

QUARTERLY REPORT MARCH 31, 2006



FIRST NATIONAL BANK MODARABA

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

C O N T E N T S

CORPORATE INFORMATION	3
DIRECTORS' REVIEW	4
BALANCE SHEET	5
PROFIT AND LOSS ACCOUNT	6
CASH FLOW STATEMENT	7
STATEMENT OF CHANGES IN EQUITY	8
NOTES TO THE FINANCIAL STATEMENTS	9

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	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 Mc Lagon Road, Lahore Tel: 042-9211200, Fax: 042-9213247	

DIRECTORS' REVIEW

On behalf of the Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the management Company of First National Bank Modaraba (FNBM), we are pleased to present the quarterly report together with the un-audited accounts for the quarter ended March 31, 2006.

During the period under review, the Modaraba has managed to enhance its portfolio considerably. As always the portfolio mainly comprises of good quality select 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 quarter amounting to 9.4832 million. The management has focused on enhancing the asset base of the Modaraba during the period along with a strong emphasis on good profit margins. These efforts have been paid off and the Modaraba has managed to earn total income from lease/ morabaha operations amounting to 43 million as apposed to 12.8 million in the corresponding quarter.

Modaraba has managed to sustain steady and healthy growth in its core business segment and has achieved balance sheet footing of 1.894 billion, which is a phenomenal achievement for a Modaraba of this size. We strongly belief that continuing on this path and under the patronage of our parent bank, we will be ranked among the topmost financial institutions in the coming years.

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: April 27, 2006

**BALANCE SHEET
AS AT MARCH 31, 2006**

		(Unaudited) March 31, 2006 Rupees	(Audited) June 30, 2005 Rupees
ASSETS			
Current Assets			
Cash and Bank Balances		47,781,939	11,079,558
Advances, Prepayments and Other Receivables		67,213,294	92,750,693
Short Term Investments		50,736,155	33,566,929
Finances under Morabaha Arrangements - Secured		474,441,508	267,342,979
Finances under Musharaka Arrangements		95,000,000	-
Current Portion of Non-Current Assets		280,114,303	195,306,159
		1,015,287,199	600,046,318
Non-Current Assets			
Net Investment in Lease/ Ijarah Finance	3	839,453,971	596,898,560
Finances under Musharaka Arrangements		31,000,000	-
Long Term Loans and Deposits		1,033,132	589,093
Deferred Costs		5,337,365	6,829,205
Fixed Assets - Owned	4	1,416,493	1,718,014
		878,240,961	606,034,872
		1,893,528,160	1,206,081,190
LIABILITIES			
Current Liabilities			
Creditors, Advances, Accrued and Other Liabilities		32,823,282	19,784,414
Short Term Finances - Secured		504,248,698	188,753,000
Current Portion of Long Term Liabilities		243,166,668	140,000,000
Provision for Taxation		-	453,069
		780,238,648	348,990,483
Long Term Security Deposits		120,912,984	86,234,820
Long Term Finances - Secured		691,864,954	505,833,333
		1,593,016,586	941,058,636
NET ASSETS		300,511,574	265,022,554
REPRESENTED BY:			
Capital and Reserves			
Authorized Capital		600,000,000	600,000,000
Certificate Capital		250,000,000	250,000,000
Reserves		50,511,574	15,022,554
		300,511,574	265,022,554
Contingencies and Commitments	5	-	-

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE
Lahore: April 27, 2006

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

PROFIT AND LOSS ACCOUNT
FOR THE PERIOD ENDED MARCH 31, 2006 (UN-AUDITED)

	For the Quarter		For the Nine Months	
	Jan 06-Mar 06 Rupees	Jan 05-Mar 05 Rupees	Jul 05-Mar 06 Rupees	Jul 04-Mar 05 Rupees
Operating Revenue				
Income from Lease/ Ijarah	25,876,879	10,427,056	69,044,450	23,673,180
Profit on Morabaha Finance	12,449,855	3,410,455	31,405,206	4,854,989
Profit on Musharaka Finance	4,877,553	-	5,950,220	-
Profit on Bank Deposits	206,634	120,930	338,707	443,518
Dividend Income	981,250	1,740,000	2,730,150	2,838,850
Gain on Sale of Shares	2,131,900	2,859,249	6,675,355	3,708,878
Other Income	90,560	39,170	250,917	105,641
	46,614,631	18,596,860	116,395,005	35,625,056
Operating Expenses				
Operating Expenses	3,097,468	2,861,382	9,385,743	8,027,041
Financial Charges	30,526,126	6,658,050	72,924,413	13,621,456
Provision due to Change in Fair Value of Investments	2,454,568	655,742	3,599,687	180,226
	36,078,162	10,175,174	85,909,843	21,828,723
Profit before Modaraba Company's Management Fee	10,536,469	8,421,686	30,485,162	13,796,333
Modaraba Company's Management Fee	1,053,647	842,169	3,048,516	1,379,633
Profit before Tax	9,482,822	7,579,517	27,436,646	12,416,700
Provision for Taxation	-	-	-	(271,626)
Net Profit After Taxation	9,482,822	7,579,517	27,436,646	12,688,326
Unappropriated Profit Brought Forward	31,013,333	7,454,947	16,650,274	3,367,900
Profit Available for Appropriation	40,496,155	15,034,464	44,086,920	16,056,226
Appropriation:				
Transfer to Statutory Reserve	1,896,564	1,515,903	5,487,329	2,537,665
Unappropriated Profit Carried Forward	38,599,591	13,518,561	38,599,591	13,518,561
Earnings Per Modaraba Certificate - Basic	0.38	0.30	1.10	0.51

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE
Lahore: April 27, 2006

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

CASH FLOW STATEMENT
FOR THE PERIOD ENDED MARCH 31, 2006 (UN-AUDITED)

	For the Nine Months	
	Jul 05-Mar 06 Rupees	Jul 04-Mar 05 Rupees
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxation	27,436,646	12,416,700
Adjustment for:		
Depreciation/ Amortization	499,621	379,297
Amortisation of Deferred Costs	1,491,840	1,491,840
Provision for Diminution in Value of Investments	3,599,687	180,226
Financial Charges	72,924,413	13,621,456
Gain on Sale of Shares	(6,675,355)	(3,708,878)
Profit on Bank Deposits	(338,707)	(443,518)
Dividend Income	(2,730,150)	(2,838,850)
	68,771,349	8,681,573
Cash Generated from Operations	96,207,995	21,098,273
Changes in Working Capital		
Decrease/ (Increase) in Advances, Prepayments and Other Receivables	25,909,851	(13,517,060)
Increase in Creditors, Accrued and Other Liabilities	3,446,037	5,829,952
	29,355,888	(7,687,108)
Operating Profit/ (Loss) After Changes in Working Capital	125,563,883	13,411,165
Financial Charges Paid	(63,331,317)	(8,195,752)
Income Taxes Paid	(374,455)	(111,628)
Profit Received on Bank Deposits	259,970	1,329,327
Dividend Income Received	2,357,547	1,243,225
NET CASH USED IN OPERATING ACTIVITIES	64,475,628	7,676,337
B. CASH FLOW FROM INVESTING ACTIVITIES		
Investment in Lease/ Ijarah Finance - Net	(327,222,071)	(360,461,316)
Security Deposits from Lessees	34,678,164	43,367,250
Purchase of Fixed Assets	(198,100)	(1,752,610)
Long Term Loans and Deposits	(585,523)	(457,417)
Finances under Morabaha Arrangements	(207,098,529)	(182,052,859)
Finances under Musharaka Arrangements	(126,000,000)	-
Short Term Investments - Net	(6,041,174)	741,073
NET CASH USED IN INVESTING ACTIVITIES	(632,467,233)	(500,615,879)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Long Term Finances Obtained	400,000,000	411,000,000
Long Term Finances Repaid	(110,801,712)	(77,666,667)
Increase in Short Term Finances	315,495,698	163,753,000
NET CASH FLOW FROM FINANCING ACTIVITIES	604,693,986	497,086,333
NET CASH FLOWS FOR THE PERIOD (A+B+C)	36,702,381	4,146,791
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE PERIOD	11,079,558	32,425,549
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	47,781,939	36,572,340

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE
Lahore: April 27, 2006

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED MARCH 31, 2006 (UN-AUDITED)

The changes in the equity are as follows:

	Certificate Capital	Capital Reserves			Revenue Reserve		Total Reserves	Total Equity
		Statutory Reserve	Net Unrealized Loss on Available for Sale Investment	Sub Total	Unappropriated Profit	Sub Total		
Rupees								
Balance as at July 01, 2004	250,000,000	841,975	(3,816,562)	(2,974,587)	3,367,900	3,367,900	393,313	250,393,313
Profit for the Period	-	-	-	-	12,688,326	12,688,326	12,688,326	12,688,326
Transferred to Statutory Reserve	-	2,537,665	-	2,537,665	(2,537,665)	(2,537,665)	-	-
Net Unrealised Loss on Available for Sale Investment	-	-	(905,950)	(905,950)	-	-	(905,950)	(905,950)
Balance as at Mar. 31, 2005	250,000,000	3,379,640	(4,722,512)	(1,342,872)	13,518,561	13,518,561	12,175,689	262,175,689
Profit for the Period	-	-	-	-	3,914,640	3,914,640	3,914,640	3,914,640
Transferred to Statutory Reserve	-	782,928	-	782,928	(782,928)	(782,928)	-	-
Net Unrealised Loss on Available for Sale Investment	-	-	(1,067,775)	(1,067,775)	-	-	(1,067,775)	(1,067,775)
Balance as at June 30, 2005	250,000,000	4,162,568	(5,790,287)	(1,627,719)	16,650,273	16,650,273	15,022,554	265,022,554
Profit for the Period	-	-	-	-	27,436,646	27,436,646	27,436,646	27,436,646
Transferred to Statutory Reserve	-	5,487,329	-	5,487,329	(5,487,329)	(5,487,329)	-	-
Net Unrealised Gain on Available for Sale Investment	-	-	8,052,374	8,052,374	-	-	8,052,374	8,052,374
Balance as at Mar. 31, 2006	250,000,000	9,649,897	2,262,087	11,911,984	38,599,590	38,599,590	50,511,574	300,511,574

The annexed notes form an integral part of these accounts.

CHIEF EXECUTIVE
Lahore: April 27, 2006

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

NOTES TO THE ACCOUNTS
FOR THE PERIOD ENDED MARCH 31, 2006 (UN-AUDITED)

1. Status and Activities

First National Bank 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), a Company incorporated in Pakistan under the Companies Ordinance, 1984 and registered with Registrar of Modaraba Companies. 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 Morabaha 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 (IAS) 34 "Interim Financial Reporting" and being submitted to certificate holders as required by Section 245 of the Companies Ordinance, 1984.

These financial statements have been prepared under "Historical Cost Convention" and are in compliance with the International Accounting Standard (IAS) 34 "Interim Financial Reporting" and SRO 764 (1) dated November 05, 2001 of Securities & Exchange Commission of Pakistan.

These 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.

	March 31, 2006 Rupees	June 30, 2005 Rupees
3 Net Investment in Lease/Ijarah Finance		
Minimum Lease/Ijarah Payments Receivable	1,215,984,098	848,809,549
Residual Value of Leased Assets	<u>122,087,306</u>	<u>86,068,570</u>
Gross Investment in Lease/Ijarah Finance	1,338,071,404	934,878,119
Less: Unearned Finance Income	<u>218,861,862</u>	<u>142,890,648</u>
Net Investment in Lease/ Ijarah Finance	1,119,209,542	791,987,471
Less: Current Portion of Net Investment in Lease/Ijarah Finance	<u>839,453,971</u>	<u>596,898,560</u>
4 Fixed Assets	Jul 05-Mar 06 Rupees	Jul 04-Mar 05 Rupees
Additions during the period		
- Computers and Accessories	98,100	60,650
- Computer Software	<u>100,000</u>	<u>-</u>
	<u>198,100</u>	<u>60,650</u>
	March 31, 2006 Rupees	June 30, 2005 Rupees
5 Contingencies and Commitments		
5.1 Contingencies:		
There are no known contingencies as at March 31, 2006 ("Nil" as at June 30, 2005).		
5.2 Commitments:		
Lease/ Ijarah Contracts Approved but not Disbursed	<u>293,958,000</u>	<u>103,377,492</u>

6 Transactions with Connected Persons / Related Parties

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.

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

	March 31, 2006 Rupees	June 30, 2005 Rupees
Balances Outstanding at the Period End:		
NIDA with National Bank of Pakistan (Running Balance)	16,487,493	10,920,634
Finances under Musharika Arrangement from National Bank of Pakistan	444,296,550	420,833,333
Net investment in lease/ ijarah finance to National Bank of Pakistan	12,640,703	-
	Jul 05-Mar 06 Rupees	Jul 04-Mar 05 Rupees
Transactions During the Period:		
Commission Paid to Taurus Securities Limited	578,216	24,800
Purchase and Sale of Listed Securities from Taurus Securities Limited	834,925,215	33,522,361
Finances under Musharika Arrangement Obtained from NBP	470,794,492	175,000,000
Finances under Musharika Arrangement Repaid to NBP	447,331,275	41,666,667
	Jul 05-Mar 06 Rupees	Jul 04-Mar 05 Rupees
Profit/ Expense During the Period:		
Profit on Finances under Musharika Arrangement from NBP	26,799,197	6,762,283
National Bank Modaraba Management Company's Management Fee	3,048,516	1,379,633

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

7 Date of Authorization for Issue

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

8 General

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

CHIEF EXECUTIVE
Lahore: April 27, 2006

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER