23,033,000)
Loss before tax		**(65,090,228)**	(1,141,431,400)
Taxation	31	**62,594,893**	(112,718,959)
Loss after tax		**(127,685,121)**	(1,028,712,441)
Loss per share	32	**(2.22)**	(17.89)

The annexed notes from 1 to 43 form an integral part of these financial statements.

As more fully explained in note 11.2.2, remaining impairment loss amounting to Rs. 90.830 million on available for sale equity securities has been fully charged in this financial information.

Chief Executive

Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
Loss for the year		**(127,685,121)**	(1,028,712,441)
Unrealised diminution during the year in the market value of investments classified as ‘available for sale’		**(43,576,099)**	(117,368,098)
Reclassification adjustment of realised loss on sale of investments-available for sale		**14,705,249**	132,011,144
share of unrealised surplus - investment in associate	8.1	**4,790,456**	3,305,000
		(24,080,394)	17,948,046
Total comprehensive loss for the year-net of tax		**(151,765,515)**	(1,010,764,395)

The annexed notes from 1 to 43 form an integral part of these financial statements.

As more fully explained in note 11.2.2, remaining impairment loss amounting to Rs. 90.830 million on available for sale equity securities has been fully charged in this financial information.

Chief Executive

Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2010

	Note	2010 Rupees	2009 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		**(65,090,228)**	(1,141,431,400)
Adjustment for non cash items			
Depreciation		**9,434,045**	11,325,149
Gain on disposal of property and equipment		**(449,524)**	(1,078,113)
Loss / (gain) on disposal of investments		**(14,793,374)**	168,025,440
Share of (Loss) / profit of associate - net of tax		**(511,184)**	23,033,000
Unrealised loss on investments at fair value through profit or loss' - held for trading - net		**6,435,937**	40,986,521
Impairment loss on available for sale investments		**90,830,000**	309,872,623
Provision for gratuity		**1,304,063**	1,206,000
Provision for doubtful trade debts		**-**	353,986,260
Dividend receivable written off		**391,187**	-
Finance costs		**164,329,057**	218,027,840
Provision written back		**(140,180,214)**	-
Dividend income		**(3,715,865)**	(9,304,477)
Mark-up income on fixed income securities		**-**	(523,529)
Mark-up income on exposure deposits		**(80,696)**	(1,467,731)
Mark-up income from related party		**(28,065,832)**	-
Mark-up income on fixed deposits		**(696)**	(54,094)
		84,926,904	1,114,034,889
		19,836,676	(27,396,511)
Changes in working capital			
Decrease / (increase) in current assets			
Trade debts		**216,461,592**	205,525,325
Loans and advances		**(2,806,094)**	2,625,521
Trade deposits and short-term prepayments		**(916,286)**	29,315,587
Other receivables		**(26,655,924)**	534,854
		186,083,288	238,001,287
Increase / (decrease) in current liabilities			
Trade and other payables		**44,776,179**	(374,446,632)
Payable in respect of continuous funding system transactions		**-**	(410,666,906)
		250,696,143	(574,508,762)
Mark-up paid		**(195,564,590)**	(194,750,034)
Leave fare paid		**-**	(834,091)
Gratuity paid		**(998,652)**	(2,138,155)
Income taxes paid		**(3,819,784)**	(4,530,264)
Long-term deposits		**(233,709)**	928,500
Receivable from associates		**(175,411,452)**	-
Net cash used in the operating activities	A	**(125,332,044)**	(775,832,806)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in available for sale financial assets - net		**48,459,767**	212,590,546
Investment in marketable securities - net		**87,376,486**	(52,167,000)
Investments in associates		**5,186,823**	-
Fixed capital expenditure incurred		**(3,183,136)**	(5,702,371)
Proceeds from disposal of property and equipment		**1,412,000**	4,163,000
Mark-up received		**28,147,224**	2,045,354
Dividend received		**3,715,865**	9,304,789
Net cash generated from investing activities	B	**171,115,029**	170,234,318
CASH FLOWS FROM FINANCING ACTIVITIES			
Borrowing under repurchase agreements		**(190,000,000)**	200,000,000
Long-term financing		**277,434,654**	623,592,000
Loan from director		**4,449,224**	-
Dividends paid		**-**	(342,825)
Net cash generated from financing activities	C	**91,883,878**	823,249,175
NET INCREASE IN CASH AND CASH EQUIVALENTS	(A+B+C)	**137,666,863**	217,650,687
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**(602,604,286)**	(820,254,973)
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	35	**(464,937,423)**	(602,604,286)

The annexed notes from 1 to 43 form an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2010

	Issued, subscribed and paid-up capital	Reserves		Unrealised surplus / (deficit) on re-measurement of investments classified as available for sale	Total
		Accumulated (loss) / profit	**Sub-total**		
	--(Rupees)			--	
Balance as at June 30, 2008	575,000,000	101,294,054	101,294,054	(105,236,000)	571,058,054
Loss for the year ended June 30, 2009	-	(1,028,712,441)	(1,028,712,441)	-	(1,028,712,441)
Reclassification adjustment realised loss on disposal of investments during the year	-	-	-	132,011,144	132,011,144
Unrealised diminution during the year in the market value of investments classified as 'available for sale'	-	-	-	(117,368,098)	(117,368,098)
Share of unrealised surplus - investment in associate	-	-	-	3,305,000	3,305,000
Balance as at June 30, 2009	**575,000,000**	**(927,418,387)**	**(927,418,387)**	**(87,287,954)**	**(439,706,341)**
Loss for the year ended June 30, 2010	-	(127,685,121)	(127,685,121)	-	(127,685,121)
Reclassification adjustment realised loss on disposal of investments during the year	-	-	-	14,705,249	14,705,249
Unrealised diminution during the year in the market value of investments classified as 'available for sale'	-	-	-	(43,576,099)	(43,576,099)
Share of unrealised surplus - investment in associate	-	-	-	4,790,456	4,790,456
Balance as at June 30, 2010	575,000,000	(1,055,103,508)	(1,055,103,508)	(111,368,348)	(591,471,856)

The annexed notes from 1 to 43 form an integral part of these financial statements.

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2010

1 THE COMPANY AND ITS OPERATIONS

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

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

2 ACCOUNTING CONVENTION AND BASIS FOR PREPARATION

2.1 Statement of compliance

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

2.2 Going concern

The Company has incurred significant operational losses during the year ended June 30,2010 and its accumulated losses as at June 30, 2010 are amounting to Rs 1,055,103,508/- due to unrealized losses on investment in the listed companies in the year ended June 30, 2009 which has resulted in negative equity of Rs 591,471,856/- (2009: Rs. 439,706,341/-). However, the financial statements of the Company for the year ended June 30, 2010 have been prepared on a going concern basis as the management believes that due to potential increase in prices of the listed Companies' shares and restructuring of borrowing facilities from banks during the year (as more explained in notes 19 and 20 to the financial statements) and consequent to the new viable business plans for future operations, the Company will be able to generate sufficient profits in the future enabling it to set-off the accumulated losses.

2.3 Accounting convention

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

2.4 Initial application of new standards, interpretations and amendments to existing standards and forthcoming requirements

- IAS 1 (Revised) - Presentation of financial statements (effective for annual periods beginning on or after 1 January 2009). The revised standard prohibits the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity are required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and the statement of comprehensive income). Where entities restate or reclassify comparative information, they are required to present a restated balance sheet as at the beginning of comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period.

  The company has opted to present two statements i.e. a profit and loss account (income statement) and a statement of comprehensive income. Comparative information has also been re-presented so that it is in conformity with the revised standard. As this change only impacts presentation aspects, there is no impact on the earnings per share.

- IAS 23 (Amendment) 'Borrowing costs' (effective for annual periods beginning on or after 1 January 2009). It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs has been removed. The Company's current accounting policy for borrowing costs is in compliance with this amendment and there fore there is no effect on the financial statements.

- IFRS 7 (Amendment), 'Financial Instruments: Disclosures' (effective for annual periods beginning on or after 1 January 2009). The amendment requires enhanced disclosures regarding fair value measurement and liquidity risk. As the change only results in additional disclosures, there is no impact on earnings per share.

2.5 Standards, interpretations and amendments not yet effective

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning on or after 1 January 2010.

- Improvements to IFRSs 2009 – Amendments to IFRS 5 'Non-current Assets Held for Sale and Discontinued Operations' (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in IFRS 5. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IFRS 8 'Operating Segments' (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker. The amendment is unlikely to have an impact on Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the classification of the liability component of a convertible instrument as current or non-current is not affected by terms that could, at the option of the holder of the instrument, result in settlement of the liability by the issue of equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 7 Statement of Cash Flows (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities. These amendments are unlikely to have a significant impact on the Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 17 Leases (effective for annual periods beginning on or after 1 January 2010). The IASB deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of IAS 17, taking account of the fact that land normally has an indefinite economic life. The amendment is unlikely to have an impact on Company's financial statements.

- Improvements to IFRSs 2009 – Amendments to IAS 36 Impairment of Assets (effective for annual periods beginning on or after 1 January 2010). The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in IFRS 8 before applying the aggregation criteria of IFRS 8. The amendments apply prospectively. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2009 – Amendments to IAS 39 'Financial Instruments: Recognition and Measurement' (effective for annual periods beginning on or after 1 January 201 0). The amendments provide additional guidance on determining whether loan prepayment penalties result in an embedded derivative that needs to be separated; clarify that the scope exemption in IAS 39 paragraph 2(g) is restricted to forward contracts, i.e. not options, between an acquirer and a selling shareholder to buy or sell an acquiree that will result in a business combination at a future acquisition date within a reasonable period normally necessary to obtain any required approvals and to complete the transaction; and clarify that the gains or losses on a cash flow hedge should be reclassified from other comprehensive income to profit or loss during the period that the hedged forecast cash flows impact profit or loss. The amendments apply prospectively to all unexpired contracts from the date of adoption. These amendments are unlikely to have an impact on the Company's financial statements.

- Amendments to IFRS 1 'First-time Adoption of International Financial Reporting Standards – Additional Exemptions for First-time Adopters' (effective for annual periods beginning on or after 1 January 2010). The IASB provided additional optional exemptions for first-time adopters of IFRSs that will permit entities not to reassess the determination of whether an arrangement contains a lease if the same assessment as that required by IFRIC 4 was made under previous GAAP; and allow entities in the oil and gas industry to use their previous GAAP carrying amounts as deemed cost at the date of transition for oil and gas assets. The amendment is not relevant to the Company's operations.

- Amendment to IFRS 2 – 'Share-based Payment – Group Cash-settled Share-based Payment Transactions' (effective for annual periods beginning on or after 1 January 2010). Amendment provides guidance on the accounting for share based payment transactions among group entities. The amendment is not relevant to the Company's operations.

- Amendments to IAS 32 'Financial Instruments: Presentation – Classification of Rights Issues' (effective for annual periods beginning on or after 1 January 2010). The IASB amended IAS 32 to allow rights, options or warrants to acquire a fixed number of the entity's own equity instruments for a fixed amount of any currency to be classified as equity instruments provided the entity offers the rights, options or warrants pro rata to all of its existing owners of the same class of its own non-derivative equity instruments. These amendments are unlikely to have an impact on the Company's financial statements.

- IFRIC 19 'Extinguishing Financial Liabilities with Equity Instruments' (effective for accounting periods beginning on or after 1 July 2010). This interpretation provides guidance on the accounting for debt for equity swaps. The amendment is not relevant to the Company's operations.

- Amendment to IFRS 1 'First-time Adoption of International Financial Reporting Standards – Limited Exemption from Comparative' IFRS 7 'Disclosures for First-time Adopters' (effective for accounting periods beginning on or after 1 July 201 0). The amendment provides the same relief to first-time adopters as was given to current users of IFRSs upon adoption of the Amendments to IFRS 7. The amendment also clarifies the transitional provisions of the Amendments to IFRS 7. The amendment is not relevant to the Company's operations.

- Improvements to IFRSs 2010 (effective for annual periods beginning on or after 1 July 2010). The IASB issued amendments to various standards effective. Below is a summary of the amendments that are effective for either annual periods beginning on or after 1 July 2010 or annual periods beginning on or after 1 January 2011.

- Improvements to IFRSs 2010 – Amendments to IFRS 3 Business Combinations (effective for accounting periods beginning on or after 1 July 2010). The amendments clarify that contingent consideration arising in a business combination previously accounted for in accordance with IFRS 3 (2004) that remains outstanding at the adoption date of IFRS 3 (2008) continues to be accounted for in accordance with IFRS 3 (2004); limit the accounting policy choice to measure non-controlling interests upon initial recognition at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets to instruments that give rise to a present ownership interest and that currently entitle the holder to a share of net assets in the event

- Improvements to IFRSs 2010 – IFRIC 13 'Customer Loyalty Programmes' (effective for accounting periods beginning on or after 1 January 2011). The amendments clarify that the fair value of award credits takes into account the amount of discounts or incentives that otherwise would be offered to customers that have not earned the award credits. The amendment is not relevant for the Company's operation.

2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect the reported amounts of assets and liabilities and income and expense. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies.

The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are as follows:

a). Property and equipment

The Company's management determines the estimated useful lives and related depreciation charge for its property and equipment. The Company estimates with respect to residual values and depreciable lives. Further, the Company reviews the value of the assets for possible impairment on an annual basis. Any change in the estimate in the future years might affect the carrying amounts of the respective item of property and equipment with a corresponding affect on the depreciation charge and impairment.

b). Income taxes

In making the estimates for income taxes currently payable by the Company, the management looks at the current income tax law and the decisions of appellate authorities on certain issues in the past.

c). Trade debts and other receivables

Impairment loss against doubtful trade and other debts is made on a judgement basis, which provisions may differ in the future years based on the actual experience. The difference in provision if any, is recognized in the future period.

d). Classification and valuation of investments

The Company has determined fair value of investments from active market. Fair value estimates are made at a specific point of time based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgments (e.g. valuation, interest rates, etc.) and therefore, can not be determined with precision.

e). Staff retirement benefits

Liability under defined benefit plan is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, expected rates of return on assets, future salary increases and mortality rates. Due to the long term nature of this plan, such estimates are subject to uncertainty. Further details are given in Note. 28.

3 SIGNIFICANT ACCOUNTING POLICIES

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

3.10 Staff retirement benefits

The Company operates an unfunded gratuity scheme covering all employees. The liability recognised in the balance sheet in respect of defined benefit gratuity scheme is the present value of the defined benefit obligation at the balance sheet date together with the adjustments for unrecognised actuarial gains or losses and past service costs, if any. The defined benefit obligation is calculated by an independent actuary using the Projected Unit Credit Method. The unrecognised actuarial gains or losses at each valuation date in excess of the 10% of the present value of the defined benefit obligation are amortised over the average remaining working lives of the employees in the following year.

3.11 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.

3.12 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.

3.13 Impairment

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

3.14 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.

3.15 Fiduciary assets

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

3.16 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.

3.17 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.

3.18 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.

3.19 Financial instruments

a). Financial assets and liabilities

Financial instruments carried on the balance sheet include investments, loans, deposits, continuous funding system, trade debts, other receivables, cash and bank balances, trade and other payables payable in respect of continuous funding system transactions, short-term borrowings and accrued mark-up on borrowings.

At the time of initial recognition, all the financial assets and liabilities are measured at fair value. The particular recognition method for subsequent re-measurement of significant financial assets and liabilities is disclosed in the individual policy statements associated with each item.

b). 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.

c). Off setting

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

	2010 Rupees	2009 Rupees

5 CAPITAL WORK IN PROGRESS

	2010 Rupees	2009 Rupees
Commercial space - Karachi Financial Towers	**33,340,000**	33,340,000
Property acquired through auction	**36,156,614**	36,156,614
	69,496,614	69,496,614

6 INTANGIBLE ASSETS

	Cost			
	Membership card of Karachi Stock Exchange	**License to use Room at Karachi Stock Exchange**	**Tenancy rights Building**	**Total**
	---Rupees---			
Balance as at June 30, 2010	**31,220,225**	**22,000,000**	**14,915,000**	**68,135,225**
Total	**31,220,225**	**22,000,000**	**14,915,000**	**68,135,225**

	Cost			
	Membership card of Karachi Stock Exchange	License to use Room at Karachi Stock Exchange	Tenancy rights Building	Total
	---Rupees---			
Balance as at June 30, 2009	31,220,225	22,000,000	14,915,000	68,135,225
Total	31,220,225	22,000,000	14,915,000	68,135,225

6.1 Room at Karachi Stock exchange represents the consideration paid for the right to occupy two rooms situated at Stock Exchange Building, Karachi. The Karachi Stock Exchange (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.

6.2 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.

	2010 Rupees	2009 Rupees

7 RECEIVABLE FROM ASSOCIATES

	2010 Rupees	2009 Rupees
First Pakistan Securities Limited	**90,993,620**	-
Switch Securities (Private) Limited	**84,417,832**	-
	175,411,452	-

These receivables carry markup at the rate not less than the borrowing rate of the company and are recoverable over a maximum period of three years.

8 LONG TERM INVESTMENTS - RELATED PARTIES

	Note	2010 Rupees	2009 Rupees
Long term			
National Asset Management Company Limited (NAMCO)	8.1	**30,438,452**	28,441,812
Short term			
NAMCO Income fund - Available for sale			
Opening		**20,000,000**	20,000,000
Unrealised (loss) / gain		**(46,380)**	382,540
Sold during the year		**(5,186,823)**	-
Closing		**14,766,797**	20,382,540
		45,205,249	48,824,352
Less: Investment shown under short-term investments		**14,766,797**	20,382,540
		30,438,452	28,441,812

8.1 Investment in associate accounted for under equity method - National Asset Management Company Limited - holding 40% [4,000,000 ordinary shares (2009: 4,000,000 ordinary shares) of Rs 10 each fully paid-up. Cost of investment Rs 40,000,000 (2009: 40,000,000)]

	Note	2010 Rupees	2009 Rupees
Investment as at July 1, 2009		**25,136,812**	48,169,812
Share in reserves of associate		**4,790,456**	3,305,000
Share of profit / (loss)	8.2	**511,184**	(23,033,000)
Balance as at June 30, 2010		**30,438,452**	28,441,812

8.2 The share of the Company in National Asset Management Company Limited (an associated undertaking / related party) has been accounted for under the equity method of accounting based on its audited financial statements for the year ended June 30, 2010 in accordance with the treatment specified in International Accounting Standard 28: "Accounting for Investment in Associates".

Summarised financial information of associate

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

	Assets	Liabilities	Income	Profit/(Loss) after taxation	Percentage of Interest held
	--Rupees----------------------------------				
June 30, 2010					
National Asset Management Company Limited	**135,716,106**	**60,041,571**	**46,072,050**	**1,277,959**	**40%**
June 30, 2009					
National Asset Management Company Limited	199,783,153	129,707,024	34,173,469	(59,056,914)	40%

9 LONG TERM DEPOSITS

	2010 Rupees	2009 Rupees
Central Depository Company Limited	**150,000**	150,000
Karachi Stock Exchange (Guarantee) Limited	**1,100,000**	1,100,000
National Clearing Company of Pakistan Limited	**300,000**	300,000
Others	**1,312,429**	1,078,720
	2,862,429	2,628,720

10 DEFERRED TAX ASSETS - NET

	2010 Rupees	2009 Rupees
Deductible temporary differences on:		
Provision for gratuity	**1,230,107**	97,944
Provision for doubtful debts	**74,832,025**	123,895,100
Investment in associate	**3,346,542**	4,045,300
	79,408,674	128,038,344
Taxable temporary differences on:		
Accelerated tax depreciation	**(13,534,743)**	(1,232,480)
	65,873,931	126,805,864

The balance of available tax losses as at June 30, 2010 amounted to Rs 211,714,081/- The Company has not recognised any deferred tax debit balance on these losses on account of prudence. The management intends to review the outcome of the revised business plans based on the potential new capital injections and restructuring and rescheduling of arrangements with the banks after which the management will reassess the deferred tax assets on unabsorbed tax losses during the year ending borrowing recognition of June 30, 2010.

11 SHORT-TERM INVESTMENTS - NET

	Note	2010 Rupees	2009 Rupees
Available for sale	11.1	**124,916,825**	303,967,380
At fair value through profit or loss- held for trading	11.2	**55,036,730**	119,431,920
Investment - related party	8	**14,766,797**	20,382,540
		194,720,352	443,781,840

11.1 Available for sale

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

No. of Shares		Name of Script/ Company	2010		2009	
Jun-10	Jun-09		**Average Cost**	**Market Value**	Average Cost	Market Value
		Investment banks / Companies / securities				
-	23,400	Arif Habib Securities Limited	**-**	**-**	1,464,509	646,776
-	11,900	Jahangir Siddiqui and Company Limited	**-**	**-**	1,435,290	275,961
		Commercial banks				
3,200,000	3,206,500	Bank Islami Pakistan Limited - note 11.1.2	**40,136,850**	**10,272,000**	62,833,070	20,425,405
-	150	United Bank Limited	**-**	**-**	4,705	5,744
		Cement				
16,064,000	19,659,641	Pioneer Cement Limited - note 11.1.2	**283,231,929**	**102,327,680**	612,062,600	266,977,925
-	5,000	D.G. Khan Cement Company Limited	**-**	**-**	118,174	148,250
-	20,000	Lucky Cement Limited	**-**	**-**	1,356,696	1,170,600
-	3,000	Fauji Cement Company Limited	**-**	**-**	15,911	19,770
		Leasing Companies				
1,353,525	1,353,525	SME Leasing Limited - note 11.1.2	**6,767,625**	**10,814,665**	14,888,775	6,767,625
		Insurance				
-	328	Pakistan Reinsurance Company Limited	**-**	**-**	7,217	11,490
		Textile composite				
376,500	200,000	Redco Textiles Limited	**528,650**	**357,675**	500,865	100,000
		Chemicals				
-	52,700	I.C.I Pakistan Limited	**-**	**-**	10,092,279	7,391,175
		Closed-end mutual fund				
244,000	-	NAMCO Balanced Fund - related party	**772,680**	**849,120**	-	-
		Support services				
71,000	-	TRG Pakistan	**396,515**	**291,810**	-	-
		Transport				
-	500	Pakistan International Airlines Corporation	**-**	**-**	2,205	1,660
		Miscellaneous				
500	500	Diamond Industries Limited	**25,000**	**3,875**	33,202	25,000
21,309,525	24,537,144		**331,859,249**	**124,916,825**	704,815,498	303,967,381

	2010		2009	
Total deficit				
Impairment loss recognised in profit and loss account - note 11.2.2	**(90,830,000)**		(309,872,623)	
Unrealised loss on re-measurement of investments classified as 'available for sale'	**(116,112,424)**		(90,975,494)	
	(206,942,424)		(400,848,117)	
	124,916,825	**124,916,825**	303,967,381	303,967,381

11.1.1 Securities having average cost of Rs 239,699,177 (2009: Rs 689,257,000) and fair value of Rs 123,701,138 (2009: Rs 296,980,000) have been pledged with various commercial banks for obtaining finance facilities under mark-up arrangements as specified in note 19 and 20.

11.1.2 Some of the securities are not held in the name of the Company and have been kept as security with one of the commercial banks for securing financing facilities under mark-up arrangement.

11.1.3 Movement in unrealised loss on investments classified as 'available for sale'

	Note	2010 Rupees	2009 Rupees
Short-term investments	11.1	**(116,112,424)**	(90,975,494)
Long-term investments	8	**(46,380)**	382,540
Share in reserves of associate	8.1	**4,790,456**	3,305,000
		(111,368,348)	(87,287,954)

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

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

No. of Shares		Name of Script/ Company	2010		2009	
Jun-10	Jun-09		**Average Cost**	**Market Value**	Average Cost	Market Value
		Closed-end mutual fund				
208,000	208,000	NAMCO Balanced Fund - related party	**981,760**	**723,840**	623,030	981,760
		Modarabas				
200,000	200,000	First I.B.L Modaraba - IPO Investments	**1,090,000**	**560,000**	2,060,000	1,090,000
		Insurance				
324,347	298,400	EFU General Insurance	**26,286,056**	**15,938,412**	40,697,134	26,286,056
		Textile composite				
397,000	397,000	Redco Textiles Limited	**198,500**	**377,150**	706,660	198,500
		Cement				
52,500	1,000	Pioneer Cement Limited	**735,225**	**334,425**	8,312	13,580
		Oil & gas marketing Companies				
142,427	389,900	Pakistan State Oil Company Limited	**32,143,157**	**37,059,505**	108,480,123	83,302,135
		Transport				
-	500	Pakistan International Airlines Corporation	**-**	**-**	1,420	1,660
		Fertilizers				
100	1,000	Engro Chemical Pakistan Limited	**20,279**	**17,358**	133,316	128,430
1,000	420,000	Fauji Fertilizer Bin Qasim Limited	**17,690**	**26,040**	7,708,447	7,429,800
1,325,374	1,915,800		**61,472,667**	**55,036,730**	160,418,442	119,431,921
		Unrealized loss on re-measurement of investments classified as 'financial assets at fair value through profit or loss'-held for trading	**(6,435,937)**		(40,986,521)	
			55,036,730	**55,036,730**	119,431,921	119,431,921

11.2.1 Securities having average cost of Rs 59,085,283 (2009: Rs 156,728,000) and fair value of Rs 53,298,451 (2009: Rs 116,893,000) have been pledged with various commercial banks for obtaining finance facilities under mark-up arrangements as specified in note 19 and 20.

11.2.2 International Accounting Standard 39, Financial Instruments: Recognition and Measurement (IAS 39) requires an entity to assess at each balance sheet date whether there is any objective evidence that a financial asset or liability is impaired. A significant decline in the fair value of an investment in an equity security below its cost is objective evidence of such impairment. When a decline in the fair value of an investment in equity securities classified as available for sale has been recognized directly in equity and there is objective evidence that the investment is impaired, the cumulative loss that had been recognized directly in equity is removed from equity and is recognised in the profit and loss account even though the investment has not been derecognized. Impairment losses recognized in the profit and loss account for an investment in an equity security classified as available for sale are not reversed through the profit and loss account but are recognized in the available for sale reserve in equity.

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

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

The amount taken to equity as specified above shall be treated as a charge to Profit and loss account for the purposes of distribution as dividend.

The Company opted not to charge the impairment loss of Rs 207.09 million in the profit and loss account at December 31, 2008 but to show it under equity and to charge it on a quarterly basis during the calendar year 2009. At June 30, 2009, an amount of Rs 90.830 million still remained to be charged to the profit and loss account which has been duly charged off during the year ended June 30, 2010.

12 TRADE DEBTS

	Note	2010 Rupees	2009 Rupees
Considered good	12.1	**208,435,589**	284,716,967
Considered doubtful		**406,032,445**	546,212,659
		614,468,034	830,929,626
Less: provision for bad and doubtful debts	**12.2**	**(406,032,445)**	(546,212,659)
		208,435,589	284,716,967

12.1 This includes receivable from National Clearing Company of Pakistan Limited (NCCPL) amounting to Rs 2,254,434 million (2009: Rs 4,993,000) in respect of trading in securities settled subsequent to the year end.

Amounts due from related parties at the year end amounted to Rs. Nil (2009: Rs 175,412,000).

This includes an amount of Rs 69,245 (2009: Nil) receivable from Karachi Stock Exchange (Guarantee) Limited in respect of trading in securities.

	2010 Rupees	2009 Rupees

12.2 Movement in provision against trade debts

	2010 Rupees	2009 Rupees
Opening balance	**546,212,659**	192,226,399
(Reversed) / Charge for the year	**(140,180,214)**	353,986,260
Closing balance	**406,032,445**	546,212,659

13 LOANS AND ADVANCES

	Note	2010 Rupees	2009 Rupees
Considered good:			
Loans to related parties			
Executive	**13.1**	**88,842**	-
Loans to others			
Employees	**13.1**	**1,329,087**	519,182
Advances			
Suppliers and others		**3,263,190**	1,355,843
		4,681,119	1,875,025

13.1 These represent interest-free loans given to employees of the Company in accordance with the employee service rules and are recovered through deductions from salaries up to a maximum period of 12 months.

14 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

	Note	2010 Rupees	2009 Rupees
Exposure deposit	**14.1**	**800,190**	-
Prepayments		**265,606**	149,510
		1,065,796	149,510

14.1 This represents amount deposited with Karachi Stock Exchange (Guarantee) Limited against exposure arising out of the transactions entered into by the Company in respect of which settlements have not taken place as at the year end. The Company has deposited the exposure amount in the form of securities in accordance with the regulations of the Karachi Stock Exchange (Guarantee) Limited.

15 OTHER RECEIVABLES

	Note	2010 Rupees	2009 Rupees
Dividend receivable	**15.1**	**-**	391,188
Mark up on receivable from associates		**28,065,832**	-
Others		**922,972**	2,332,880
		28,988,804	2,724,068

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

16 CASH AND BANK BALANCES

	2010 Rupees	2009 Rupees
Cash at bank in:		
Current accounts	**10,016,562**	5,522,198
PLS accounts	**20,127**	19,500
	10,036,689	5,541,698
Stamps in hand	**2,057**	13,051
	10,038,746	5,554,749

17 TRADE AND OTHER PAYABLES

	Note	2010 Rupees	2009 Rupees
Creditors	**17.1**	**132,419,079**	96,245,843
Accrued expenses		**19,445,835**	14,192,462
Unclaimed dividends		**2,544,013**	2,544,013
Others	**17.2**	**5,632,616**	2,283,046
		160,041,543	115,265,364

17.1 Amounts due to related parties at the year end are as follows:

	2010 Rupees	2009 Rupees
First Pakistan Securities Limited	**1,584,849**	-
Switch Securities (Private) Limited	**4,837,650**	-
	6,422,499	-

17.2 Amounts due to related party at the year end is as under:

	2010 Rupees	2009 Rupees
National Asset Management Company Limited	**20,032**	-

18 ACCRUED MARK-UP

	2010 Rupees	2009 Rupees
Mark-up accrued on:		
Short-term borrowings	**9,069,374**	36,916,688
Repurchase agreement borrowings	**111,781**	3,500,000
	9,181,155	40,416,688

19 SHORT-TERM BORROWINGS

	Note	Sanctioned Limit Rupees	2010 Rupees	2009 Rupees
From banking Companies-Secured				
Bank Alfalah Ltd	**19.1**	272,000,000	**271,964,745**	272,000,000
Allied Bank Ltd	**19.2**	200,000,000	**-**	179,288,842
Arif Habib Bank Ltd	**19.3**	140,665,593	**-**	143,720,762
NIB Bank Ltd	**19.4**	2,936,000	**2,555,309**	3,269,099
United Bank Limited	**19.5**	300,000,000	**7,170,024**	9,880,332
Bank of Punjab	**19.6**	500,000,000	**193,286,091**	-

	Note	Sanctioned Limit Rupees	2010 Rupees	2009 Rupees
From non-banking Company-unsecured				
Sindh Industrial Trade Estates			-	200,000,000
From others-unsecured				
Miss. Benish Batool	19.7		10,000,000	-
			484,976,169	808,159,035

19.1 The borrowing has been obtained for investment in shares/ NCCPL settlement/ securities requirements. The borrowing is secured against pledge of shares with 30% margin, 1st registered hypothecation charge on present and future receivables of the company and personal guarantee of Mr. Ali Aslam Malik (CEO).

The mark-up rate is 6 Month KIBOR + 1%.

19.2 The borrowing has been obtained for finance investments / working capital requirements of the company. The borrowing is secured against pledge of ABL's approved marketable shares in CDC with requisite margin, pledge of minimum 'A' rated listed TFCs and treasury bills with 25% margin and equitable mortgage of the above mentioned properties with full marked up amount of the borrowing, exclusive charge on the project land situated at Mouza Halloki Defence Road, Lahore with 25% margin for Rs. 400,000,000, personal guarantees of directors, personal guarantee of the owner of the property, noting of bank's charge in the concerned revenue authority.

1 Month KIBOR + 2.15% to be reset monthly / charged quarterly. KIBOR rate is determined one day prior to the commencement of each mark-up payment period.

19.3 The borrowing has been reclassified as long term finacing this year as fully explained in note 20.4

19.4 The borrowing has been obtained for renewal for adjustment of outstanding liability. The borrowing is secured against pledge of shares of companies at 30% - 50% margin, Demand Promissory Note and letter of pledge, lien and authority for securities.

The mark-up rate is 3 Month KIBOR + 2.50%.

19.5 The borrowing has been obtained to finance daily clearing obligations of Karachi Stock Exchange and settlement of client's trade. The borrowing are secured against pledge of shares through CDC as per list approved by UBL's Treasury Middle Office with minimum margin of 30%.

The mark-up rate is 1 Month KIBOR + 2.25%.

19.6 The financing facility has been obtained for Working capital requirement and improvement in liquidity. The facility is secured against pledge of shares, 10 Marla house at Johar Town, Lahore and personal guarantee of Mr. Ali Aslam Malik (CEO).

The mark-up rate is 3 Months KIBOR + 1.5%.

According to management they have filed a counter claim against the bank based on non performace of their obligation to sell the shares on the call margin. Management and legal advisor do not anticipate any loss(es) or claim(s) arising from the instant litigation.

19.7 This represents repurchase borrowings obtained from an individual person. This carries mark-up at the rate of 17% per annum and is repayable by March 2010. The management has paid this amount subsequent to the year ended June 30, 2010. The facility is secured against NAMCO income fund.

	Note	Sanctioned Limit Rupees	2010 Rupees	2009 Rupees

20 LONG-TERM FINANCING

	Note	Sanctioned Limit Rupees	2010 Rupees	2009 Rupees
From banking Companies-secured				
Bank Alfalah-TF-I	**20.1**	150,000,000	**150,000,000**	150,000,000
Bank Alfalah-TF-II	**20.2**	200,208,000	**230,589,075**	230,589,075
Bank Alfalah-TF-III	**20.2**	49,792,000	**49,792,204**	49,792,204
Bank of Punjab		500,000,000	**-**	193,211,091
Arif Habib Bank Ltd-TF	**20.3**	200,000,000	**140,665,593**	-
From non-banking Company-unsecured				
Sindh Industrial Trade Estates	**20.4**		**200,000,000**	-
Over due interest on long term loan	**20.5**		**129,980,152**	-
			901,027,024	623,592,370
Less: Current portion of long term borrowings			**-**	(40,322,000)
			901,027,024	583,270,370

20.1 The finance facility has been obtained for Working capital requirement and improvement in liquidity. The facility is secured against equitable mortgage of commercial plot of land bearing # 19-C, Sun set lane # 6, phase-2, DHA, Karachi, equitable mortgage of room # 135 & 136, Stock Exchange Building, Karachi, equitable mortgage of room # 306, 3rd Floor, Business & Finance Centre, I.I Chundrigar Road, Karachi, EM of showroom (commercial), municipal showroom # 2, ground floor, adjacent to Askari Bank Ltd, Bank Square, Chowk Yadgar, Peshawar City and Personal guarantee of Mr. Ali Aslam Malik (CEO).

The mark-up rate is 6 Months KIBOR + 1%. Its tenure is 7 years with 2 years grace period.

20.2 These finances have been obtained for Working capital requirement and improvement in liquidity. These facilities are secured against pledge of shares with 30% margin, 1st registered hypothecation charge on present and future receivables of the company and personal guarantee of Mr. Ali Aslam Malik (CEO).

The mark-up rate is 6 Months KIBOR + 1%. Its tenure is 5 years with 2 years grace period.

20.3 The financing facility has been obtained to finance the working capital / short term investment requirements. The facility is secured against pledge of shares with 30% margin and property / shares worth Rs. 25 Million to be provided as a token of acceptance of restructuring of facility an unconditional undertaking by Mr. Ali Aslam Malik (CEO) to comply with the restructuring terms.

The mark-up rate is 3 Months KIBOR (average offer side). Its tenure is 5 years in 14 equal instalments in arrears after completion of grace period of 18 months.

20.4 This represents repurchase borrowing agreement with Sindh Industrial Trade Estates. This carries mark-up at the rate of 14% per annum and is repayable by August 2009. The facility is secured against pledge of owned equity shares of the Company.

20.5 This represents overdue interest on long term loan. Under an agreement reached with the Bank Alfalah Limited and Arif Habib Bank Limited, this over due interest amounting to Rs. 94,727,525 and Rs. 35,252,627 is payable after two years and one and half years respectively.

	2010 Rupees	2009 Rupees

21 LOAN FROM DIRECTOR

Carrying value of loan	**9,169,000**	-
Less: present value adjustment	**4,719,776**	-
		-
Less current portion shown under current liabilities	**-**	
	4,449,224	-

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

	2010 Rupees	2009 Rupees

22 DEFERRED LIABILITIES

Gratuity	**3,514,591**	3,209,180
	3,514,591	3,209,180

23 CONTINGENCIES AND COMMITMENTS

Contingencies

Income tax assessment of the Company for tax years 2005 and 2006 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 78,448,561. 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 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 during the year for the principal and markup of short term borrowings amounting to Rs. 157,225,000/- and Rs. 35,986,000/- respectively. The amounts were transfered 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 markup on due date. Against the subject case of Bank of Punjab, the Company has also filled 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%.

Commitment

Capital expenditure contracted for but not incurred	100,020,000	100,020,000

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

	2010 Rupees	2009 Rupees

24 SHARE CAPITAL

24.1 Authorised capital		
100,000,000 Ordinary shares of Rs. 10 each	**1,000,000,000**	1,000,000,000
24.2 Issued, subscribed and paid-up share capital		
50,000,000 Ordinary shares of Rs. 10 each issued for cash	**500,000,000**	500,000,000
7,500,000 Ordinary shares of Rs. 10 each issued as fully paid bonus shares	**75,000,000**	75,000,000
	575,000,000	575,000,000

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

	2010		2009	
	Shares held	**Percentage**	Shares held	Percentage
First Florance Developers (Pvt.) Limited	**5,747,650**	**9.996%**	5,747,650	9.996%
F. Rabbi Steel (Pvt.) Limited	**1,787,361**	**3.108%**	1,740,000	3.026%
Yarmouk Paper & Board Industry (Pvt.) Limited	**345,000**	**0.600%**	345,000	0.600%
MCD Pakistan Limited	**4,798,950**	**8.346%**	4,798,950	8.346%
First Pakistan Securities Limited	**13,240,890**	**23.028%**	13,242,040	23.030%
Switch Securities (Pvt.) Limited	**7,422,899**	**12.909%**	7,422,899	12.909%

24.4 The directors, their spouses and minor children hold 4,085,801 shares as at June 30, 2010 (2009: 4,004,525 shares).

25 OPERATING REVENUE

	2010 Rupees	2009 Rupees
Brokerage	**55,280,942**	44,839,886
Dividend income	**3,715,865**	9,304,477
Commission earned	**-**	7,024,737
Underwriting commission	**-**	1,000,000
Other	**1,418,503**	11,122,580
	60,415,310	73,291,680

26 OTHER OPERATING INCOME

	Note	**2010 Rupees**	2009 Rupees
Income from financial assets			
Mark-up on:			
Fixed income securities		**-**	523,529
Fixed deposits		**696**	54,094
Exposure deposits		**80,696**	1,467,731
Receivable from associates		**28,065,832**	-
		28,147,224	2,045,354
Income from non-financial assets			
Gain on disposal of property and equipment		**449,524**	1,078,113
Provision written back		**140,180,214**	-
Mark-up waived off		**36,830,614**	-
Amortization of director's loan		**4,719,776**	-
Miscellaneous	26.1	**961,098**	876,550
		211,288,450	4,000,017

26.1 This includes rent received from National Asset Management Company Limited amounting to Rs 600,000 (2009: Rs 600,000), a related party.

27 ADMINISTRATIVE EXPENSES

	Note	**2010 Rupees**	2009 Rupees
Salaries, allowances and other benefits	27.1	**39,839,345**	41,458,091
Rent, rates and taxes		**6,150,578**	8,472,367
Fuel and repairs and maintenance		**5,277,855**	7,408,952
Utilities		**6,001,720**	7,569,974
Fees and subscription		**1,126,379**	1,147,851
KSE, clearing house and CDC charges		**1,608,150**	3,897,143
Corporate expenses		**50,000**	32,000
Insurance charges		**121,209**	475,991
Travelling and conveyance		**1,108,680**	1,112,904
Depreciation	4	**9,434,045**	11,325,149
Communication, printing and stationery		**3,361,547**	3,737,217

	Note	2010 Rupees	2009 Rupees
Legal and professional charges		**1,285,800**	4,136,673
Entertainment		**2,106,994**	1,795,928
Advertisement expenses		**164,672**	110,897
Others		**1,070,547**	837,626
		78,707,521	93,518,763

27.1 Salaries, allowances and other benefits include Rs 1,304,063 (2009: Rs 1,683,572) in respect of staff retirement benefits.

28 EMPLOYEE BENEFITS

Unfunded gratuity scheme:
As mentioned in note 3.10, the Company operates an unfunded gratuity scheme. The latest actuarial valuation of the scheme was carried out as at June 30, 2010. Projected Unit Credit method using the following significant assumptions, was used for the valuation of the scheme:

	2010 Rupees	2009 Rupees
a) Discount rate	**12%**	12%
b) Expected rate of increase in salary	**12%**	12%
Amount recognised in the profit and loss account		
Current service cost	**1,006,538**	832,292
Interest cost	**297,525**	373,748
Recognition of actuarial (gains) / losses	**-**	-
Expense	**1,304,063**	1,206,040
Amount recognised in the balance sheet		
Present value of defined benefit obligation	**3,474,244**	2,479,375
Add: unrecognised actuarial gains	**40,347**	729,805
Add: benefits payable to outgoing members	**-**	-
Liability recognised as at June 30, 2010	**3,514,591**	3,209,180
Movement in the present value of defined benefit obligation		
Present value of defined benefit obligation as at July 1, 2009	**2,479,375**	3,114,567
Current service cost	**1,006,538**	832,292
Interest cost	**297,525**	373,748
Actuarial gains	**689,458**	(477,903)
Benefits due but not paid	**-**	-
Benefits paid	**(998,652)**	(1,363,329)
Present value of defined benefit obligation as at June 30, 2010	**3,474,244**	2,479,375
Movement of liability		
Liability as at July 1, 2009	**3,209,180**	4,141,335
Add: expense for the year	**1,304,063**	1,206,040
Less: payments made during the year	**(998,652)**	(1,363,329)
Liability as at June 30, 2010	**3,514,591**	3,984,046

Five year data on experience adjustments

	2010	2009	2008	2007	2006
	---Rupees---				
Present value of defined benefit obligation, June 30	3,474,244	2,479,375	3,114,567	4,680,677	2,881,000
Experience adjustment arising on plan liabilities gains / (losses)	689,458	(477,903)	133,433	118,469	45,000

Based on actuarial advice the Company intends to charge an amount of approximately Rs 2,187,178 in respect of the gratuity scheme in the financial statements for the year ending June 30, 2011.

The information provided in this note has been obtained from the valuation carried out by an independent actuary as at June 30, 2010.

29 FINANCE COST

	2010 Rupees	2009 Rupees
Mark-up on:		
Short term borrowing facilities	**14,927,713**	183,818,228
Long term financing facilities	**117,400,041**	-
Repurchase agreement borrowings	**29,103,836**	24,500,000
Continuous funding system transactions	**-**	8,845,497
Bank and other charges	**2,819,357**	763,855
Documentation charges	**78,110**	100,260
	164,329,057	218,027,840

30 OTHER OPERATING EXPENSES

	Note	2010 Rupees	2009 Rupees
Auditors' remuneration	**30.1**	**950,000**	925,000
Donations	**30.2**	**5,000**	13,000
Provision for doubtful trade debts		**-**	353,986,260
Trade debts written off		**-**	1,475,000
Advance to suppliers written off		**-**	808,230
Dividends receivable written off		**391,187**	-
Commission to trading agents		**10,449,844**	8,051,420
		11,796,031	365,258,910

30.1 Auditors' remuneration

	2010 Rupees	2009 Rupees
Statutory audit fee	**550,000**	550,000
Half yearly review fee	**200,000**	200,000
Special reports, certifications and sundry services	**100,000**	75,000
Code of corporate governance	**75,000**	-
Out of pocket expenses	**25,000**	100,000
	950,000	925,0000

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

31 TAXATION

	2010 Rupees	2009 Rupees
Current		
for the year	**3,488,052**	2,790,540
for prior years	**(1,825,092)**	(901,600)
Deferred	**60,931,933**	(114,607,899)
	62,594,893	(112,718,959)

Relationship between tax expenses and accounting profit

Numerical reconciliation between the average tax rate and the applicable tax rate has not been presented as provision for current year income tax has been made under the provisions of minimum tax under Section 233(A) of the Income Tax Ordinance, 2001.

	2010 Rupees	2009 Rupees

32 LOSS PER SHARE - BASIC AND DILUTED

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

	2010 Rupees	2009 Rupees
Loss after taxation attributable to ordinary shareholders	**(127,685,121)**	(1,028,712,441)
Weighted average number of ordinary shares in issue during the year	**57,500,000**	57,500,000
Loss per share	**(2.22)**	(17.89)

No figure for diluted earnings per share has been presented as the Company has not issued any instruments carrying options which would have an impact on earnings per share when exercised.

33 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:

	2010			2009		
	Chief executive	**Directors**	**Executives**	Chief executive	Directors	Executives
	----------Rupees----------					
Managerial remuneration	**6,000,000**	**1,795,162**	**11,431,129**	6,000,000	1,200,000	8,927,000
Retirement benefits	**-**	**-**	**759,231**	-	-	-
Utilities	**688,019**	**36,326**	**32,040**	547,923	-	21,000
Conveyance and travelling	**788,359**	**267,967**	**2,417,376**	1,102,995	180,857	1,287,225
	7,476,378	**2,099,455**	**14,639,776**	7,650,918	9,031,775	10,235,225
No of persons	**1**	**2**	**9**	1	7	10

The chief executive, all directors and all executives are provided with the free use of Company's owned and maintained cars.

Remuneration to other directors
Aggregate amount charged in the financial statements for fee to directors was 50,000 as at June 30, 2010 (2009: Rs 24,000).

34 RELATED PARTY TRANSACTIONS

	2010			
	Key Management	**Associates**	**Other related parties**	**Total**
	----------Rupees----------			
Transactions during the year				
Purchase of marketable securities for and on behalf of	**-**	**321,143,707**	**-**	**321,143,707**
Sale of marketable securities for and on behalf of	**-**	**481,087,846**	**-**	**481,087,846**
Brokerage income	**-**	**630,226**	**-**	**630,226**
Fixed assets having book value of Rs 609,958 disposed off for	**930,000**	**-**	**-**	**930,000**
Rent received	**-**	**600,000**	**-**	**600,000**
Charge in respect of defined contribution plan	**-**	**-**	**-**	**-**
Remuneration to key management personnel	**16,409,839**	**-**	**-**	**16,409,839**
Payment made to defined contribution plan	**-**	**-**	**-**	**-**
Gratuity charged	**600,000**	**-**	**-**	**600,000**

	2009			
	Key Management	Associates	Other related parties	Total
	------------------------------Rupees----------------------------------			
Transactions during the year				
Purchase of marketable securities for and on behalf of	-	6,601,801,405	-	6,601,801,405
Sale of marketable securities for and on behalf of	-	6,462,577,414	-	6,462,577,414
Brokerage income	-	948,433	-	948,433
Fixed assets having book value of 1,291,000 disposed off for	925,380	869,000	-	1,794,380
Rent received	-	600,000	-	600,000
Charge in respect of defined contribution plan	-	-	473,939	473,939
Remuneration to key management personnel	14,926,700	-	-	14,926,700
Payment made to defined contribution plan	-	-	368,818	368,818
Gratuity charged	570,000	-	-	570,000

The Company has related party relationship with its associated undertakings, employee benefit plans and its directors and executive officers. Transactions with associated undertakings essentially entail sale and purchase of marketable securities.

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

There are no transactions with key management personnel other than under their terms of employment / entitlement. Balances outstanding from / to related parties as at the year end have been disclosed in the relevant balance sheet notes.

35 CASH AND CASH EQUIVALENTS

	2010 Rupees	2009 Rupees
Cash and bank balances	**10,038,746**	5,554,749
Short-term borrowings	**(474,976,169)**	(608,159,035)
	(464,937,423)	(602,604,286)

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

36 FINANCIAL INSTRUMENTS BY CATEGORY

	2010				
	Loans and receivables	**Available for sale**	**At fair value through profit and loss**	**At amortised cost**	**Total**
	--Rupees---				
Assets					
Non-current assets					
Long-term deposits	**2,862,429**	**-**	**-**	**-**	**2,862,429**
Receivable from associates	**175,411,452**	**-**	**-**	**-**	**175,411,452**
Current assets					
Short-term investments	**-**	**139,683,622**	**55,036,730**	**-**	**194,720,352**
Trade debts - net	**208,435,589**	**-**	**-**	**-**	**208,435,589**
Loans and advances	**4,681,119**	**-**	**-**	**-**	**4,681,119**
Trade deposits	**800,190**	**-**	**-**	**-**	**800,190**
Other receivables	**28,988,804**	**-**	**-**	**-**	**28,988,804**
Cash and bank balances	**10,036,689**	**-**	**-**	**-**	**10,036,689**

	2010				
	Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost	Total
	---Rupees---				
Liabilities					
Current liabilities					
Trade and other payables	**-**	**-**	**-**	**160,041,543**	**160,041,543**
Accrued mark-up	**-**	**-**	**-**	**9,181,155**	**9,181,155**
Short-term borrowings	**-**	**-**	**-**	**484,976,169**	**484,976,169**
Current portion of long-term borrowings	**-**	**-**	**-**	**-**	**-**
Non-current liabilities					
Long-term financing	**-**	**-**	**-**	**901,027,024**	**901,027,024**
Loan from director	**-**	**-**	**-**	**4,449,224**	**4,449,224**

	2009				
	Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost	Total
	---Rupees---				
Assets					
Non-current assets					
Long-term deposits	2,628,720	-	-	-	2,628,720
Current assets					
Short-term investments	-	324,349,920	119,431,920	-	443,781,840
Trade debts - net	284,716,967	-	-	-	284,716,967
Loans and advances	1,875,025	-	-	-	1,875,025
Other receivables	2,724,068	-	-	-	2,724,068
Cash and bank balances	5,541,698	-	-	-	5,541,698
Liabilities					
Current liabilities					
Trade and other payables	-	-	-	115,265,364	115,265,364
Accrued mark-up	-	-	-	40,416,688	40,416,688
Short-term borrowings	-	-	-	808,159,035	808,159,035
Current portion of long-term financing	-	-	-	40,322,000	40,322,000
Non-current liabilities					
Long-term financing	-	-	-	583,270,370	583,270,370

	2010				
	Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost	Total
	---Rupees---				
Income / other items					
Operating revenue	**1,418,503**	**-**	**-**	**-**	**1,418,503**
Other operating income	**28,147,224**	**-**	**-**	**-**	**28,147,224**
Gain on sale of investments-held for trading	**-**	**-**	**29,417,233**	**-**	**29,417,233**

	2010				
	Loans and receivables	**Available for sale**	**At fair value through profit and loss**	**At amortised cost**	**Total**
	-----------------------Rupees-----------------------				
(Expenses / other items)					
Loss on sale of investments available for sale	**-**	**(14,623,858)**	**-**	**-**	**(14,623,858)**
Finance cost	**-**	**-**	**-**	**(44,031,549)**	**(44,031,549)**
Impairment loss on available for sale securities	**-**	**(90,830,000)**	**-**	**-**	**(90,830,000)**
Unrealized loss on re-measurement of investments	**-**	**-**	**(6,435,937)**	**-**	**(6,435,937)**

	2009				
	Loans and receivables	Available for sale	At fair value through profit and loss	At amortised cost	Total
	-----------------------Rupees-----------------------				
Income / other items					
Operating revenue	11,122,580	-	-	-	11,122,580
Other operating income	2,045,354	-	-	-	2,045,354
Gain on sale of investments	-	-	-	-	-
(Expenses / other items)					
Loss on sale of investments	-	(132,011,144)	(36,014,296)	-	(168,025,440)
Finance cost	-	-	-	211,437,000	211,437,000
Impairment loss on available for sale securities	-	(309,872,623)	-	-	(309,872,623)
Unrealized loss on re-measurement of investments	-	-	(40,986,521)	-	(40,986,521)

37 FINANCIAL RISK MANAGEMENT

Financial risk factors

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

37.1 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

37.1.1 Currency risk

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

37.1.2 Yield / Interest rate risk

Yield risk is the risk of decline in earnings due to adverse movements of the yield curve. Interest rate risk is the risk that the value of the financial instruments will fluctuate due to changes in the market interest rates. Sensitivity to interest / mark-up rate risk arises from mismatches or gaps in the amounts of interest / mark-up based assets and liabilities that mature or reprice in a given period. The Company manages this risk by matching the repricing of financial assets and liabilities through appropriate policies.

	As at June 30, 2010			
	Exposed to Yield / Interest risk		Not exposed to Yield / Interest rate risk	Total
	Up to one year	More than one year		
	----------Rupees----------			
Financial assets				
Non-current assets				
Long-term deposits	-	-	2,862,429	2,862,429
Receivable from associates	-	-	175,411,452	175,411,452
	-	-	178,273,881	178,273,881
Current assets				
Short-term investments	-	-	194,720,352	194,720,352
Trade debts - net	-	-	208,435,589	208,435,589
Loans and advances	-	-	4,681,119	4,681,119
Trade deposits	800,190	-	-	800,190
Other receivables	-	-	28,988,804	28,988,804
Cash and bank balances	20,127	-	10,016,562	10,036,689
	820,317	-	446,842,426	447,662,743
Sub Total	820,317	-	625,116,307	625,936,624
Financial liabilities				
Current liabilities				
Trade and other payables	-	-	160,041,543	160,041,543
Accrued mark-up	-	-	9,181,155	9,181,155
Short-term borrowings	484,976,169	-	-	484,976,169
Current Maturity of long term borrowings	-	-	-	-
	484,976,169	-	169,222,698	654,198,867
Non current liabilities				
Long term financing	-	901,027,024	-	901,027,024
Loan from director	-	4,449,224	-	4,449,224
	-	905,476,248	-	905,476,248
Sub Total	484,976,169	905,476,248	169,222,698	1,559,675,115
On-balance sheet gap	(484,155,852)	(905,476,248)	(455,893,609)	933,738,491
Off-balance financial instruments	-	-	-	-
Off-balance sheet gap	-	-	-	-
Total interest rate sensitivity gap	(484,155,852)	(905,476,248)		
Cumulative interest rate sensitivity gap	(484,155,852)	(905,476,248)		

	As at June 30, 2009			
	Exposed to Yield / Interest risk		Not exposed to Yield / Interest rate risk	Total
	Up to one year	More than one year		
	---Rupees---			
Financial assets				
Non-current assets				
Long-term deposits	-	-	2,628,720	2,628,720
Current assets				
Short-term investments	-	-	443,781,840	443,781,840
Trade debts - net	-	-	284,716,967	284,716,967
Loans and advances	-	-	1,875,025	1,875,025
Other receivables	-	-	2,724,068	2,724,068
Cash and bank balances	19,500	-	5,522,198	5,541,698
	19,500	-	738,620,098	738,639,598
Sub Total	19,500	-	741,248,818	741,268,318
Financial liabilities				
Current liabilities				
Trade and other payables	-	-	115,265,364	115,265,364
Accrued mark-up	-	-	40,416,688	40,416,688
Short-term borrowings	808,159,035	-	-	808,159,035
Current Maturity of long term borrowings	40,322,000	-	-	40,322,000
	848,481,035	-	155,682,052	1,004,163,087
Non current liabilities				
Long term financing	-	583,270,370	-	583,270,370
Sub Total	848,481,035	583,270,370	155,682,052	1,587,433,457
On-balance sheet gap	(848,461,535)	(583,270,370)	585,566,766	(846,165,139)
Off-balance financial instruments	-	-	-	-
Off-balance sheet gap	-	-	-	-
Total interest rate sensitivity gap	(848,461,535)	(583,270,370)	585,566,766	(846,165,139)
Cumulative interest rate sensitivity gap	(848,461,535)	(583,270,370)		

37.1.2.1The mark-up rates per annum on financial assets and liabilities are as follows:

	2010	2009
	---Percentage---	
Short term borrowings	**14.85-17.26**	14.00-18.00
Long term financing	**14.77-16.35**	-
Receivable from associates	**16**	-
Bank balances	**-**	-
Exposure deposits with KSE	**17**	-

37.1.2.2 Sensitivity analysis for variable rate instruments

In case of 100 basis points increase / decrease in KIBOR on June 30, 2010, with all other variables held constant, the net assets of Company would have been higher / lower by Rs. 1,614,316 (2009: Rs. 7,075,000) and net loss for the year would have been lower / higher by the same amount.

The sensitivity analysis prepared as of June 30, 2010 is not necessarily indicative of the impact on Company's net assets of future movements in interest rates.

37.1.3 Price Risk

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

The investment of the Company classified as available for sale and at fair value through profit or loss would normally be affected due to fluctuation of equity prices in the stock exchange. In case of 5% increase / decrease in KSE 100 index on June 30, 2010, the net loss for the year relating to securities classified as fair value through profit and loss would decrease / increase by Rs. 321,797 (2009: Rs. 5,839,000) and net assets of the Company would increase / decrease by the same amount . In case of 5% increase / decrease in KSE 100 index on June 30, 2010, the net loss for the year relating to securities classified as available for sale and other components of equity and net assets of the Company would increase / decrease by Rs. 5,805,621 (2009: Rs. 12,657,000) as a result of gains / losses on equity securities classified as available for sale.

The above analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Company's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Company's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2010 is not necessarily indicative of the effect on the Company's net assets of future movements in the level of KSE100 index.

37.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties failed to perform as contracted. All the financial assets of the Company except Rs 2,057 (2009: Rs 13,051) are exposed to credit risk. To manage the exposure to credit risk, the Company applies credit limits to its customers and in certain cases obtains margins and deposits in the form of cash and marketable securities. The Company has established internal policies for extending credit which captures essential details regarding customers. Based on the review of borrower's credentials as available internally and value of collaterals held as security, the management is confident that credit quality of debts which are not past due nor impaired remains sound at the balance sheet date.

The carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated was Rs NIL (2009: Rs NIL million). The Company is making its concerted efforts for entering into settlement agreement with certain outstanding debtors who had not paid on time."

Apportion of the outstanding amounts of trade debts are secured against pledge of customers securities. The Company is entitled to sell these securities, at its own discretion, in case of default by the customers. During the year the Company has disposed off certain securities of its clients in case of non-payment to the Company . The outstanding receivables settled on this account and the amount of securities realized through disposal / transfer to the Company's own account have not been disclosed as it was not practicable to determine the amount of these collaterals / outstanding receivable due to the quantum of transactions that had taken place on these arrangement . The management intends to take appropriate measures for determining these amount in future periods.

A reconciliation of provision made during the year in respect of outstanding trade debts and certain investments categorized as available for sale is given in notes 12.2 and 11.1 to these financial statements.

The Company hold certain collaterals which are permitted by the customer for repledge in the absence of default .The fair value of such collateral held as at June 30, 2010 and those which have been repledged along with the details of the Company's obligation as to their return and the significant terms and condition associated with their use are given in note 39 to the financial statements.

The maximum exposure to credit risk , by class of financial instrument , at the end of the reporting period without taking into account any collateral held or other credit enhancement is given in note 36 to the financial statements. The Company does not hold any collateral in respect of these assets except for certain trade debts which have been collateralized against certain equity securities.

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

	2010		2009	
	Total outstanding amount Rupees	**Payment over due (in days)**	Outstanding amount Rupees	Payment over due (in days)
Financial instruments carried at amortised cost				
Trade debts - net	**208,435,589**	**1-360**	284,716,967	1-360

An analysis of the significant financial assets that are individually impaired are as under. The factors in determining the impairment loss mainly comprises management's assessment of potential loss which is expected to arise on these financial assets. Such assessment is mainly based on the potential recoveries / cash flows from the customers.

	2010			
	Total outstanding amount	**Up to one month**	**One to three months**	**More than three months**
	-----------Rupees-----------			
Financial instruments carried at amortised cost				
Trade debts - net	**-**	**120,665,587**	**7,748,741**	**483,730,025**

	2009			
	Total outstanding amount	Up to one month	One to three months	More than three months
	-----------Rupees-----------			
Financial instruments carried at amortised cost				
Trade debts - net	-	21,556,000	4,308,000	520,348,659

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

37.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. The Company currently is not exposed to significant level of liquidity risk keeping in view the current market situation. Negotiations are in progress with the financial institutions to meet any deficit required to meet the short-term liquidity commitments.

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

	2010			
	Up to three months	**More than three months and up to one year**	**More than one year**	**Total**
	----------------------------------**Rupees**----------------------------------			
Current liabilities				
Trade and other payables	**160,041,543**	**-**	**-**	**160,041,543**
Accrued mark-up	**9,181,155**	**-**	**-**	**9,181,155**
Payable in respect of continuous funding system transactions				
Short-term borrowings	**484,976,169**	**-**	**-**	**484,976,169**
Current maturity of long term financing	**-**	**-**	**-**	**-**
Non current liabilities				
Long term financing	**-**	**-**	**901,027,024**	**901,027,024**
Loan from director	**-**	**-**	**4,449,224**	**4,449,224**

	2009			
	Up to three months	More than three months and up to one year	More than one year	Total
	----------------------------------**Rupees**----------------------------------			
Current liabilities				
Trade and other payables	115,265,364	-	-	115,265,364
Accrued mark-up	40,416,688	-	-	40,416,688
Payable in respect of continuous funding system transactions				
Short-term borrowings	808,159,035	-	-	808,159,035
Current maturity of long term financing	-	40,322,000	-	40,322,000
Non current liabilities				
Long term financing	-	-	583,270,370	583,270,370
Loan from director	-	-	-	-

During the year, the Company had restructured and rescheduled certain borrowing arrangement entered between the banks and the Company. These mainly occurred consequent to the unprecedented shortfall in liquidity of the Company which are mainly due to losses incurred and significant deterioration in the value of assets used to generate cash flows. The Company had also deferred the mark-up amounting to Rs. 129,980,152 on these borrowings.

37.4 Fair value of financial assets and liabilities

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

38 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 stakeholder and to maintain an optimal capital structure to reduce the cost of capital.

39 USE OF COLLATERAL AND TRADING SECURITIES

The Company utilises customers margin able securities for meeting the exposure deposit requirements of the Karachi Stock Exchange (Guarantee) Limited, for meeting securities shortfall at the time of settlements on behalf of the customers and for securing financing facilities from bank. These securities are utilised by the Company with theconsent of the customers. As at June 30, 2010, securities amounting to Rs 32,514,798 and Rs 200,388,712 were pledged / utilised by the Company for meeting the exposure deposit requirement of the Karachi Stock Exchange (Guarantee) Limited and for securing financing facilities from banks respectively.

40 FINANCIAL INSTRUMENTS WITH OFF BALANCE SHEET RISKS

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

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

41 NUMBER OF EMPLOYEES

Number of employees at the year end.	122	123

42 GENERAL AND CORRESPONDING FIGURES

42.1 Amounts have been rounded off to the nearest rupees unless otherwise stated.
42.2 Some corresponding figures have been rearranged and reclassified for better presentation.

43 DATE OF AUTHORISATION

These financial statements have been authorized for issue on **08 Oct 2010** by the Board of Directors of the Company.

Chief Executive

Director

PATTERN OF SHAREHOLDING

As at June 30, 2009

NUMBER OF SHAREHOLDERS	From	To	TOTAL SHARES HELD
111	1	100	4,678
109	101	500	31,868
102	501	1000	70,532
77	1001	5000	164,676
12	5001	10000	85,982
7	10001	15000	80,907
4	15001	20000	78,400
3	20001	25000	67,200
4	25001	30000	110,065
6	45001	50000	290,591
1	55001	60000	56,000
2	65001	70000	135,227
2	70001	75000	140,551
1	85001	90000	86,500
2	90001	95000	186,700
2	95001	100000	200,000
2	100001	105000	206,963
1	105001	110000	107,500
2	120001	125000	242,363
2	195001	200000	397,879
1	200001	205000	202,048
1	260001	265000	261,850
1	270001	275000	271,726
1	300001	305000	302,525
1	315001	320000	320,000
1	335001	340000	338,014
1	340001	345000	345,000
1	365001	370000	367,361
1	410001	415000	415,000
1	545001	550000	546,150
1	600001	605000	600,500
1	845001	850000	848,966
1	885001	890000	888,350
1	1145001	1150000	1,150,000
1	1160001	1165000	1,164,950
1	1225001	1230000	1,229,349
1	1415001	1420000	1,420,000
1	2010001	2015000	2,014,500
1	2435001	2440000	2,436,200
1	2800001	2805000	2,801,350
1	2910001	2915000	2,912,000
1	4795001	4800000	4,798,950
1	4835001	4840000	4,835,990
1	5745001	5750000	5,747,650
1	6255001	6260000	6,257,949
1	12275001	12280000	12,279,040
478			57,500,000

Categories of Shareholders

As at June 30, 2010.

Categories	Number	Shares Held	Percentage
Related Parties			
First Florance Developers (Pvt.) Limited	1	5,747,650	9.996
F. Rabbi Steel (Pvt.) Limited	1	1,787,361	3.108
Yarmouk Paper & Board Industry (Pvt.) Limited	1	345,000	0.600
MCD Pakistan Limited	1	4,798,950	8.346
First Pakistan Securities Limited	1	13,241,540	23.029
Switch Securities (Pvt.) Limited	1	7,422,899	12.909
			0.000
Directors, Chief Executive and their Spouse and Minor Children			
Ali Aslam Malik	1	2,558,001	4.449
Malik Atiq-ur-Rehman	1	262,350	0.456
Muhammad Iqbal Khan	1	1,150	0.002
Shahzad Akbar	1	6,325	0.011
Mohammad Ali Khan	1	500	0.001
Rais Ahmed Dar	1	600	0.001
Amir Shehzad	1	1,000	0.002
Mrs. Adeela Ali	1	1,150,575	2.001
Omer Ali Malik (M) Through Guardian Ali A. Malik	1	94,300	0.164
Fatima Ali (M) Through Guardian Ali A. Malik	1	11,000	0.019
Mrs. Ghazala Rais Dar	1	546,150	0.950
Executives	0	-	0.000
Banks/DFIs/NBFIs	6	602,289	1.047
			0.000
Modarabas/ Mutual Funds & Foreign Investors	2	848,966	1.476
			0.000
Joint Stock Companies	23	4,874,711	8.478
			0.000
Insurance Companies	1	46,591	0.081
NIT & ICP	1	65,227	0.113
			0.000
Individual	395	13,086,865	22.760
		57,500,000	100.000

Detail of Shareholding 10% & more

First Pakistan Securities Limited	1	13,241,540	23.029
Switch Securities (Pvt.) Limited	1	7,422,899	12.909

Branch Network
of First National Equities Limited

Lahore Office

1. FNE House, 179-B, Abu Bakar Block,
New Garden Town, Lahore
Tel: 042-35843722-27,042-35845011-15
Fax: 042-35843730.

2. Office No. 2, 1st Floor, Sharif Complex,
Main Market, Gulberg-II, Lahore
Tel: 042-35754013

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

Peshawar offices

1. 2nd Floor, State Life Building, 34 The Mall,
Peshawar Cantt, Peshawar
Tel: 091-5260935, 5260965
Fax: 091-5260977

2. Office # 2, Ground Floor, Bank Square ,
Chowk Yadgar, Peshawar City, Peshawar
Tel: 091-2580746-51
Fax: 091-2580750

3. Room # 508, 5th Floor, Jasmine Arcade,
Fakhr-e-Alam Road, Peshawar Saddar, Peshawar
Tel: 091-5275661,5274695,5275055
Fax: 091-5275632

Rawalpindi Offices

1. 53/7, Haider Road, Rawalpindi Cantt,
Rawalpindi.
Tel: 051-5563195-96
Fax: 051-5563194

2. Ground Floor, Kings Plaza,
50 Judicial Colony
Rawalpindi.
Tel# 051-5954939

Islamabad Office

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

Abbottabad Office

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

Mardan Office

Shop No 22-24, 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

Mirpur (Azad Kashmir) Office

2nd Floor, Haji Lal Din City Plaza,
Plot No. 114, Sector F/1, Kotli Road,
Mirpur Azad Jammu Kashmir
Tel: 058610-39655-58
Fax: 0586-39656

Mandi Bhauddin

Hassan Siddique Plaza, 1st Floor,
Office # 2, Back Street NIB Bank,
Ward No. 5, Mandi Bhauddin.
Tel # 0546-501185
Fax # 0546-500185

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 Particiapant I.D. No. ______________ Sub-Account No. ______________
N I C No. ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐ or Passport No. ______________

Hereby appoint ____ of ____ or failing him/ her ____ of ______________________________ as my/ our proxy to vote and act for me/ our behalf at the Annual General Meeting of the Company to be held at FNE House, 19 - C, Sunset Lane 6, South Park Avenue, Phase II Ext. DHA Karachi on Saturday, October 30, 2010 at 07:00 p.m. and at any adjournment thereof.

Please affix rupees five revenue stamp

(Signatures should agree with the specimen signature)

Signature of Shareholder______________________

Dated this _______ day of __________ ,2010

Signature of Proxy__________________________

For beneficial owners as per CDC list

1.WITNESS
Signature: ______________________
Name: ______________________
Address: ______________________
NIC NO: ☐☐☐☐☐☐☐☐☐☐☐☐☐☐☐
or Passport No.______________________

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.