



HALF YEARLY REPORT
DECEMBER 31,
2011



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

Quarterly Report

December 31, 2011

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CORPORATE INFORMATION

Board of Directors	Mr. Shahid Anwar Khan Mr. Wajahat A. Baqai Mr. Khawaja Waheed Raza Syed Mustafa Kamal Mr. Jamal Nasim Mr. Sadiq-ul-Huda 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. Khawaja Waheed Raza Mr Jamal Nasim	Chairman Member Member
Auditors	Horwath Hussain Chaudhury & Co. (A member firm of Crowe Horwath International)	
Bankers	National Bank of Pakistan Bank Alfalah Limited Al Baraka Islamic Bank Habib Bank Limited Allied Bank Limited MCB Bank Limited First Women Bank Limited Bank Islami Pakistan Limited	
Legal Advisor	Cornelius Lane & Mufti Advocates and Solicitors Nawa-i-Waqt House 4 – Shahr-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 (FNB), I am pleased to present the half yearly report, together with financial statements of FNB along with Review Report by the Auditors, for the six months ended December 31, 2011.

During the period under review the demand for new financing by the industry remained subdued. Despite these circumstances FNB extended new facilities under both Ijarah and morahaba modes of financing, and, as a result managed to maintain its balance sheet footing at Rs.2.083 billion as on December 31, 2011 as against Rs.2.167 billion on June 30, 2011.

The total income increased by 45% from Rs.204.341 million to Rs.296.712 million with a related increase in depreciation expense from 99.91 million to Rs. 162.05 million as compared with the corresponding six months period. This was primarily due to increase in Ijarah Portfolio. Finance costs increased by 29.5% mainly because of higher utilization of funds in new disbursements. As a result the net profit booked for the half year ended December 31, 2011 was Rs.9.33 Million which is just 10% lower than the profit booked in the corresponding half year. The EPC stood at 0.37 for the period under review as compared to 0.42 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 20, 2012



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FIRST NATIONAL BANK MODARABA

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, 2011 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 together with the notes forming part thereof 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, 2010 and 2011 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2011.

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, 2011 are not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

LAHORE
Dated February 20, 2012

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

Half Yearly Report - December 31, 2011

CONDENSED INTERIM BALANCE SHEET (UNAUDITED)

AS AT DECEMBER 31, 2011

	NOTE	(Un-audited) December 31, 2011 Rupees	(Audited) June 30, 2011 Rupees
ASSETS			
Current Assets			
Cash and bank balances		5,086,042	8,140,110
Ijara rentals receivable		62,663,234	41,042,491
Advances, prepayments and other receivables		101,364,390	174,201,991
Accrued profit		25,133,752	26,048,514
Short term investment	5	1,486,256	1,825,507
Short term morabaha investments	6	763,403,142	747,751,646
Short term musharaka investments		-	100,000,000
Current portion of non-current assets		93,464,945	164,760,304
		1,052,601,761	1,263,770,563
Non-Current Assets			
Net investment in ijarah	7	145,927,673	124,213,765
Long term morabaha investments		40,552,858	49,862,728
Long term sukuk certificate		-	941,801
Long term loans and deposits		1,841,072	1,526,640
Fixed assets under ijarah arrangements	8	840,520,201	725,840,696
Fixed assets - Tangible	9	1,910,915	1,416,498
		1,030,752,719	903,802,128
		<u>2,083,354,480</u>	<u>2,167,572,691</u>
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities		43,073,489	53,757,648
Accrued profit payable		31,094,164	30,689,323
Short term finances	10	647,920,130	665,022,113
Short term certificates of musharaka	11	69,296,848	120,790,290
Current portion of non-current liabilities		463,992,060	439,908,691
		1,255,376,691	1,310,168,065
Non-Current Liabilities			
Long term security deposits		161,561,399	127,635,813
Long term certificates of musharaka	12	99,800,000	78,600,000
Long term finances	13	244,696,966	312,499,991
Deferred morabaha income		447,770	1,529,395
		506,506,135	520,265,199
		<u>1,761,882,826</u>	<u>1,830,433,264</u>
NET ASSETS		<u>321,471,654</u>	<u>337,139,427</u>
REPRESENTED BY:			
Capital and Reserves			
Issued, subscribed and paid up certificate capital	14	250,000,000	250,000,000
Reserves		71,471,654	87,139,427
Contingencies and Commitments	15	-	-
		<u>321,471,654</u>	<u>337,139,427</u>

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

CHIEF EXECUTIVE OFFICER
Lahore: February 20, 2012

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

First National Bank Modaraba

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2011

		Half Year Ended		Quarter Ended	
		December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
		(Un-audited)			
Income	NOTE	Rupees	Rupees	Rupees	Rupees
Income from leases / ijarahs		235,419,365	150,784,701	119,546,494	79,479,235
Profit on morabaha investments		56,871,144	50,605,488	25,985,632	24,110,642
Profit on musharaka investments		1,318,616	518,166	95,680	267,479
Profit on bank deposits		80,163	364,705	-	262,367
(Loss) / gain on short term investment		(339,251)	368,437	(171,979)	389,003
Gain on disposal of fixed assets		887,933	59,194	356,600	59,194
Other income		2,474,210	1,640,814	449,325	800,308
		296,712,180	204,341,505	146,261,752	105,368,228
EXPENDITURES					
Operating expenses	16	(10,779,238)	(8,140,966)	(6,394,206)	(4,625,305)
Depreciation on assets under ijarah		(162,054,850)	(99,907,426)	(82,716,721)	(52,440,692)
Finance cost		(101,912,151)	(78,672,804)	(47,966,251)	(41,275,148)
Other operating expenses	17	(11,596,800)	(6,088,000)	(6,596,800)	(3,088,000)
		(286,343,039)	(192,809,196)	(143,673,978)	(101,429,145)
Profit before Modaraba Company's management fee		10,369,141	11,532,309	2,587,774	3,939,083
Modaraba Company's management fee		(1,036,914)	(1,153,231)	(258,777)	(393,908)
Profit before tax		9,332,227	10,379,078	2,328,997	3,545,175
Taxation		-	-	-	-
Profit after Tax		9,332,227	10,379,078	2,328,997	3,545,175
Unappropriated profit brought forward		48,711,542	49,231,856	29,314,126	29,698,978
Profit Available for Appropriation		58,043,769	59,610,934	31,643,123	33,244,153
Appropriation:					
Transfer to statutory reserve		(1,866,445)	(2,075,816)	(465,799)	(709,035)
Dividend		(25,000,000)	(25,000,000)	-	-
		(26,866,445)	(27,075,816)	(465,799)	(709,035)
Unappropriated Profit Carried Forward		31,177,324	32,535,118	31,177,324	32,535,118
Earnings per Modaraba Certificate - Basic and Diluted					
		0.37	0.42	0.09	0.14

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

CHIEF EXECUTIVE OFFICER
Lahore: February 20, 2012

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Half Yearly Report - December 31, 2011

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2011

	Half Year Ended		Quarter Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(Un-audited)			
	Rupees	Rupees	Rupees	Rupees
Profit after taxation for the Period	9,332,227	10,379,078	2,328,997	3,545,175
Other comprehensive income	-	-	-	-
Total Comprehensive Income for the Period	<u><u>9,332,227</u></u>	<u><u>10,379,078</u></u>	<u><u>2,328,997</u></u>	<u><u>3,545,175</u></u>

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

CHIEF EXECUTIVE OFFICER
Lahore: February 20, 2012

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

First National Bank Modaraba

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2011

	Half Year Ended December 31, 2011 (Un-audited)	Half Year Ended December 31, 2010 (Un-audited)
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	9,332,227	10,379,078
Adjustments:		
Depreciation / amortization	162,416,926	100,261,288
Allowance for potential morabaha losses	11,500,000	6,000,000
Diminution / (Appreciation) in value of investments through profit or loss	339,251	(368,437)
Gain on disposal of fixed assets	(531,333)	(59,194)
Gain on termination of ijarah arrangements	(356,600)	-
Finance cost	101,912,151	78,672,804
Advances written off	3,902	-
Dividend income	-	-
Profit on bank deposits	(80,163)	(364,705)
	275,204,134	184,141,756
(Increase) / Decrease in operating assets		
Advances, prepayments and other receivables	72,845,002	(15,744,850)
Ijarah rentals receivable	(21,620,743)	(8,131,225)
Accrued profit	914,762	(5,246,483)
Short term morabaha investments - secured	(35,413,333)	(128,482,858)
Short term musharaka investments - unsecured	100,000,000	2,500,000
Net investment in leases / ijarahs	37,009,393	127,919,866
Long term morabaha finances - secured	17,302,850	24,916,667
Long term sukuk certificate	2,000,000	2,000,000
Long term security deposits from ijarahs - net	49,171,393	51,378,271
Creditors, accrued and other liabilities	(10,698,505)	(179,132)
	211,510,819	50,930,256
Cash generated from operations	496,047,180	245,451,090
Finance cost paid	(101,507,310)	(79,264,525)
Income taxes paid	6,875	-
Dividend income received	-	30,000
Profit received on bank deposits	194,938	364,705
	(101,305,497)	(78,869,820)
Net cash from operating activities	394,741,683	166,581,270
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets under ijarah arrangements	(287,351,835)	(355,766,089)
Purchase of fixed assets under own use	(995,160)	-
Proceeds from disposal of fixed assets under own use	670,000	-
Proceeds from disposal of ijarah assets	10,840,601	588,082
Proceeds from sale of short term investments	-	-
Long term loans and deposits	(245,473)	362,594
	(277,081,867)	(354,815,413)
Net cash used in investing activities	(277,081,867)	(354,815,413)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances - net	(53,333,331)	16,666,662
Short term certificates of musharaka	(51,493,442)	46,677,466
Long term certificates of musharaka	26,200,000	(65,000,000)
Short term finances	(17,101,983)	243,484,207
Dividends paid	(24,985,128)	(22,934,050)
	(120,713,884)	218,894,285
Net cash (used in) / from financing activities	(120,713,884)	218,894,285
Net (Decrease) / Increase in cash and cash equivalents	(3,054,068)	30,660,142
Cash and cash equivalents at the beginning of the period	8,140,110	5,019,214
Cash and cash equivalents at the end of the period	5,086,042	35,679,356

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

CHIEF EXECUTIVE OFFICER
Lahore: February 20, 2012

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Half Yearly Report - December 31, 2011

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2011

Particulars	Certificate Capital	Reserves			Total Equity
		Statutory reserve	Unappropriated profit	Total reserves	
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
Total comprehensive income for the six months period ended June 30, 2011	-	-	20,220,530	20,220,530	20,220,530
Transfer to statutory reserve	-	4,044,106	(4,044,106)	-	-
Balance as at June 30, 2011	250,000,000	38,427,885	48,711,542	87,139,427	337,139,427
Total comprehensive income for the six months period ended December 31, 2011	-	-	9,332,227	9,332,227	9,332,227
Transfer to statutory reserve	-	1,866,445	(1,866,445)	-	-
Profit distributed for the year ended June 30, 2011	-	-	(25,000,000)	(25,000,000)	(25,000,000)
Balance as at December 31, 2011	250,000,000	40,294,330	31,177,324	71,471,654	321,471,654

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

CHIEF EXECUTIVE OFFICER
Lahore: February 20, 2012

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, 2011

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, 2011. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2011; 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, 2010.
- 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

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, 2011.

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, 2011.

Half Yearly Report - December 31, 2011

Note 5 Short Term Investment	(Un-audited) December 31, 2011	(Audited) June 30, 2011
	Rupees	Rupees
At fair value through profit or loss	<u>1,486,256</u>	<u>1,825,507</u>

5.1 This represents 36,206 (June 30, 2011: 36,206) fully paid ordinary shares of National Bank of Pakistan.

Note 6 Short Term Morabaha Investments	(Un-audited) December 31, 2011	(Audited) June 30, 2011
	Rupees	Rupees
Short term morabaha investments (Secured)	766,856,824	731,443,491
Unearned morabaha income	<u>21,546,318</u>	<u>29,808,155</u>
	788,403,142	761,251,646
Less: Allowance for potential morabaha losses	<u>(25,000,000)</u>	<u>(13,500,000)</u>
	<u>763,403,142</u>	<u>747,751,646</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 13.47% to 17.76% (June 30, 2011: 14.36% to 17.76%) 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 Net Investment in Ijarah	(Un-audited) December 31, 2011	(Audited) June 30, 2011
	Rupees	Rupees
Minimum ijarah rentals receivable	177,459,093	216,142,107
Residual value of ijarah assets	<u>74,454,522</u>	<u>69,717,236</u>
Gross investment in ijarah (secured)	251,913,615	285,859,343
Less: Unearned finance income	<u>(39,619,316)</u>	<u>(36,555,651)</u>
Net investment in lease ijarah finance	212,294,299	249,303,692
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>(61,445,883)</u>	<u>(120,169,184)</u>
	<u>145,927,673</u>	<u>124,213,765</u>

Note 8 Fixed Assets Under Ijara Arrangements		
Written down value at the beginning of the period / year	725,840,696	418,921,835
Additions at cost	287,351,835	547,397,060
Less: Written down value of assets disposed off	<u>(10,617,480)</u>	<u>(4,916,546)</u>
	1,002,575,051	961,402,349
Less: Depreciation charged during the period / year	<u>(162,054,850)</u>	<u>(235,561,653)</u>
	<u>840,520,201</u>	<u>725,840,696</u>

Note 9 Fixed Assets - Tangible		
Written down value at the beginning of the period / year	1,416,498	2,016,200
Additions at cost	995,160	-
Less: Written down value of vehicles disposed off	<u>(138,667)</u>	<u>-</u>
	2,272,991	2,016,200
Less: Depreciation charged during the period / year	<u>(362,076)</u>	<u>(599,702)</u>
	<u>1,910,915</u>	<u>1,416,498</u>

First National Bank Modaraba

Note 10 Short Term Finance - Secured	(Un-audited) December 31, 2011	(Audited) June 30, 2011
	Rupees	Rupees
Finance under musharaka arrangements		
National Bank of Pakistan (NBP)	83,028,876	120,850,995
Finance under morabaha arrangements		
Other financial institutions	564,891,254	544,171,118
	<u>647,920,130</u>	<u>665,022,113</u>

10.1 The aggregate unavailed short term borrowing facilities amount to Rs. 422.08 million (2011: Rs. 404.978 million). These combined facilities of Rs. 1,070 million (June 30, 2011: Rs. 1,070 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 / six months KIBOR plus 0.75% to 3.00% (June 30, 2011: one month KIBOR plus 0.75% to 3.00%) 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 13.20% (June 30, 2011: ranges from 11% to 13.65%) per annum.

Note 12 Long Term Certificates of Musharaka - Unsecured	(Un-audited) December 31, 2011	(Audited) June 30, 2011
	Rupees	Rupees
Certificates of Musharakah	104,800,000	78,600,000
Less: Current portion	(5,000,000)	-
	<u>99,800,000</u>	<u>78,600,000</u>

12.1 This represents Certificate of Musharaka (COM) through private placement. COMs have different denominations and are repayable within twelve months. The estimated share of profit on COM ranges from 11.11% to 13.45% (June 30, 2011 ranges from 12.49% to 14.75%) per annum.

Note 13 Long Term Finance - Secured	(Un-audited) December 31, 2011	(Audited) June 30, 2011
	Rupees	Rupees
Finance under musharaka arrangements - From National Bank of Pakistan	304,166,653	415,833,319
Finance under morabaha arrangements - From other financial institutions	291,666,674	233,333,339
	595,833,327	649,166,658
Less: Current portion	(351,136,361)	(336,666,667)
	<u>244,696,966</u>	<u>312,499,991</u>

Note 14 Certificate Capital

60,000,000 (June 30, 2011: 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, 2011: 25,000,000) issued, subscribed and paid up Modaraba certificates of Rs. 10 each	<u>250,000,000</u>	<u>250,000,000</u>

14.1 7,500,000 (June 30, 2011: 7,500,000) certificates are held by National Bank Modaraba Management Company Limited, a related party.

Half Yearly Report - December 31, 2011

Note 15	(Un-audited)	(Audited)
Contingencies and Commitments	December 31,	June 30,
	2011	2011
	Rupees	Rupees

There were no known contingencies as at December 31, 2011.

Commitments - facilities approved but not disbursed	117,431,000	111,998,949
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Note 16 Operating Expenses

	Half year ended - Unaudited		Quarter ended - Unaudited	
	December 31,	December 31,	December 31,	December 31,
	2011	2010	2011	2010
	Rupees	Rupees	Rupees	Rupees
Salaries, allowances and benefits	8,480,846	6,136,626	4,994,814	3,156,049
Communication expenses	132,396	110,601	62,509	65,442
Travelling and conveyance	207,632	106,644	199,987	100,164
Vehicle running expenses	168,961	73,608	64,083	39,051
Postage and stamps	41,460	52,458	28,051	32,523
Advertisement	53,380	102,880	48,780	77,880
Legal and professional charges	210,532	197,882	77,887	158,920
Fees and subscription	301,162	505,218	138,662	449,484
Repairs and maintenance	161,921	122,227	71,248	94,372
Insurance	297,903	88,810	258,491	54,961
Stationery, printing and other expenses	246,547	196,635	190,755	189,711
Depreciation / amortization	362,076	353,862	199,707	152,325
Entertainment	83,227	31,689	32,385	12,311
Other sundry expenses	31,195	61,826	26,847	42,112
	<u>10,779,238</u>	<u>8,140,966</u>	<u>6,394,206</u>	<u>4,625,305</u>

Note 17 Other Operating Expenses

	Half year ended - Unaudited		Quarter ended - Unaudited	
	December 31,	December 31,	December 31,	December 31,
	2011	2010	2011	2010
	Rupees	Rupees	Rupees	Rupees
Allowance for potential loss in ijarah and short term	11,500,000	6,000,000	6,500,000	3,000,000
Auditors' remuneration	96,800	88,000	96,800	88,000
	<u>11,596,800</u>	<u>6,088,000</u>	<u>6,596,800</u>	<u>3,088,000</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, 2011	(Un-audited) December 31, 2010
Balance outstanding at the period end:	Rupees	Rupees
NIDA with National Bank of Pakistan (running balance)	3,773,891	7,874,127
Finances under musharaka arrangement form National Bank of Pakistan	387,195,529	371,132,691
Net investments in lease / ijarah finance to National Bank of Pakistan	76,860,003	101,842,318
Current accounts with National Bank of Pakistan	832,728	2,587,846
Payable to National Bank Modaraba Management Company Limited	1,036,914	4,812,858

Transactions during the period

Related party	Relationship	Nature of Transaction		
National Bank of Pakistan	Management company's holding company	Musharaka repaid - net	149,488,785	88,102,945
National Bank of Pakistan	Management company's holding company	Ijarah distributed	1,875,000	57,171,370
National Bank of Pakistan	Management company's holding company	Ijarah repaid	22,474,483	23,163,222

Profit / expense during the period

National Bank Modaraba Management Company Limited	Management company	Management fee	1,036,914	1,153,231
National Bank of Pakistan	Management company's holding company	Profit on finances obtained	34,325,475	22,572,680
National Bank of Pakistan	Management company's holding company	Profit on Ijarah facility	7,302,184	6,408,480

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 20, 2012 .

Note 20

General

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

CHIEF EXECUTIVE OFFICER
Lahore: February 20, 2012

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

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