

half yearly
REPORT
December 31,
2010



First National Bank Modaraba

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

First National Bank Modaraba
Interim Financial Statements
For the Half Year Ended December 31, 2010

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CORPORATE INFORMATION

Board of Directors	Mr. Shahid Anwar Khan Mr. Wajahat A. Baqai Mrs. Naiyer Muzafar Husain Mr. Khawaja Waheed Raza Mr. Jamal Nasim Syed Mustafa Kamal Mr. Javaid Sadiq	Chairman Director Director Director Director Director Chief Executive Officer
Chief Financial Officer/ Company Secretary	Mr. Abbas Azam	
Audit Committee	Mr. Wajahat A. Baqai Mr. Jamal Nasim Mr. Khawaja Waheed Raza	Chairman Member Member
Auditors	Horwath Hussain Chaudhury & Co. (A member firm of Crowe Horwath International)	
Bankers	National Bank of Pakistan Standard Chartered Bank Bank Alfalah Limited Al Baraka Islamic Bank Habib Bank Limited Allied Bank Limited MCB Bank Limited First Women Bank Limited HSBC Middle East Limited Bank Islami Pakistan Limited	
Legal Advisor	Cornelius Lane & Mufti Advocates and Solicitors Nawa-i-Waqt House 4 – Shahrah-e-Fatima Jinnah, Lahore Tel.: 36360824, Fax: 36303301	
Shares Registrar	Hameed Majeed Associates (Pvt.) Limited H. M. House, 7 – Bank Square, Lahore Tel: 37235081-2, Fax: 37358817	
Registered Office	5th Floor, NBP RHQs Building, 26 – McLagon Road, Lahore Tel: 042-99211200, Fax: 042-99213247 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, 2010.

During the period under review the credit appetite of the industry remained low. However FNBM managed to attract some new business by the close of the period and extended financial facilities under both Ijarah and morahaba modes of financing. This resulted in an increase in balance sheet footing by 15.5% from Rs.1.761 billion on June 30, 2010 to Rs.2.034 billion as on December 31, 2010.

The total income increased by 13% from Rs.180.12 millions to Rs.204.341 as compared with the corresponding six months period. Finance costs reduced by 29.1%; mainly because of low average outstanding borrowings during the period under review as compared to the last year. As a result the net profit booked for the half year ended December 31, 2010 was Rs.10.38 Millions which is 45% higher than the profit booked in the corresponding half year. The EPC stood at 0.42 for the period under review as compared to 0.28 for the corresponding period.

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

Javaid Sadiq
Chief Executive Officer

Dated: February 26, 2011.

REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim balance sheet of First National Bank Modaraba ("the Modaraba") as at December 31, 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, and condensed interim statement of changes in equity for the half year then ended ("the interim financial statements"). Management of the Modaraba Management Company (National Bank Modaraba Management Company Limited) is responsible for the preparation and presentation of these interim financial statements in accordance with the approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on these interim financial statements based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2009 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2010.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial statements Performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements as of and for the half year ended December 31, 2010 are not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

LAHORE
Dated February 26, 2011.

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement Partner: Muhammad Nasir Muneer)

Half Yearly Report - December 31, 2010

CONDENSED INTERIM BALANCE SHEET (UNAUDITED)

AS AT DECEMBER 31, 2010

		(Un-audited) December 31, 2010 Rupees	(Audited) June 30, 2010 Rupees
ASSETS	NOTE		
Current Assets			
Cash and bank balances		35,679,355	5,019,214
Ijara rentals receivable		24,190,147	16,058,922
Advances, prepayments and other receivables		84,648,852	68,934,002
Accrued profit		23,167,629	17,921,146
Short term investment	5	2,225,094	1,856,657
Short term morabaha investments	6	718,803,346	595,584,052
Short term musharaka investments		-	2,500,000
Current portion of non-current assets		<u>252,281,949</u>	<u>316,255,858</u>
		1,140,996,372	1,024,129,851
Non-Current Assets			
Net investment in ijarah	7	183,199,848	254,672,831
Long term morabaha investments		30,906,125	55,271,791
Long term sukuk certificate		2,941,801	4,941,801
Long term loans and deposits		924,757	1,211,401
Fixed assets under ijarah arrangements	8	674,251,610	418,921,835
Fixed assets - Tangible	9	1,710,668	2,016,200
Intangible assets		43,762	92,092
		<u>893,978,571</u>	<u>737,127,951</u>
		2,034,974,943	1,761,257,802
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities		26,765,823	24,879,005
Accrued profit payable		21,637,091	22,228,812
Short term finances	10	710,212,663	466,728,456
Short term certificates of musharaka	11	127,153,348	80,475,882
Current portion of non-current liabilities		<u>489,281,579</u>	<u>559,343,948</u>
		1,375,050,504	1,153,656,103
Non-Current Liabilities			
Long term security deposits		138,516,092	92,956,759
Long term certificates of musharaka	12	5,000,000	-
Long term finances	13	195,833,324	174,999,995
Deferred morabaha income		3,656,126	8,105,126
		<u>343,005,542</u>	<u>276,061,880</u>
		1,718,056,046	1,429,717,983
NET ASSETS		<u><u>316,918,897</u></u>	<u><u>331,539,819</u></u>
REPRESENTED BY:			
Capital and Reserves			
Issued, subscribed and paid up certificate capital	14	250,000,000	250,000,000
Reserves		66,918,897	81,539,819
Contingencies and Commitments	15	-	-
		<u>316,918,897</u>	<u>331,539,819</u>

The annexed notes form an integral part of these condensed (un-audited) interim financial statements.

CHIEF EXECUTIVE OFFICER
Lahore: February 26, 2011

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

First National Bank Modaraba

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2010**

	NOTE	Half Year Ended		Quarter Ended	
		December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
(Un-audited)					
Income		Rupees	Rupees	Rupees	Rupees
Income from leases / ijarahs		150,784,701	113,433,843	79,479,235	61,052,560
Profit on morabaha investments		50,605,488	63,277,434	24,110,642	32,577,093
Profit on musharaka investments		518,166	2,607,827	267,479	1,257,758
Profit on bank deposits		364,705	181,946	262,367	181,946
Gain / (loss) on short term investment	16	368,437	339,682	389,003	(842,508)
Gain on sale of fixed assets		59,194	172,003	59,194	-
Other income		1,640,814	109,686	800,308	81,568
		204,341,505	180,122,421	105,368,228	94,308,417
EXPENDITURES					
Operating expenses	17	(114,136,392)	(51,229,891)	(60,153,997)	(27,361,849)
Finance cost		(78,672,804)	(110,657,964)	(41,275,148)	(53,070,937)
Impairment on available for sale investments		-	(10,319,270)	-	(8,410,989)
		(192,809,196)	(172,207,125)	(101,429,145)	(88,843,775)
Profit before Modaraba Company's management fee		11,532,309	7,915,296	3,939,083	5,464,642
Modaraba Company's management fee		(1,153,231)	(791,530)	(393,908)	(546,464)
Profit before tax		10,379,078	7,123,766	3,545,175	4,918,178
Taxation		-	-	-	-
Profit after Tax		10,379,078	7,123,766	3,545,175	4,918,178
Unappropriated profit brought forward		49,231,856	28,244,376	29,698,978	30,008,846
Profit Available for Appropriation		59,610,934	35,368,142	33,244,153	34,927,024
Appropriation:					
Transfer to statutory reserve		(2,075,816)	(1,424,753)	(709,035)	(983,635)
Dividend		(25,000,000)	-	-	-
		(27,075,816)	(1,424,753)	(709,035)	(983,635)
Unappropriated Profit Carried Forward		32,535,118	33,943,389	32,535,118	33,943,389
Earnings per Modaraba Certificate - Basic and Diluted		0.42	0.28	0.14	0.20

The annexed notes form an integral part of these condensed (un-audited) interim financial statements.

CHIEF EXECUTIVE OFFICER
Lahore: February 26, 2011

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

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CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2010

	Half Year Ended		Quarter Ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
(Un-audited)				
	Rupees	Rupees	Rupees	Rupees
Profit after taxation for the Period	10,379,078	7,123,766	3,545,175	4,918,178
<i>Other comprehensive income</i>				
Net unrealized gain in value of available for sale investments	-	16,821,982	-	8,410,991
Total Comprehensive Income for the Period	<u>10,379,078</u>	<u>23,945,748</u>	<u>3,545,175</u>	<u>13,329,169</u>

CHIEF EXECUTIVE OFFICER
Lahore: February 26, 2011

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

First National Bank Modaraba

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE PERIOD ENDED DECEMBER 31, 2010

	Half Year Ended December 31, 2010 (Un-audited)	Half Year Ended December 31, 2009 (Un-audited)
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	10,379,078	7,130,966
Adjustments:		
Depreciation / amortization	100,261,288	43,597,157
Allowance for potential morabaha losses	6,000,000	-
Impairment on available for sale investments	-	10,319,270
Gain on investment through profit or loss	(368,437)	-
Gain on sale of shares	-	(339,682)
Gain on disposal of fixed assets	(59,194)	(172,003)
Finance cost	78,672,804	110,657,964
Profit on bank deposits	(364,705)	(181,946)
	184,141,756	163,880,760
(Increase) / Decrease in operating assets		
Advances, prepayments and other receivables	(15,744,850)	(10,466,475)
Ijarah rentals receivable	(8,131,225)	-
Accrued profit	(5,246,483)	(840,244)
Short term morabaha investments - secured	(128,482,858)	71,450,300
Short term musharaka investments - unsecured	2,500,000	(87,500,000)
Net investment in leases / ijarahs	127,919,866	259,986,024
Long term morabaha finances - secured	24,916,667	73,916,666
Long term musharaka finances - secured	2,000,000	2,000,000
Long term security deposits from ijarahs - net	51,378,271	(25,451,283)
Creditors, accrued and other liabilities	1,886,817	(11,288,787)
	52,996,205	271,806,201
Cash generated from operations	247,517,039	442,817,928
Finance cost paid	(79,264,525)	(121,439,536)
Income taxes paid	-	(30,884)
Dividend income received	30,000	326,750
Profit received on bank deposits	364,705	116,594
	(78,869,820)	(121,027,077)
Net cash from operating activities	168,647,219	321,790,851
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(355,766,089)	(114,905,824)
Proceeds from disposal of fixed assets	588,082	2,404,050
Long term loans and deposits	362,594	(256,834)
Short term investments	-	24,255,321
Net cash used in investing activities	(354,815,413)	(88,503,287)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances - net	16,666,662	(148,133,335)
Short term certificates of musharaka	46,677,466	136,287,028
Long term certificates of musharaka	(65,000,000)	(20,000,000)
Short term finances	243,484,207	(204,246,172)
Dividends paid	(25,000,000)	-
Net cash from / (used in) financing activities	216,828,335	(236,092,479)
Increase / (Decrease) in cash and cash equivalents	30,660,141	(2,804,915)
Cash and cash equivalents at the beginning of the period	5,019,214	13,878,858
Cash and cash equivalents at the end of the period	35,679,355	11,073,943

CHIEF EXECUTIVE OFFICER
Lahore: February 26, 2011

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

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CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2010

Particulars	Certificate Capital	Reserves			Total Equity
		Statutory reserve	Unappropriated profit	Total reserves	
		Rupees			
		(Un-audited)			
Balance as at June 30, 2009	250,000,000	27,061,093	11,422,394	38,483,487	288,483,487
Total comprehensive income for the six months period ended December 31, 2009	-	-	23,945,748	23,945,748	23,945,748
Transfer to statutory reserve	-	1,424,753	(1,424,753)	-	-
Balance as at December 31, 2009	250,000,000	28,485,846	33,943,389	62,429,235	312,429,235
Total comprehensive income for the six months period ended June 30, 2010	-	-	19,110,584	19,110,584	19,110,584
Transfer to statutory reserve	-	3,822,117	(3,822,117)	-	-
Balance as at June 30, 2010	250,000,000	32,307,963	49,231,856	81,539,819	331,539,819
Total comprehensive income for the six months period ended December 31, 2010	-	-	10,379,078	10,379,078	10,379,078
Transfer to statutory reserve	-	2,075,816	(2,075,816)	-	-
Profit distributed for the year ended June 30, 2010	-	-	(25,000,000)	(25,000,000)	(25,000,000)
Balance as at December 31, 2010	250,000,000	34,383,779	32,535,118	66,918,897	316,918,897

CHIEF EXECUTIVE OFFICER
Lahore: February 26, 2011

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

First National Bank Modaraba

SELECTED EXPLANATORY NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED DECEMBER 31, 2010

Note 1

General Information

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 thereunder. The Modaraba 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 - Mc Lagon Road, Lahore. The Modaraba is listed on Karachi and Lahore stock exchanges. The Modaraba commenced its business operations on December 04, 2003.

Note 2

Basis of Preparation

- 2.1 These condensed interim financial statements have been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan (SECP) 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.
- 2.2 These financial statements should be read in conjunction with annual audited financial statements for the year ended June 30, 2010. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2010 whereas comparative profit and loss account, statement of changes in equity and cash flows statement are stated from unaudited interim financial information for the half year ended on December 31, 2009.
- 2.3 These financial statements have been prepared under the historical cost convention, except for short term investments that are measured at fair value in accordance with the requirements of International Accounting Standard - 39 (Financial Instruments: Recognition and Measurement).
- 2.4 These condensed interim financial statements are unaudited. However, a limited scope review of these interim 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.
- 2.5 These condensed interim financial statements are presented in Pak Rupees, which is the Modaraba's functional and presentational currency. All the figures have been rounded off to the nearest Pak Rupees unless stated otherwise.

Note 3

Accounting Policies

- 3.1 The accounting policies adopted for the preparation of these condensed interim financial statements are consistent with those applied in the preparation of published financial statements of Modaraba for the year ended June 30, 2010.
- 3.2 **New accounting standards and IFRIC interpretations that are not yet effective**

The following revised standards and interpretations, with respect to approved accounting standards as applicable in Pakistan, would be effective from the dates mentioned below:

Standards or interpretation	(Accounting periods beginning on / after)
IFRS 1 - First Time Adoption of International Financial Reporting Standard	July 01, 2011
IFRS 9 - Financial Instruments: Recognition and Measurement	January 01, 2013
IFRS 7 - Financial Instruments: Disclosures	July 01, 2010 & 2011
IAS 12 - Income Taxes	January 01, 2012

The Modaraba expects that the adoption of above standards and interpretations will have no material impact on its financial statements in the period of initial application.

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Note 4
Taxation

Under the current tax law, the income of non-trading modarabas is exempt from tax provided that they distribute ninety (90) percent of their profits as cash dividend to the certificate holders out of current period's total profit after appropriating statutory reserves. Where such profits are not distributed, provision for tax is made on taxable income at the current tax rates applicable to Modaraba after taking into account the available tax exemptions and tax credits, if any. The Modaraba intends to continue availing the tax exemption and hence no provision has been made in condensed interim financial statement for the tax liability of six months ended December 31, 2010.

Note 5	(Un-audited)	(Audited)
Short Term Investment	December 31,	June 30,
	2010	2010
	Rupees	Rupees
At fair value through profit or loss	<u>2,225,094</u>	<u>1,856,657</u>

5.1 This represents 28,965 (June 30, 2010: 28,965) fully paid ordinary shares of National Bank of Pakistan.

Note 6	(Un-audited)	(Audited)
Short Term Morabaha Investments	December 31,	June 30,
	2010	2010
	Rupees	Rupees
Short term morabaha investments (Secured)	705,883,008	577,400,150
Unearned morabaha income	<u>20,420,338</u>	<u>19,683,902</u>
	726,303,346	597,084,052
Less: Allowance for potential morabaha losses	<u>(7,500,000)</u>	<u>(1,500,000)</u>
	<u>718,803,346</u>	<u>595,584,052</u>

6.1 These represent investments under morabaha arrangements on deferred payment basis at specified profit margins. These investments carry profit at the rate of 14.10% to 17.36% (June 30, 2010: 14.10% to 16.44%) per annum and are secured against charge over fixed and current assets, personal guarantees of directors of customer companies, demand promissory notes and post dated cheques varying from case to case basis.

Note 7	(Un-audited)	(Audited)
Net Investment in Ijarah	December 31,	June 30,
	2010	2010
	Rupees	Rupees
Minimum ijarah rentals receivable	321,865,892	467,511,242
Residual value of ijarah assets	<u>102,959,740</u>	<u>106,916,892</u>
Gross investment in ijarah (secured)	424,825,632	574,428,134
Less: Unearned finance income	<u>(48,439,418)</u>	<u>(70,121,974)</u>
Net investment in lease ijarah finance	376,386,214	504,306,160
Less: Allowance for potential ijarah losses	<u>(4,920,743)</u>	<u>(4,920,743)</u>
Less: Current portion of net investment in ijarah	<u>(188,265,703)</u>	<u>(244,712,586)</u>
	<u>183,199,768</u>	<u>254,672,831</u>

Note 8	(Un-audited)	(Audited)
Fixed Assets Under Ijara Arrangements	December 31,	June 30,
	2010	2010
	Rupees	Rupees
Written down value at the beginning of the period / year	418,921,835	209,889,450
Additions at cost	355,766,089	321,975,378
Less: Written down value of vehicles disposed off	<u>(528,888)</u>	<u>(2,524,578)</u>
	774,159,036	529,340,250
Less: Depreciation charged during the period / year	<u>(99,907,426)</u>	<u>(110,418,415)</u>
	<u>674,251,610</u>	<u>418,921,835</u>

First National Bank Modaraba

Note 9 Fixed Assets - Tangible	(Un-audited) December 31, 2010	(Audited) June 30, 2010
	Rupees	Rupees
Written down value at the beginning of the period / year	2,016,200	1,397,834
Additions at cost	-	1,343,347
	<u>2,016,200</u>	<u>2,741,181</u>
Less: Depreciation charged during the period / year	<u>(305,532)</u>	<u>(724,981)</u>
	<u><u>1,710,668</u></u>	<u><u>2,016,200</u></u>

Note 10 Short Term Finance - Secured	(Un-audited) December 31, 2010	(Audited) June 30, 2010
	Rupees	Rupees
Finance under musharaka arrangements		
National Bank of Pakistan (NBP)	175,299,370	155,068,981
Finance under morabaha arrangements		
Other financial institutions	<u>534,913,293</u>	<u>311,659,475</u>
	<u><u>710,212,663</u></u>	<u><u>466,728,456</u></u>

10.1 The aggregate unavailed short term borrowing facilities amount to Rs. 339.787 million (2010: Rs. 733.271 million). These combined facilities of Rs. 1,050 million (June 30, 2010: Rs. 1,150 million) obtained from various financial institutions that are payable within one year and carry mark up at the rate of one month KIBOR to one / three months KIBOR plus 3.00% (June 30, 2010: one month KIBOR to one / three months KIBOR plus 2.00%) per annum. These facilities are secured against first pari passu charge on all the present and future receivables of the Modaraba; joint pari passu charge over all leased assets; present and future current and non-current assets of the Modaraba and first pari passu hypothecation charge over present and future current assets of the Modaraba.

Note 11
Short Term Certificates of Musharaka - Unsecured

These represents Certificates of Musharaka (COMs) through private placements. COMs have different denominations and are repayable within twelve months. The estimated share of profit on these COMs ranges from 11% to 13.66% (June 30, 2010 ranges from 11% to 13.50%) per annum.

Note 12 Long Term Certificates of Musharaka - Unsecured	(Un-audited) December 31, 2010	(Audited) June 30, 2010
	Rupees	Rupees
Certificates of Musharaka	55,000,000	120,000,000
Less: current portion	<u>(50,000,000)</u>	<u>(120,000,000)</u>
	<u><u>5,000,000</u></u>	<u><u>-</u></u>

12.1 This represents Certificate of Musharaka (COM) through private placement. The estimated share of profit on COM is 12.59% per annum.

Note 13 Long Term Finance - Secured	(Un-audited) December 31, 2010	(Audited) June 30, 2010
	Rupees	Rupees
Finance under musharaka arrangements - From National Bank of Pakistan	195,833,321	304,166,658
Finance under morabaha arrangements - From other financial institutions	<u>337,500,004</u>	<u>212,500,005</u>
	<u>533,333,325</u>	<u>516,666,663</u>
Less: Current portion	<u>(337,500,001)</u>	<u>(341,666,668)</u>
	<u><u>195,833,324</u></u>	<u><u>174,999,995</u></u>

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Note 14 Certificate Capital	(Un-audited) December 31, 2010 Rupees	(Audited) June 30, 2010 Rupees
60,000,000 (June 30, 2010: 60,000,000) authorized		
Modaraba certificates of Rs. 10 each	<u>600,000,000</u>	<u>600,000,000</u>
25,000,000 (June 30, 2010: 25,000,000) issued, subscribed and paid up		
Modaraba certificates of Rs. 10 each	<u>250,000,000</u>	<u>250,000,000</u>

12.1 7,500,000 (June 30, 2010: 7,500,000) certificates are held by National Bank Modaraba Management Company Limited, a related party.

Note 15 Contingencies and Commitments	(Un-audited) December 31, 2010 Rupees	(Audited) June 30, 2010 Rupees
There were no known contingencies as at December 31, 2010.		
Commitments - facilities approved but not disbursed	<u>20,840,300</u>	<u>61,108,000</u>

Note 16 Gain / (Loss) on Short Term Investments	Half year ended - Unaudited		Quarter ended - Unaudited	
	December 31, 2010 Rupees	December 31, 2009 Rupees	December 31, 2010 Rupees	December 31, 2009 Rupees
(Loss) / gain on sale of short-term investments	-	(2,048,107)	-	(2,048,107)
Dividend income	-	331,220	-	156,970
Unrealized gain / (loss) in value of short-term investments	368,437	2,056,569	389,003	1,048,629
	<u>368,437</u>	<u>339,682</u>	<u>389,003</u>	<u>(842,508)</u>

Note 17 Operating Expenses	Half year ended - Unaudited		Quarter ended - Unaudited	
	December 31, 2010 Rupees	December 31, 2009 Rupees	December 31, 2010 Rupees	December 31, 2009 Rupees
Salaries, allowances and benefits	6,136,626	6,188,480	3,156,049	2,712,432
Communication expenses	110,601	134,482	65,442	55,584
Travelling and conveyance	106,644	135,869	100,164	73,252
Vehicle running expenses	73,608	102,597	39,051	44,863
Postage and stamps	52,458	46,714	32,523	20,072
Advertisement	102,880	32,602	77,880	32,602
Legal and professional charges	197,882	154,452	158,920	108,186
Auditor's remuneration	88,000	88,000	88,000	88,000
Fees and subscription	505,218	269,405	449,484	144,698
Repairs and maintenance	122,227	115,338	94,372	64,102
Insurance	88,810	97,929	54,961	66,471
Stationery, printing and other expenses	196,635	172,308	189,711	27,574
Depreciation / amortization	100,261,288	43,597,157	52,593,017	23,899,214
Allowance for potential morabaha losses	6,000,000	-	3,000,000	-
Entertainment	31,689	48,754	12,311	8,893
Other sundry expenses	61,826	39,304	42,112	9,406
Zakat	-	6,500	-	6,500
	<u>114,136,392</u>	<u>51,229,891</u>	<u>60,153,997</u>	<u>27,361,849</u>

First National Bank Modaraba

Note 18
Balances and Transactions with Related Parties

18.1 10% Modaraba management fee 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.

18.2 Details of transactions with related parties and balances outstanding with them at the period end are as follows:

	(Un-audited) December 31, 2010	(Un-audited) December 31, 2009
	Rupees	Rupees
Balance outstanding at the period end:		
NIDA with National Bank of Pakistan (running balance)	7,874,127	5,777,443
Finances under musharaka arrangement form National Bank of Pakistan	371,132,691	487,788,750
Net investments in lease / ijarah finance to National Bank of Pakistan	101,842,318	42,999,461
Current accounts with National Bank of Pakistan	2,587,846	636,471

Transactions during the period

Related party	Relationship	Nature of Transaction		
Taurus Securities Limited	Common management and control	Commission paid	-	54,585
Taurus Securities Limited	Common management and control	Purchase and sale of securities	-	31,712,815
National Bank of Pakistan	Management company's holding company	Musharaka obtained - net	20,230,389	50,000,000
National Bank of Pakistan	Management company's holding company	Musharaka repaid	108,333,334	180,527,999
National Bank of Pakistan	Management company's holding company	Ijarah distributed	57,171,370	25,684,500
National Bank of Pakistan	Management company's holding company	Ijarah repaid	23,163,222	11,516,623
Profit / expense during the period				
National Bank Modaraba Management Company Limited	Management company	Management fee	1,153,231	791,530
National Bank of Pakistan	Management company's holding company	Profit on finances obtained	22,572,680	34,134,448
National Bank of Pakistan	Management company's holding company	Profit on Ijarah facility extended	6,408,480	2,152,308

Transactions with related parties are carried out at arm's length in the normal course of business. The method used for computation of consideration is comparable uncontrolled price method except for the Modaraba company's management fee as mentioned above.

Note 19
Date of Authorization for Issue

These condensed interim financial statements have been approved by the board of directors of National Bank Modaraba Management Company Limited and authorized for issue on February 26, 2011.

Note 20
General

No significant re-arrangements have been made in comparative condensed interim financial statements.

CHIEF EXECUTIVE OFFICER
Lahore: February 26, 2011

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

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