

HALF YEAR REPORT DECEMBER 31, 2007



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

Half Yearly Report

December 31, 2007

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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 Baqai Mr. Qamar Hussain Mr. Shafiq Khan	Chairman Director Director Director Director Director Director Chief Executive
Chief Financial Officer/ Company Secretary	Mr. Abbas Azam	
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 Hongkong & Shanghai Banking Corp. Limited	
Legal Advisor	Cornelius Lane & Mufti Advocates and Solicitors Nawa-i-Waqt House 4-Shahrah-e-Fatima Jinnah, Lahore Tel : 6360824 Fax : 6303301	
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 Mc Lagon Road, Lahore Tel: 042-9211200, Fax: 042-9213247 URL: http://www.nbmodaraba.com E-mail: info@nbmodaraba.com	

Quarterly Report - December 31, 2007

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, 2007.

During the period under review, in the environment of low credit appetite of the industry, FNBM tried to maintain its balance sheet size. The balance sheet footing stood at Rs. 2.171 billion which was slightly higher than Rs.2,161 billion as on September 30, 2007. From business point of view, the main focus of FNBM remained the reinvestment of amounts recovered/realized from Ijarah and morahaba investments. The Net Investment in Ijarah Finance stood at Rs.1.350 billion as compared to Rs.1.335 billion on June 30, 2007. The short term Morabaha Investment, increased by 4.5% during the period from Rs.542 million to Rs.566 million.

There was a reasonable increase in Income Statement items during the period under review as compared to corresponding six months period in the last year. The income from Ijarah Finance increased by 13.3% from Rs. 67.847 million in the corresponding six months period to Rs. 76.862 million in the period under review. Similarly, income from Morabaha Investments increased by 6.7% from Rs.32.729 million to Rs.34.978 million. This increase in income translated into an increase in net profit by 11%. It was mainly due to reduction in average borrowing cost through effective utilization of cheaper short term funds instead of comparatively expensive long term funds. Although it has slightly affected the reported current ratio, however, FNBM had at its disposal un-utilized long-term financing facilities amounting to Rs.250 Millions that could have been availed to report a better current ratio.

The Institute of Chartered Accountants of Pakistan issued IFAS-2 'Ijarah' which was promulgated by the Securities and Exchange Commission of Pakistan ("SECP") vide an SRO dated May 22, 2007 and is operative for financial statements covering the period beginning on or after July 01, 2007. Modaraba Association of Pakistan has applied to SECP for the deferment of this IFAS on the basis that the period given for its implementation is very short for making necessary changes in the existing accounting & MIS systems of many Modarabas; also immediate implementation of the IFAS would change the pattern of income recognition over the Ijarah period and would effect the distribution of dividends to certificate holders in initial periods. FNBM has not yet adopted the standard as the decision of SECP is waited, and it is expected that atleast one year deferment would be granted.

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 22, 2008

First National Bank Modaraba

REVIEW REPORT TO THE CERTIFICATE HOLDERS

Introduction

We have reviewed the annexed condensed interim balance sheet of FIRST NATIONAL BANK MODARABA ("the Modaraba") as at December 31, 2007 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (here-in-after referred to as the "financial information"). These financial information are the responsibility of the Modaraba Management Company (National Bank Modaraba Management Company Limited). Our responsibility is to issue a report on these interim financial information based on our review. The figures of condensed interim profit and loss account for quarters ended December 31, 2007 and 2006 have not been reviewed, as we are required to review only cumulative figures for half year ended December 31, 2007

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410. This standard requires that we plan and perform the review to obtain moderate assurance as to whether the interim financial information is 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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the annexed interim financial information are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable to modarabas in Pakistan

**Date: February 22, 2008
Lahore**

**M. Yousaf Adil Saleem & Co.
Chartered Accountants**

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

	Note	December 31 2007 Rupees	June 30 2007 Rupees
ASSETS			
Current assets			
Bank balances		27,493,074	6,794,280
Advances, prepayments and other receivables		117,543,639	169,920,853
Short-term investments	5	26,239,500	28,153,349
Short-term morabaha investments		566,826,644	542,566,025
Current portion of non-current assets		487,273,993	490,635,137
		1,225,376,850	1,238,069,644
Non - current assets			
Net investment in ijarah	6	867,768,501	890,364,786
Long-term morabaha investments		32,586,397	27,434,272
Long-term musharaka investments		41,000,000	41,000,000
Long-term loans and deposits		1,107,560	933,712
Deferred costs		1,839,881	2,839,949
Fixed assets	7	1,368,831	853,450
		945,671,170	963,426,169
Total Assets		2,171,048,020	2,201,495,813
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities		62,125,092	47,585,066
Short-term finances	8	501,612,603	429,582,772
Certificates of musharaka	9	192,200,000	156,700,000
Current portion of long-term liabilities		544,458,474	599,831,615
		1,300,396,169	1,233,699,453
Long - term loans and deposits			
Long-term security deposits		171,729,947	167,771,631
Long-term finances	10	390,166,671	479,500,008
Deferred morabaha income		7,586,397	7,434,272
		569,483,015	654,705,911
Total Liabilities		1,869,879,184	1,888,405,364
NET ASSETS		301,168,836	313,090,449
Represented by:			
CAPITAL AND RESERVES			
Certificate capital	11	250,000,000	250,000,000
Reserves		51,168,836	63,090,449
CONTINGENCIES AND COMMITMENTS	12	301,168,836	313,090,449

The annexed notes from 1 to 18 form part of these interim financial information

CHIEF EXECUTIVE
Lahore: February 22, 2008

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

First National Bank Modaraba

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED) FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2007

	Half year ended		Quarter ended	
	December 31	December 31	December 31	December 31
	2007	2006	2007	2006
Note Rupees Rupees	
REVENUE				
Income from ijarah	76,862,612	67,847,097	38,262,241	34,840,610
Profit on morabaha investments	34,978,998	32,729,742	15,993,677	16,296,786
Profit on musharaka investments	2,700,417	2,782,672	1,346,141	952,319
Profit on bank deposits	55,011	51,440	35,511	31,011
(Loss)/gain on short-term investments	13 (371,083)	613,408	278,684	(1,962,965)
Other income	277,268	232,184	183,419	90,889
	114,503,223	104,256,543	56,099,673	50,248,650
EXPENDITURES				
Finance cost	85,713,796	78,132,949	43,115,755	39,607,374
Operating expenses	14 8,163,863	7,543,268	4,849,066	4,481,022
	93,877,659	85,676,217	47,964,821	44,088,396
	20,625,564	18,580,326	8,134,852	6,160,254
Modaraba Company's Management Fee	2,062,556	1,858,033	813,485	616,025
PROFIT FOR THE PERIOD	18,563,008	16,722,293	7,321,367	5,544,229
Un-appropriated profit brought forward	49,214,141	41,000,881	58,207,454	49,943,333
Profit available for appropriation	67,777,149	57,723,174	65,528,821	55,487,562
Appropriation:				
Transfer to statutory reserve	3,712,602	3,344,459	1,464,274	1,108,846
Profit distribution @ Rs. 1.20 per modaraba certificate for the year ended June 30, 2007 (2006: Re. 1 per modaraba certificate)	(30,000,000)	(25,000,000)	(30,000,000)	(25,000,000)
Un-appropriated profit carried forward	34,064,547	29,378,715	34,064,547	29,378,716
EARNINGS PER MODARABA CERTIFICATE				
Basic and diluted	0.74	0.67	0.29	0.22

The annexed notes from 1 to 18 form part of these interim financial information

CHIEF EXECUTIVE
Lahore: February 22, 2008

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

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CONDENSED INTERIM CASH FLOW STATEMENT(UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2007

	December 31 2007 Rupees	December 31 2006 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	18,563,008	16,722,293
Adjustments for:		
Depreciation/amortization	289,911	358,717
Amortization of deferred costs	1,000,068	1,000,068
Diminution due to change in value of short-term investments	439,549	936,205
Loss / (gain) on sale of short-term investments	1,100,119	(326,208)
Finance cost	85,713,796	78,132,949
Profit on bank deposits	(55,011)	(51,440)
Dividend income	(1,168,585)	(1,223,405)
	<u>87,319,847</u>	<u>78,826,886</u>
	105,882,855	95,549,179
Decrease in advances, prepayments and other receivables	52,032,715	37,402,992
(Increase)/decrease in short-term morabaha investments	(24,991,953)	96,243,490
Increase in short-term musharaka investments	-	(7,010,000)
Decrease/(increase) in net investment in ijarah	8,614,243	(138,290,904)
(Increase)/decrease in security deposits	(4,945,034)	32,832,565
Decrease in long - term morabaha investments	30,000,000	2,793,536
Decrease in long-term musharaka investments	-	31,000,000
Increase/(decrease) in creditors, accrued and other liabilities	17,872,175	(2,611,879)
	<u>78,582,146</u>	<u>52,359,800</u>
Cash generated from operations	184,465,001	147,908,979
Finance cost paid	(89,045,945)	(77,839,267)
Income taxes paid	(14,084)	(248,732)
Dividend income received	1,444,155	1,133,405
Profit received on bank deposits	138,024	51,440
	<u>138,024</u>	<u>51,440</u>
Net cash from operating activities	96,987,151	71,005,825
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(805,292)	(120,000)
Long-term loans and deposits	(235,789)	(104,239)
(Increase)/decrease in short-term investments	(110,440)	3,364,672
Net cash (used in)/flow from investing activities	(1,151,521)	3,140,433
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term finances obtained	200,000,000	75,000,000
Payment of long-term finances	(352,666,667)	(156,000,000)
Increase in short-term finances	72,029,831	15,892,056
Finance against certificates of musharaka	35,500,000	14,000,000
Profit distribution to modaraba certificate holders	(30,000,000)	(25,000,000)
Net cash used in financing activities	(75,136,836)	(76,107,944)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	20,698,794	(1,961,686)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	6,794,280	13,476,172
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>27,493,074</u>	<u>11,514,486</u>

The annexed notes from 1 to 18 form part of these interim financial information

CHIEF EXECUTIVE
Lahore: February 22, 2008

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

First National Bank Modaraba

CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2007

	Certificate capital	Statutory reserve	Net unrealized gain / (loss) in the value of securities available for sale	Un-appropriated profit	Total reserves	Total equity
	Rupees					
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 reserve	-	3,344,459	-	(3,344,459)	-	-
Net unrealized loss in the value of securities available for sale	-	-	(1,662,812)	-	(1,662,812)	(1,662,812)
Profit distribution @ Re.1 per modaraba certificate for the 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
Profit for the half year ended June 30, 2007	-	-	-	24,794,282	24,794,282	24,794,282
Transferred to statutory reserve	-	4,958,856	-	(4,958,856)	-	-
Net unrealized gain in the value of securities available for sale	-	-	2,874,236	-	2,874,236	2,874,236
Balance as at June 30, 2007	250,000,000	18,553,535	(4,677,227)	49,214,141	63,090,449	313,090,449
Profit for the half year ended December 31, 2007	-	-	-	18,563,008	18,563,008	18,563,008
Transferred to statutory reserve	-	3,712,602	-	(3,712,602)	-	-
Net unrealized loss in the value of securities available for sale	-	-	(484,621)	-	(484,621)	(484,621)
Profit distribution @ Rs. 1.20 per modaraba certificate for the year ended June 30, 2007	-	-	-	(30,000,000)	(30,000,000)	(30,000,000)
Balance as at December 31, 2007	250,000,000	22,266,137	(5,161,848)	34,064,547	51,168,836	301,168,836

Statutory reserve represents profit set aside to comply with the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan.

The annexed notes from 1 to 18 form part of these interim financial information

CHIEF EXECUTIVE
Lahore: February 22, 2008

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

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SELECTED EXPLANATORY NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER AND HALF YEAR ENDED DECEMBER 31, 2007

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 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 and is currently engaged in various Islamic modes of financing and business including Ijarah, musharaka and morabaha arrangements.

2 BASIS OF PREPARATION

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

These interim financial information are un-audited. However, a limited scope review of this interim financial information has been performed by 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 interim financial information, are consistent with those applied in the preparation of published financial statements of Modaraba for the year ended June 30, 2007.

3.1 New accounting standards, interpretations and amendments that are not yet effective

International Financial Reporting Standards ("IFRSs") and interpretations of accounting standards stated in note 2.2 to the published financial statements for the year ended June 30, 2007 are not either relevant to Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than increased disclosures in certain cases; and

The Islamic Financial Accounting Standard ("IFAS") - 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was promulgated by the Securities and Exchange Commission of Pakistan ("SECP") vide an SRO dated May 22, 2007. As per the above SRO, this IFAS has to be followed for the purposes of preparation of the financial statements of Modarabas while accounting for the 'Ijarah' (lease) transaction. Ijarah has been defined in the above IFAS as 'a contract whereby the owner of an asset other than consumable, transfers its usufruct to another person for an agreed period for an agreed consideration'. These transactions have to comply with the shariah essentials in order to qualify as an 'Ijarah' arrangement.

Under the above IFAS-2, the 'Ijarah' transactions shall be accounted for in the following manner in the books and records of the Modaraba:

- Muj'ir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of asset, distinguished from the assets in own use.

- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as an expense.

- Ijarah income shall be recognized in income on accrual basis as and when rental become due, unless another systematic basis is more representative of the time pattern in which benefit of the use derived from leased asset diminished.

The above IFAS is operative for financial statements covering the period beginning on or after July 01, 2007 and is required to be followed on those Ijarah which commence after the above mentioned date. The Modaraba Association of Pakistan has applied to Securities and Exchange Commission of Pakistan for deferment of the effective date of the said IFAS. It is expected that at least one year deferment will be granted.

Currently the interim financial information of Modaraba has been prepared under the requirements of IAS-17 "Leases"

4 TAXATION

The income of non-trading Modaraba 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 interim financial information for tax liability of six months ended December 31, 2007.

First National Bank Modaraba

5	SHORT-TERM INVESTMENTS	Note	December 31		June 30		
			2007		2007		
			Rupees		Rupees		
	Held for trading	5.1	14,594,360		16,023,588		
	Available for sale	5.2	11,645,140		12,129,761		
			<u>26,239,500</u>		<u>28,153,349</u>		
Particulars	No. of shares/Certificates		Average cost		Fair market value		
	December 31	June 30	December 31	June 30	December 31	June 30	
	2007	2007	2007	2007	2007	2007	
 Numbers				Rupees		
5.1	Investments held for trading - Quoted						
	Commercial banks:						
	MCB Bank Limited	-	10,000	-	3,701,390	-	3,650,000
	Ordinary shares of Rs. 10 each						
	The Bank of Punjab	6,300	-	652,567	-	616,455	-
	Ordinary shares of Rs. 10 each						
	Habib Bank Limited	20,000	-	5,562,872	-	4,801,000	-
	Ordinary shares of Rs. 10 each						
	NIB Bank Limited	25,000	-	574,104	-	546,250	-
	Ordinary shares of Rs. 10 each						
	Cement:						
	Maple Leaf Cement Factory Limited	30,000	78,125	818,990	2,695,797	576,000	1,910,138
	Ordinary shares of Rs. 10 each						
	Chemicals:						
	Engro Chemical Pakistan Limited	-	10,000	-	2,541,003	-	2,540,000
	Ordinary shares of Rs. 10 each						
	Energy and Petroleum:						
	Pakistan Petroleum Limited	-	100	-	26,578	-	26,250
	Ordinary shares of Rs. 10 each						
	Sui Southern Gas Company Limited	-	50,000	-	1,395,275	-	1,302,500
	Ordinary shares of Rs. 10 each						
	Oil and Gas Exploration:						
	Oil and Gas Development Company Limited	37,900	20,000	4,953,974	2,501,293	4,527,155	2,399,000
	Ordinary shares of Rs. 10 each						
	Textile Composite:						
	Chenab Limited	-	10,000	-	236,436	-	149,000
	Ordinary shares of Rs. 10 each						
	Mutual Funds:						
	PICIC Growth Funds	50,000	50,000	1,954,771	1,954,770	1,425,000	1,695,000
	Certificates of Rs. 10 each						
	Refinery:						
	BOSICOR Pakistan Limited	-	64,000	-	1,558,634	-	1,139,200
	Ordinary shares of Rs. 10 each						
	Fertilizer:						
	Fauji Fertilizer Bin Qasim Limited	-	10,000	-	1,251,250	-	1,212,500
	Ordinary shares of Rs. 10 each						
	Telecommunication						
	Pakistan Telecommunication Company Ltd.	50,000	-	2,355,469	-	2,102,500	-
	Ordinary shares of Rs. 10 each						
	TOTAL			<u>16,872,747</u>	<u>17,862,426</u>	<u>14,594,360</u>	<u>16,023,588</u>

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Particulars	Note	No. of shares/Certificates		Average cost		Fair market value	
		December 31	June 30	December 31	June 30	December 31	June 30
		2007	2007	2007	2007	2007	2007
	NumbersNumbers Rupees Rupees	
5.2 Investments available for sale - Quoted							
Mutual funds:							
UTP/Large Capital Fund Certificates of Rs. 10 each		300,000	300,000	3,000,000	3,000,000	2,430,000	2,535,000
Pakistan Strategic Allocation Fund Certificates of Rs. 10 each		109,000	109,000	1,090,000	1,090,000	991,900	1,144,500
PICIC Energy Fund Certificates of Rs. 10 each		498,000	498,000	4,980,000	4,980,000	3,735,000	3,735,000
Cement:							
Dewan Hattar Cement Limited Ordinary shares of Rs. 10 each	5.2.1	-	300,000	-	5,654,810	-	3,840,000
Dewan Cement Limited Ordinary shares of Rs. 10 each		225,000	-	5,654,810	-	3,701,250	-
Textile:							
Nishat Chunian Limited Ordinary shares of Rs. 10 each		21,270	21,270	2,082,178	2,082,178	786,990	875,261
TOTAL	5.2.2			16,806,988	16,806,988	11,645,140	12,129,761

5.2.1 Shares of Dewan Hattar Cement Limited were converted to shares of Dewan Cement Limited in ratio of three shares for every four held by the Modaraba.

5.2.2 The above investments specified in note 5.2 represents fund set aside by the Modaraba to comply with the requirements of the Registrar of Modarabas for the issuance of certificates of musharaka. This fund is maintained at minimum of 5.00 % of the certificates of musharaka outstanding at any month end.

6	NET INVESTMENT IN IJARAH	Note	December 31	June 30
			2007	2007
			Rupees	Rupees
	Minimum ijarah rentals receivable		1,359,663,443	1,372,439,919
	Residual value		207,571,908	183,279,598
	Gross investment in ijarah		<u>1,567,235,351</u>	<u>1,555,719,517</u>
	Less: Unearned finance income		<u>216,556,801</u>	<u>220,719,034</u>
	Net investment in ijarah		<u>1,350,678,550</u>	<u>1,335,000,483</u>
	Less: Current portion		<u>482,910,049</u>	<u>444,635,697</u>
			<u>867,768,501</u>	<u>890,364,786</u>
7	FIXED ASSETS			
	Written down value at beginning of period		853,450	1,274,756
	Additions during the period			
	Tangible			
	Vehicles		640,000	-
	Computers and accessories		126,950	-
	Electric equipment		38,342	-
	Intangible			
	Software and license fee		-	120,000
			805,292	120,000
	Less: Depreciation/amortization charged during the period		<u>289,911</u>	<u>541,306</u>
			<u>1,368,831</u>	<u>853,450</u>

First National Bank Modaraba

8 SHORT-TERM FINANCES

This includes new short term loan amounting to Rs.200 million availed during the period from a commercial bank having approved limit of Rs. 300 million (that was enhanced from Rs.100 million to Rs.300 million during the period). The facility is repayable upon maturity up to 3 months. Profit is payable quarterly determined at the rate of one month KIBOR plus 1.00% . It is secured against first pari passu hypothecation charge of Rs. 335 million (margin 10%) on the present and future current assets of the Modaraba.

9 CERTIFICATES OF MUSHARAKA - UNSECURED

During the period Modaraba has issued Certificates of Musharaka ("COM") through private placements. The COM have different denominations and are repayable within twelve months. The estimated share of profit payable on these certificates ranges from Rs 9.75% to 10.84% (June 2007: Rs 10.00% to 11.04%) per annum payable quarterly.

		December 31 2007	June 30 2007
	Note	Rupees	Rupees
10 LONG-TERM FINANCES - SECURED			
Finance under musharaka arrangements			
From National Bank of Pakistan		264,999,998	209,166,666
Finance under morabaha arrangements			
From other financial institutions	10.1	621,333,339	829,833,338
		<u>886,333,337</u>	<u>1,039,000,004</u>
Less: Current portion		<u>496,166,666</u>	<u>559,499,996</u>
		<u>390,166,671</u>	<u>479,500,008</u>

10.1 This includes new facility availed during the period from a commercial bank having approved limit of Rs. 50 million. The facility is repayable in six equal semi annual installments from the date of first drawdown. Profit is calculated at the rate of six months KIBOR plus 0.50% per annum without floor, payable semi annually. This facility and outstanding balances of two previous facilities (i.e. Rs. 66.67 million) from the said commercial bank are secured against hypothecation of Rs. 156 million over all present and future leased assets, book debts, morabaha and musharaka receivables, etc., created through joint first pari passu hypothecation agreement executed with other lending commercial banks.

10.2 Terms and conditions of all other facilities remain unchanged from as disclosed in financial statements for the year ended June 30, 2007.

11 CERTIFICATE CAPITAL

Authorized:

Number of certificates

	December 31 2007	June 30 2007		December 31 2007	June 30 2007
	<u>60,000,000</u>	<u>60,000,000</u>	Modaraba certificates of Rs.10 each.	<u>600,000,000</u>	<u>600,000,000</u>

Issued, subscribed and paid up:

	<u>25,000,000</u>	<u>25,000,000</u>	Modaraba certificates of Rs.10 each fully paid in cash.	<u>250,000,000</u>	<u>250,000,000</u>
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11.1 7,500,000 (June 30, 2007: 7,500,000) certificates are held by National Bank Modaraba Management Company Limited.

12 CONTINGENCIES AND COMMITMENTS

Contingencies

There was no change in the status of contingencies as stated in financial statements for the year ended June 30, 2007.

Commitments

Ijarah facilities approved but not disbursed	<u>211,822,019</u>	<u>16,411,375</u>
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13 (LOSS)/GAIN ON SHORT-TERM INVESTMENTS

	Half year ended		Quarter ended	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
	-----Rupees-----			
Dividend income	1,168,585	1,223,405	196,335	131,905
(Loss)/gain on sale of short-term investments	(1,100,119)	326,208	521,898	156,312
Diminution due to change in value of short-term investments	<u>(439,549)</u>	<u>(936,205)</u>	<u>(439,549)</u>	<u>(2,251,182)</u>
	<u>(371,083)</u>	<u>613,408</u>	<u>278,684</u>	<u>(1,962,965)</u>

Quarterly Report - December 31, 2007

	Half year ended		Quarter ended	
	December 31 2007	December 31 2006	December 31 2007	December 31 2006
14 OPERATING EXPENSES				
	-----Rupees-----		-----Rupees-----	
Salaries, allowances and other benefits	5,265,521	4,591,662	3,200,471	2,847,443
Utility expenses	246,000	243,000	123,000	121,500
Communication expenses	136,308	149,694	63,838	71,881
Travelling and conveyance	91,442	6,845	85,222	2,560
Vehicle running expenses	31,367	21,040	17,005	8,809
Postage and stamps	72,422	70,108	59,528	59,018
Advertisement	35,910	24,834	28,500	24,834
Legal and professional charges	111,100	242,980	19,019	177,954
Auditor's remuneration	57,489	67,489	57,489	67,489
Fee and subscription	297,250	280,301	220,501	94,378
Repairs and maintenance	89,495	96,908	22,815	59,173
Insurance	87,525	86,968	66,699	52,144
Stationery, printing and other expenses	229,735	201,159	161,215	151,763
Depreciation / amortization	289,911	358,717	165,087	196,118
Amortization of deferred cost	1,000,068	1,000,068	500,034	500,034
Central depository company charges	2,765	-	-	-
Entertainment	46,134	43,891	21,065	16,966
Other sundry expenses	48,872	20,762	36,327	10,585
Zakat	24,549	36,842	1,250	18,373
	<u>8,163,863</u>	<u>7,543,268</u>	<u>4,849,066</u>	<u>4,481,022</u>

15 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

15.1 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.

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

		December 31 2007	December 31 2006
		Rupees	Rupees
Balances outstanding at the period end			
National Income Daily Account with National Bank of Pakistan (running balance)		13,377,190	9,607,750
Finances under Musharaka arrangement from National Bank of Pakistan		<u>390,718,864</u>	<u>313,270,260</u>
Net investment in Ijarah finance to National Bank of Pakistan		<u>32,527,794</u>	<u>12,771,003</u>
Current accounts with National Bank of Pakistan		<u>7,403,557</u>	-
Transactions with related parties			
Related Party	Relationship	Nature of Transactions	
Taurus Securities Limited	Common management	Commission paid	<u>286,172</u>
Taurus Securities Limited	Common management	Purchase and sale of securities	<u>418,125,827</u>
National Bank of Pakistan	Management company's holding Co.	Musharaka obtained	<u>150,000,000</u>
National Bank of Pakistan	Management company's holding Co.	Musharaka repaid	<u>54,166,667</u>
National Bank of Pakistan	Management company's holding Co.	Ijarah disbursed	<u>21,843,230</u>
National Bank of Pakistan	Management company's holding Co.	Ijarah repaid	<u>7,266,900</u>
National Bank Modaraba Management	Management company	Dividend paid	<u>9,000,000</u>
Profit / expenses during the period			
National Bank Modaraba Management	Management company	Management fee	<u>2,062,557</u>
National Bank of Pakistan	Management company's holding Co.	Profit paid	<u>18,073,053</u>
National Bank of Pakistan	Management company's holding Co.	Profit on ijarah	<u>1,425,142</u>

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.

16 OTHERS

There were no other significant activities since June 30, 2007 affecting the interim financial information.

17 DATE OF AUTHORIZATION FOR ISSUE

These interim financial information has been approved by the Board of Directors of National Bank Modaraba Management Company Limited and authorized for issue on February 22, 2008.

18 GENERAL

Figures have been rounded off to the nearest rupee.

Corresponding figure have been re-arranged and re-classified to reflect more appropriate presentation of events and transactions for the purpose of comparison.

CHIEF EXECUTIVE
Lahore: February 00, 2008

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER