

FIRST NATIONAL EQUITIES LIMITED

第一国家股权有限

2020
QUARTERLY REPORT
季度报告



(Un-audited) For the Period Ended
March 31, 2020.

（未经审核）截至2020年3月31日止的季度。

www.fnetrade.com

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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".



COMPANY INFORMATION

Board of Directors:

1. Mr. Muhammad Akhtar Choudhry	Director/Chairman
2. Mr. Amir Shehzad	Director
3. Mr. Abid Yousaf	Director
4. Mrs. Syeda Faaiza Akmal Tirimzi	Director
5. Mr. Tahir Waheed	Director
6. Mr. Adnan Amjad	Director

Chief Executive Officer:

Mr. Ali A. Malik

Audit Committee:

1. Mr. Adnan Amjad Khan	Chairman
2. Mr. Muhammad Akhtar Chaudhry	Member

HR & Remuneration Committee:

1. Mr. Adnan Amjad Khan	Chairman
2. Mr. Ali A. Malik	Member

Chief Financial Officer:

Ms. Ammara Zakriya

Head of Internal Audit:

Mr. Muhammad Waleed Ahmed

Auditors:

IECNET S.K.S.S.S
Chartered Accountants
Lahore.

Legal Advisor:

Lashari & Co. Advocates

Shares Registrar:

CorpTec Associates (Pvt.) Limited
503-E, Johar Town, Lahore
Tel: 92-042-35170336-7
Fax: 92-042-35170338

Bankers:

Summit Bank Limited
Bank Alfalah Limited
Habib Metropolitan Bank Limited
The Bank of Punjab Limited
United Bank Limited
Allied Bank Limited

Principal Office:

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

Registered Office:

Room No. 1007, 10th Floor,
New Stock Exchange Building,
Karachi
Tel: 021-32472119, 32472014
Fax: 021- 32472332

DIRECTORS' REVIEW REPORT

On the behalf of the Board of Directors of First National Equities Limited, We are pleased to present the report on the performance of First National Equities Limited for the nine months period ended on March 2020.

Economy and Stock Exchange:

The outbreak of Coronavirus beyond the enormous human toll has resulted in abrupt cessation of a significant part of the economic activity due to self-imposed lockdown. The policy makers have responded with historic fiscal and monetary policy actions to bridge the economic impact of the Coronavirus pandemic. On the monetary side, the SBP has slashed the Policy Rate by a cumulative 2.25% in two rounds within a week. Pakistan's economy is likely to return to normalcy by the end of June 2020. Thus, the loss of production is not expected to go beyond one quarter. The loss of government revenues and additional government expenditures will be partially offset by savings from debt servicing cost due to lower interest rates. On the positive side, the IMF has agreed to exclude the expenditures incurred to fight the pandemic from the country's fiscal targets. Declining retail fuel prices and weakening consumption demand would moderate inflationary pressure, enabling the SBP to further cut the Policy Rate in the coming months.

Panic selling driven by the fears and uncertainty about the spread of Coronavirus and slump in global oil prices have led to a massive 32% decline in the stock market (KSE 100 Index) from its recent peak in January 2020. In our view, strong monetary easing and fiscal expansion could set the stage for normalization of economic activity as the need for containment measures subsides in the next few months. Sharp fall in global crude oil and other commodity prices is expected to moderate inflationary pressure, enabling the SBP to further cut the Policy Rates going forward. Historical analysis shows that the stock market performs well in a declining inflation and interest rate environment. From the fundamental standpoint, the stock market is trading at an extremely attractive forward Price-to-Earnings (P/E) multiple of 5.7x against the 10-year average of 8x.

We see the current market levels a good entry point for long-term investors. Therefore, we advise investors to look beyond the short-term market turmoil and build positions in the market, while keeping their long-term investment objectives in mind.



Performance Review:

Following is the summary of comparative financial results,

	Three Months Ended		Nine Months Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Operating Profit	5,741,915	1,392,417	22,930,425	8,918,714
Loss before taxation	(5,727,293)	(12,898,109)	(14,932,188)	(30,710,945)
Loss after taxation	(3,686,266)	(11,964,446)	(7,423,312)	(30,493,936)
Basic Loss per share	(0.01)	(0.04)	(0.03)	(0.11)

During the third quarter, company posted loss after tax of Rs. 3.686 million as compared to loss after tax of Rs. 11.964 million in the same period last year, mainly due to the reason that the March turned out to be an extremely tough month for equity investors as panic driven by the spread of highly contagious Coronavirus (Covid-19) fuelled indiscriminate selling at the local bourse with the benchmark KSE 100 Index falling by a massive 8,754 points (23%) on a month-on-month basis.

Appreciation and Acknowledgement:

The board of directors of FNE would like to thank the Government of Pakistan, SECP, PSX, NCCPL, CDC and other regulatory bodies for their continued support, all shareholders and customers of the company for their trust, and our employees for their continuous dedication and commitment.

On behalf of the Board of Directors

Amir Shehzad
Executive Director

Ali A. Malik
Chief Executive Officer

Place: Lahore
Date: April 29, 2020

尊敬的股東：

我們很榮幸地代表第一國民股權有限公司的董事會提交有關第一國民股權有限公司截至 2020 年遊行月的九個月業績的報告。

經濟與證券交易所：

冠狀病毒的爆發超出了巨大的人員傷亡，由於自我施加的封鎖，導致大部分經濟活動突然停止。決策者們採取了歷史性的財政和貨幣政策，以應對冠狀病毒大流行的經濟影響。在貨幣方面，SBP 已在一周內連續兩輪將政策利率累計下調了 2.25%。巴基斯坦的經濟很可能在 2020 年 6 月底恢復正常。

因此，生產損失預計不會超過四分之一。政府收入的損失和政府的額外支出將因利率降低而從償債成本中節省下來而部分抵消。從積極的一面來看，國際貨幣基金組織已同意將該國的抗擊大流行的支出從該國的財政目標中排除。零售燃料價格下降和消費需求疲軟將緩解通貨膨脹壓力，使 SBP 能夠在未來幾個月進一步降低政策利率。

由於對冠狀病毒傳播的擔憂和不確定性以及全球油價暴跌而引發的恐慌性拋售導致股票市場（KSE 100 指數）從 2020 年 1 月的近期峰值大幅下跌了 32%。我們認為，貨幣強勁寬鬆政策和財政擴張可能為經濟活動正常化奠定基礎，因為在接下來的幾個月中遏制措施的需求正在消退。預計全球原油和其他大宗商品價格的急劇下跌將緩解通脹壓力，使 SBP 能夠進一步降低未來的政策利率。歷史分析表明，在通貨膨脹和利率下降的環境下，股市表現良好。從基本面來看，股票市場的交易市盈率為 5.7 倍，遠超其市盈率（P / E），為 10 年平均水平的 8 倍。

我們認為當前市場水平是長期投資者的一個很好的切入點。因此，我們建議投資者在關注長期投資目標的同時，不要僅僅局限於短期市場動盪，而是要在市場中建立頭寸。

績效考核：

以下是比較財務業績摘要，

	三個月結束		九個月結束	
	2020 年 3 月 31 日	2019 年 3 月 31 日	2020 年 3 月 31 日	2019 年 3 月 31 日
營業利潤 / (虧損)	5,741,915	1,392,417	22,930,425	8,918,714
除稅前虧損	(5,727,293)	(12,898,109)	(14,932,188)	(30,710,945)
稅後虧損	(3,686,266)	(11,964,446)	(7,423,312)	(30,493,936)
每股基本虧損	(0.01)	(0.04)	(0.03)	(0.11)

在第三季度，公司公佈了稅後虧損比虧損。稅後虧損為 368.6 萬盧比。去年同期為 1119.40 萬，主要是由於 3 月份對股票投資者而言是極其艱難的月份，原因是高度傳染性冠狀病毒（（新冠肺炎-19）的蔓延引起了恐慌，導致本地交易所不加選擇地拋售股票。基準 KSE 100 指數環比下降了 8,754 點（23%）。

讚賞與肯定：

FNEL 董事會要感謝巴基斯坦政府，SECP, PSX, NCCPL, CDC 和其他監管機構的一如既往的支持，感謝公司的所有股東和客戶的信任，以及我們員工的持續奉獻和奉獻 承諾。


Amir Shehzad
 執行董事

代表董事會

发布日期: 2020年4月29日

代表董事會


Ali A. Malik
 首席执行官



کارکردگی کا جائزہ

مسابقتی مالیاتی نتائج کا خلاصہ حسب ذیل ہے:

اختتام پذیر نو ماہی		اختتام پذیر سہ ماہی		
31 مارچ 2019ء	31 مارچ 2020ء	31 مارچ 2019ء	31 مارچ 2020ء	
8,918,714	22,930,425	1,392,417	5,741,915	آپریٹنگ منافع
(30,710,945)	(14,932,188)	(12,898,109)	(5,727,293)	خسارہ قبل ازٹیکسیشن
(30,493,936)	(7,423,312)	(11,964,446)	(3,686,266)	خسارہ بعد ازٹیکسیشن
(0.11)	(0.03)	(0.04)	(0.01)	فی حصہ بنیادی خسارہ

تیسری سہ ماہی کے دوران کمپنی نے 3.686 ملین روپے کا نقصان بعد ازٹیکس درج کیا جو گزشتہ برس کی اسی مدت میں 11.964 ملین روپے تھا۔ کیونکہ مارچ میں عالمی وبا کے پھیلاؤ کی وجہ سے پیدا افراتفری نے ایکویٹی انویسٹرز کے لئے انتہائی مشکل حالات پیدا ہو گئے تھے۔ COVID-19 نے مقامی منڈی میں فروخت میں بے ترتیبی کو جنم دیا اور KSE-100 انڈیکس ماہانہ کی بنیاد پر 23 فی صد کے حساب سے 8,754 پوائنٹس کمی کا شکار ہوا۔

حوصلہ افزائی اور اعتراف

FNEL کے بورڈ آف ڈائریکٹرز حکومت پاکستان، SECP، PSX، NCCPL، CDC اور دیگر ریگولیٹری اداروں کی مسلسل معاونت، تمام شیئر ہولڈرز اور صارفین کے کمپنی پر بھروسہ اور ملازمین کی مسلسل جذبہ اور عزم کا تہہ دل سے شکریہ ادا کرتے ہیں۔

بورڈ آف ڈائریکٹرز کی جانب سے

عامر شہزاد
ایگزیکٹو ڈائریکٹر

علی اے ملک
چیف ایگزیکٹو آفیسر

مقام: لاہور
تاریخ: 29 اپریل 2020ء

ڈائریکٹرز کی جائزہ رپورٹ

معزز حصص داران!

فرسٹ نیشنل ایکویٹیز لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے ہم مارچ 2020ء کو اختتام پذیر نو ماہی کے لئے فرسٹ نیشنل ایکویٹیز لمیٹڈ کی کارکردگی پر رپورٹ پیش کرتے ہیں۔

معیشت اور شاک ایکیپیج

کورونا وائرس کے شدید پھیلاؤ سے متعدد انسانی جانوں کے ضیاع کے پیش نظر خود ساختہ لاک ڈاؤن کی وجہ سے معاشی سرگرمیوں کو شدید دھچکا لگا ہے۔ پالیسی مرتب کرنے والوں نے کورونا وائرس جیسی عالمی وبا کے معیشت پر اثرات کو کم کرنے کے لئے مؤثر تاریخی مالیاتی و مانیٹری پالیسی کے اقدامات کئے ہیں۔ مانیٹری تناظر میں، SBP نے ایک ہفتہ کے دوران دواصل میں پالیسی ریٹ کو مجموعی طور پر 2.25 فی صد تک کم کر دیا ہے۔ جون 2020ء کے اختتام پر پاکستان کی معیشت معمول پر آجائے گی۔ لہذا، پیداواری خسارہ ایک سہ ماہی سے زائد نہیں رہے گا۔ حکومتی ریونیو میں کمی اور اضافی حکومتی اخراجات کو کم شرح سود کی وجہ سے Debt Servicing لاگت میں بچت سے جزوی طور پر پورا کیا جاسکتا ہے۔ مثبت پہلو یہ ہے کہ IMF نے ملکی مالیاتی اہداف سے اس عالمی وبا کے مقابلہ کے لئے کئے گئے اخراجات کو خارج کرنے پر رضامندی کا اظہار کیا ہے۔ خوردہ ایندھن کی قیمت اور کھپت میں کمی کی وجہ سے افراط زر کے دباؤ میں کمی واقع ہوگی جس کی وجہ سے SBP کو آئندہ مہینوں میں پالیسی کی شرح میں مزید کمی کرنے میں مدد ملے گی۔

کورونا وائرس کے پھیلاؤ سے متعلق خوف اور بے یقینی سے پھیلی افراط فوری اور عالمی سطح پر تیل کی قیمتوں میں تفاوت کی وجہ سے شاک مارکیٹ (KSE-100 انڈیکس) میں 32 فیصد کی زبردستی کمی واقع ہوئی جو جنوری 2020ء میں عروج پر تھا۔ ہماری نظر میں مالیات میں آسانی اور اس کا پھیلاؤ معاشی سرگرمی کو معمول پر لانے میں اہم کردار ادا کرے گا کیونکہ اگلے چند مہینوں میں بچاؤ کے اقدامات کو ایک طرف رکھنے کی ضرورت محسوس ہوگی۔ عالمی سطح پر خام تیل اور دیگر مصنوعات میں کمی سے افراط زر کا دباؤ کم ہوگا جس سے SBP کو پالیسی کی بڑھتی ہوئی شرح کو مزید کم کرنے میں مدد ملے گی۔ ماضی کا اگر جائزہ لیا جائے تو ظاہر کرتا ہے کہ شاک مارکیٹ کم افراط زر اور شرح سود کے ماحول میں اچھی کارکردگی دکھاتی ہے۔ بنیادی نقطہ نظر سے شاک مارکیٹ گذشتہ دہائی کے اوسط 8 گنا کے مقابلے میں 5.7 گنا انتہائی پرکشش فارورڈ پرائس ٹو ارننگ (P/E) پر تجارت کر رہی ہے۔

ہم حالیہ مارکیٹ کو طویل مدتی سرمایہ داروں کے لئے ایک اچھا مرکز سمجھتے ہیں۔ لہذا ہم سرمایہ داروں کو تجویز کرتے ہیں کہ وہ قلیل مدتی منڈی میں مندی کو نظر انداز کریں اور اپنے طویل مدتی مقاصد کو مد نظر رکھتے ہوئے مارکیٹ میں اپنی پوزیشن مستحکم کریں۔



CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION

AS AT MARCH 31, 2020

	Note	(Un-audited) March 31, 2020	(Audited) June 30, 2019
------(Rupees)-----			
NON-CURRENT-ASSETS			
Property-and-equipment	7	37,546,113	38,074,349
Intangible assets	8	85,277,000	85,277,000
Other receivables		111,836,718	113,010,343
Investment in associate	9	74,957,106	75,359,726
Long term Strategic investment	10	637,550,378	637,550,378
Long-term investments	11	-	14,055,522
Long-term deposits		2,150,000	2,250,000
Deferred taxation		102,127,607	94,255,350
		1,051,444,922	1,059,832,668
CURRENT ASSETS			
Short-term investments	12	22,769,965	21,745,771
Trade debts	13	124,616,038	102,611,992
Loans and advances		3,050,808	1,339,299
Trade deposits and short-term prepayments	14	14,992,203	25,055,025
Other receivables		143,706,471	144,736,656
Advance tax		26,259,032	26,339,874
Cash and bank balances	15	208,906,888	180,703,715
		544,301,405	502,532,332
		1,595,746,327	1,562,365,000
Total Assets			
NON-CURRENT LIABILITIES			
Long-term financing	16	284,601,557	238,426,099
Loan from sponsors	17	155,175,000	155,175,000
Deferred liabilities		12,564,830	12,572,088
		452,341,387	406,173,187
CURRENT LIABILITIES			
Trade and other payables	18	275,730,694	236,289,658
Unclaimed dividend		1,525,272	1,525,272
Current portion of long-term financing		11,764,067	33,990,936
		289,020,033	271,805,866
		741,361,420	677,979,053
Total Liabilities			
CONTINGENCIES AND COMMITMENTS			
Net Assets	19	-	-
		854,384,907	884,385,947
REPRESENTED BY:			
Authorized share capital		5,000,000,000	5,000,000,000
Issued, subscribed and paid-up share capital	20	2,672,863,310	2,672,863,310
Discount on right shares		(1,508,754,317)	(1,508,754,317)
Share deposit Money		-	17,003,000
Accumulated loss		(306,202,609)	(298,779,297)
		857,906,384	882,332,696
Unrealized gain on re-measurement of investments classified as fair value through OCI		(3,521,477)	2,053,251
		854,384,907	884,385,947

The annexed notes 01 to 27 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020

	Note	Nine Months Period Ended		Three Months Period Ended	
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
<div></div> (Rupees)					
Operating revenue	21	27,036,349	16,360,585	9,456,115	5,084,948
(Loss)/gain on sale of investments		(1,091,862)	(6,569,470)	1,707,045	(6,626,914)
Unrealized (loss)/gain on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - held for trading - net		(3,014,062)	(872,401)	(5,421,245)	2,934,383
Operating profit		22,930,425	8,918,714	5,741,915	1,392,417
Administrative expenses		(34,301,306)	(36,589,527)	(12,058,714)	(11,433,392)
Finance cost		(17,012,089)	(18,839,391)	(2,931,318)	(5,719,891)
Other operating expenses		(2,751,250)	(1,467,388)	(1,159,038)	(425,532)
Share of profit of associate		(402,620)	-	-	-
Other operating income		16,604,652	17,266,647	4,679,862	3,288,289
Loss before taxation		(14,932,188)	(30,710,945)	(5,727,293)	(12,898,109)
Taxation	23	7,508,876	(217,009)	2,041,027	(933,663)
Loss after taxation		(7,423,312)	(30,493,936)	(3,686,266)	(11,964,446)
Basic (loss) / earnings per share		(0.03)	(0.11)	(0.01)	(0.04)

The annexed notes 01 to 27 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Chief Financial Officer


Director



CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020

	Nine Months Period Ended		Three Months Period Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	----- (Rupees) -----			
Loss after taxation	(7,423,312)	(30,493,936)	(3,686,266)	(11,964,446)
Items that will not be re-classified to profit or loss				
Unrealized loss during the period in the market value of investments classified fair value through OCI	(5,574,728)	(4,731,506)	(5,338,216)	3,178,345
Other comprehensive loss for the period	(5,574,728)	(4,731,506)	(5,338,216)	3,178,345
Total comprehensive loss for the period	(12,998,040)	(35,225,442)	(9,024,482)	(8,786,101)

The annexed notes 01 to 27 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED)
FOR THE PERIOD ENDED MARCH 31, 2020

Note	Nine Months Period Ended	
	March 31, 2020	March 31, 2019
	----- (Rupees) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(14,932,188)	(30,710,945)
Adjustments for :		
Depreciation	560,236	861,344
(Loss)/Gain on sale of investments	1,091,862	6,569,470
Unrealized loss on re-measurement of financial assets carried at fair value through profit or loss	3,014,062	872,401
Finance cost	17,012,089	18,839,391
Dividend income	-	(1,974,535)
Share of profit of associate-net of tax	402,620	
Provision for doubtful debts		2,608,103
Other operating income	(16,604,652)	(17,266,647)
	5,476,217	10,509,527
Changes in working capital	(9,455,971)	(20,201,418)
Decrease / (Increase) in current assets		
Trade debts	(21,566,148)	(7,517,851)
Loans and advances	(1,711,509)	1,843,900
Trade deposits and short-term prepayments	13,114,204	11,040,494
Other receivables	8,319,184	-
	(1,844,269)	5,366,543
(Decrease) / Increase in current liabilities		
Trade and other payables	39,441,036	(27,343,645)
	28,140,796	(42,178,520)
Finance cost paid	(66,502)	(1,549,458)
Income tax paid	(282,539)	(1,532,404)
	27,791,755	(45,260,382)
Net cash utilized in operating activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of marketable securities	3,350,675	(21,993,454)
Additions of fixed assets		(42,000)
Long term deposits received / (paid)	100,000	246,000
Dividend received	-	803,035
Sale of investments classified as fair value through OCI - net	-	190,171
Net cash (utilized in) / generated from investing activities	3,418,676	(20,796,248)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term loans repaid	(3,000,000)	(3,421,998)
Other Loans received	-	-
Gratuity Paid	(7,258)	(51,670)
Dividend paid	-	-
Net cash (utilized in) / generated from financing activities	(3,007,258)	(3,473,668)
Net (decrease) / increase in cash and cash equivalents	28,203,173	(69,530,298)
Cash and cash equivalents at the beginning of the period	180,703,715	260,197,163
Cash and cash equivalents at the end of the period	208,906,888	190,666,865

The annexed notes 01 to 27 form an integral part of these condensed interim financial statements.


Chief Executive Officer


Chief Financial Officer


Director



CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)

FOR THE PERIOD ENDED MARCH 31, 2020

	Issued, subscribed and paid-up capital	Share Deposit Money	Discount on issue of right shares	Accumulated loss	Unrealized surplus / (deficit) on re- measurement of investments classified as available for sale	Total
	----- (Rupees) -----					
Balance as at July 01, 2018 (Audited)	2,672,863,310		(1,508,754,317)	(796,683,176)	11,535,114	378,960,931
Share deposit money		17,003,000				17,003,000
Loss after taxation for the nine months	-		-	(30,493,936)	-	(30,493,936)
Other comprehensive loss for the period	-		-		(4,731,506)	(4,731,506)
Balance as at March 31, 2019 (Un-audited)	<u>2,672,863,310</u>	<u>17,003,000</u>	<u>(1,508,754,317)</u>	<u>(827,177,112)</u>	<u>6,803,608</u>	<u>360,738,489</u>
Balance as at April 01, 2019	2,672,863,310	17,003,000	(1,508,754,317)	(827,177,112)	6,803,608	360,738,489
Loss after taxation for the three months				528,397,815		528,397,815
Other comprehensive loss for the period					(4,730,961)	(4,730,961)
Loss on remeasurements of staff retirements benefits					(19,396)	(19,396)
Balance as at June 30, 2019	<u>2,672,863,310</u>	<u>17,003,000</u>	<u>(1,508,754,317)</u>	<u>(298,779,297)</u>	<u>2,053,251</u>	<u>884,385,947</u>
Balance as at July 01, 2019	2,672,863,310	17,003,000	(1,508,754,317)	(298,779,297)	2,053,251	884,385,947
Share deposit money		(17,003,000)				(17,003,000)
Loss after taxation for nine months ended March 31, 2020	-		-	(7,423,312)	-	(7,423,312)
Other comprehensive loss for the period	-		-	-	(5,574,728)	(5,574,728)
Balance as at March 31, 2020 (Un-audited)	<u>2,672,863,310</u>	<u>-</u>	<u>(1,508,754,317)</u>	<u>(306,202,609)</u>	<u>(3,521,477)</u>	<u>854,384,907</u>

The annexed notes 01 to 27 form an integral part of these condensed interim financial statements.

Chief Executive Officer

Chief Financial Officer

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE PERIOD ENDED MARCH 31, 2020

1 THE COMPANY AND ITS OPERATIONS

First National Equities Limited ("the Company") is a limited liability company incorporated in Pakistan under the Companies Ordinance, 1984 (now the Companies Act, 2017). Shares of the company are quoted on the Pakistan Stock Exchange Limited (PSX). The registered office of the company is situated at Room No. 1007, 10th Floor, New Stock Exchange Building, Stock Exchange Road, Karachi.

The Company is a holder of Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited. The principal activities of the Company include shares brokerage, consultancy services and portfolio investments.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with requirements of Companies Act, 2017 (the Act), the directives issued by Securities and Exchange Commission of Pakistan and approved financial reporting standards as applicable in Pakistan. Approved financial reporting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, and provisions and directives issued under the Act. In case requirements differ, the provisions or directives of the Act prevail.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of annual published financial statements of the company for the year ended June 30, 2019.

4 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Judgments and estimates made by management in the preparation of these condensed interim financial statements are the same as those applied to the preceding annual published financial statements of the Company for the year ended June 30, 2019.

5 FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Company are consistent with those disclosed in the financial statements of the Company for the year ended June 30, 2019.

**6 METHOD OF ACCOUNTING**

Company adopts 'settlement date accounting' as its method of accounting.

7 PROPERTY AND EQUIPMENT

Additions during the period
Disposals during the period

(Un-audited) March 31, 2020	(Un-audited) March 31, 2019
----- (Rupees) -----	

-
-

8 INTANGIBLE ASSETS

Opening balance
License to use rooms at LSE
Less: Impairment Loss

(Un-audited) March 31, 2020	(Audited) June 30, 2019
----- (Rupees) -----	

85,277,000	64,415,000
-	20,862,000
-	-
85,277,000	85,277,000

9 INVESTMENT IN ASSOCIATE

Investment in Coastal Company Limited
Share of profits from Associate

75,359,726	72,989,837
(402,620)	2,369,889
74,957,106	75,359,726

10 STRATEGIC INVESTMENT

Investment in KingBhai Digisole (Pvt.) Limited

637,550,378	637,550,378
-------------	-------------

As part of the Company's strategy to effectively deploy capital in order to deliver returns to investors in an otherwise depressed economic environment, the Company capitalized on an opportunity to invest in KingBhai Digisole (Pvt.) Limited ("KingBhai"), a technology-enabled business operating in the real estate and technology services sectors. Given the growth trajectory of these sectors and the Company's assessment of the service gap in the sectors, the Company's expects the investment to yield returns through investment value appreciation as well as dividends.

11 INVESTMENTS - Fair value through Other comprehensive income**Pakistan Stock Exchange Limited**

Opening Balance
Fair value (loss)/gain on investment
Reclassification
Closing Balance

Note	(Un-audited) March 31, 2020	(Audited) June 30, 2019
----- (Rupees) -----		

11.1	14,055,522	21,353,582
	(4,941,056)	(7,298,060)
	(9,114,466)	-
	-	14,055,522

The Securities & Exchange Commission of Pakistan ("SECP"), vide its notices # SMD/SE/2(57)/2002 dated April 8, 2019 and August 21, 2019, respectively, and the Pakistan Stock Exchange Limited ("PSX") vide its notice # PSX/N-1048 dated August 23, 2019, have notified that restrictions imposed on the sale of PSX shares (obtained as a result of the corporatization / de-mutualization of stock exchanges) pursuant to sub-regulations (1), (2) and (3) of Regulation 5 of Public Offering Regulations, 2017, have now been lifted. Accordingly, these shares have been classified as short-term investments. The basis of accounting (fair value through other comprehensive income) for these investments is unchanged.

12 SHORT TERM INVESTMENTS

	Note	(Un-audited) March 31, 2020	(Audited) June 30, 2019
----- (Rupees) -----			
At FVOCI	12.1	12,614,212	4,133,417
At FVTPL	12.2	10,155,753	17,612,354
		<u>22,769,965</u>	<u>21,745,771</u>
12.1 At FVOCI			
- Average cost		15,589,005	4,777,115
- Unrealized gain on re-measurement of investments		(2,974,793)	(643,698)
- Closing carrying value		12,614,212	4,133,417
12.2 Financial assets at fair value through profit or loss			
- Average cost		13,169,815	24,696,503
- Unrealized (loss) on re-measurement of investments		(3,014,062)	(7,084,149)
- Closing carrying value		10,155,753	17,612,354
12.3 Securities having market value of Rs. 19.813 million (June 30, 2019: Rs. 19.335 million) and Rs NIL (June 30, 2019: NIL) have been pledged with Pakistan Stock Exchange and various commercial banks respectively.			

13 TRADE DEBTS

	Note	(Un-audited) March 31, 2020	(Audited) June 30, 2019
----- (Rupees) -----			
Considered good	13.1	124,616,038	102,611,992
Considered doubtful		381,934,505	381,934,505
		<u>506,550,543</u>	<u>484,546,497</u>
Less: Provision for doubtful debts		(381,934,505)	(381,934,505)
		<u>124,616,038</u>	<u>102,611,992</u>

13.1 The Company applies a three-stage approach to measure allowance for credit losses, using an expected credit loss approach as required under IFRS 9, for financial assets measured at amortized cost. The Company's expected credit loss impairment model reflects the present value of all cash shortfalls related to default events, either over the following twelve months, or over the expected life



of a financial instrument, depending on credit deterioration from inception. The allowance / provision for credit losses reflects an unbiased, probability-weighted outcomes which considers multiple scenarios based on reasonable and supportable forecasts.

The Company holds securities having total fair value of Rs 1,302.546 million (June 2019: Rs.653.616 million) owned by its clients as collateral against trade debts.

13.2 Securities pertaining to clients amounting Rs 10.156 million (June 30, 2019: 13.115 million) have been pledged / utilized by the Company for meeting the exposure deposit requirement of the Pakistan Stock Exchange Limited with the consent from clients.

14 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS

Exposure deposits

(Un-audited) March 31, 2020	(Audited) June 30, 2019
----- (Rupees) -----	
14,992,203	25,055,025
14,992,203	25,055,025

15 CASH AND BANK BALANCES

This includes customer assets amounting Rs. 112.210 million (June 30, 2019: Rs. 83.843 million).

16 LONG TERM FINANCING

From banking companies - secured

Bank Alfalah Limited

16.1 106,581,264 100,880,336

United Bank Limited

16.2 1,193,820 1,193,820

The Bank of Punjab

16.3 154,816,439 146,571,779

Interest on long-term financing

The Bank of Punjab

8,821,000 8,821,000

Other Loans / Financing

24,953,101 14,950,101
296,365,624 272,417,036

Less: Current portion of long term financing

(11,764,067) (33,990,937)
284,601,557 238,426,099

16.1 The Company obtained financing from Bank Alfalah Limited ("BAF") for working capital requirements and in order to improve liquidity. The liability was restructured / rescheduled vide an offer letter dated June 27, 2014 (and amended on September 08, 2014). Under the terms of the restructuring, multiple loan tranches were merged. The restructured loan liability, which is interest-free, has been recognized at the present value of future payments, discounted at the average borrowing cost of the Company. The difference between the carrying amount of the liability extinguished and the carrying value of the new liability has been recognized in profit and loss as

notional income. The related notional expense is being amortized over the term of the liability (through to June 2021).

The facility was originally secured against pledge of shares (then) amounting to Rs 78.6 million, mortgage of a commercial plot of land (#19-C, Sunset Lane #6, Phase II, DHA, Karachi), mortgage of rooms #135 and #136 at the Stock Exchange Building in Karachi, mortgage of room #306 on the 3rd floor of the Business and Finance Centre in Karachi, mortgage of municipal showroom #2 on the ground floor of Bank Square Chowk Yadgar in Peshawar, and the personal guarantee of Mr. Ali A. Malik (CEO). At present, as a result of repayments to BAF from sale proceeds of properties, all mortgages with the exception of the Peshawar property have been released.

The Company is presently in the process of re-negotiating the terms of the restructure. Negotiations are at an advanced stage and Management expects to secure an offer letter imminently.

16.2 The company has negotiated a financing agreement with United Bank Limited and has finalized a restructuring agreement to settle its total outstanding liability of amount of Rs.7,333,321 (inclusive of any mark-up). The borrowing was obtained to finance daily clearing obligations of PSX and settlement of client trades.

16.3 Financing from Bank of Punjab has been restructured/rescheduled vide offer letter dated June 30, 2016, wherein the Bank has agreed to settle the previous running finance facility amounting Rs 135 million through restructuring/rescheduling on following terms and conditions:

DF-I (Serviceable) amounting Rs 99.497 million with a down payment of Rs 0.422 million and Future COF bearing markup Quarterly/bi-annually at the rate of 3%, to be deferred for initial three years and subsequently recovered with balance repayments. This facility will be repaid in 28 step-up quarterly/biannual installments till Dec 2025.

DF II (Unserviceable) amounting Rs 94.695 million bears no future mark up. This facility is bifurcated into Rs 36.127 million and Rs 58.568 million. Rs 36.127 million will be repaid in 9 Quarterly/Bi-annual installments from September 2022 till December 2025. The remaining balance of Rs 58.568 million will be waived/written off at the tail end subject to no default.

Other terms and conditions include the disposal of BOP's petition, to maintain intact the existing collateral/sureties during the currency of credit lines, and the unfettered right to demand accelerated repayment with improved rate of markup depending upon the financial growth indicators of the Company by taking June 30, 2015 as base period.

Since the restructured loan is partially interest free and partially at lower interest rate (i.e. 3% quarterly/bi-annually), the present value has been assessed using estimated future cash outflows discounted to their present values @ 7.5 %, which is the market interest rate of similar loans. The difference between the liability initially recognized and the present value calculated through discounting future cash outflows has been recognized in previous year profit and loss account as notional income and will be amortized during the tenure of the liability, i.e. through to Dec 2025.

During the period, the Company filed a lawsuit against the lender for breach of contract, declaration, specific performance and damages. Based on the advice of the Company's counsel, the Company



did not make payments against the liability in the current period. The Company's counsel is of the view that a favorable decision is likely, and further that the likelihood of the liability coming due in the next 12 months is remote.

	Note	(Un-audited) March 31, 2020	(Audited) June 30, 2019
----- (Rupees) -----			
17 LOAN FROM SPONSORS			
Loan from sponsors - Subordinated	17.1	155,175,000	155,175,000
		155,175,000	155,175,000
Less: current portion		-	-
		155,175,000	155,175,000

17.1 This represents subordinated unsecured LOANS received from a Director of the Company.

18 TRADE AND OTHER PAYABLES

This includes amount Rs. 112.078 Million (June 30, 2019: Rs. 83.787 Million) payable to clients of the company.

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingencies

Trade and Other Payables of the Company include an amount of Rs. 143.35 million payable to a client of the company. The client has additional claims against the Company and the matter is under litigation in the Sindh High Court since April 5, 2013. The Company's legal counsel is of the view that the Company has a favorable case based on merit. Accordingly, the Company has not provided for the client's additional claims against the Company.

	(Un-audited) March 31, 2020	(Audited) June 30, 2019
----- (Rupees) -----		
19.2 Commitments		
19.2.1 Outstanding settlements against sale of investments		
in regular market	-	694,804
Outstanding settlements against purchase of		
investments in regular market	-	-

20 SHARE CAPITAL

Authorized capital

500,000,000 (2017: 500,000,000) Ordinary shares of Rs. 10 each **5,000,000,000** 5,000,000,000

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

	(Un-audited) March 31, 2020	(Audited) June 30, 2019
	----- (Rupees) -----	
80,500,000 Ordinary shares of Rs. 10 each issued fully paid in cash as right shares at discount	805,000,000	805,000,000
3,809,831 Ordinary shares of Rs. 10 each issued fully paid in cash as right shares at discount	38,098,310	38,098,310
125,476,500 Ordinary shares of Rs. 10 each issued fully paid in cash as right shares at discount	1,254,765,000	1,254,765,000
	<u>2,672,863,310</u>	<u>2,672,863,310</u>

21 OPERATING REVENUE

	(Un-audited) March 31, 2020	(Un-audited) March 31, 2019
	----- (Rupees) -----	
Brokerage Income	27,036,349	14,386,050
Dividend Income	-	1,974,353
	<u>27,036,349</u>	<u>16,360,403</u>

22 TURNOVER BY SEGMENT

	(Un-audited) March 31, 2020	(Un-audited) March 31, 2019
Retail customers	23,297,202	16,202,865
Institutional Customers	3,739,147	157,720
	<u>27,036,349</u>	<u>16,360,585</u>

23 TAXATION

	(Un-audited) March 31, 2020	(Un-audited) March 31, 2019
- Current tax (expense)	(363,381)	300,281
- Prior Period tax expense/(income)	-	2,445,327
- deferred tax income	7,872,257	(2,962,617)
	<u>7,508,876</u>	<u>(217,009)</u>

**24 RELATED PARTY TRANSACTIONS**

The Company has related party relationships with its associated undertakings, directors and key management personnel. The following transactions were carried out with related parties during the period:

For the Period ended March 31, 2020 (Un-audited)				
	Key Management	Associates	Other related parties	Total
	----- (Rupees) -----			
Transactions during the period				
Purchase of marketable securities for and on behalf of	2,464,833,598	4,695,209,486	1,998,026,526	9,158,069,610
Sale of marketable securities for and on behalf of	2,522,918,675	4,644,428,808	2,000,991,285	9,168,338,768
Brokerage Income	918,195	2,702,474	769,480	4,390,149
Remuneration to key management personnel	11,017,086	-	-	11,017,086

	For the Year ended June 30, 2019 (audited)			
	Key Management	Associates	Other related parties	Total
	----- (Rupees) -----			
Transactions during the year				
Purchase of marketable securities for and on behalf of	8,106,694,609	3,140,345,874	7,922,384,185	19,169,424,668
Sale of marketable securities for and on behalf of	8,216,583,088	3,144,688,488	7,949,628,322	19,310,899,898
Brokerage income	1,394,344	298,925	727,270	2,420,539
Loan from sponsors	-	-	-	-
Loan repaid to sponsors	-	-	-	-
Equity contributions	-	-	-	-
Investment made during year			500,000	500,000

25 SHAREHOLDERS HOLDING 5% OR MORE

SHAREHOLDERS NAME	Un-audited March 31, 2020		Audited June 30, 2019		Change
	Shares Held	Percentage	Shares Held	Percentage	
First Florence Developers (Pvt.) Limited	104,426,150	39.07%	104,426,150	39.07%	-
Ali Aslam Malik	74,132,134	27.74%	74,132,134	27.73%	-

26 GENERAL

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

27 DATE OF AUTHORISATION

These condensed interim financial statements were authorized for issue on **April 29, 2020** by the Board of Directors of the Company.


Chief Executive Officer


Chief Financial Officer


Director

Branches Network

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