

HALF YEARLY REPORT DECEMBER 31, 2005



FIRST NATIONAL BANK MODARABA

Managed by :
National Bank Modaraba Management Company Limited
(A wholly owned subsidiary of National Bank of Pakistan)

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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 A. Baqai Mr. Qamar Hussain Mr. Shafiq Khan	Chairman Director Director Director Director Director Director Chief Executive
Chief Financial Officer	Ms. Bushra Azhar	
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. (an independent firm associated with 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	
Legal Advisor	Mandviwalla & Zafar, Advocates Zafar Chambers, 7/B-1, Aziz Avenue Canal Bank, Gulberg-V, Lahore Tel.: 5715479-82, Fax: 5715483	
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: 9211200 Fax: 9213247	

DIRECTORS' REVIEW

On behalf of the Board of Directors of National Bank Modaraba Management Company Limited (the Company), the Management Company of First National Bank Modaraba (the Modaraba), we are pleased to present the half yearly report together with the un-audited accounts for the period ended December 31, 2005. These accounts have been reviewed by the statutory auditors of the Modaraba and are accompanied by their independent review report.

During the period under review, the Modaraba has managed to enhance its portfolio considerably which now stands at Rs. 1.7 billion. The portfolio comprises of good quality clients and the risk assessment procedures of Modaraba follow a proactive approach; so as to maintain the recovery of receivables at 100%. The management has always emphasized portfolio diversification both in terms of sectoral exposure and in type of assets.

Efficient utilization of business synergies and prudent risk management procedures has resulted in net profit after tax for the half year amounting to Rs. 17.95 million. The management has focused on enhancing the asset base of the Modaraba during the half year along with a strong emphasis on good profit margins. These efforts have paid off and the Modaraba has managed to earn total income from lease/ morabaha operations amounting to Rs. 62 million as apposed to Rs. 14 million in the corresponding half year. Income from stock market investment has increased threefold from Rs. 1.9 million to Rs. 6 million in the current half year.

In only two years of operations, the Modaraba has managed to sustain steady and healthy growth in its core business segment and has achieved balance sheet footing of 1.8 billion, which is a phenomenal achievement for a Modaraba of this size. We strongly believe that continuing on this path we will be ranked among the topmost modarabas in the coming years. The Modaraba has built a strong capacity in shape of professional Human Resource and system procedures, computer software and other physical infrastructure to further expand its operations.

The board would like to place on record its gratitude for continued guidance and support extended by the Securities and Exchange Commission of Pakistan, Registrar Modarabas, State Bank of Pakistan, Karachi Stock Exchange, Lahore Stock Exchange and Modaraba Association of Pakistan. Special thanks to our certificate holders and to our clients for their commitment and trust in the Modaraba. We would also like to appreciate the Modaraba staff for their dedication and perseverance in performing their duties.

For and on Behalf of the Board

Shafiq Khan
Chief Executive Officer

Dated: February 27, 2006
Lahore

REVIEW REPORT TO THE CERTIFICATE HOLDERS

We have reviewed the annexed balance sheet of FIRST NATIONAL BANK MODARABA ("the Company") 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 Modaraba 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, 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 2400 applicable to 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 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 27, 2006
Lahore

M.Yousuf Adil Saleem & Co.,
Chartered Accountants

**BALANCE SHEET (UN-AUDITED)
AS AT DECEMBER 31, 2005**

		December 31 2005 Rupees	June 30 2005 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances		20,063,946	11,079,558
Advances, deposits, prepayments and other receivables		101,054,412	92,750,693
Short-term investments	5	31,524,351	33,566,929
Short-term murabaha finances - secured		465,129,018	267,342,979
Short-term musharaka finances - secured		145,000,000	-
Current portion of non-current assets		253,471,624	195,306,159
		<u>1,016,243,351</u>	<u>600,046,318</u>
NON-CURRENT ASSETS			
Net investment in lease / ijarah finance	6	765,017,437	596,898,560
Long-term musharika finances		31,000,000	-
Long-term loans and deposits		727,897	589,093
Deferred costs	7	5,834,645	6,829,205
Fixed assets - owned	8	1,549,283	1,718,014
		<u>804,129,262</u>	<u>606,034,872</u>
		<u>1,820,372,613</u>	<u>1,206,081,190</u>
LIABILITIES			
CURRENT LIABILITIES			
Creditors, advances, accrued and other liabilities		30,117,112	19,784,414
Short-term finances - secured	9	447,817,052	188,753,000
Current portion of long-term finances - secured		246,666,669	140,000,000
Provision for taxation		-	453,069
		<u>724,600,833</u>	<u>348,990,483</u>
LONG-TERM SECURITY DEPOSITS		110,211,999	86,234,820
LONG-TERM FINANCES-SECURED		<u>699,166,664</u>	<u>505,833,333</u>
		<u>1,533,979,496</u>	<u>941,058,636</u>
NET ASSETS		<u>286,393,117</u>	<u>265,022,554</u>
REPRESENTED BY			
CAPITAL AND RESERVES			
Autorised certificate capital		<u>600,000,000</u>	<u>600,000,000</u>
Issued, subscribed and paid up certificate capital	10	<u>250,000,000</u>	<u>250,000,000</u>
Reserves		<u>36,393,117</u>	<u>15,022,554</u>
		<u>286,393,117</u>	<u>265,022,554</u>
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The annexed notes from 1 to 16 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Lahore: February 27, 2006

**PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2005**

Note	Half year ended		Quarter ended	
	December 31	December 31	December 31	December 31
	2005	2004	2005	2004
 Rupees.....	Rupees.....	
OPERATING REVENUE				
Income from lease / ijarah	43,167,571	12,895,675	23,256,850	7,913,428
Profit on musharika finances	1,072,667	-	1,072,667	-
Profit on murabaha finances	18,955,351	1,444,534	12,446,709	1,383,091
Profit on bank deposits	132,073	322,588	75,975	56,588
Dividend income	1,748,900	1,098,850	204,150	212,500
Gain on sale of shares	4,543,455	849,629	2,718,361	560,909
Other operating income	160,357	416,920	74,186	174,114
	69,780,374	17,028,196	39,848,898	10,300,630
OPERATING EXPENSES				
Operating expenses	6,288,275	5,165,659	3,305,594	2,700,407
Financial charges	42,398,287	6,963,406	27,045,316	5,060,433
Provision / (reversal) for diminution in value of investment	1,145,119	(475,516)	1,048,711	(568,889)
	49,831,681	11,653,549	31,399,621	7,191,951
Operating profit	19,948,693	5,374,647	8,449,277	3,108,679
Modaraba Company's Management Fee @ 10%	1,994,869	537,465	844,928	310,868
PROFIT BEFORE TAXATION	17,953,824	4,837,182	7,604,349	2,797,811
Provision for taxation	-	(271,627)	-	(271,627)
PROFIT AFTER TAXATION	17,953,824	5,108,809	7,604,349	3,069,438
UNAPPROPRIATED PROFIT BROUGHT FORWARD	16,650,274	3,367,900	24,929,853	4,999,397
PROFIT AVAILABLE FOR APPROPRIATION	34,604,098	8,476,709	32,534,202	8,068,835
Appropriation				
Transfer to statutory reserve	3,590,765	1,021,762	1,520,870	613,888
UNAPPROPRIATED PROFIT CARRIED FORWARD	31,013,333	7,454,947	31,013,332	7,454,947
EARNINGS PER MODARABA CERTIFICATE				
Basic and diluted	0.72	0.20	0.30	0.12

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Lahore: February 27, 2006

**CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2005**

	December 31 2005 Rupees	December 31 2004 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	17,953,824	4,837,182
Adjustments for:		
Depreciation / Amortization	326,331	171,916
Amortization of deferred costs	994,560	994,560
Provision / (reversal) for diminution in value of investments	1,145,119	(475,516)
Gain on sale of shares	(4,543,455)	(849,629)
Financial charges	42,398,287	6,963,406
Profit on bank deposits	(132,073)	(322,588)
Dividend income	(1,748,900)	(1,098,850)
	<u>38,439,869</u>	<u>5,383,299</u>
Operating profit before changes in working capital	56,393,693	10,220,481
Changes in working capital		
(Increase) / decrease in advances, deposits, prepayments and other receivables	(8,399,447)	20,695,258
Increase in creditors, advances, accrued and other liabilities	1,661,136	14,851,707
	<u>(6,738,311)</u>	<u>35,546,965</u>
Operating profit after changes in working capital	49,655,381	45,767,446
Financial charges paid	(33,726,460)	(2,977,497)
Income taxes paid	(360,944)	(101,197)
Dividend income received	1,784,797	1,170,773
Profit received on bank deposits	99,504	716,445
Net cash flow from operating activities	<u>17,452,279</u>	<u>44,575,970</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investments in lease / ijarah finance - net	(226,221,327)	(258,360,791)
Security deposits from lessees	23,977,179	28,548,338
Fixed capital expenditure	(157,600)	(1,691,960)
Long-term loans and deposits	(201,819)	(509,267)
Short-term investments - net	8,857,663	2,158,680
Musharika finances	(176,000,000)	-
Murabaha finances	(197,786,039)	(227,014,347)
Net cash used in investing activities	<u>(567,531,943)</u>	<u>(456,869,347)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term finances obtained	300,000,000	162,500,000
Short-term finances obtained	259,064,052	235,000,000
Net cash flow from financing activities	<u>559,064,052</u>	<u>397,500,000</u>
Net increase / (decrease) in cash & cash equivalents during the period	8,984,388	(14,793,377)
Cash and bank balances at beginning of the period	11,079,558	32,425,549
Cash and bank balances at end of the period	<u>20,063,946</u>	<u>17,632,172</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 27, 2006

**STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2005**

	Certificate capital	Statutory reserves	Capital reserves Net unrealised gain / (loss) on available for sale investments	Sub total	Revenue reserves Unappropriated profits	Total reserves	Total equity
	Rupees						
Balance as at June 30,2004	250,000,000	841,975	(3,816,562)	(2,974,587)	3,367,900	393,313	250,393,313
Profit for the half year ended December 31,2004	-	-	-	-	5,108,809	5,108,809	5,108,809
Transferred to statutory reserves	-	1,021,762		1,021,762	(1,021,762)	-	-
Net unrealised gain on investments available for sale	-	-	69,296	69,296	-	69,296	69,296
Balance as at December 31, 2004	250,000,000	1,863,737	(3,747,266)	(1,883,529)	7,454,947	5,571,418	255,571,418
Profit for the half year ended June 30, 2005	-	-	-	-	11,494,157	11,494,157	11,494,157
Transferred to statutory reserves	-	2,298,831		2,298,831	(2,298,831)	-	-
Net unrealised loss on available for sale investments	-	-	(2,043,021)	(2,043,021)	-	(2,043,021)	(2,043,021)
Balance as at June 30, 2005	250,000,000	4,162,568	(5,790,287)	(1,627,719)	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	(3,590,765)	-	-
Net unrealised gain on available for sale investments	-	-	3,416,739	3,416,739	-	3,416,739	3,416,739
Balance as at December 31, 2005	250,000,000	7,753,333	(2,373,548)	5,379,785	31,013,332	36,393,117	286,393,117

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Lahore: February 27, 2006

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2005

1 STATUS AND ACTIVITIES

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.

The Modaraba is currently engaged in various islamic modes of financing and business including leasing / ijarah, musharika and murabaha arrangements.

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.

3 ACCOUNTING POLICIES

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, 2005.

4 TAXATION

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, 2005.

		December 31 2005 Rupees	June 30 2005 Rupees
5 SHORT-TERM INVESTMENTS			
Available for sale	5.1	9,186,008	17,463,613
Held for trading	5.2	22,338,343	16,103,316
		31,524,351	33,566,929
		December 31, 2005	June 30, 2005
		Average cost	Market value
5.1 Investments available for sale - Quoted	Rupees.....Rupees.....
Commercial Banks			
Faysal Bank Limited			
Nil (June 2005:22,000) Ordinary shares of Rs. 10/-each	-	-	1,352,685
Power generation and distribution:			
The Hub Power Company Limited			
200,000 (June 2005:200,000) Ordinary shares of Rs. 10/- each	7,259,556	4,800,008	7,259,548
Cement industry:			
Maple Leaf Cement Factory Limited			
Nil (June 2005: 125,000) Ordinary shares of Rs. 10/- each	-	-	4,641,667
Mutual funds:			
ICP ABAMCO Composite Fund			
300,000 (June 2005: 500,000) Certificates of Rs. 10/- each	3,000,000	2,865,000	5,000,000
Pakistan Strategic Allocation Fund			
130,000 (June 2005: 500,000) Certificates of Rs. 10/- each	1,300,000	1,521,000	5,000,000
	11,559,556	9,186,008	23,253,900
		17,463,613	

5.2 Investments held for trading - Quoted	December 31, 2005		June 30, 2005	
	Average cost	Market value	Average cost	Market value
Rupees.....	Rupees.....	
Commercial banks:				
National Bank of Pakistan				
Nil (June 2005:29,000) Ordinary shares of Rs. 10/- each	-	-	3,395,936	3,130,550
The Bank of Punjab				
15,000 (June 2005:20,000) Ordinary shares of Rs.10/- each	1,542,740	1,536,750	1,472,464	1,675,000
MCB Bank Limited				
Nil (June 2005:1,650) Ordinary shares of Rs. 10/- each	-	-	123,900	130,845
Union Bank Limited				
Nil (June 2005:20,000) Ordinary shares of Rs. 10/- each	-	-	829,833	800,000
Faysal Bank Limited				
15,300 (June 2005:Nil) Ordinary shares of Rs. 10/- each	1,125,136	1,133,730	-	-
PICIC Commercial Bank Limited				
20,000 (June 2005:Nil) Ordinary shares of Rs. 10/- each	767,954	722,000	-	-
Oil and gas exploration companies:				
Oil and Gas Development Company Limited				
Nil (June 2005:30,000) Ordinary shares of Rs. 10/- each	-	-	3,321,726	3,168,221
Chemicals:				
Pakistan PTA Limited				
75,000 (June 2005:50,000) Ordinary shares of Rs. 10/- each	630,254	603,750	499,050	400,000
Fertilizers:				
Fauji Fertilizer Bin Qasim Limited				
100,000 (June 2005:Nil) Ordinary shares of Rs. 10/- each	3,924,598	3,815,000	-	-
Synthetic and rayon:				
Dewan Salman Fibers Limited				
50,000 (June 2005:Nil) Ordinary shares of Rs. 10/- each	977,598	800,000	-	-
Textile Composite:				
Nishat Mills Limited				
15,000 (June 2005:Nil) Ordinary shares of Rs. 10/- each	1,695,917	1,702,500	-	-
Nishat Chunian Limited				
21,270 (June 2005:Nil) Ordinary shares of Rs. 10/- each	2,082,178	1,816,458	-	-
Mutual funds:				
PICIC Growth Fund				
30,000 (June 2005:Nil) Ordinary shares of Rs. 10/- each	464,426	461,280	-	-
Energy and Petroleum:				
Pakistan Oilfield Limited				
Nil (June 2005:10,000) Ordinary shares of Rs. 10/- each	-	-	2,789,029	2,820,000
Pakistan Petroleum Limited				
Nil (June 2005:12,000) Ordinary shares of Rs. 10/- each	-	-	2,640,650	2,581,200
Cement Industry				
D.G.Khan Cement Company Limited				
Nil (June 2005:25,000) Ordinary shares of Rs. 10/- each	-	-	1,403,854	1,397,500
Maple Leaf Cement Factory Limited				
192,500 (June 2005:Nil) Ordinary shares of Rs. 10/- each	8,457,298	7,651,875	-	-
Fauji Cement Company Limited				
20,000 (June 2005:Nil) Ordinary shares of Rs. 10/- each	489,050	460,000	-	-
Telecommunication:				
Pakistan Telecommunications Limited				
25,000 (June 2005: Nil) Ordinary shares of Rs. 10/- each	1,699,438	1,635,000	-	-
	<u>23,856,587</u>	<u>22,338,343</u>	<u>16,476,442</u>	<u>16,103,316</u>

		December 31 2005 Rupees	June 30 2005 Rupees
6 NET INVESTMENT IN LEASE / IJARAH FINANCE			
Minimum lease / ijarah payments receivable		1,099,437,097	848,809,549
Residual value of leased assets		<u>111,656,221</u>	<u>86,068,570</u>
Gross investment in lease / ijarah finance		1,211,093,318	934,878,119
Less: Unearned finance income		<u>192,884,520</u>	<u>142,890,648</u>
Net investment in lease / ijarah finance		1,018,208,798	791,987,471
Less: Current portion of net investment in lease / ijarah finance		<u>253,191,361</u>	<u>195,088,911</u>
		<u>765,017,437</u>	<u>596,898,560</u>
7 DEFERRED COSTS	7.1	<u>5,834,645</u>	<u>6,829,205</u>
7.1 These relate to preliminary expenses and were incurred prior to June 30, 2004.			
8 FIXED ASSETS - OWNED			
Opening written down value		1,718,014	542,246
Additions during the period			
Tangible			
Computers and accessories		57,600	159,938
Electric equipment		-	17,500
Vehicles		-	1,598,460
Intangible			
Software and license fee		100,000	-
		157,600	1,775,898
Less:			
Depreciation / amortization charged during the period		<u>326,331</u>	<u>600,130</u>
		<u>1,549,283</u>	<u>1,718,014</u>
9 SHORT-TERM FINANCES -SECURED			
Musharika finance	9.1	147,817,052	25,000,000
Murabaha finance	9.2	<u>300,000,000</u>	<u>163,753,000</u>
		<u>447,817,052</u>	<u>188,753,000</u>
9.1 The facility has been availed from National Bank of Pakistan having aggregate limit of Rs.150 million. The facility is to be used to finance the Modaraba's working capital requirement and is repayable within one year.			
9.2 During the period Modaraba enhanced its existing facility from Rs.200 million to Rs. 300 million and availed further facility of Rs. 100 million from various financial institutions, to be used for enhancement in lease / ijarah portfolio and commodity financing under Murabaha.			
10 CERTIFICATE CAPITAL			
Authorized capital			
60,000,000 (June 2005: 60,000,000) Modaraba certificates of Rs. 10/- each		<u>600,000,000</u>	<u>600,000,000</u>
Issued, subscribed and paid up capital			
25,000,000 (June 2005: 25,000,000) Modaraba certificates of Rs. 10/- each fully paid in cash		<u>250,000,000</u>	<u>250,000,000</u>
11 CONTINGENCIES AND COMMITMENTS			
Contingencies			
There were no known contingencies as at December 31, 2005. (June 2005 : Nil)			
Commitments			
Lease / ijarah contracts approved but not disbursed.		<u>181,999,977</u>	<u>103,377,492</u>

	Half year ended		Quarter ended	
	December 31	December 31	December 31	December 31
	2005	2004	2005	2004
	Rupees		Rupees	
12 OPERATING EXPENSES				
Salaries, allowances and other benefits	3,051,933	2,669,826	1,539,895	1,399,284
Utility expenses	244,000	227,500	121,500	91,000
Telephone, fax and internet charges	183,942	160,832	97,120	64,500
Traveling and conveyance	140,315	154,369	103,845	79,245
Vehicle running expenses	29,720	24,628	16,336	9,220
Postage and stamps	37,875	41,982	28,914	34,482
Advertisement	96,626	79,470	16,626	41,220
Newspaper expenses	4,027	3,102	2,285	1,512
Legal and professional charges	272,400	148,520	173,147	68,418
Auditor's remuneration	35,000	50,000	35,000	25,000
Fee and subscription	174,668	94,400	31,544	46,925
Repairs and maintenance	67,044	45,516	42,575	22,695
Insurance	107,353	24,300	69,456	22,760
Stationery, printing and other expenses	163,033	174,749	142,886	149,953
Depreciation / amortization	326,331	171,916	96,564	111,403
Amortization of deferred costs	994,559	994,560	497,280	497,280
Credit rating fee	160,000	-	136,000	-
Central depository company charges	19,587	17,693	13,113	12,841
Credit information bureau charges	3,183	-	-	-
Registration fee	19,280	-	10,230	-
Entertainment	29,866	42,223	13,850	3,915
Other sundry expenses	18,924	40,073	8,819	18,754
Zakat	108,609	-	108,609	-
	<u>6,288,275</u>	<u>5,165,659</u>	<u>3,305,594</u>	<u>2,700,407</u>

13 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, management company and its holding company. Nature and description of significant related party transactions along with monetary value are as follows:

Transactions with related parties			December 31	December 31
Related Party	Relationship	Nature of Transactions	2005	2004
			Rupees	Rupees
Taurus Securities Limited	Common management & control	Commission paid	426,792	-
Taurus Securities Limited	Common management & control	Purchase and sale of securities	571,647,525	1,380,456
National Bank of Pakistan	Management Co.'s holding company	Musharika obtained	243,235,828	175,000,000
National Bank of Pakistan	Management Co.'s holding company	Musharika repaid	162,085,443	12,500,000
National Bank of Pakistan	Management Co.'s holding company	Profit paid	18,711,895	1,654,521
National Bank Modaraba Management Company Limited	Management Company	Management fee	1,994,869	1,059,495
Balances outstanding at the period end			December 31	June 30
NIDA with National Bank of Pakistan (running balance)			2005	2005
			Rupees	Rupees
Finances under Musharika arrangement from National Bank of Pakistan			12,282,267	10,920,634
Net investment in lease / Ijarah finance to National Bank of Pakistan			501,983,718	420,833,333
Management Company's fee			13,703,132	-
			4,378,846	2,383,977

14 OTHERS

There were no other significant activities since June 30, 2005 affecting the financial statements.

15 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 27, 2006 by the board of Directors of the National Bank Modaraba Management Company Limited.

16 GENERAL

Corresponding figures have been rearranged and regrouped wherever necessary for the purpose of comparison. Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE DIRECTOR DIRECTOR CHIEF FINANCIAL OFFICER
Lahore: February 27, 2006