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## 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".

## 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
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  
Habib 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  
Mybank Limited

### 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](http://www.fnetrade.com)

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## DIRECTORS' REVIEW

On behalf of the Board of Directors of First National Equities Limited, I am pleased to present the unaudited accounts of Company for the period ended March 31, 2007.

### Market Review

The volumes traded at the floor of Karachi Stock Exchange upto December 2006 were near to the ground. During the late phases of third quarter, market witnessed rather better volumes than first six months. The major credit of this recovery goes to keen interest by foreign investors and good fundamentals of the industrial sectors. The current rally of the market is leading by Cement, Insurance & Banking sectors.

### Financial Highlights

	For nine months ended March 31, 2007	For nine months ended March 31, 2006
	(Rupees in '000)	
Gross Revenue	463,941	744,847
Operating Profit	349,517	615,066
Profit before taxation	141,381	430,956
Less: Taxation	38,326	63,719
Profit after taxation	103,055	367,237
Earnings per Share	Rs. 2.06	Rs. 7.34

### Financial Review

We are pleased to inform our valued shareholders that your company has earned an after tax profit of Rs. 103.05 million during the nine months ended March 31, 2007. Although net earnings witnessed a decline of about 72% as compared to the period ended March 31, 2006 yet dividend income exhibits a more than cent percent increase. Similarly Admin expenses and finance costs have decreased by 12% and 14% respectively, showing strict control of management over expenditure.

### Future Outlook

The year in offing can be termed as the 'Year of Reforms'. A number of reforms were introduced to strengthen the capital market which includes, but not limited to, Client Level Netting, Cash Settled Futures, CFS MK II, ban on in-house CFS and VAR based Risk Management System. All of these reforms were the causes to depress the market at large during three quarters but we hope that strong fundamentals and foreign portfolio investment, which is at record levels by the time, will increase the capitalization.

### Acknowledgement

We would like to thank our valued clients and bankers 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 acknowledge the hard work, commitment and performance of all the employees.

**For and on Behalf of the Board**

2007

Karachi  
April 19, 2007

Ali A. Malik  
Chairman

## CONDENSED INTERIM BALANCE SHEET (UN-AUDITED) AS AT MARCH 31, 2007

	Note	Unaudited March 31, 2007	Audited June 30, 2006
		----- (Rupees '000) -----	
<b>Non-current assets</b>			
Fixed assets			
- Property, plant and equipment	4	85,492	78,331
- Intangible assets		66,820	66,820
		152,312	145,151
Long-term investments	5	42,024	40,135
Long-term loans and advances	6	-	10,849
Long-term deposits		2,237	1,889
		196,573	198,024
<b>Current assets</b>			
Short-term investments	7	1,532,127	1,598,176
Other investments		1,949,000	-
Receivable against Continuous funding system transactions / Carry over transactions		361,509	402,485
Trade debts	8	945,755	89,774
Loans and advances		38,226	5,686
Trade deposits and short-term prepayments	9	80,054	28,018
Other receivables		15,100	9,866
Taxation recoverable - net		36,401	20,980
Cash and bank balances		91,681	111,949
		5,049,853	2,266,934
<b>Current liabilities</b>			
Trade and other payables		2,165,091	316,299
Interest and mark-up accrued on borrowings		42,910	30,801
Short-term borrowings	10	1,976,450	678,823
Pre-IPO subscription towards proposed issue of term finance certificates	11	235,127	235,127
Current portion of liabilities against assets subject to finance lease		156	-
		4,419,734	1,261,050
<b>Net current assets</b>		630,119	1,005,884
<b>Non-current liabilities</b>			
Liabilities against assets subject to finance lease		422	-
Deferred tax liabilities - net		2,670	1,997
<b>Net assets</b>		823,600	1,201,911
<b>Represented by</b>			
Issued, subscribed and paid-up capital		500,000	500,000
Unappropriated profit		269,515	366,460
Surplus on revaluation of investments - available for sale	7	54,085	335,451
		823,600	1,201,911
<b>Commitments</b>	12		

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

Chief Executive

Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2007**

	Note	For the 3 months ended March 31, 2007	For the 9 months ended March 31, 2007	For the 3 months ended March 31, 2006	For the 9 months ended March 31, 2006
<b>(Rupees '000)</b>					
Operating revenue	11	134,849	452,326	302,893	744,168
Other operating income		1,731	11,615	(135)	679
		<b>136,580</b>	<b>463,941</b>	302,758	744,847
Administrative expenses		<b>35,661</b>	<b>114,424</b>	47,500	129,781
Operating profit		<b>100,919</b>	<b>349,517</b>	255,258	615,066
Share of profit of associate - net of tax	5	747	1,889	-	-
Finance costs		57,541	159,546	56,951	184,878
Other operating expenses		7,497	19,392	3,889	15,218
		<b>36,628</b>	<b>172,468</b>	194,418	414,970
Fair value gain/(loss) on re-measurement of financial assets at fair value through profit or loss account	7	38,456	(29,261)	(24,762)	14,897
Unrealised (loss) on mark to market of derivative financial instruments		(1,892)	(1,826)	1,089	1,089
Profit before taxation		<b>73,192</b>	<b>141,381</b>	170,745	430,956
Taxation		<b>11,948</b>	<b>38,326</b>	22,188	63,719
Profit after taxation		<b>61,244</b>	<b>103,055</b>	148,557	367,237
<b>(Rupees '000)</b>					
Earnings per share - basic and diluted		<b>1.22</b>	<b>2.06</b>	2.97	7.34

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

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

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## CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED MARCH 31, 2007

	Note	Unaudited March 31, 2007	Unaudited March 31, 2006
		----- (Rupees '000) -----	
<b>Cash flows from operating activities</b>			
Profit before taxation		141,381	430,956
<b>Adjustments for:</b>			
Depreciation		8,767	5,391
(Gain) on sale of investments		(114,453)	(269,102)
Share of profit from associate - net of tax		(1,889)	-
Unrealised (gain)/loss on re-measurement of financial asset carried at fair value through profit or loss - net		29,261	(14,897)
Provision for gratuity		1,953	1,104
Provision for leave fare		1,907	156
Finance costs		159,546	184,878
Dividend income		(49,175)	(22,642)
Unrealised (gain)/loss on mark to market of derivative financial instrument		1,826	(1,089)
(Gain) on sale of fixed assets		(478)	-
Mark-up on investment		(6,095)	(211)
		<u>31,170</u>	<u>(116,412)</u>
		172,551	314,544
<b>Changes in working capital</b>			
<b>Decrease / (increase) in current assets</b>			
Receivable against continuous funding system transactions / carry over transactions		40,976	(1,286,742)
Other investments		(1,949,000)	-
Trade debts		(855,981)	111,919
Loans and advances		(21,691)	(231)
Trade deposits and short-term prepayments		(52,036)	(152,915)
Other receivables		(2,898)	(9,345)
		<u>(2,840,630)</u>	<u>(1,337,314)</u>
<b>Increase in current liabilities</b>			
Trade and other payables		1,837,296	517,471
		<u>(830,783)</u>	<u>(505,299)</u>
Finance costs paid		(147,437)	(165,752)
Leave fare allowance paid		(1,515)	-
Gratuity paid		(429)	-
Income tax paid		(44,045)	(26,761)
Long-term deposits		(348)	(1,179)
		<u>(1,024,557)</u>	<u>(698,991)</u>
<b>Net cash generated / (used in) from operating activities</b>		(1,024,557)	(698,991)
<b>Cash flows from investing activities</b>			
Investment in associate		-	(40,000)
Investment in marketable securities - financial assets at fair value through profit or loss		21,228	(420,278)
Investment in available-for-sale financial assets - net		(151,353)	-
Purchases of operating fixed assets		(17,347)	(15,392)
Proceeds on sale of operating fixed assets		1,897	-
Purchase of Intangibles		-	(13,600)
Mark-up received on investments		6,095	211
Dividend received		45,013	20,126
<b>Net cash (used in) investing activities</b>		<u>(94,467)</u>	<u>(468,933)</u>
<b>Cash flows from financing activities</b>			
Liabilities against assets subject to finance lease		578	(944)
Borrowings under repurchase agreements		1,719,217	754,166
Dividends paid to shareholders		(199,449)	(169,672)
<b>Net cash generated from financing activities</b>		<u>1,520,346</u>	<u>583,550</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		401,322	(584,374)
Cash and cash equivalents at the beginning of the period		(416,874)	(83,863)
Cash and cash equivalents at the end of the period	15	<u>(15,552)</u>	<u>(668,237)</u>

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

Chief Executive

Director

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**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE PERIOD ENDED MARCH 31, 2007**

	<b>Issued, subscribed and paid-up capital</b>	<b>Unappropriated profit</b>	<b>Surplus / (deficit) on revaluation of investments</b>	<b>Total</b>
	<b>----- (Rupees '000) -----</b>			
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 @ Rs 1.50 per share for the year ended June 30, 2005 declared subsequent to year end	-	(75,000)	-	(75,000)
Interim cash dividend @ Rs.2.00 per share for the year ended June 30, 2006	-	(100,000)	-	(100,000)
Profit after taxation for the period ended March 31, 2006	-	367,237	-	367,237
Excess on revaluation of available for sale financial asset	-	-	727,687	727,687
Balance as at March 31, 2006	<u>500,000</u>	<u>322,075</u>	<u>716,651</u>	<u>1,538,726</u>
Balance as at July 01, 2006	500,000	366,460	335,451	1,201,911
Final cash dividend @ Rs 4.00 per share for the year ended June 30, 2006 declared subsequent to year end	-	(200,000)	-	(200,000)
Profit after taxation for the period ended March 31, 2007	-	103,055	-	103,055
Realised on disposal during the period	-	-	(1,710)	(1,710)
Deficit on revaluation of available for sale financial asset	-	-	(279,656)	(279,656)
Balance as at March 31, 2007	<u>500,000</u>	<u>269,515</u>	<u>54,085</u>	<u>823,600</u>

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



## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD ENDED MARCH 31, 2007

### 1 STATUS AND NATURE OF BUSINESS

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

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 approved accounting standards as applicable in Pakistan and the requirements of the Companies Ordinance, 1984. Approved accounting standards comprise of such International Financial Reporting Standards 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 (SECP) differ with the requirements of these standards, the requirements of the Companies Ordinance, 1984 or the requirements of the said directives have been followed.

### 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 March 31, 2007	Unaudited March 31, 2006
	----- (Rupees '000) -----	
Building on freehold land	-	14,382
Furniture & Fixture	2,532	6,170
Office Equipment	1,665	6,954
Computer Accessories	4,884	3,983
Vehicles - owned	7,026	981
Vehicles - leased	678	2,405

### 5 LONG TERM INVESTMENTS

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

	Unaudited March 31, 2007	Audited June 30, 2006
	----- (Rupees '000) -----	
Opening balance	40,135	-
Investment made during the period	-	40,000
Share of profit for the period - net of tax	1,889	135
	<u>42,024</u>	<u>40,135</u>

- 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 March 31, 2007.

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	Unaudited March 31, 2007	Audited June 30, 2006
	----- (Rupees '000) -----	
<b>6 LONG-TERM LOANS AND ADVANCES - Considered good</b>		
Due from related party - director	-	11,209
Less: Receivable within one year	-	(360)
	<u>-</u>	<u>10,849</u>
<b>7 SHORT TERM INVESTMENTS</b>		
<b>Available for sale</b>		
- Cost	532,701	378,703
- Excess/(Deficit) on revaluation	54,085	335,451
Carrying value	586,786	714,154
<b>Held for trading</b>		
- Cost	974,602	990,263
- Excess/(Deficit) on revaluation	(29,261)	(106,241)
Carrying value	945,341	884,022
	<u>1,532,127</u>	<u>1,598,176</u>
<b>7.1</b> This includes investment in 2,000,000 units (2006: NIL) @ Rs.10 per unit of NAMCO Balanced Fund, a related party.		
<b>8 TRADE DEBTS</b>		
As on reporting date an amount of Rs 168.73 million includes in trade debts, which was due from two customers against purchase of shares. The total purchased amount was secured against the market value of the shares at the time of purchase. Subsequently, the market value of the shares have declined and the same amount has exposed to the company. The company is in negotiations with the customers to obtain additional security and/or to settle the outstanding amount.		
<b>9 TRADE DEPOSITS AND SHORT-TERM PREPAYMENTS</b>		
Exposure deposit with Karachi Stock Exchange	77,430	26,312
Prepayments	2,624	1,706
	<u>80,054</u>	<u>28,018</u>
<b>10 SHORT TERM BORROWINGS</b>		
<b>Secured</b>		
Repurchase agreement borrowings	1,869,217	150,000
Short -term running finances utilised under mark-up arrangements	107,233	528,823
	<u>1,976,450</u>	<u>678,823</u>
<b>11 PRE-IPO SUBSCRIPTION - PROPOSED ISSUE OF TFCs</b>		
This represents the Pre-IPO (private placement) amount received by the company in respect of the proposed issue of Term Finance Certificates (TFCs). The total issue amounts to Rs.400 million out of which Rs.240 million has been received from institutional investors under Pre-IPO. The remaining amount of Rs.160 million will be raised through Initial Public Offer (IPO). The company has applied to the Securities & Exchange Commission of Pakistan (SECP) for approval for issue of the TFCs which is currently awaited. Due to the delay in approval, the management has decided to reclassify the above amount as current liability during the current period. Prior year figures have been restated as short-term.		
<b>12 COMMITMENTS</b>		
In respect of :		
Forward purchase of listed equity securities	4,677	79,950
Forward sale of listed equity securities	182,224	80,632
Capital expenditure contracted for but not incurred	146,274	31,000

### 13 OPERATING REVENUE

	For the 3 months ended March 31, 2007	For the 9 months ended March 31, 2007	For the 3 months ended March 31, 2006	For the 9 months ended March 31, 2006
	----- (Rupees '000) -----			
Brokerage	53,128	153,073	74,856	165,152
Dividend income	4,326	49,175	2,516	22,642
Commission earned	4,821	29,931	12,684	43,659
Income from continuous funding system / carry over transactions	27,684	105,694	85,945	243,613
Gain on sale of investments - net	44,890	114,453	126,892	269,102
	<u>134,849</u>	<u>452,326</u>	<u>302,893</u>	<u>744,168</u>

### 14 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	Unaudited March 31, 2007	Unaudited March 31, 2006
		----- (Rupees '000) -----	
i. Associated undertakings	Purchase of marketable securities for and on behalf of associated undertakings	192,034,721	122,798,034
	Sale of marketable securities for and on behalf of associated undertakings	191,190,135	122,667,093
	Brokerage income	23,898	15,187
	Purchase of assets	-	3,019
	Sale of assets	1,432	
	Gain on sale of assets	264	
	Commission earned	392	250
	Rent received	400	
	Long term investments made	-	40,000
	Short term investments made	20,000	
	Share of profit for the period - net of tax	1,889	
ii. Key management personnel	Purchase of marketable securities for and on behalf of key management personnel	-	29,816
	Sale of marketable securities for and on behalf of key management personnel	-	33,906
	Brokerage income earned	-	38
	Salaries & other short term employee benefits	25,355	39,610
iii. Other related parties	Charge in respect of employee contribution plan	958	825
	Sale of investments to employee contribution plan	-	1,509
	Capital gain from sale of investments to employee contribution plan	-	9

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**Balance outstanding at March 31, 2007**

	<b>Un-audited</b>		<b>Audited</b>
	<b>March 31, 2007</b>		<b>June 30, 2006</b>
	<b>(Rupees '000)</b>		
	<b>Associated undertakings</b>	<b>Other related parties</b>	<b>Total</b>
Receivable from:			
- Switch Securities	2,775	-	2,775
- MCD Pakistan Limited	2,797	-	2,797
- National Asset Management Co. Ltd.	7,170	-	7,170
- FDIBL - Trustee NAMCO Balanced Fund	-	111	111
- First Pakistan Securities Limited	40,917	-	40,917

**15 CASH AND CASH EQUIVALENTS**

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

	<b>Unaudited March 31, 2007</b>	<b>Audited June 30, 2006</b>
	<b>----- (Rupees '000) -----</b>	
Cash and bank balances	<b>91,681</b>	111,949
Short-term running finances	<b>(107,233)</b>	(528,823)
	<b><u>(15,552)</u></b>	<b><u>(416,874)</u></b>

**16 GENERAL**

- Figures have been rounded off to the nearest thousand rupees.
- Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of comparison. Significant reclassification made during the current period is in respect of income from continuous funding system / carry over transactions and gain on sale of investments - net in the comparative period. It has been shown as part of operating revenue in the current period.

**17 DATE OF AUTHORISATION**

These financial statements were authorised for issue on April 19, 2007 by the Board of Directors of the company.