

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. Muhammad Iqbal Khan	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

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
Prime Commercial Bank Limited

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.fntrade.com

DIRECTORS' REVIEW

On behalf of the Board of Directors of First National Equities Limited, I am pleased to present the un-audited accounts of Company for the period ended March 31, 2006.

Financial Highlights

	For 9 months ended March 31, 2006	For 9 months ended March 31, 2005
	(Rupees in million)	
Gross Revenue	744.85	480.70
Operating Profit	615.07	416.71
Profit before taxation	430.96	217.77
Taxation	63.72	12.13
Profit after taxation	367.24	205.64
Earning per share	Rs. 7.34	Rs. 4.63

Financial Review

Alhamdulillah, your company has earned a net profit of Rs. 367.24 million for the period under review. Gross revenue from operations including capital gains is Rs. 744.85 million. You would be pleased to note that there is 78.6% growth in profits as compared to the corresponding period last year. Administrative expenses amounted to Rs. 129.78 million, whereas, financial charges stood at Rs. 184.88 million and earning per share is Rs. 7.34.

Expansion

We are expanding your company's branch network for reaching the retail investors to cater the retail market and to provide further depth to the core business. At the moment we are operating from seven branches in different cities and it is also planning to open more branches in other cities of the country.

Market Review

The market gained new heights in the third quarter of the current financial year 2005-06. In overall, the KSE-100 index gained 4,035 points in the period under review (9 months), reached 11,485.90 points on March 31, 2006 from 7,450.12 on June 30, 2005. The market capitalization recorded an increase of 56.9% to US\$54.38 billion from US\$34.67 billion in the period under review.

Significant factors, which drive the market to new highs include:

- Expectations of better earnings growth in oil, banking, cement and auto sectors companies on the back of robust demand on both consumer and industrial ends.
- Conclusion of the PTCL's privatization deal of the government with the Etisalat.
- Successive privatization of various public sector units, which include divestment of the KESC, National Refinery, Pakistan Steel Mills and Mustehkam Cement restored the investors' confidence.
- President Musharraf announced the construction of the multipurpose Bhasha Dam in January 2006.
- The European Commission revised down the antidumping duty on bed linen imports from Pakistan to 5.8% from 7.6% in its interim review. The commission had put an antidumping duty of 13.1% in March 2004, which later brought down to 7.6% in year 2005.

Outlook

The macroeconomic outlook for the country seems satisfactory for the medium term. The country is expected to maintain the economic growth rate of over 6.0% in remaining years of the current decade. Increasing foreign investment in Real, Financial and Service sectors is indicating a much better height of investors' confidence on the current government and policy makers.

The large scale manufacturing growth showed weakness mainly on account of capacity constraints. However, it is likely to recapture momentum in the view expected capacity enhancements under progress across various sectors – textile, cement, auto, paper products, etc.

In view of the above, the company is well poised to harvest the market gains and to cope with adversaries. For this purpose, the company has planned to issue Term Finance Certificates (TFCs) of Rs. 400 million with 5 years tenure. You will be pleased to note that the proposed issue of TFC has been rated as A- (A minus).

Acknowledgement

We would like to thank our valued clients and bankers for their patronage, Karachi Stock Exchange and Securities and 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 period.

For and on behalf of the Board

Ali A. Malik
Chairman

April 17, 2006

BALANCE SHEET AS AT MARCH 31, 2006

	Note	Unaudited March 31, 2006 <u>————(Rupees '000)————</u>	Audited June 30, 2005 <u>————(Rupees '000)————</u>
Non-current assets			
Fixed assets			
- Property, plant & equipment	4	71,591	61,590
- Intangible assets		66,820	53,220
		138,411	114,810
Long term loans and advances	5	11,023	18,712
Longterm deposits		3,408	2,229
Longterm investment	6	40,000	-
		192,842	135,751
Current assets			
Short term investments	7	1,707,946	531,505
Other investments	8	1,550,000	1,292,972
Receivable against CPS transactions		1,804,687	517,945
Trade debts		340,089	452,008
Loans & advances		9,616	1,696
Trade deposits & short term prepayments	9	198,667	45,752
Other receivables		24,464	5,059
Taxation recoverable - net		-	2,122
Cash and bank balances		143,409	158,120
		5,778,878	3,007,179
Current liabilities			
Trade & other payables		2,120,027	1,558,803
Interest & markup accrued on borrowings		38,837	19,711
Short term borrowings	10	2,262,098	938,269
Current portion of liabilities against assets subject to finance lease		1,490	1,697
		4,422,452	2,518,480
Net current assets		1,356,426	488,699
Non-current liabilities			
Liabilities against assets subject to finance lease		3,324	3,968
Deferred tax liabilities - net		7,518	3,185
Net assets		1,538,726	617,297
REPRESENTED BY			
Issued, subscribed and paid-up capital		500,000	500,000
Unappropriated profit / (Accumulated losses) carried forward		322,075	129,838
Excess/(Deficit) on revaluation of investments - 'available for sale'	7	716,651	(12,541)
		1,538,726	617,297
Commitments	11	-	-
Total equity and liabilities		1,538,726	617,297

The annexed notes 1 to 16 form an integral part of these financial statements.

Chief Executive

Director

PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2006

	Note	Jan - March, 2006	July - March, 2006	Jan - March, 2005	July - March, 2005
(Rupees '000)					
Operating revenue	12	91,950	231,453	65,062	176,568
Gain from transactions in marketable securities - net	13	210,943	512,715	275,722	304,045
Other operating income		(135)	679	89	89
		<u>302,758</u>	<u>744,847</u>	<u>340,873</u>	<u>480,702</u>
Administrative expenses		<u>47,500</u>	<u>129,781</u>	<u>31,874</u>	<u>63,992</u>
Operating profit		<u>255,258</u>	<u>615,066</u>	<u>308,999</u>	<u>416,710</u>
Finance cost		<u>56,951</u>	<u>184,878</u>	<u>48,183</u>	<u>63,123</u>
Other operating expenses		<u>3,889</u>	<u>15,218</u>	<u>100</u>	<u>478</u>
		<u>194,418</u>	<u>414,970</u>	<u>260,716</u>	<u>353,109</u>
Fair value gain on remeasurement of held for trading investments - net		(24,762)	14,897	(144,998)	(135,342)
Unrealised gain on mark to market of derivative financial instrument		<u>1,089</u>	<u>1,089</u>	<u>-</u>	<u>-</u>
Profit before taxation		<u>170,745</u>	<u>430,956</u>	<u>115,718</u>	<u>217,767</u>
Taxation		<u>22,188</u>	<u>63,719</u>	<u>11,500</u>	<u>12,130</u>
Profit after taxation		<u>148,557</u>	<u>367,237</u>	<u>104,218</u>	<u>205,637</u>

----- (Rupees) -----

Earning per share - basic and diluted	<u>2.97</u>	<u>7.34</u>	<u>2.08</u>	<u>4.63</u>
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The annexed notes 1 to 16 form an integral part of these financial statements.

Chief Executive

Director

CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED MARCH 31, 2006

Note	July to March, 2006	July to March, 2005
	(Rupees '000)	
Cash flows from operating activities		
Profit before taxation	430,956	217,767
Adjustments for non-cash charges and other items:		
Depreciation	5,391	2,575
Gain on sale of investments	(289,102)	-
Unrealised gain on re-measurement of held for trading investments- net	(14,897)	135,343
Unrealised gain on mark to market of derivative financial instrument	(1,089)	-
Provision for gratuity	1,104	-
Provision for leave fare	156	-
Deferred cost	-	-
Financial charges	-	2,635
Dividend income	184,878	63,123
Markup on available-for-sale financial assets	(22,642)	-
	(211)	-
	(116,412)	203,676
	314,544	421,443
Changes in working capital		
(Increase)/decrease in current assets		
Investment in marketable securities - net	(420,278)	(944,578)
Receivable against CFS transactions	(1,286,742)	(1,357,866)
Other investments	-	(1,550,000)
Trade debts	-	(99,037)
Loans and advances	111,919	(21,242)
Trade deposits and short-term prepayments	(7,920)	-
Other receivables	(152,915)	-
	(9,345)	(315,477)
	(1,765,281)	(4,288,200)
Increase/(decrease) in current liabilities		
Trade and other payables	517,471	2,119,693
Markup paid	(933,266)	(1,747,064)
Income tax paid	(165,752)	(26,797)
Long term deposits paid	(26,761)	(7,198)
	(1,179)	230
Net cash used in operating activities	(1,126,958)	(1,780,829)
Cash flows from investing activities		
Investment in associated undertakings	(40,000)	-
Purchases of operating fixed assets	(15,392)	(26,859)
Markup on available-for-sale financial assets	241	-
Purchases of intangible assets	(13,600)	-
Longterm loans & advances	7,689	-
Dividend received	20,126	-
Net cash used in investing activities	(40,966)	(26,859)
Cash flows from financing activities		
Loan from director	-	(15,007)
Repayment of liabilities against assets subject to finance lease	(944)	3,782
Repurchase agreement borrowings	754,166	1,656,601
Proceeds from issuance of ordinary shares	-	291,155
Dividends paid to shareholders	(169,672)	-
Net cash generated from financing activities	583,550	1,936,538
Net increase/(decrease) in cash and cash equivalents	(584,374)	128,850
Cash equivalents at the beginning of the period	(83,863)	(23,101)
Cash and cash equivalents at the end of the period	166,237	105,749

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The annexed notes I to 16 form an integral part of these financial statements.

Chief Executive

Director

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED MARCH 31, 2006

	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	291,155	-	-	-	291,155
Shares issued against application money	83,845	(83,845)	-	-	-
Profit after taxation for the period	-	-	205,637	-	205,637
Balance as at March 31, 2005	<u>500,000</u>	<u>-</u>	<u>183,227</u>	<u>-</u>	<u>683,227</u>
Balance as at July 01, 2005	500,000	-	129,838	(12,541)	617,297
Deficit realised on disposal of investments	-	-	-	1,505	1,505
Final cash dividend	-	-	(75,000)	-	(75,000)
Interim cash dividend	-	-	(100,000)	-	(100,000)
Profit after taxation for the period	-	-	367,237	-	367,237
Surplus on revaluation of available- for-sale investments	-	-	-	727,687	727,687
Balance as at March 31, 2006	<u>500,000</u>	<u>-</u>	<u>322,075</u>	<u>716,651</u>	<u>1,538,726</u>

The annexed notes 1 to 16 form an integral part of these financial statements.

Chief Executive

Director

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD ENDED MARCH 31, 2006

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.

4. FIXED ASSETS

Details of additions during the period are as follows :-

	Unaudited March 31, 2006	Unaudited March 31, 2005
	----- (Rupees '000) -----	
Property, plant & equipment	14,382	-
Building on freehold land	6,170	49
Furniture & Fixture	6,954	1,402
Office Equipment	3,983	2,840
Computer & Accessories	981	197
Vehicles - owned	2,405	3,780
Vehicles - Leased	-	18,592
Capital-work-in-progress	13,600	-
Intangible assets		

5. LONG TERM LOANS & ADVANCES

	Unaudited March 31, 2006	Audited June 30, 2005
	----- (Rupees '000) -----	
Due from related party - director	11,383	19,072
Less: receivable within one year	(360)	(360)
	<u>11,023</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.

	Unaudited March 31, 2006	Audited June 30, 2005
Note	----- (Rupees '000) -----	

6. LONG TERM INVESTMENTS

Investment in associated undertakings - at cost	6.1	40,000	-
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- 6.1 This represents investment made in 4,000,000 fully paid ordinary shares of National Asset Management Company Limited, an unquoted public company.

7. SHORT TERM INVESTMENTS

Available for sale		
- Cost	429,686	366,362
- Excess/(Deficit) on revaluation	716,651	(12,541)
Carrying value	1,146,337	353,821
Held for trading		
- Cost	546,712	213,235
- Fair value gain/(loss) on remeasurement	14,897	(35,551)
Carrying value	561,609	177,684
	1,707,946	531,505

8. OTHER INVESTMENTS

Other investments	8.1	1,550,000	1,292,972
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- 8.1 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 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 pledged with different banks against which a financing of Rs 1,450.45 million at mark-up ranging from 8.75% to 12.25% has been obtained by the company (note 10).

9. TRADE DEPOSITS & SHORT TERM PREPAYMENTS

Exposure deposit with Karachi Stock Exchange	196,812	45,376
Prepayments	1,855	376
	198,667	45,752

10. SHORT TERM BORROWINGS

Secured		
Repurchase agreement borrowings	1,450,452	696,286
Short term running finances utilised under markup arrangement	811,646	241,983
	2,262,098	938,269

11. COMMITMENTS

In respect of:		
Forward purchase of listed equity securities	19,738	-
Forward sale of listed equity securities	73,650	-
In respect of capital expenditure contracted for but not incurred	-	1,469

	Unaudited March 31, 2006	Unaudited March 31, 2005
Note	(Rupees '000)	
12. OPERATING REVENUE		
Brokerage income	203,251	93,529
Dividend income	22,642	82,889
Underwriting & consultancy	5,560	150
	<u>231,453</u>	<u>176,568</u>
13. GAIN FROM TRANSACTIONS IN MARKETABLE SECURITIES - NET		
Income from CFS transactions	243,613	123,224
Gain on sale of investments	269,102	180,821
	<u>512,715</u>	<u>304,045</u>

14. 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 :-

	March 31, 2006		March 31, 2005
	(Rupees '000)		
	Associated Undertaking	Other Related Parties	Key Management Personnel
- Purchase of marketable securities	122,798,034	-	29,816
- Sale of marketable securities	122,667,093	-	33,906
- Brokerage income earned	15,187	-	38
- Motor vehicles leased	-	-	-
- Charge for the period in respect of contributory plan	-	825	-
- Purchase of assets	3,019	-	-
- Sale of investments to contributory plan	-	1,509	-
- Commission earned	250	-	-
- Salaries and other short term employee benefits	-	-	39,610

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	143,409	485,009
Short-term running finances	(811,646)	(379,260)
	<u>(668,237)</u>	<u>105,749</u>

16. DATE OF AUTHORISATION

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

Chief Executive

Director