

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".

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COMPANY INFORMATION

Board of Directors

Mr. Ali A. Malik
Mr. Amjad Pervez
Mr. Saeed A. Bajwa
Sheikh Khalid Tawab
Malik Atiq ur Rehman
Mr. Shahzad Akbar
Mr. Ejaz Akhter Ansari
Saiyid Najam Rizvi

Chairman
Director / Chief Executive
Director
Director
Director
Director, Nominee NBP
Director, Nominee NBP

Audit Committee

Mr. Ali A. Malik
Sheikh Khalid Tawab
Mr. Ejaz Akhter Ansari

Chairman
Member
Member

Company Secretary

Mr. Muhammad Rafique

Chief Financial Officer

Mr. M. Ahsan Hashmi

Auditors

A. F. Ferguson & Co
Chartered Accountants

Legal Advisors

Minto & Mirza, Advocates

Bankers

Bank Al Falah Limited
PICIC Commercial Bank Limited
Muslim Commercial Bank Limited
Allied Bank of Pakistan Limited
Metropolitan Bank Limited
KASB Bank Limited
Bank Al-Habib Limited
Saudi Pak Commercial Bank Limited
The Bank of Punjab
The Bank of Khyber

Registrar

Technology Trade (Pvt) Limited
241-C, Block-2, P.E.C.H.S,
Off: Main Shahrah-e-Quaideen, Karachi.

KSE Office

135-136, 3rd Floor, Stock Exchange Building,
Stock Exchange Road, Karachi.
Ph: 0092-021-2421396 & 2472758
Fax: 0092-021-2472332

Registered & Head Office

19-C, Sunset Lane 6, South Park Avenue,
Phase II Extension, D.H.A. Karachi.
PABX: 0092-021-5395903-08
Fax: 0092-021-5395945
Website: www.fnetrade.com

DIRECTORS' REVIEW

On behalf of the Board of Directors of First National Equities Limited, it is my pleasure to present the Quarterly Accounts of the Company for the three months ended September 30, 2005.

Financial Results

	3 months to Sep 30, 2005	3 months to Sep 30, 2004
	(Rupees in million)	
Gross Revenue	157.63	19.97
Operating Profit	136.34	12.18
Profit before taxation	117.79	7.81
Less: Taxation	12.22	.10
Profit after tax	105.57	7.71
Earning Per Share	Rs. 2.11	Rs. 0.21

After consolidating in first year of listing, your company has earned a net profit of Rs. 105.57 million for the period under review. Gross revenue from operation including capital gains was Rs. 157.63 million. You would be pleased to note that it is a manifold increase compared to corresponding period last year. Administrative expenses amounted to Rs. 21.30 million, whereas financial charges stood at Rs. 64.57 million. Earning per share was Rs. 2.11.

During quarter under review the stock market gained 775.54 points. The KSE 100 index rose from 7450.12 as at June 30, 2005 to 8225.66 as at September 30, 2005. The market capitalization registered an increase of Rs. 293.135 billion from 2068.187 billion to 2361.322 billion. The market started quarter with lackluster behavior, and after consolidation during middle, it finished the period under review with robust performance.

We hope that market will consolidate at its current levels and achieve steady growth in the days to come. Your company is well poised to harvest the market gains and to cope with any adversaries.

Acknowledgement

We would like to thank our valued clients and bankers to the company for their patronage, Securities and Exchange Commission of Pakistan and Karachi Stock Exchange for their continuing guidance, and shareholders for their trust and confidence in us.

Finally the Directors also record their appreciation for all employees of the Company for their commitment and hard work that culminated into excellent financial results for the quarter.

Ali A. Malik
Chairman

October 25, 2005

BALANCE SHEET
AS AT SEPTEMBER 30, 2005

	Note	Unaudited Sep 30, 2005 ----- (Rupees '000) -----	Audited June 30, 2005
Non-current assets			
Fixed assets			
- Property, plant & equipment	4	65,906	61,590
- Intangible assets		53,220	53,220
Long term loans and advances	5	11,422	18,712
Longterm deposits		3,012	2,229
		133,560	135,751
Current assets			
Short term investments	6	1,246,812	531,505
Other investments	7	1,550,000	1,292,972
Receivable against CFS transactions		1,605,050	517,945
Trade debts		474,069	452,008
Loans & advances		17,854	1,696
Trade deposits & short term prepayments	8	211,437	45,752
Other receivables		15,988	5,059
Taxation recoverable - net		-	2,122
Cash and bank balances		81,390	158,120
		5,202,600	3,007,179
Current liabilities			
Trade & other payables	9	2,045,099	1,558,803
Interest & markup accrued on borrowings		44,945	19,711
Short term borrowings	10	2,440,008	938,269
Current portion of liabilities against assets subject to finance lease	11	2,279	1,697
		4,532,331	2,518,480
Net current assets		670,269	488,699
Non-current liabilities			
Liabilities against assets subject to finance lease	11	5,264	3,968
Deferred tax liabilities - net		3,581	3,185
Net assets		794,984	617,297
REPRESENTED BY			
Issued, subscribed and paid-up capital	12	500,000	500,000
Unappropriated profit carried forward		160,411	129,838
Excess/(Deficit) on revaluation of investments - 'available for sale'	6	134,573	(12,541)
		794,984	617,297
Commitments	13	-	-
Total equity and liabilities		794,984	617,297

The annexed notes 1 to 20 form an integral part of these financial statements.

Chief Executive

Director

PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2005

	Note	Sep 30, 2005 ------(Rupees '000)-----	Sep 30, 2004
Operating revenue	14	56,726	16,056
Gain from transactions in marketable securities - net		100,732	3,915
Other operating income		176	-
		<u>157,634</u>	<u>19,971</u>
Administrative expenses	15	21,298	7,793
Operating profit		<u>136,336</u>	<u>12,178</u>
Finance cost	16	64,574	4,224
Other operating expenses		25,047	146
		<u>46,715</u>	<u>7,808</u>
Fair value gain on remeasurement of held for trading investments - net	6	71,076	-
Profit before taxation		<u>117,791</u>	<u>7,808</u>
Taxation	17	12,218	100
Profit after taxation		<u>105,573</u>	<u>7,708</u>
		(Rupees)	
Earning per share - basic and diluted		<u>2.11</u>	<u>0.21</u>

The annexed notes 1 to 20 form an integral part of these financial statements.

Chief Executive

Director

CASH FLOW STATEMENT (UNAUDITED) **FOR THE PERIOD ENDED SEPTEMBER 30, 2005**

	Note	Sep 30, 2005	Sep 30, 2004
		----- (Rupees '000) -----	
Cash flows from operating activities			
Profit before taxation		117,791	7,808
Adjustments for:			
Depreciation		1,433	782
Gain on sale of investments		(28,607)	-
Unrealised gain on re-measurement of held for trading investments- net		(71,076)	-
Provision for gratuity		600	-
Provision for leave fare		273	-
Deferred cost		-	253
Financial charges		64,574	4,225
Dividend income		(10,645)	-
Markup on available-for-sale financial assets		(27)	-
		<u>(43,475)</u>	<u>5,260</u>
		74,316	13,068
Changes in working capital			
Increase in current assets			
Investment in marketable securities - held for trading - net		(417,660)	(724,524)
Receivable against CFS transactions		(1,087,105)	-
Trade debts		(22,061)	117,816
Loans and advances		(6,746)	-
Trade deposits and short-term prepayments		(165,685)	(11,296)
Other receivables		(10,929)	-
		<u>(1,710,186)</u>	<u>(618,004)</u>
Change in current liabilities			
Trade and other payables		<u>(616,525)</u>	<u>105,323</u>
		(2,252,395)	(499,613)
Markup paid		(19,629)	(1,035)
Income tax paid		(6,070)	-
Long term deposits paid		<u>(783)</u>	<u>(438)</u>
Net cash used in operating activities		<u>(2,278,877)</u>	<u>(501,086)</u>
Cash flows from investing activities			
Investment in available-for-sale financial assets - net		(50,850)	-
Purchases of operating fixed assets		(5,749)	(2,608)
Markup on available-for-sale financial assets		27	-
Dividend received		10,645	-
Net cash used in investing activities		<u>(45,927)</u>	<u>(2,608)</u>
Cash flows from financing activities			
Loan from director		-	(15,000)
Liabilities against assets subject to finance lease		1,878	-
Repurchase agreement borrowings		1,501,739	-
Deferred cost		-	(2,177)
Proceeds from issuance of ordinary shares		-	166,155
Net cash generated from financing activities		<u>1,503,617</u>	<u>148,978</u>
Net decrease in cash and cash equivalents		<u>(821,187)</u>	<u>(354,716)</u>
Cash equivalents at the beginning of the period		(83,863)	28,936
Cash and cash equivalents at the end of the period		<u>(905,050)</u>	<u>(325,780)</u>
	20	<u>(905,050)</u>	<u>(325,780)</u>

The annexed notes 1 to 20 form an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2005

	Issued, subscribed and paid-up capital	Share application money	(Accumulated loss) / Unappropriated profit	Surplus / (deficit) on revaluation of investments	Total
	(Rupees '000)				
Balance as at July 01, 2004	125,000	83,845	(22,410)	-	186,435
Issued during the period	250,000	(83,845)	-	-	166,155
Profit after taxation for the period	-	-	7,708	-	7,708
Balance as at Sept 30, 2004	<u>375,000</u>	<u>-</u>	<u>(14,702)</u>	<u>-</u>	<u>360,298</u>
Balance as at July 01, 2005	500,000	-	129,838	(12,541)	617,297
Final cash dividend	-	-	(75,000)	-	(75,000)
Profit after taxation for the period	-	-	105,573	-	105,573
Deficit on revaluation of available- for-sale investments	-	-	-	147,114	147,114
Balance as at Sept 30, 2005	<u>500,000</u>	<u>-</u>	<u>160,411</u>	<u>134,573</u>	<u>794,984</u>

The annexed notes 1 to 20 form an integral part of these financial statements.

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2005

1. STATUS AND NATURE OF BUSINESS

First National Equities Limited (formerly National Finance & Investment Services Limited) was incorporated under the Companies Ordinance, 1984 on October 3, 1994 as a public limited company. The principal activities of the company includes shares brokerage, consultancy services and underwriting. The company started its operations from October 12, 1994. On December 30, 2003 the management of the company was taken over by First Pakistan Securities Limited by purchasing shares from Capital One Equities Limited. The company was registered as a brokerage house with the Securities and Exchange Commission of Pakistan on March 26, 2004 under the Brokers and Agents Registration Rules, 2001 and the name of the company was changed to First National Equities Limited on March 31, 2004. During the current year, the company's application for formal listing and quotation of shares was approved by the Karachi Stock Exchange (KSE) and the company's shares were listed on October 28, 2004.

The registered office of the company is situated at 19-C, Sunset Lane-6, South Park Avenue, Phase-II Ext, DHA, Karachi.

2. STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Accounting Standards (IAS) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or directives issued by the Securities and Exchange Commission of Pakistan differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984, or the requirements of the said directives take precedence. The disclosures made in these financial statements have, however, been limited based on the requirements of the International Accounting Standard 34, Interim Financial Reporting.

3. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are the same as those applied in the preparation of the preceding annual financial statements of the company.

4. PROPERTY, PLANT & EQUIPMENT

	Unaudited Sep 30, 2005 Note	Audited June 30, 2005
	----- (Rupees '000) -----	
Opening book value	61,590	29,860
Add: additions during the period	5,749	37,273
Less: depreciation charged during the period	(1,433)	(5,543)
Book value as at close of the period	4.1 <u>65,906</u>	<u>61,590</u>

4.1 The closing value includes Rs. 18.043 million as capital work-in-progress.

5. LONG TERM LOANS & ADVANCES

Due from related party - director	11,782	19,072
Less: receivable within one year	<u>(360)</u>	<u>(360)</u>
	<u>11,422</u>	<u>18,712</u>

5.1 This represents an interest free house loan disbursed to Mr. Amjad Pervez during the preceding financial year when he was the Chief Operating Officer of the company and before he became an Executive Director. The loan is repayable by June 2007 and is secured against the property by way of power of attorney executed in favour of the company.

	Note	Unaudited Sep 30, 2005 ------(Rupees '000)-----	Audited June 30, 2005
6. SHORT TERM INVESTMENTS			
Available for sale			
- Cost		417,212	366,362
- Excess/(Deficit) on revaluation		134,573	(12,541)
Carrying value		551,785	353,821
Held for trading			
- Cost		623,951	213,235
- Fair value gain/(loss) on remeasurement		71,076	(35,551)
Carrying value		695,027	177,684
		<u>1,246,812</u>	<u>531,505</u>
7. OTHER INVESTMENTS			
Other investments	7.1	<u>1,550,000</u>	<u>1,292,972</u>
7.1 The company has entered into an arrangement through which securities amounting to Rs 1,550 million have been borrowed by the company. These securities have been shown as investments and the corresponding liability has been disclosed in note 13. Coupon income on these securities will be paid to the lender together with mark-up ranging from 1.00% - 1.35%. These securities have been pledged with different banks against which a financing of Rs 1,453.568 million at mark-up ranging from 8.75% to 11.00% has been obtained by the company (note 10).			
8. TRADE DEPOSITS & SHORT TERM PREPAYMENTS			
Exposure deposit with Karachi Stock Exchange		210,426	45,376
Prepayments		<u>1,011</u>	<u>376</u>
		<u>211,437</u>	<u>45,752</u>
9. TRADE & OTHER PAYABLES			
Trade creditors		393,290	252,728
Accrued expenses		7,460	3,156
Provision for gratuity		1,871	1,271
Provision for leave fare		1,453	1,180
Rent payable		3,233	3,233
Provision for tax		6,148	-
Payable in respect of borrowed securities		1,550,000	1,292,972
Dividend payable		75,000	-
Unclaimed dividend		1,991	1,991
Payable in respect of capital expenditure		634	634
Retention money		300	300
Others		<u>3,719</u>	<u>1,338</u>
		<u>2,045,099</u>	<u>1,558,803</u>
10. SHORT TERM BORROWINGS			
Secured			
Repurchase agreement borrowings		1,453,568	696,286
Short term running finances utilised under markup arrangement		<u>986,440</u>	<u>241,983</u>
		<u>2,440,008</u>	<u>938,269</u>

11. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

The company has entered into lease agreements for lease of motor vehicles. The liabilities under these agreements are payable on various dates by September 01, 2008 and are subject to a finance charge varying from 8 to 22.5 percent per annum.

The amount of future payments for the finance lease is as follows:

	Note	Unaudited Sep 30, 2005 ------(Rupees '000)-----	Audited June 30, 2005
Future payments		8,803	6,369
Less: finance charge not yet due		<u>1,260</u>	<u>704</u>
		7,543	5,665
Less: current maturity shown under current liabilities		<u>2,279</u>	<u>1,697</u>
		<u>5,264</u>	<u>3,968</u>

12. ISSUED, SUBSCRIBED AND PAID-UP SHARE CAPITAL

Sep 30, 2005	June 30, 2005		Sep 30, 2005	June 30, 2005
50,000	50,000	Ordinary shares of Rs10 each fully paid in cash	500,000	500,000
<u>50,000</u>	<u>50,000</u>		<u>500,000</u>	<u>500,000</u>

13. COMMITMENTS

In respect of capital expenditure contracted for but not incurred	<u>-</u>	<u>1,469</u>
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14. OPERATING REVENUE

	Unaudited Sep 30, 2005 ------(Rupees '000)-----	Unaudited Sep 30, 2004
Brokerage income	46,081	10,749
Dividend income	<u>10,645</u>	<u>5,307</u>
	<u>56,726</u>	<u>16,056</u>

15. ADMINISTRATIVE EXPENSES

Salaries, wages and benefits	8,920	2,059
Rent, rates and taxes	247	184
Repairs and maintenance	694	539
Utility charges	1,413	328
Fee and documentation	499	66
KSE, clearing house and CDC charges, etc.	5,789	2,645
Travelling expenses	358	165
Entertainment	215	73
Depreciation	1,433	767
Communication, printing and stationery	523	484
Legal and professional charges	237	127
Insurance charges	188	58
Floatation expenses	-	268
Advertisement & publicity	575	-
Miscellaneous	<u>207</u>	<u>30</u>
	<u>21,298</u>	<u>7,793</u>

	Unaudited Sep 30, 2005 ----- (Rupees '000) -----	Unaudited Sep 30, 2004
16. FINANCE COST		
Mark-up on:		
- Short term running finance	25,162	2,896
- Repurchase agreement borrowings	39,089	1,274
Lease finance charges	243	-
Bank charges	80	54
	<u>64,574</u>	<u>4,224</u>
17. TAXATION		
Current - for the year	11,822	99,835
Deferred	396	-
	<u>12,218</u>	<u>99,835</u>
18. RELATED PARTY TRANSACTIONS		
The company has related party relationship with its associated undertakings, employees contribution plan and its directors and key management personnel. Transactions with related parties and associated undertakings are as follows :-		
- Purchase of marketable securities for and on behalf of directors	3,743	6,254,172
- Sale of marketable securities for and on behalf of directors	-	6,361,621
- Purchase of marketable securities on behalf of associates	35,919,000	9,143,273
- Sale of marketable securities on behalf of associates	36,179,639	9,077,897
- Brokerage income earned from:		
- directors	16	796
- associates	4,218	2,932
- Motor vehicles leased	-	2,532
- Charge for the period in respect of contributory plan	229	-
19. CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:		
Cash and bank balances	81,390	1,661
Short-term running finances	<u>(986,440)</u>	<u>(327,441)</u>
	<u>(905,050)</u>	<u>(325,780)</u>
20. DATE OF AUTHORISATION		
These financial statements were authorised for issue on October 25, 2005 by the Board of Directors of the company.		

Chief Executive

Director