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COMPANY INFORMATION:

Board of Directors:

Mr. Ali A. Malik	Chairman
Mr. Amjad Pervez	Director / Chief Executive
Mr. Muhammad Iqbal Khan	Director
Sheikh Khalid Tawab	Director
Malik Atiq ur Rehman	Director
Mr. Shahzad Akbar	Director
Mr. Ejaz Akhter Ansari	Director
Mr. Muzaffar S. Khan	Director

Audit Committee:

Mr. Ali A. Malik	Chairman
Shaikh Khalid Tawab	Member
Mr. Ejaz Akhter Ansari	Member
Mr. Muhammad Iqbal Khan	Member

CFO & Company Secretary

Mr. M. Ahsan Hashmi

Auditors:

A. F. Ferguson & Co
Chartered Accountants
Karachi

Legal Advisor:

Minto & Mirza, Advocates

Bankers:

Bank Al Falah Limited
PICIC Commercial Bank Limited
Allied Bank of Pakistan Limited
MCB Bank Limited
The Bank of Punjab
Metropolitan Bank Limited
KASB Bank Limited
Saudi Pak Commercial Bank Limited
The Bank of Khyber
Prime Commercial Bank Limited
Bank Al Habib Limited
Arif Habib Rupali Bank

Registrar:

Technology Trade (Pvt) Limited
241-C, Block-02, P.E.C.H.S.
Off: Main Shahrah-e-Quaideen, Karachi
Tel: 0092-021-4391316-7

KSE Office:

135-136, 3rd Floor, Stock Exchange Building
Stock Exchange Road, Karachi
Tel: 0092-021-2421396, 2472758, 2472119
Fax: 0092-021-2472332

Registered & Head Office:

19-C, Sunset Lane-06, South Park Avenue
Phase - II, Extension, D.H.A. Karachi.
UAN: 0092-021-111-000-363
PABX: 0092-021-5395903-08
Fax: 0092-021-5395945
Website: www.fnetrade.com

2006

Quarterly Report

DIRECTORS' REVIEW

On behalf of the Board of Directors of First National Equities Limited, it is my pleasure to present the First Quarterly Accounts of the Company for the period ended September 30, 2006.

Financial Results	3 months to Sep 30, 2006	3 months to Sep 30, 2005
	(Rupees in million)	
Gross revenue	152.94	157.63
Operating profit	128.88	136.34
Profit before fair value gain/(loss)	63.96	46.71
Profit before taxation	65.92	117.79
Less: Taxation	12.68	12.22
Profit after tax	53.24	105.57
Earning per share	Rs. 1.06	Rs. 2.11

Your company has earned a net profit of Rs. 53.24 million for the period under review. Gross revenue from operation including capital gains was Rs. 152.94 million. Administrative expenses amounted to Rs. 24.06 million, whereas financial charges stood at Rs. 41.01 million. Earning per share was Rs. 1.06. Although, the earning per share was reduced comparatively, but there is an increase of about 37% in operating profit.

In the first quarter of the FY 2006, the market gained 523.07 points while the market capitalization decreased by 34.3% from Rs. 2301.5 billion to Rs. 1511.6 billion in the same. SECP audit of the leading brokerage houses, negative news regarding CFS Mk II implementation and 100% increase in CVT and with holding tax were the main rationale for the sluggish performance of the KSE in the first quarter.

We expect the market to exhibit robust growth in this year and the new highs will be achieved later this year, enabling your company to achieve its growth targets comprehensively.

Acknowledgement

We would like to thank our valued clients and bankers to the company for their patronage, Securities & 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 profits from operations for the quarter.

2006

October 19, 2006

Ali A. Malik
Chairman

BALANCE SHEET

AS AT SEPTEMBER 30, 2006

	Note	Unaudited Sep 30, 2006	Audited June 30, 2006
		(Rupees '000)	
Non-current assets			
Fixed assets			
- Property, plant and equipment	4	85,532	78,331
- Intangible assets		66,820	66,820
		152,352	145,151
Long-term investments	5	60,228	40,135
Long-term loans and advances	6	-	10,849
Long-term deposits		1,882	1,889
		214,462	198,024
Current assets			
Short-term investments	7	1,606,228	1,598,176
Other investments	8	1,332,000	-
Receivable against Continuous funding system transactions		903,236	402,485
Trade debts		363,752	89,774
Loans and advances		21,037	5,686
Trade deposits and short-term prepayments	9	73,304	28,018
Other receivables		28,528	9,866
Taxation recoverable - net		20,854	20,980
Cash and bank balances		440,995	111,949
		4,789,934	2,266,934
Current liabilities			
Trade and other payables		1,634,684	316,299
Interest and mark-up accrued on borrowings		46,483	30,801
Short-term borrowings	10	2,074,537	678,823
Current portion of liabilities against assets subject to finance lease		194	-
		3,755,898	1,025,923
Net current assets		1,034,036	1,241,011
Non-current liabilities			
Pre-IPO subscription towards proposed issue of term finance certificates		235,127	235,127
Liabilities against assets subject to finance lease		453	-
Deferred tax liabilities - net		2,002	1,997
Net assets		1,010,916	1,201,911
Represented by			
Issued, subscribed and paid-up capital		500,000	500,000
Unappropriated profit		219,703	366,460
Surplus/(deficit) on revaluation of investments - available for sale		291,213	335,451
		1,010,916	1,201,911

Commitments

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The annexed notes 1 to 15 form an integral part of these financial statements.

Chief Executive

Director

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PROFIT AND LOSS ACCOUNT FOR THE PERIOD ENDED SEPTEMBER 30, 2006

	Note	Unaudited Sep 30, 2006 (Rupees '000)	Unaudited Sep 30, 2005
Operating revenue	12	148,860	157,458
Other operating income		4,081	176
		<u>152,941</u>	<u>157,634</u>
Administrative expenses		24,060	21,298
Operating profit		128,881	136,336
Share of profit of associate - net of tax		93	-
Finance costs		41,015	64,574
Other operating expenses		24,001	25,047
		<u>63,958</u>	<u>46,715</u>
Fair value gain/loss on re-measurement of financial assets at fair value through profit or loss account		1,968	71,076
Profit before taxation		65,926	117,791
Taxation		12,683	12,218
Profit after taxation		<u>53,243</u>	<u>105,573</u>
		(Rupees)	
Earnings per share - basic and diluted		<u>1.06</u>	<u>2.11</u>

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

The annexed notes 1 to 15 form an integral part of these financial statements.

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Chief Executive

Director

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CASH FLOW STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2006

Note	Unaudited Sep 30, 2006	Unaudited Sep 30, 2005
	(Rupees '000)	
Cash flows from operating activities		
Profit before taxation	65,926	117,791
Adjustments for:		
Depreciation	2,514	1,433
Gain on sale of investments	(30,806)	(28,607)
Share of profit from associate - net of tax	(93)	-
Unrealised (gain)/loss on re-measurement of financial asset carried at fair value through profit or loss account - net	(1,968)	(71,076)
Provision for gratuity	500	600
Provision for leave fare	500	273
Financial charges	41,015	64,574
Dividend income	(20,965)	(10,645)
Mark-up income on investments	(392)	(27)
	<u>(9,695)</u>	<u>(43,475)</u>
	56,231	74,316
Changes in working capital		
Decrease / (increase) in current assets		
Receivable against continuous funding system transactions / carry over transactions	(500,751)	(1,087,105)
Trade debts	(273,978)	(22,061)
Loans and advances	(4,502)	(6,746)
Trade deposits and short-term prepayments	(45,286)	(165,685)
Other receivables	(4,488)	(10,929)
	<u>(829,005)</u>	<u>(1,292,526)</u>
Increase in current liabilities		
Trade and other payables	(55,219)	(616,525)
	<u>(884,224)</u>	<u>(1,909,051)</u>
Mark-up paid	(25,333)	(19,629)
LFA paid	(667)	-
Gratuity paid	(186)	-
Income tax paid	(8,547)	(6,070)
Long-term deposits received/(paid)	7	(783)
Net cash generated / (used in) from operating activities	<u>(862,719)</u>	<u>(1,861,217)</u>
Cash flows from investing activities		
Investment in associate	(20,000)	-
Investment in available-for-sale financial assets - net	(133,704)	(50,850)
Investment in marketable securities	114,188	(417,660)
Purchases of operating fixed assets	(9,715)	(5,749)
Mark-up received on investments	-	27
Dividend received	7,183	10,645
Net cash (used in) investing activities	<u>(42,048)</u>	<u>(463,587)</u>
Cash flows from financing activities		
Liabilities against assets subject to finance lease	647	1,878
Borrowings under repurchase agreements	1,105,308	1,501,739
Dividends paid to shareholders	(162,548)	-
Net cash (used in) / generated from financing activities	<u>943,407</u>	<u>1,503,617</u>
Net decrease in cash and cash equivalents	<u>38,640</u>	<u>(821,187)</u>
Cash equivalents at the beginning of the period	(416,874)	(83,863)
Cash and cash equivalents at the end of the period	<u>(378,234)</u>	<u>(905,050)</u>

The annexed notes 1 to 15 form an integral part of these financial statements.

Chief Executive

Director

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STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED SEPTEMBER 30, 2006

	Issued, subscribed and paid-up capital	(Accumulated loss) / Unappropriated profit	Surplus / (deficit) on revaluation of investments	Total
	----- (Rupees '000) -----			
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
Surplus on revaluation of available- for-sale investments	-	-	147,114	147,114
Balance as at Sep 30, 2005	<u>500,000</u>	<u>160,411</u>	<u>134,573</u>	<u>794,984</u>
Balance as at July 01, 2006	500,000	366,460	335,451	1,201,911
Final cash dividend	-	(200,000)	-	(200,000)
Profit after taxation for the period	-	53,243	-	53,243
Deficit on revaluation of available for sale investments	-	-	(44,238)	(44,238)
Balance as at Sep 30, 2006	<u><u>500,000</u></u>	<u><u>219,703</u></u>	<u><u>291,213</u></u>	<u><u>1,010,916</u></u>

The annexed notes 1 to 15 form an integral part of these financial statements.

Chief Executive

Director

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NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2006

1 STATUS AND NATURE OF BUSINESS

The company is a limited liability company incorporated in Pakistan and is listed on the Karachi Stock Exchange (G) Limited. The registered office of the company is situated at 19C, Sunset Lane-6, South Park Avenue, Phase-II (Ext), DHA, Karachi.

The principal activities of the company includes shares brokerage, financing for continuous funding system, consultancy services and underwriting.

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 FIXED ASSETS

Details of additions during the period are as follows :-

	Unaudited Sep 30, 2006	Unaudited Sep 30, 2005
	(Rupees '000)	
Furniture & Fixture	1,022	-
Office Equipment	754	3,370
Computer Accessories	576	1,415
Vehicles - owned	6,685	-
Vehicles - leased	678	2,405

	Unaudited Sep 30, 2006	Audited June 30, 2006
	(Rupees '000)	

5 LONG-TERM INVESTMENTS

Associated Company - National Asset Management Company Limited (NAMCO)- Holding 40%

Opening balance	40,135	-
Investment made during the period	-	40,000
Share of profit for the period - net of tax	93	135
	40,228	40,135

NAMCO Balanced Fund - Holding 2%

Opening balance	-	-
Investment made during the period	20,000	-
Share of profit for the period - net of tax	-	-
	20,000	-
	60,228	40,135

5.1 National Asset Management Company Limited commenced operations during the year 2005-06. The share of profit has been determined based on the unaudited financial statements of the company for the period ended September 30, 2006.

5.2 NAMCO Balanced Fund is a closed-end mutual fund, managed by National Asset Management Company Limited. The Company invested Rs.20 million in Pre-IPO of the fund. Since operations of fund are yet to be started, no share of profit has been recorded.

	Unaudited Sep 30, 2006	Audited June 30, 2006
	(Rupees '000)	
6 LONG-TERM LOANS AND ADVANCES - Considered good		
Due from related party - director	-	11,209
Less: Receivable within one year	-	(360)
	<u>-</u>	<u>10,849</u>
7 SHORT TERM INVESTMENTS		
Available for sale		
- Cost	512,407	378,703
- Excess / (Deficit) on revaluation	291,213	335,451
Carrying value	803,620	714,154
Held for trading		
- Cost	800,640	990,263
- Fair value gain / (Loss) on remeasurement	1,968	(106,241)
Carrying value	802,608	884,022
	<u>1,606,228</u>	<u>1,598,176</u>
8 OTHER INVESTMENTS		
Other investments	8.1 <u>1,332,000</u>	<u>-</u>

8.1 The company has an arrangement under which securities are lent to the company by a lender. The lender remains entitled to the coupon income on these securities together with mark-up at rates ranging from 1% to 1.42%. These securities are utilised by the company to obtain finance under repurchase agreements. Any time during the period, maximum amount of securities transferred in the company's name amounted to Rs 1,732 million. The securities' balance at the end of period have been shown as investments and the corresponding liability has been disclosed in Trade & other payables.

	Unaudited Sep 30, 2006 (Rupees '000)	Audited June 30, 2006 (Rupees '000)
9 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS		
Exposure deposit with Karachi Stock Exchange	70,312	26,312
Prepayments	<u>2,992</u>	<u>1,706</u>
	<u>73,304</u>	<u>28,018</u>
10 SHORT-TERM BORROWINGS		
Secured		
Repurchase agreement borrowings	1,255,308	150,000
Short-term running finances utilised under mark-up arrangements	<u>819,229</u>	<u>528,823</u>
	<u>2,074,537</u>	<u>678,823</u>
11 COMMITMENTS		
In respect of :		
Forward purchase of listed equity securities	<u>-</u>	<u>79,550</u>
Forward sale of listed equity securities	<u>-</u>	<u>80,632</u>
Capital expenditure contracted for but not incurred	<u>27,000</u>	<u>31,000</u>
	Unaudited Sep 30, 2006 (Rupees '000)	Unaudited Sep 30, 2005 (Rupees '000)
12 OPERATING REVENUE		
Brokerage	48,627	39,534
Dividend income	20,965	10,645
Commission earned	16,017	6,547
Income from continuous funding system / carry over transactions	32,445	72,125
Gain on sale of investments - net	<u>30,806</u>	<u>28,607</u>
	<u>148,860</u>	<u>157,458</u>

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13 RELATED PARTY TRANSACTIONS

The company has related party relationship with its associated undertakings, Employee Contribution Plans and its directors and key management personnel.

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

Relationship with the company	Nature of transactions	Note	Unaudited Sep 30, 2006	Unaudited Sep 30, 2005
			(Rupees '000)	
i. Associated undertakings	Purchase of marketable securities for and on behalf of associated undertakings		56,734,100	35,919,000
	Sale of marketable securities for and on behalf of associated undertakings		56,859,560	36,179,639
	Brokerage income		6,437	4,218
	Rent received		150	-
	Share of profit for the period - net of tax	5	93	-
ii. Key management personnel	Purchase of marketable securities for and on behalf of key management personnel		-	3,743
	Sale of marketable securities for and on behalf of key management personnel		-	-
	Brokerage income earned		-	16
iii. Other related parties	Charge in respect of employee contribution plan		317	229

14 CASH AND CASH EQUIVALENTS

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

		Unaudited Sep 30, 2006	Unaudited Sep 30, 2005
		(Rupees '000)	
Cash and bank balances		440,995	81,390
Short-term running finances	10	(819,229)	(986,440)
		<u>(378,234)</u>	<u>(905,050)</u>

15 DATE OF AUTHORISATION

These financial statements were authorised for issue on October 19, 2006 by the Board of Directors of the Company.

2006