

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	Chairman
Mr. Amjad Pervez	Director / Chief Executive
Mr. Saeed A. Bajwa	Director
Sheikh Khalid Tawab	Director
Malik Atiq ur Rehman	Director
Mr. Shahzad Akbar	Director
Mr. Ejaz Akhter Ansari	Director, Nominee NBP
Mr. Muzaffar S. Khan	Director, Nominee NBP

Audit Committee

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

Company Secretary

Mr. Muhammad Ali

Chief Financial Officer

Mr. M. Ahsan Hashmi

Auditors

A. F. Ferguson & Co
Chartered Accountants

Legal Advisors

Minto & Mirza, Advocates

Bankers

Allied Bank of Pakistan Limited
Bank Al Falah Limited
Bank Al-Habib Limited
KASB Bank Limited
Metropolitan Bank Limited
MCB Bank Limited
PICIC Commercial Bank Limited
Prime Commercial Bank 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, I'm pleased to present the Half Yearly Accounts of the Company for the period ended December 31, 2005, with limited scope review of Auditors.

Market Review

The KSE – 100 index gained 2016 points in July- December period, reaching 9556.61 level on December 31, 2005 from 7450.12 index on June 30, 2005. The market capitalization recorded an increase of 32.5 % from US\$ 34.67 b in the period under review. The first half started on a sluggish note but later on, the market picked up. Better results in banking, cement, oil and auto sectors' stocks are expected.

Financial Results

	For the 6 months ended Dec 31, 2005	For the 6 months ended Dec 31, 2004
	(Rupees in million)	
Gross Revenue	442.09	139.83
Operating Profit	359.81	107.71
Profit before taxation	260.21	102.05
Less: Taxation	41.53	.63
Profit after tax	218.68	101.42
Earning per Share	Rs. 4.37	Rs. 2.43

Dividend

We believe in sharing profits with you, as evident from our past record and we try to distribute maximum from the earnings of your company. In view of this, the Board of Directors has recommended an interim cash dividend of 20% (Rs. 2 per share).

Financial Review

Alhamdulillah, your company has earned a net profit of Rs. 218.68 million for the period under review. Gross revenue from operations including capital gains is Rs. 422.09 million. You would be pleased to note that profits have increased more than three fold as compared to the corresponding period last year. Administrative expenses amounted to Rs. 82.28 million, whereas, financial charges stood at Rs. 127.93 million and earning per share is Rs. 4.37.

Expansion

As envisaged in our previous Directors' Report, the management embarked upon reaching the retail investors by expanding its branch network gradually. At the moment, we are operating from five branches in different cities and plan to open more branches in other cities of the country to cater the retail market and to provide depth to the core business.

We are pleased to inform you that we have made investment of Rupees 40 Million in the National Asset Management Company as authorized by you in our preceding annual general meeting.

Future Outlook

The country's equity markets are standing on solid fundamental base. We expect the market to gain new highs during the rest of the current financial year 2005- 2006. The growing market size, improvement in economic fundamentals (indicated by better ratings) and continuation in government policies have now produced a blink on foreign investors' radars. We expect the foreign investment to further improve the country's equity markets in the remaining half of year 2005 -2006.

In view of the above, the company is well poised to harvest the market gains and to cope with any adversaries.

Credit Rating

The Directors are pleased to inform that JCR- VIS Credit Rating Company Ltd. has assigned a medium to long- term entity rating of 'BBB' (Triple B) with a "Stable" outlook and short- term rating of 'A- 3' (A three) to your company.

Acknowledgement

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

Finally, the Directors also record their appreciation to all employees of the company for their commitment and hard work that culminated into excellent financial results during this half year.

For and on behalf of the Board

Ali A. Malik
Chairman

January 19, 2005

REVIEW REPORT TO THE MEMEBERS

We have reviewed the annexed balance sheet of First National Equities Limited as at December 31, 2005, and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "financial statements"), for the half year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to issue a report on these financial statements based on our review. The figures of the profit and loss account for the quarters ended December 31, 2004 and 2005 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2005.

We conducted our review in accordance with the International Standard on Review Engagements. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Chartered Accountants
Karachi

January 19, 2006

BALANCE SHEET
AS AT DECEMBER 31, 2005

	Note	Unaudited Dec 31, 2005	Audited June 30, 2005
		----- (Rupees '000) -----	
Non-current assets			
Fixed assets			
- Property, plant & equipment	4	67,947	61,590
- Intangible assets		66,820	53,220
		134,767	114,810
Long term loans and advances	5	11,197	18,712
Long term deposits		3,020	2,229
Long term investment	6	40,000	-
		188,984	135,751
Current assets			
Short term investments	7	1,568,149	531,505
Other investments	8	399,885	1,292,972
Receivable against Continuous Funding System / Carry Over Transactions		1,771,361	517,945
Trade debts		228,219	452,008
Loans & advances		4,874	1,696
Trade deposits & short term prepayments	9	77,123	45,752
Other receivables		8,755	5,059
Taxation recoverable - net		-	2,122
Cash and bank balances		52,309	158,120
		4,110,675	3,007,179
Current liabilities			
Trade & other payables		828,131	1,558,803
Interest & mark-up accrued on borrowings		28,949	19,711
Short term borrowings	10	2,097,918	938,269
Taxation payable - net		8,544	-
Current portion of liabilities against assets subject to finance lease		2,338	1,697
		2,965,880	2,518,480
Net current assets		1,144,795	488,699
Non-current liabilities			
Liabilities against assets subject to finance lease		4,752	3,968
Deferred tax liabilities - net		7,518	3,185
Net assets		<u>1,321,509</u>	<u>617,297</u>
REPRESENTED BY			
Issued, subscribed and paid-up capital		500,000	500,000
Unappropriated profit carried forward		273,518	129,838
Excess/(deficit) on revaluation of investments - 'available for sale'	7	547,991	(12,541)
Shareholders' equity		<u>1,321,509</u>	<u>617,297</u>
Commitments	11		

The annexed notes 1 to 17 form an integral part of these financial statements.

Chief Executive

Director

PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2005

		For the 3 months ended December 31, 2005	For the 6 months ended December 31, 2005	For the 3 months ended December 31, 2004	For the 6 months ended December 31, 2004
	Note				
		(Rupees '000)			
Operating revenue	12	82,777	139,503	95,449	111,505
Gain from transactions in marketable securities - net	13	201,040	301,772	24,409	28,324
Other operating income		638	814	-	-
		284,455	442,089	119,858	139,829
Administrative expenses		40,783	82,281	24,325	32,118
Operating profit		243,672	359,808	95,533	107,711
Finance cost		63,353	127,927	10,716	14,940
Other operating expenses		6,482	11,329	231	377
		173,837	220,552	84,586	92,394
Fair value gain on remeasurement of held for trading investments - net		(31,417)	39,659	4,326	4,326
Unrealised gain on mark to market of derivative financial instruments		-	-	5,329	5,329
Profit before taxation		142,420	260,211	94,241	102,049
Taxation					
- Current - for the period		25,376	37,198	6,007	6,107
- Deferred		3,937	4,333	(5,477)	(5,477)
		29,313	41,531	530	630
Profit after taxation		113,107	218,680	93,711	101,419
		(Rupees)			
Earnings per share - basic and diluted		2.26	4.37	2.22	2.43

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

The annexed notes 1 to 17 form an integral part of these financial statements.

Chief Executive

Director

CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Note	December 31, 2005	December 31, 2004
		----- (Rupees '000) -----	
Cash flows from operating activities			
Profit before taxation		260,211	102,049
Adjustments for non-cash charges and other items:			
Depreciation		3,540	1,675
Gain on sale of investments		(142,210)	-
Unrealised gain on re-measurement of held for trading investments- net		(39,659)	(4,326)
Unrealised gain on mark to market of derivative financial instrument		-	(5,329)
Provision for gratuity		1,147	-
Provision for leave fare		951	-
Deferred cost		-	2,635
Financial charges		127,927	14,940
Dividend income		(20,126)	-
Mark-up on available-for-sale financial assets		(142)	-
		<u>(68,572)</u>	<u>9,595</u>
		191,639	111,644
Changes in working capital			
(Increase) / decrease in current assets			
Investment in marketable securities - held for trading - net		(243,231)	(416,714)
Receivable against carry over transactions		(1,253,416)	(613,352)
Other investments		-	(400,000)
Trade debts		223,789	(366,083)
Loans and advances		4,337	(1,236)
Trade deposits and short-term prepayments		(31,371)	(410)
Other receivables		(5,759)	1,358
		<u>(1,305,651)</u>	<u>(1,796,437)</u>
Increase / (decrease) in current liabilities			
Loan from directors		-	(15,000)
Creditors and accrued liabilities - net		-	760,075
Other liabilities		-	400,397
Trade and other payables		159,350	-
		<u>159,350</u>	<u>1,145,472</u>
		(954,662)	(539,321)
Mark-up paid		(118,689)	(9,517)
Income tax paid		(26,532)	(7,944)
Long term deposits paid		(791)	(854)
Net cash used in operating activities		<u>(1,100,674)</u>	<u>(557,636)</u>
Cash flows from investing activities			
Investment in available-for-sale financial assets - net		(51,012)	-
Investment in associated undertakings		(40,000)	-
Purchases of operating fixed assets		(21,092)	(9,039)
Mark-up on available-for-sale financial assets		142	-
Dividend received		22,189	-
Net cash used in investing activities		<u>(89,773)</u>	<u>(9,039)</u>
Cash flows from financing activities			
Repayments of liabilities against assets subject to finance lease		(980)	(239)
Repurchase agreement borrowings		(148,496)	50,000
Short term loan		-	100,000
Proceeds from issuance of ordinary shares		-	291,155
Dividends paid to shareholders		(74,033)	-
Net cash generated from / (used in) financing activities		<u>(223,509)</u>	<u>440,916</u>
Net decrease in cash and cash equivalents		<u>(1,413,956)</u>	<u>(125,759)</u>
Cash and cash equivalents at the beginning of the period		(83,863)	(23,101)
Cash and cash equivalents at the end of the period	15	<u><u>(1,497,819)</u></u>	<u><u>(148,860)</u></u>

The annexed notes 1 to 17 form an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2005

	Issued, subscribed and paid-up capital	Share application money	Unappropriated profit / (Accumulated loss)	Surplus / (deficit) on revaluation of investments	Total
	(Rupees '000)				
Balance as at June 30, 2004	125,000	83,845	(22,410)	-	186,435
Shares issued during the period	291,155	-	-	-	291,155
Shares issued against application money	83,845	(83,845)	-	-	-
Profit after taxation for the half year ended December 31, 2004	-	-	101,419	-	101,419
Balance as at December 31, 2004	<u>500,000</u>	<u>-</u>	<u>79,009</u>	<u>-</u>	<u>579,009</u>
Balance as at June 30, 2005	500,000	-	129,838	(12,541)	617,297
Deficit realised on disposal of investments	-	-	-	1,505	1,505
Final cash dividend for the year ended June 30, 2005 declared subsequent to the year end @ Rs. 1.5 per share	-	-	(75,000)	-	(75,000)
Profit after taxation for the half year ended December 31, 2005	-	-	218,680	-	218,680
Surplus on revaluation of available- for-sale investments	-	-	-	559,027	559,027
Balance as at December 31, 2005	<u>500,000</u>	<u>-</u>	<u>273,518</u>	<u>547,991</u>	<u>1,321,509</u>

The annexed notes 1 to 17 form an integral part of these financial statements.

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 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 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.

3.1 Investment in associates

The investment in associates is carried at cost.

Additions	
December 31, 2005	December 31, 2004
----- (Rupees '000) -----	

4. FIXED ASSETS

Details of additions during the period are as follows:

Property, plant & equipment		
Building on freehold land	14,382	-
Furniture and fixtures	3,620	49
Office equipment	5,781	162
Computers and accessories	2,251	1,818
Vehicles-owned	941	159
Vehicles-leased	2,405	3,780
Capital work-in-progress	-	6,852
Intangible assets	13,600	-

	December 31, 2005	June 30, 2005
	----- (Rupees '000) -----	
5. LONG TERM LOANS & ADVANCES		
Due from related party - director	11,557	19,072
Less: receivable within one year	(360)	(360)
	<u>11,197</u>	<u>18,712</u>
5.1 This represents an interest free house loan disbursed to the Chief Executive Officer of the company during the preceding financial year. 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	
	December 31, 2005	June 30, 2005
	----- (Rupees '000) -----	
6. LONG TERM INVESTMENTS		
Investment in associated undertaking - at cost	6.1	<u>40,000</u>
		<u>-</u>
6.1 This represents investment made in 4,000,000 fully paid ordinary shares of National Asset Management Company Limited, an unquoted public company.		
	Note	
	December 31, 2005	June 30, 2005
	----- (Rupees '000) -----	
7. SHORT TERM INVESTMENTS		
Available for sale		
- Cost	419,584	366,362
- Excess/(deficit) on revaluation	547,991	(12,541)
Carrying value	967,575	353,821
Held for trading		
- Cost	560,915	213,235
- Fair value gain/(loss) on remeasurement	39,659	(35,551)
Carrying value	600,574	177,684
	<u>1,568,149</u>	<u>531,505</u>
8. OTHER INVESTMENTS		
Other investments	8.1	<u>399,885</u>
		<u>1,292,972</u>
8.1 The company has entered into an arrangement through which fixed income securities amounting to Rs 1,549.885 million were lent to the company out of which securities amounting to Rs. 1,150 million have been returned to the lender. Accordingly, securities in the company's name have been shown as investments and the corresponding liability has been included in trade & other payables. 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 given by the company under repurchase agreements to various financial institutions.		

	December 31, 2005	June 30, 2005
	------(Rupees '000)-----	
9. TRADE DEPOSITS & SHORT TERM PREPAYMENTS		
Exposure deposit with Karachi Stock Exchange	76,004	45,376
Prepayments	1,119	376
	<u>77,123</u>	<u>45,752</u>
10. SHORT TERM BORROWINGS		
Secured		
Repurchase agreement borrowings	547,790	696,286
Short term running finances utilised under mark-up arrangement	1,550,128	241,983
	<u>2,097,918</u>	<u>938,269</u>
11. COMMITMENTS		
In respect of capital expenditure contracted for but not incurred	-	1,469
	<u>-</u>	<u>1,469</u>
	December 31, 2005	December 31, 2004
	------(Rupees '000)-----	
12. OPERATING REVENUE		
Brokerage	90,296	38,116
Dividend income	20,126	73,327
Commission earned	29,081	62
	<u>139,503</u>	<u>111,505</u>
13. GAIN FROM TRANSACTIONS IN MARKETABLE SECURITIES - NET		
Income from carry over transactions	157,668	33,509
Gain / (loss) on sale of investments - net	142,210	(5,185)
Mark-up on lendings to financial institutions	1,196	-
Mark-up on lendings to non-financial institutions	698	-
	<u>301,772</u>	<u>28,324</u>

14. RELATED PARTY TRANSACTIONS

The company has related party relationship with its associated undertakings, employee benefit plans and its key management personnel (including their associates). The transactions with related parties carried out during the half year ended December 31, 2005 are as follows:

	December 31, 2005		December 31, 2004	
	----- (Rupees '000) -----			
	Associated undertakings	Other related parties	Key management personnel	
- Purchase of marketable securities	79,967,104	-	23,960	43,626,834
- Sale of marketable securities	80,273,425	-	26,829	43,901,098
- Brokerage income earned	9,303	-	36	10,084
- Motor vehicles leased	-	-	-	3,780
- Charge for the period in respect of contributory plan	-	477	-	-
- Purchase of assets	3,019	-	-	-
- Sale of investments to contributory plan	-	1,509	-	-
- Commission earned	625	-	-	-
- Salaries and other short term employee benefits	-	-	33,173	-
			December 31, 2005	December 31, 2004
			----- (Rupees '000) -----	

15. 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	52,309	126,480
Short-term running finances utilised under mark-up arrangement	(1,550,128)	(275,340)
	<u>(1,497,819)</u>	<u>(148,860)</u>

16. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors in their meeting held on January 19, 2006 have proposed an interim cash dividend in respect of the half year ended December 31, 2005 of Rs 2 per share (2004: nil). The financial statements for the half year ended December 31, 2005 do not include the effect of the above interim cash dividend which will be accounted for subsequent to the period end.

17. These financial statements were authorised for issue on January 19, 2006 by the Board of Directors of the company.

Chief Executive

Director

BRANCH NETWORK OF FIRST NATIONAL EQUITIES LIMITED:

- 1) Peshawar Main Branch
State Life Building
2nd Floor, 34-The Mall
Peshawar
Tel: 091-5260935
Fax: 091-5260977
- 2) Peshawar City Branch
Bank Square, Chowk Yadgar
Near Askari Bank
Peshawar City.
Tel : 091-2580746-51
Fax: 091-2580750
- 3) Abbottabad Branch
1st Floor, Gohar Sons Arcade,
Mansehra Road, Supply Bazar
Abbottabad.
Tel: 0992-341305
Fax: 0992-341203
- 4) Islamabad Branch
13-P Mezanine Floor,
Empire Centre
F/7 Markaz
Islamabad
Tel: 051-2653521
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- 5) DHA Lahore Branch
2nd Floor, G-100,
Commercial Zone DHA
Lahore.
Tel: 042-5723940 / 5742039
Fax: 042-5721992