



DIRECTORS' REPORT TO THE MEMBERS

BEGIN IN THE NAME OF ALLAH THE MOST GRACIOUS AND MERCIFUL

Dear Member(s)

Assalam-o-Alykum!

I, on behalf of Board of Directors of your Company, am pleased to present herewith Audited Annual Financial Statements of the Company for the financial year ended June 30, 2009, together with the Auditors' Report thereon.

Performance Review

The Company has suffered a loss before tax of Rs. 146.977 million and loss after tax of Rs. 158.500 million for the year ended June 30, 2009 as compared to profit before tax of Rs. 32.856 million and profit after tax of Rs. 20.212 million for the corresponding period. Operating Revenues for the year ended June 30, 2009 are lower by 37% as compared to the corresponding period. Brokerage income has fallen to Rs. 64.710 million as compared to Rs. 126.852 million in the corresponding period. Fees and commission has also decreased to Rs. 0.328 million as compared to Rs. 12.827 million in the corresponding period. These declines in the Company's revenues are due to worst economic and stock market conditions in the period under review, thus resulting in uncertainty and lack of investors' interest. Share prices at Karachi Stock Exchange (Guarantee) Limited remained frozen for nearly three-and-a-half months, which have adversely affected the Company's financial results. The decline in revenues and profits as compared to the corresponding period is mainly due to figures for the half year ended December 31, 2008 that was a tough period for the economy and especially for stock brokerage industry. However, numbers for the second half of the financial year have improved, resulting in profits for this period.

Administrative and general expenses are lowered to Rs. 68.097 as compared to Rs. 89.122 million for the corresponding period. The said decrease is due to expense cutting and closure of some branch offices. Further, key management officials including Chief Executive Officer voluntarily reduced their salaries and benefits during this tough period for the Company. However, administrative expenses include an amount of Rs. 4.633 million that has been written off against client receivables whose probability of recovery is considered insufficient given an estimate of these clients' ability to settle their dues.

Financial charges have increased to Rs. 128.692 million for the year under review as compared to Rs. 69.368 million for the last year due to higher utilization of finance facilities, high mark-up rates and also include mark-up on receivables. The value of investments has decreased due to decrease in shares prices as the KSE-100 index has fallen by 42% during 2008-2009.

These factors have contributed to the decline in the Company's profits and translated into losses as compared to corresponding period. Following is the summary of operational results of the Company during the year:

	(Rupees)
Operating Revenue	124,642,481
Loss before tax	146,976,933
Loss after tax	158,500,332
Loss per share	2.64

The Company, due to worst stock market conditions, closed its five branch offices during the year under review.



Loss/Earnings per share

Loss per share of the Company is PKR 2.64 as compared to earnings per share of PKR 0.39 for the corresponding period.

Dividend and other appropriations

Based on the financial results of the Company and as the Company has suffered a loss, the Board of Directors has not recommended any dividend or other appropriations for the period under consideration.

Post Balance Sheet Events

There has been no event subsequent to the balance sheet date that would require an appropriate disclosure or adjustment to the financial statements referred herein.

Financial Statements

These financial statements have been endorsed by Chief Executive Officer and Chief Financial Officer of the Company, recommended for approval by the Audit Committee of the Board, and approved by the Board of Directors for presenting before the members and for members' consideration and approval. The auditors of the Company, M/s. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants, audited the financial statements and have issued an unqualified report to the members.

Auditors

The present auditors, M/s. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants, retire and being eligible for reappointment, have offered themselves for the same. The Board of Directors of your Company, based on the recommendation of the audit committee of the Board, propose M/s. Riaz Ahmad, Saqib, Gohar & Company, Chartered Accountants for reappointment as auditors of the Company for the ensuing year.

Compliance with the Code of Corporate Governance

The Statement of Compliance with the Code of Corporate Governance is annexed.

Statement of Compliance under the Code of Corporate Governance

- a) The financial statements, prepared by the management of the Company, present fairly its state of affairs, the results of its operations, cash flows and changes in equity.
- b) Proper books of accounts of the Company have been maintained.
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgments.
- d) The financial statements are prepared in accordance with International Financial reporting standards, where applicable and as applicable in Pakistan.
- e) The system of internal control is sound in design and has been effectively implemented and monitored.

- f) There are no significant doubts upon the Company's ability to continue as a going concern.
- g) There has been no material departure from the best practices of Corporate Governance as detailed in the listing regulations.
- h) Key operating and financial data for last six years in summarized form is annexed.
- i) There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2009 except for those disclosed in financial statements.
- j) The Company operates an approved contributory provident fund for its eligible employees. Value of Investments as per un-audited financial statements for the year ended June 30, 2009 amounts to approximately Rs. 1,575,000/-.
- k) During the year five (5) meetings of Board of Directors were held. Attendance by each Director was as follows:

S.No.	Name of Director	No. of meetings eligible to attend	No. of meetings attended
1.	Mr. Aryn Nasiruddin	5	5
2.	Mr. Bashir Ahmed Khanani	5	2
3.	Syed Rashid Ali	5	1
4.	Syed Kaleem Akhtar	3	3
5.	Mr. Khalid Iqbal Siddiqui	2	2
6.	Mrs. Nausheen Javed Ahmedjee	2	2
7.	Mr. Shakeel Ahmed	2	2
8.	Mr. Muhammad Sohail Dayala	3	3
9.	Mrs. Halima Dayala	3	3
10.	Mr. Muhammad Amjad Nazir	3	3
11.	Mr. Arsalan Aftab	2	2
12.	Mr. Javed Yusuf Ahmedjee	-	-

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

Mr. Aryn Nasiruddin and Syed Kaleem Akhtar were co-opted as Directors of the Company on August 19, 2008 and December 18, 2008 respectively due to casual vacancies occurred upon the resignations of Mr. Javed Yusuf Ahmedjee and Mr. Arsalan Aftab, respectively.

The present seven directors, from serial number 1 to 7 above, were elected in Extraordinary General Meeting held on March 27, 2009. Mr. Muhammad Amjad Nazir, Mr. Muhammad Sohail Dayala and Mrs. Halima Dayala were retired on March 27, 2009.

- l) Patterns of shareholdings as required under the Companies Ordinance, 1984 and the Code of Corporate Governance are annexed at the end of this report.
- m) The Chief Executive Officer, Directors, Chief Financial Officer or the Company Secretary including their respective spouses and minor children have not traded in the shares of the Company.



Economic and Stock Market Review

Pakistan's economy also reflected the global economic conditions during 2008-2009. The country only managed to achieve a GDP growth of 2.0% for the fiscal year, as a result of which major sectors were unable to perform as well. Persistent inflation was also a key worry, as CPI inflation averaged nearly 21% for 2008-2009. This kept interest rates in the economy on the higher side, and the State Bank of Pakistan only announced a policy rate reduction in May, which was its first discount rate reduction since 2002.

The Pakistan Rupee also remained under pressure throughout the year, which resulted in a 17% reduction in foreign investment in the country's economy in 2008-2009. Pakistan's economy, however, has seen some betterment with the onset of the new fiscal year, with international crude oil prices stabilizing around US\$60-70/bbl. The country's budget for 2009-2010 also entails an effort to try and maintain fiscal discipline while also providing stimulus to the economy.

The impact of the economic conditions resulted in uncertainty for investors, which affected overall volume of business in the economy. During the year 2008-2009, share prices at the Karachi Stock Exchange remained frozen for nearly three-and-a-half months. The freeze was removed on December 15, 2008, however stock trading volumes have continued to remain low amid investor uncertainty. The KSE-100 Index showed a fall of 42% during 2008-2009, while average daily trading volume at the KSE stood at 160mn shares since the removal of the floor on share prices till the end of 2008-2009.

Pakistan's stock market is likely to continue to take its cues from how the economy fares under the current IMF programme.

Future Prospects and Outlook

We believe that as the government is working out ways to improve the Country's economic performance, the stock market volumes are improving. Near term outlook for Company's business appears promising. Your company is also in the process of exploring new ventures in order to try and diversify its portfolio of operations and has acquired Corporate (Universal) Membership of National Commodity Exchange Limited (NCEL) and has been registered with Securities and Exchange Commission of Pakistan as NCEL Broker.

Acknowledgements

The Board of Directors of your Company wishes to place on record its gratitude to the Regulators, its bankers, Members, clients and business partners for their continued cooperation and support. Further, the Board appreciates the valuable, loyal, and commendable services rendered to the Company by its employees.

In conclusion, we pray to almighty Allah for his blessings, guidance, health and prosperity to us, our company, country and nation.

For and on behalf of the Board of Directors

AMYN NASIRUDDIN
Chairman & Chief Executive Officer

Karachi, September 07, 2009