

First National Bank Modaraba

Half Yearly Report
December 31, 2006

CONTENTS

| | |
|--------------------------------|---|
| Corporate Information | 1 |
| Directors’ Report | 2 |
| Auditors’ Review Report | 3 |
| Balance Sheet | 4 |
| Profit and Loss Account | 5 |
| Cash Flow Statement | 6 |
| Statement of Changes in Equity | 7 |
| Notes to the Accounts | 8 |

CORPORATE INFORMATION

| | | |
|--------------------------------|--|---|
| Board of Directors | Mr. S. Ali Raza Mr. Shahid Anwar Khan Dr . Asif A. Brohi Mr. Tajammal H. Bokharee Mr. Muhammad Nusrat Vohra Mr. Wajahat Baqai Mr. Qamar Hussain Mr. Shafiq Khan | Chairman Director Director Director Director Director Director Chief Executive |
| Chief Financial Officer | Mr. Adeel S. Ali | |
| Company Secretary | Mr. Adeel S. Ali | |
| Audit Committee | Mr. Shahid Anwar Khan Dr . Asif A. Brohi Mr. Tajammal H. Bokharee | Chairman Member Member |
| Auditors | M. Yousuf Adil Saleem & Co. (A member firm of Deloitte Touche Tohmatsu) | |
| Bankers | National Bank of Pakistan Al Baraka Islamic Bank Standard Chartered Bank Bank Alfalah Limited Habib Bank Limited Allied Bank Limited MCB Bank Limited First Women Bank Limited The Bank of Punjab The Hongkong and Shanghai Banking Corporation Limited | |
| Legal Advisor | Cornelius Lane & Mufti Advocates and Solicitors Nawa-i-Waqt House 4 - Shahrah-e-Fatima Jinnah, Lahore Tel: 6360824, Fax: 7303301 | |
| Shares Registrar | Hameed Majeed Associates (Pvt.) Limited H. M. House, 7-Bank Square, Lahore Tel: 7235081-2, Fax: 7358817 | |
| Registered Office | 5 th Floor, NBP RHQs Building, 26 - McLagon Road, Lahore Tel: 042-9211200, Fax: 042-9213247 URL: http: www.nbmodaraba.com E-mail: info@nbmodaraba.com | |

DIRECTORS' REPORT

On behalf of the Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the Management Company of First National Bank Modaraba (FNBM), I am pleased to present the half yearly report, together with financial statements of FNBM along with Review Report by the Auditors, for the six months ended December 31, 2006.

During the period under review, FNBM maintained its momentum of steady growth. The balance sheet footing remained stable at Rs. 2.016 billion as compared Rs. 2.046 billion as on June 30, 2006. However, the balance sheet registered a growth of 8.4% since the last quarter ended on September 30, 2006. From business point of view, the main focus of the Modaraba remained on lease finance. The Net Investment in Lease Finance increased by 11.6% from Rs. 1.192 billion as on June 30, 2006 to Rs. 1.330 billion as on December 31, 2006. The short term Morabaha Investments, however, were strategically reduced by 18% from Rs.535 million to Rs.438.756 million.

There was phenomenal increase in Income Statement items during the period under review as compared to last six months due to increase in the mark up rates. The income from Lease Finance increased by 24% from Rs. 54.701 million in last six months to Rs. 67.847 million in the period under review. Similarly, income from Morabaha Investments increased by 22.6% from Rs. 26.696 million to Rs. 32.730 million. This income could not be translated into an increase in net profit because of corresponding increase in the borrowing cost and low returns on capital market operations.

FNBM is making efforts to mobilize some funds through issuance of Certificates of Musharaka (COM) to diversify its borrowing portfolio as well as to reduce its cost of funds.

The Board would like to take this opportunity to thank its valued certificate holders and clients for their patronage and consistent support. Besides, the Board extends its sincere gratitude to Registrar Modarabas, SECP and Modaraba Association of Pakistan for their continued guidance and support.

For and on behalf of the Board

Shafiq Khan
Chief Executive Officer

Dated: February 20, 2007

REVIEW REPORT TO THE CERTIFICATE HOLDERS

We have reviewed the annexed balance sheet of **FIRST NATIONAL BANK MODARABA (“the Company”)** as at December 31, 2006 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 Modaraba's Company (National Bank Modaraba Management Company Limited). 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, 2006 and 2005 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2006.

We conducted our review in accordance with the International Standard on Review Engagements 2400. 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 Modaraba'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 to modarabas in Pakistan.

Date: February 20, 2007
Lahore

M. Yousuf Adil Saleem & Co.
Chartered Accountants

Half Yearly Report - December 31, 2006

BALANCE SHEET (UNAUDITED) AS AT DECEMBER 31, 2006

| | Note | December 31 2006 Rupees | June 30 2006 Rupees |
|---|------|-------------------------------|---------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and bank balances | | 11,514,486 | 13,476,172 |
| Advances, prepayments and other receivables | | 105,162,258 | 142,226,518 |
| Short-term investments | 5 | 36,935,782 | 42,573,263 |
| Short-term morabaha investment | | 438,756,510 | 535,000,000 |
| Short-term musharaka investment | | 37,010,000 | 30,000,000 |
| Current portion of non-current assets | | 442,259,108 | 413,483,064 |
| | | 1,071,638,144 | 1,176,759,017 |
| Non - current assets | | | |
| Net investment in ijarah | 6 | 913,392,677 | 837,157,393 |
| Long-term morabaha investment | | 25,000,000 | 25,518,638 |
| Long-term loans and deposits | | 919,500 | 810,583 |
| Deferred costs | | 3,840,017 | 4,840,085 |
| Fixed assets | 7 | 1,036,039 | 1,274,756 |
| | | 944,188,233 | 869,601,455 |
| Total Assets | | 2,015,826,377 | 2,046,360,472 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Creditors, accrued and other liabilities | | 39,750,160 | 42,068,357 |
| Short-term finances | | 522,436,263 | 506,544,207 |
| Certificates of Musharaka | 8 | 14,000,000 | - |
| Current portion of long-term liabilities | | 429,104,198 | 291,720,326 |
| | | 1,005,290,621 | 840,332,890 |
| Long - term loans and deposits | | | |
| Long-term security deposits | | 147,113,825 | 118,165,132 |
| Long -term finances | 9 | 578,000,000 | 792,500,000 |
| Total liabilities | | 1,730,404,446 | 1,750,998,022 |
| NET ASSETS | | 285,421,931 | 295,362,450 |
| Represented by: | | | |
| CAPITAL AND RESERVES | | | |
| Certificate capital | 10 | 250,000,000 | 250,000,000 |
| Reserves | | 35,421,931 | 45,362,450 |
| CONTINGENCIES AND COMMITMENTS | 11 | | |
| | | 285,421,931 | 295,362,450 |

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Lahore: February 20, 2007

First National Bank Modaraba

**PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR ENDED ENDED DECEMBER 31, 2006**

| | Half year ended | | Quarter ended | |
|--|------------------|-------------|------------------|-------------|
| | December 31 | December 31 | December 31 | December 31 |
| | 2006 | 2005 | 2006 | 2005 |
| Note |Rupees..... | |Rupees..... | |
| REVENUE | | | | |
| Income from ijarah | 67,847,097 | 43,167,571 | 34,840,610 | 23,256,850 |
| Profit on morabaha investment | 32,729,742 | 18,955,351 | 16,296,786 | 12,446,709 |
| Profit on musharaka investment | 2,782,672 | 1,072,667 | 952,319 | 1,072,667 |
| Profit on bank deposits | 51,440 | 132,073 | 31,011 | 75,975 |
| Dividend income | 1,223,405 | 1,748,900 | 131,905 | 204,150 |
| Gain on sale of short term investments | 326,208 | 4,543,455 | 156,312 | 2,718,361 |
| Other income | 232,184 | 160,357 | 90,889 | 74,186 |
| | 105,192,748 | 69,780,374 | 52,499,832 | 39,848,898 |
| EXPENDITURES | | | | |
| Finance cost | 78,132,949 | 42,398,287 | 39,607,374 | 27,045,316 |
| Operating expenses | 7,543,268 | 6,288,275 | 4,481,022 | 3,305,594 |
| Diminution in value of short-term investments | 936,205 | 1,145,119 | 2,251,182 | 1,048,711 |
| | 86,612,422 | 49,831,681 | 46,339,578 | 31,399,621 |
| | 18,580,326 | 19,948,693 | 6,160,254 | 8,449,277 |
| Modaraba Company's Management Fee | 1,858,033 | 1,994,869 | 616,025 | 844,928 |
| PROFIT FOR THE PERIOD | 16,722,293 | 17,953,824 | 5,544,229 | 7,604,349 |
| Unappropriated profit brought forward | 41,000,881 | 16,650,274 | 49,943,333 | 24,929,853 |
| Profit available for appropriation | 57,723,174 | 34,604,098 | 55,487,562 | 32,534,202 |
| Appropriation: | | | | |
| Transfer to statutory reserve | 3,344,459 | 3,590,765 | 1,108,846 | 1,520,870 |
| Final dividend @ Rs.1 per share related to year ended June 30, 2006 | 25,000,000 | - | - | - |
| Unappropriated profit carried forward | 29,378,715 | 31,013,333 | 54,378,716 | 31,013,332 |
| EARNINGS PER MODARABA CERTIFICATE | | | | |
| Basic and diluted | 0.67 | 0.72 | 0.22 | 0.30 |

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

| | | | |
|-----------------|----------|----------|-------------------------|
| CHIEF EXECUTIVE | DIRECTOR | DIRECTOR | CHIEF FINANCIAL OFFICER |
|-----------------|----------|----------|-------------------------|

Lahore: February 20, 2007

Half Yearly Report - December 31, 2006

CASH FLOW STATEMENT FOR THE HALF YEAR ENDED DECEMBER 31, 2006

| | December 31 2006 Rupees | December 31 2005 Rupees |
|---|-------------------------------|-------------------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit for the period | 16,722,293 | 17,953,824 |
| Adjustments for: | | |
| Depreciation / Amortization | 358,717 | 326,331 |
| Amortization of deferred costs | 1,000,068 | 994,560 |
| Diminution in value of short-term investments | 936,205 | 1,145,119 |
| Gain on sale of short-term investments | (326,208) | (4,543,455) |
| Finance cost | 78,132,949 | 42,398,287 |
| Profit on bank deposits | (51,440) | (132,073) |
| Dividend income | (1,223,405) | (1,748,900) |
| | <u>78,826,886</u> | <u>38,439,869</u> |
| | 95,549,179 | 56,393,693 |
| (Increase) / Decrease in operating assets | | |
| Advances, prepayments and other receivables | 37,402,992 | (8,399,447) |
| Short-term morabaha investment | 96,243,490 | (197,786,039) |
| Short-term musharaka investment | (7,010,000) | (176,000,000) |
| Investment in ijarah | (138,290,904) | (226,221,327) |
| Security deposits from lessees | 32,832,565 | 23,977,179 |
| Long - term morabaha investment | 2,793,536 | - |
| Long-term musharaka investment | 31,000,000 | - |
| Increase / (Decrease) in operating liabilities | 54,971,679 | (584,429,634) |
| Creditors, accrued and other liabilities | (2,611,879) | 1,661,136 |
| Cash generated from / (used in) operations | <u>147,908,979</u> | <u>(526,374,805)</u> |
| Finance cost paid | (77,839,267) | (33,726,460) |
| Income taxes paid | (248,732) | (360,944) |
| Dividend income received | 1,133,405 | 1,784,797 |
| Profit received on bank deposits | 51,440 | 99,504 |
| Net cash from / (used in) operating activities | <u>71,005,825</u> | <u>(558,577,908)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of fixed assets | (120,000) | (157,600) |
| Long-term loans and deposits | (104,239) | (201,819) |
| Short-term investments | 3,364,672 | 8,857,663 |
| Net cash from investing activities | <u>3,140,433</u> | <u>8,498,244</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Long - term finances obtained | 75,000,000 | 300,000,000 |
| Repayment of long-term finances | (156,000,000) | - |
| Increase in short-term finances | 15,892,056 | 259,064,052 |
| Finance against certificates of musharaka | 14,000,000 | - |
| Dividend paid | (25,000,000) | - |
| Net cash (used in) / from financing activities | <u>(76,107,944)</u> | <u>559,064,052</u> |
| NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS | <u>(1,961,686)</u> | <u>8,984,388</u> |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD | <u>13,476,172</u> | <u>11,079,558</u> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <u><u>11,514,486</u></u> | <u><u>20,063,946</u></u> |

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Lahore: February 20, 2007

First National Bank Modaraba

STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2006

| | Certificate capital | Capital / Statutory reserve | Net unrealised gain / (loss) in the value of securities available for sale | Unappropriated profits | Total reserves | Total equity |
|---|---------------------|-----------------------------|--|------------------------|-------------------|--------------------|
| | | | | Rupees..... | | |
| Balance as at June 30, 2005 | 250,000,000 | 4,162,568 | (5,790,287) | 16,650,273 | 15,022,554 | 265,022,554 |
| Profit for the half year ended December 31, 2005 | - | - | - | 17,953,824 | 17,953,824 | 17,953,824 |
| Transferred to statutory reserves | - | 3,590,765 | - | (3,590,765) | - | - |
| Net unrealized gain on investments available for sale | - | - | 3,416,739 | - | 3,416,739 | 3,416,739 |
| Balance as at December 31, 2005 | 250,000,000 | 7,753,333 | (2,373,548) | 31,013,332 | 36,393,117 | 286,393,117 |
| Profit for the half year ended June 30, 2006 | - | - | - | 12,484,436 | 12,484,436 | 12,484,436 |
| Transferred to statutory reserves | - | 2,496,887 | - | (2,496,887) | - | - |
| Net unrealised loss on available for sale investments | - | - | (3,515,103) | - | (3,515,103) | (3,515,103) |
| Balance as at June 30, 2006 | 250,000,000 | 10,250,220 | (5,888,651) | 41,000,881 | 45,362,450 | 295,362,450 |
| Profit for the half year ended December 31, 2006 | - | - | - | 16,722,293 | 16,722,293 | 16,722,293 |
| Transferred to statutory reserves | - | 3,344,459 | - | (3,344,459) | - | - |
| Net unrealised loss on available for sale investments | - | - | (1,662,812) | - | (1,662,812) | (1,662,812) |
| Final dividend @ Rs.1 per share related to year ended June 30, 2006 | - | - | - | (25,000,000) | (25,000,000) | (25,000,000) |
| Balance as at December 31, 2006 | 250,000,000 | 13,594,679 | (7,551,463) | 29,378,715 | 35,421,931 | 285,421,931 |

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Lahore: February 20, 2007

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2006

First National Bank Modaraba (" the Modaraba") is a multi purpose, perpetual and multi dimensional modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed there under and is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the Companies Ordinance, 1984 and registered with Registrar of Modaraba Companies. The registered office of the Modaraba is situated at 5th floor, National Bank of Pakistan, Regional Headquarters Building, 26 - McLagon Road , Lahore. The Modaraba is listed on Karachi and Lahore stock exchanges. The Modaraba commenced its business operations on December 04, 2003.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan and are in compliance with the International Accounting Standard 34 "Interim Financial Reporting" and being submitted to certificate holders as required by Section 245 of the Companies Ordinance, 1984.

These financial statements are unaudited. However, a limited scope review of these financial statements has been performed by the auditors of the Modaraba in accordance with the clause (xxi) of the Code of Corporate Governance and they have issued their review report thereon.

The accounting policies adopted for the preparation of these financial statements, are consistent with those applied in the preparation of the preceding annual published financial statements of the Modaraba for the year ended June 30, 2006.

The income of non-trading modarabas is exempt from income tax, provided not less than 90% of its profits are distributed to the certificate holders. The Modaraba intends to continue availing the tax exemption and hence no provision has been made in these financial statements for the tax liability for the six months ended December 31, 2006.

[illegible]

Commercial banks:

| | | | | | | |
|--------------------------------|---------------|--------|------------------|-----------|------------------|-----------|
| National Bank of Pakistan | - | 10,000 | - | 2,348,547 | - | 2,158,000 |
| Ordinary shares of Rs. 10 each | | | | | | |
| The Bank of Punjab | - | 400 | - | 34,826 | - | 33,160 |
| Ordinary shares of Rs. 10 each | | | | | | |
| Bank Al falah Limited | 46,666 | 46,666 | 2,842,108 | 2,842,108 | 1,957,651 | 1,866,640 |
| Ordinary shares of Rs. 10 each | | | | | | |
| Askari Commercial Bank Limited | 5,000 | 10,000 | 523,975 | 1,095,511 | 524,750 | 775,500 |
| Ordinary shares of Rs. 10 each | | | | | | |
| PICIC Commercial Bank Limited | 15,000 | 20,000 | 608,332 | 811,103 | 504,750 | 504,000 |
| Ordinary shares of Rs. 10 each | | | | | | |

First National Bank Modaraba

| Particulars | No. of shares | | Average cost | | Fair market value | |
|---|---------------------|-----------------|---------------------|-----------------|---------------------|-----------------|
| | December 31 2006 | June 30 2006 | December 31 2006 | June 30 2006 | December 31 2006 | June 30 2006 |
| | Numbers | | | | Rupees | |
| Cement: | | | | | | |
| D.G. Khan Cement Company Limited Ordinary shares of Rs. 10 each | 16,000 | 10,000 | 1,582,927 | 1,158,443 | 1,012,000 | 900,000 |
| Fauji Cement Company Limited Ordinary shares of Rs. 10 each | 25,000 | - | 492,597 | - | 377,500 | - |
| Maple Leaf Cement Factory Limited Ordinary shares of Rs. 10 each | 62,500 | 52,500 | 2,500,486 | 2,278,941 | 1,093,750 | 1,344,000 |
| Lucky Cement Limited Ordinary shares of Rs. 10 each | 15,000 | 10,000 | 1,588,608 | 1,133,117 | 900,000 | 1,048,000 |
| Chemicals: | | | | | | |
| Nimir Industrial Chemical Limited Ordinary shares of Rs. 10 each | 50,000 | 50,000 | 336,533 | 336,533 | 172,500 | 245,000 |
| Oil Marketing Company | | | | | | |
| Pakistan State Oil Ordinary shares of Rs. 10 each | 13,000 | 10,000 | 4,952,128 | 3,871,162 | 3,822,000 | 3,095,000 |
| Textile Composite: | | | | | | |
| Nishat Mills Limited Ordinary shares of Rs. 10 each | 16,000 | 10,000 | 1,878,632 | 1,438,144 | 1,404,800 | 1,048,000 |
| Chenab Limited Ordinary shares of Rs. 10 each | 20,000 | 20,000 | 472,872 | 472,872 | 202,000 | 291,000 |
| Colony Mills Limited Ordinary shares of Rs. 10 each | 120,000 | - | 1,124,316 | - | 1,044,000 | - |
| Mutual Funds: | | | | | | |
| PICIC Growth Funds Ordinary shares of Rs. 10 each | 20,000 | 20,000 | 945,370 | 945,370 | 564,000 | 632,000 |
| Refinery: | | | | | | |
| BOSICOR Pakistan Limited Ordinary shares of Rs. 10 each | 40,000 | 40,000 | 1,318,631 | 1,318,631 | 620,000 | 866,000 |
| Fertilizer: | | | | | | |
| Fauji Fertilizer Bin Qasim Limited Ordinary shares of Rs. 10 each | 40,000 | 30,000 | 1,553,683 | 1,277,628 | 1,140,000 | 877,500 |
| Insurance: | | | | | | |
| Adamjee Insurance Company Limited Ordinary shares of Rs. 10 each | - | 29,100 | - | 4,396,726 | - | 3,570,570 |
| Power Generation And Distribution: | | | | | | |
| Karachi Electric Supply Corporation Ltd Ordinary shares of Rs. 10 each | 50,000 | 50,000 | 631,729 | 631,729 | 330,000 | 390,000 |
| TOTAL | | | 23,352,927 | 26,391,391 | 15,669,701 | 19,644,370 |

Half Yearly Report - December 31, 2006

| Particulars | No. of shares / certificates | | Average cost | | Fair market value | |
|---|------------------------------|---------|-------------------|-------------------|--------------------|-------------------|
| | December 31 | June 30 | December 31 | June 30 | December 31 | June 30 |
| | 2006 | 2006 | 2006 | 2006 | 2006 | 2006 |
| |Numbers..... | | | | Rupees | |
| 5.2 Investments available for sale - Quoted | | | | | | |
| Mutual funds: | | | | | | |
| ICP ABAMCO Composite Fund Certificates of Rs. 10 each | 300,000 | 300,000 | 3,000,000 | 3,000,000 | 2,400,000 | 2,550,000 |
| Pakistan Strategic Allocation Fund Certificates of Rs. 10 each | 109,000 | 109,000 | 1,090,000 | 1,090,000 | 926,500 | 1,160,850 |
| PICIC Energy Fund Certificates of Rs. 10 each | 498,000 | 498,000 | 4,980,000 | 4,980,000 | 3,834,600 | 4,233,000 |
| Commercial Banks: | | | | | | |
| Bank Islami Pakistan Limited Ordinary shares of Rs. 10 each | 475,100 | 475,100 | 4,751,000 | 4,751,000 | 4,893,530 | 5,938,750 |
| Cement: | | | | | | |
| Dewan Hattar Cement Limited Ordinary shares of Rs. 10 each | 300,000 | 300,000 | 5,654,810 | 5,654,810 | 3,000,000 | 3,450,000 |
| Textile: | | | | | | |
| Nishat Chunian Limited Ordinary shares of Rs. 10 each | 21,270 | 21,270 | 2,082,178 | 2,082,178 | 811,451 | 976,293 |
| Power Generation: | | | | | | |
| The Hub Power Company Limited Ordinary shares of Rs. 10 each | 200,000 | 200,000 | 7,259,556 | 7,259,556 | 5,400,000 | 4,620,000 |
| TOTAL | | | 28,817,544 | 28,817,544 | 21,266,081 | 22,928,893 |
| | | | | | December 31 | June 30 |
| | | | | | 2006 | 2006 |
| 6 NET INVESTMENT IN IJARAH | | | | | Rupees | Rupees |
| Minimum ijarah rentals receivable | | | | | 1,415,422,847 | 1,300,929,724 |
| Residual value | | | | | 163,012,845 | 130,805,330 |
| Gross investment in ijarah | | | | | 1,578,435,692 | 1,431,735,054 |
| Less: Unearned finance income | | | | | 248,084,667 | 239,674,933 |
| Net investment in ijarah | | | | | 1,330,351,025 | 1,192,060,121 |
| Less: Current portion of net investment in ijarah | | | | | 416,958,348 | 354,902,728 |
| | | | | | 913,392,677 | 837,157,393 |
| 7 FIXED ASSETS - OWNED | | | | | | |
| Written down value-at beginning of period/year | | | | | 1,274,756 | 1,718,014 |
| Additions during the period/year | | | | | | |
| Tangible | | | | | | |
| Computers and accessories | | | | | - | 134,199 |
| Intangible | | | | | | |
| Software and license fee | | | | | 120,000 | 100,000 |
| | | | | | 120,000 | 234,199 |
| Less: | | | | | | |
| Depreciation / amortization charged during the period/year | | | | | 358,717 | 677,457 |
| | | | | | 1,036,039 | 1,274,756 |

First National Bank Modaraba

During the period the modaraba has issued Certificates of Musharaka which are repayable within next twelve months.The estimated share of profit payable on quarterly basis on these certificates ranges from Rs 10.05% to 10.25% per annum.

| 9 LONG-TERM FINANCES - SECURED | | December 31 | June 30 |
|--------------------------------------|--|-----------------|---------------|
| | | 2006 | 2006 |
| | | Rupees | Rupees |
| Finance under musharaka arrangements | | | |
| From National Bank of Pakistan | | 190,833,333 | 272,500,000 |
| Finance under morabaha arrangements | | | |
| From other financial institutions | | 9.1 800,666,667 | 800,000,000 |
| | | 991,500,000 | 1,072,500,000 |
| Less: Current portion | | 413,500,000 | 280,000,000 |
| | | 578,000,000 | 792,500,000 |

9.1 This includes new facility availed during the period from a commercial bank having approved limit of Rs: 75 million.The facility is repayable within three years from the date of first withdrawal in six equal semi annual installments in arrears. Profit is calculated at the rate of six months KIBOR plus spread of 1 % payable along with semi annual installments. The facility is secured against hypothecation charge, to be upgraded to first pari passu, on all present and future assets of the Modaraba to an extent of Rs: 93.813 million. Terms and conditions of all other facilities remain unchanged from as disclosed in financial statements for the year ended June 30, 2006.

| 10 CERTIFICATE CAPITAL | | | | |
|---------------------------------|------------|------------|--------------------------------------|-------------------------|
| Authorized: | | | | |
| Number of certificate | | | | |
| | 2006 | 2005 | | |
| | 60,000,000 | 60,000,000 | Modaraba certificates of Rs.10 each. | 600,000,000 600,000,000 |
| Issued, subscribed and paid up: | | | | |
| | 25,000,000 | 25,000,000 | Modaraba certificates of Rs.10 each | 250,000,000 250,000,000 |
| | | | fully paid in cash. | |

10.1 7,500,000(June 2006: 7,500,000) certificates are held by National Bank Modaraba Management Company Limited.

11 CONTINGENCIES AND COMMITMENTS

Contingencies

There was no change in the status of contingencies as stated in financial statements for the year ended June 30, 2006.

Commitments

Ijarah facilities approved but not disbursed

| | | Half year ended | | Quarter ended | |
|----|---|------------------|-------------|------------------|-------------|
| | | December 31 | December 31 | December 31 | December 31 |
| | | 2006 | 2005 | 2006 | 2005 |
| | |Rupees..... | |Rupees..... | |
| 12 | OPERATING EXPENSES | | | | |
| | Salaries, allowances and other benefits | 4,591,662 | 3,051,933 | 2,847,443 | 1,539,895 |
| | Utility expenses | 243,000 | 244,000 | 121,500 | 121,500 |
| | Communication expenses | 149,694 | 187,969 | 71,881 | 99,405 |
| | Traveling and conveyance | 6,845 | 140,315 | 2,560 | 103,845 |
| | Vehicle running expenses | 21,040 | 29,720 | 8,809 | 16,336 |
| | Postage and stamps | 70,108 | 37,875 | 59,018 | 28,914 |
| | Advertisement | 24,834 | 96,626 | 24,834 | 16,626 |
| | Legal and professional charges | 242,980 | 272,400 | 177,954 | 173,147 |
| | Auditor's remuneration | 67,489 | 35,000 | 67,489 | 35,000 |
| | Fee and subscription | 280,301 | 334,668 | 94,378 | 167,544 |
| | Repairs and maintenance | 96,908 | 67,044 | 59,173 | 42,575 |
| | Insurance | 86,968 | 107,353 | 52,144 | 69,456 |
| | Stationery, printing and other expenses | 201,159 | 163,033 | 151,763 | 142,886 |
| | Depreciation / amortization | 358,717 | 326,331 | 196,118 | 96,564 |
| | Amortization of deferred costs | 1,000,068 | 994,559 | 500,034 | 497,280 |
| | Central depository company charges | - | 19,587 | - | 13,113 |
| | Entertainment | 43,891 | 29,866 | 16,966 | 13,850 |
| | Other sundry expenses | 20,762 | 41,387 | 10,585 | 19,049 |
| | Zakat | 36,842 | 108,609 | 18,373 | 108,609 |
| | | 7,543,268 | 6,288,275 | 4,481,022 | 3,305,594 |

Half Yearly Report - December 31, 2006

13. BALANCES AND TRANSACTIONS WITH RELATED PARTIES

13.1 Modaraba management fee at the rate of 10 % of profit before tax has been recorded as payable to National Bank Modaraba Management Company Limited, under section 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

13.2 Details of other transactions with related parties and balances outstanding with them at the half year end are as follows:

| | | | December 31 2006 Rupees | December 31 2005 Rupees |
|--|---------------------------------|---------------------------------|-------------------------------|-------------------------------|
| Balances outstanding at the period end | | | | |
| National Income Daily Account with National Bank of Pakistan (running balance) | | | 9,607,750 | 12,282,267 |
| Finances under Musharaka arrangement from National Bank of Pakistan | | | 313,270,260 | 501,983,718 |
| Net investment in Ijarah finance to National Bank Limited | | | 12,771,003 | 13,703,132 |
| Transactions with related parties | | | | |
| Related Party | Relationship | Nature of Transactions | | |
| Taurus Securities Limited | Common management & control | Commission paid | 37,912 | 426,792 |
| Taurus Securities Limited | Common management & control | Purchase and sale of securities | 57,698,008 | 571,647,525 |
| National Bank Of Pakistan | Management co's holding company | Musharaka obtained | - | 243,235,828 |
| National Bank Of Pakistan | Management co's holding company | Musharaka repaid | 92,866,735 | 162,085,443 |
| National Bank Of Pakistan | Management co's holding company | Ijarah disbursed | 3,511,000 | 15,647,445 |
| National Bank Of Pakistan | Management co's holding company | Ijarah repaid | 2,286,667 | 1,944,313 |
| National Bank Modaraba Management Company Limited | Management company | Dividend paid | 7,500,000 | - |
| Profit / expenses during the period | | | | |
| National Bank Modaraba management Company Limited | Management company | Management fee | 1,858,033 | 1,994,869 |
| National Bank Of Pakistan | Management co's holding company | Profit paid | 15,700,020 | 18,711,895 |
| National Bank Of Pakistan | Management co's holding company | Profit on Ijarah | 723,871 | 298,275 |

Transactions with related parties are carried out at arm's length in the normal course of business. The consideration is computed on commercial terms and conditions except for the modaraba company's management fee as mentioned above.

14. OTHERS

There were no other significant activities since June 30, 2006 affecting the financial statements.

15. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 20, 2007 by the Board of Directors of the National Bank Modaraba Management Company Limited.

16. GENERAL

Corresponding figures have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison, the effect of which is not material.

Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Lahore: February 20, 2007