

Quarterly Accounts (Un-audited)

For the quarter ended
September 30, 2007



FIRST NATIONAL EQUITIES LIMITED



*“Connecting people,
ideas and capital,
we will be our clients’*

First Choice

*for achieving their
financial aspirations”.*

Vision

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:

Sheikh Khalid Tawab	Chairman
Mr. Amjad Pervez	Director / Chief Executive
Mr. Muhammad Iqbal Khan	Director
Malik Atiq ur Rehman	Director
Mr. Shahzad Akbar	Director
Mr. Yoshihiro Saito	Director
Maj. Gen. (Retd.) Khurshid Ali Khan	Director
Mr. Jahanzeb Luni	Director

Audit Committee:

Sheikh Khalid Tawab	Chairman
Mr. Muhammad Iqbal Khan	Member
Mr. Shahzad Akbar	Member

CFO & Company Secretary

Mr. M. Ahsan Hashmi

Auditors:

A. F. Ferguson & Co
Chartered Accountants
Karachi

Registrar:

Technology Trade (Pvt) Limited
241-C, Block-2, P.E.C.H.S.
Off: Main Shahrah-e-Quaideen, Karachi
Tel: 0092-021-4391316-7

Legal Advisor:

Minto & Mirza, Advocates

Bankers:

Bank Al Falah Limited
PICIC Commercial Bank Limited
Allied Bank of Pakistan Limited
Muslim Commercial 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
JS Bank Limited

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-6, 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



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, 2007.

Financial Results

	3 months to Sep 30, 2007	3 months to Sep 30, 2006
	(Rupees in '000)	
Gross revenue	142,849	152,941
Operating profit	98,847	128,881
Profit before fair value gain/(loss)	30,692	63,958
Profit before taxation	25,608	65,926
Less: Taxation	10,668	12,683
Profit after tax	14,940	53,243
Earning per share	Rs. 0.30	Rs. 1.06

Your company has earned a net profit of Rs. 14.9 million for the period under review. Gross revenue from operations including capital gains was Rs. 142.8 million. Administrative and other operating expenses amounted to Rs. 49.3 million, whereas financial charges were Rs.63.1 million. Earning per share was Rs. 0.30. Although, the earning per share was decreased comparatively, it may be snubbed in light of relatively very compressed market volume during the quarter.

During this quarter, the KSE 100 index plunged to 11,955 points as against it was 13,772 on June 30, 2007. In addition to that, trading volume touched the record lowest to 123.2 million shares on a particular day with an average volume of just 250 million shares per day. The political uncertainty prevailing in the country has played the major role in descending market volume during the quarter.

We expect the market to exhibit further growth and stability after forthcoming general elections and the new highs may be achieved later on, thus 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 the commitment and hard work that culminated into profits from operations for the quarter.

October 25, 2007

Sheikh Khalid Tawab
Chairman



as at
September 30, 2007

Condensed Interim Balance Sheet (Unaudited)

	Note	Unaudited Sep 30, 2007	Audited June 30, 2007
(Rupees '000)			
Non-current assets			
Fixed assets			
- Property, plant and equipment	4	82,759	85,004
- Intangible assets		68,135	66,820
- Capital work in progress		69,495	37,846
		220,389	189,670
Long-term investments	5	42,538	42,223
Long-term loans and advances	6	50	125
Long-term deposits		2,616	2,616
		265,593	234,634
Current assets			
Short-term investments	7	1,765,458	1,677,850
Other investments	8	2,327,000	-
Receivable against Continuous funding system transactions		22,347	-
Trade debts		1,511,034	536,346
Loans and advances		2,215	1,869
Trade deposits and short-term prepayments	9	143,307	304,999
Other receivables		23,283	6,062
Taxation recoverable - net		3,952	2,514
Cash and bank balances		241,273	39,207
		6,039,869	2,568,847
Current liabilities			
Trade and other payables		2,762,057	1,203,683
Interest and mark-up accrued on borrowings		58,464	5,108
Short-term borrowings	10	2,443,499	390,810
Pre-IPO subscription towards proposed issue of TFCs		235,127	235,127
		5,499,147	1,834,728
Net current assets		540,722	734,119
Non-current liabilities			
Deferred tax liabilities - net		1,742	1,627
Net assets		804,573	967,126
Represented by			
Authorised capital			
(Sep 30, 2007: One hundred million shares of Rs.10/- each June 30, 2007: Fifty million shares of Rs.10/- each)		1,000,000	500,000
Issued, subscribed and paid-up capital		575,000	500,000
Unappropriated profit		110,731	245,791
Surplus/(deficit) on revaluation of investments - available for sale		118,842	221,335
		804,573	967,126

Commitments

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



for the period
ended September 30, 2007

Condensed Interim Profit and Loss Account (Unaudited)

	Note	Unaudited Sep 30, 2007	Unaudited Sep 30, 2006
(Rupees '000)			
Operating revenue	12	141,388	148,860
Other operating income		1,461	4,081
		142,849	152,941
Administrative expenses		44,002	24,060
Operating profit		98,847	128,881
Share of profit of associate - net of tax		315	93
Finance costs		63,134	41,015
Other operating expenses		5,336	24,001
		30,692	63,958
Fair value loss on re-measurement of financial assets at fair value through profit or loss account		(5,084)	1,968
Profit before taxation		25,608	65,926
Taxation		10,668	12,683
Profit after taxation		14,940	53,243
(Rupees)			
Earnings per share - basic and diluted		0.30	1.06

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.

Chief Executive

Director



for the period
ended September 30, 2007

Condensed Interim Cash Flow Statement (Unaudited)

	Note	Unaudited Sep 30, 2007	Unaudited Sep 30, 2006
(Rupees '000)			
Cash flows from operating activities			
Profit before taxation		25,608	65,926
Adjustments for:			
Depreciation		3,024	2,514
Gain on sale of investments		(24,101)	(30,806)
Share of profit from associate - net of tax		(315)	(93)
Unrealised loss/(gain) on re-measurement of financial asset carried at fair value through profit or loss account - net		5,084	(1,968)
Provision for gratuity		2,199	500
Provision for leave fare		1,015	500
Financial charges		63,134	41,015
Dividend income		(18,873)	(20,965)
Mark-up income on investments		(6)	(392)
		31,161	(9,695)
		56,769	56,231
Changes in working capital			
Decrease / (increase) in current assets			
Receivable against continuous funding system transactions / carry over transactions		(22,347)	(500,751)
Trade debts		(974,688)	(273,978)
Loans and advances		(271)	(4,502)
Trade deposits and short-term prepayments		161,692	(45,286)
Other receivables		(5,521)	(4,488)
		(841,135)	(829,005)
Increase in current liabilities			
Trade and other payables		(745,787)	(55,219)
		(1,586,922)	(884,224)
Mark-up paid		(9,778)	(25,333)
LFA paid		(702)	(667)
Gratuity paid		(39)	(186)
Income tax paid		(11,991)	(8,547)
Long-term deposits received/(paid)		-	7
Net cash generated / (used in) from operating activities		(1,552,663)	(862,719)
Cash flows from investing activities			
Investment in associate		-	(20,000)
Investment in available-for-sale financial assets - net		(939,170)	(133,704)
Investment in marketable securities		667,774	114,188
Purchases of operating fixed assets		(32,428)	(9,715)
Purchase of Intangibles		(1,315)	-
Mark-up received on investments		6	-
Dividend received		7,173	7,183
Net cash (used in) investing activities		(297,960)	(42,048)
Cash flows from financing activities			
Liabilities against assets subject to finance lease		-	647
Borrowings under repurchase agreements		-	1,105,308
Dividends paid to shareholders		-	(162,548)
Net cash (used in) / generated from financing activities		-	943,407
Net decrease in cash and cash equivalents		(1,850,623)	38,640
Cash equivalents at the beginning of the period		(351,603)	(416,874)
Cash and cash equivalents at the end of the period	14	(2,202,226)	(378,234)

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



for the period
ended September 30, 2007

Condensed Interim Statement of Changes in Equity (Unaudited)

	Issued, subscribed and paid-up capital	(Accumulated loss) / Unappropriated profit	Surplus / (deficit) on revaluation of investments	Total
	----- (Rupees '000) -----			
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	500,000	219,703	291,213	1,010,916
Balance as at July 01, 2007	500,000	245,791	221,335	967,126
Final cash dividend	-	(75,000)	-	(75,000)
Final stock dividend / bonus issue	75,000	(75,000)	-	-
Profit after taxation for the period	-	14,940	-	14,940
Deficit on revaluation of available-for-sale investments	-	-	(102,493)	(102,493)
Balance as at Sep 30, 2007	575,000	110,731	118,842	804,573

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

Chief Executive

Director



for the period
ended September 30, 2007

Notes to the Condensed Interim Financial Statements (Unaudited)

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 company is a member of the Karachi Stock Exchange. The principal activities of the company include 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, the requirements of the Companies Ordinance, 1984 and the directives issued by the Securities and Exchange Commission of Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) as notified under the provisions of the Companies Ordinance, 1984. Wherever the requirements of the Companies Ordinance, 1984 or the 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 condensed interim 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 - Property, Plant & Equipment

	Unaudited Sep 30, 2007	Unaudited Sep 30, 2006
	(Rupees '000)	
Details of additions during the period are as follows :-		
Furniture & Fixture	3	1,022
Office Equipment	78	754
Computer Accessories	20	576
Vehicles - owned	58	6,685
Vehicles - leased	-	678

5 | Long-Term Investments

	Unaudited Sep 30, 2007	Audited June 30, 2007
	(Rupees '000)	
Associated Company - National Asset Management Company Limited (NAMCO)- Holding 40%		
Opening balance	42,223	40,135
Investment made during the period	-	-
Share of profit for the period - net of tax	315	2,088
	42,538	42,223
	42,538	42,223

- 5.1 The share of the company in National Asset Management Company Limited has been accounted for under the equity method of accounting based on its unaudited financial statements for the period ended September 30, 2007 in accordance with the treatment specified in International Accounting Standard 29, "Accounting for Investment in Associates".

6 | Long-term Loans and Advances - Considered Good

	Unaudited Sep 30, 2007	Audited June 30, 2007
	(Rupees '000)	
Due from related party - Executive	350	425
Less: Receivable within one year	(300)	(300)
	50	125



7 | Short Term Investments

	Unaudited Sep 30, 2007	Audited June 30, 2007
	(Rupees '000)	
Available for sale		
- Cost	1,401,157	464,791
- Excess / (Deficit) on revaluation	118,842	221,335
Carrying value	1,519,999	686,126
Held for trading		
- Cost	250,543	971,321
- Fair value gain / (Loss) on remeasurement	(5,084)	20,403
Carrying value	245,459	991,724
	<u>1,765,458</u>	<u>1,677,850</u>

8 | Other Investments

	Unaudited Sep 30, 2007	Audited June 30, 2007
	(Rupees '000)	
Other investments	8.1	2,327,000
		-

- 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 1.35%. 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 2,327 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.

9 | Trade Deposits and Short-Term Prepayments

	Unaudited Sep 30, 2007	Audited June 30, 2007
	(Rupees '000)	
Exposure deposit with Karachi Stock Exchange	141,553	303,007
Prepayments	1,754	1,992
	<u>143,307</u>	<u>304,999</u>



10 | Short - Term Borrowings

	Unaudited Sep 30, 2007	Audited June 30, 2007
	(Rupees '000)	
Secured		
Repurchase agreement borrowings	2,085,077	149,828
Short-term running finances utilised under mark-up arrangements	358,422	240,982
	<u>2,443,499</u>	<u>390,810</u>

11 | Commitments

	Unaudited Sep 30, 2007	Audited June 30, 2007
	(Rupees '000)	
In respect of :		
Capital expenditure contracted for but not incurred	<u>69,495</u>	<u>130,524</u>

12 | Operating Revenue

	Unaudited Sep 30, 2007	Unaudited Sep 30, 2006
	(Rupees '000)	
Brokerage	61,960	48,627
Dividend income	18,873	20,965
Commission earned	4,092	16,017
Income from continuous funding system / carry over transactions	32,362	32,445
Gain on sale of investments - net	24,101	30,806
	<u>141,388</u>	<u>148,860</u>



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, 2007	Unaudited Sep 30, 2006
(Rupees '000)				
i. Associated undertakings	Purchase of marketable securities for and on behalf of associated undertakings		46,294,713	56,734,100
	Sale of marketable securities for and on behalf of associated undertakings		46,198,480	56,859,560
	Brokerage income		9,803	6,437
	Rent received		150	150
	Share of profit for the period - net of tax	5	115	93
ii. Key management persone	Salaries & other short term employee benefits (CEO)		8,294	21,971
iii. Other related parties	Charge in respect of employee contribution plan		388	317

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, 2007	Unaudited Sep 30, 2006
(Rupees '000)			
Cash and bank balances		241,273	440,995
Short-term running finances	10	(2,443,499)	(819,229)
		<u>(2,202,226)</u>	<u>(378,234)</u>

15 | Date of Authorisation

These financial statements were authorised for issue on October 25, 2007 by the Board of Directors of the Company.





First National Equities Limited

FNE House, 19-C, Sunset Lane-6, South Park Avenue,
Phase II Extension, D.H.A. Karachi.

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