



QUARTERLY REPORTS SEPTEMBER 30, 2006



First National Bank Modaraba

Managed By: National Bank Modaraba Management Company Limited

(A wholly owned subsidiary of National Bank of Pakistan)

CONTENTS

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. (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	
Legal Advisor	Cornelius Lane & Mufti Advocates and Solicitors Nawa-i-Waqt House 4 - Shahrah-e-Fatima Jinnah, Lahore Tel: 6360824, Fax: 7358817	
Shares Registrar	Hameed Majeed Associates (Pvt.) Limited H. M. House, 7-Bank Square, Lahore Tel: 7235081-2, Fax: 7358817	
Registered Office	5 th Floor, NBP RHQs Building, 26 - McLagon Road, Lahore Tel: 042-9211200, Fax: 042-9213247 URL: http://www.nbmodaraba.com E-mail: info@nbmodaraba.com	

Quarterly Report - September 30, 2006

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 quarterly report, together with un-audited financial statements of FNBM for the quarter ended September 30, 2006.

After completion of a good year ended on June 30, 2006, in which FNBM was successful in announcing 10% cash dividend to its Certificate Holders, the Modaraba also booked good financial results in the subsequent quarter ended on September 30, 2006 as is evident from the following key financial indicators:

	<i>3 months ended on Sep. 30, 2006 (Rupees)</i>	<i>12 months ended on Jun. 30, 2006 (Rupees)</i>
Total Income	52,692,916	160,735,588
Income from Ijarah investment	33,006,487	97,869,029
Income from Morabaha investment	16,432,956	45,651,733
Profit after tax	11,178,065	30,438,260
Earnings per certificate	0.45	1.22

During the quarter under review, Ijarah Financing remained the core business of FNBM. The Net Investments in Lease Finance increased by 6.4% from Rs.1,192 million on June 30, 2006 to Rs.1,268 on September 30, 2006. The Modaraba earned income from Lease Finance to the tune of Rs.33.0 million during the Quarter under review as compared to Rs.97.869 million in full year ended June 30, 2006. The Morabaha Investments, however, declined from Rs. 587.794 million as on June 30, 2006 to Rs. 439.368 million at the end of current quarter. The decline is mainly due to maturity/settlement of some of the Morabaha Facilities in September 2006, which are likely to be renewed subsequently.

A worth mentioning event of the Quarter under review is the launching of Certificates of Musharaka (COMs) by FNBM. Initially the Modaraba has plans to mobilize funds through COMs from banks and corporate clients.

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

Lahore: October 13, 2006

First National Bank Modaraba

**BALANCE SHEET (UNAUDITED)
AS AT SEPTEMBER 30, 2006**

	September 30, 2006	June 30, 2006
ASSETS	Rupees	Rupees
ASSETS		
CURRENT ASSETS		
Cash and bank balances	12,178,110	13,476,172
Advances, deposits, prepayments and other receivables	35,146,271	142,226,518
Short-term investments	37,475,768	42,573,263
Short-term murabaha finances - secured	387,000,000	535,000,000
Short-term musharaka finances - secured	30,000,000	30,000,000
Current portion of non-current assets	424,143,428	413,483,064
	<u>925,943,577</u>	<u>1,176,759,017</u>
NON-CURRENT ASSETS		
Net investment in lease / ijarah finance	901,977,275	837,157,393
Long-term morabaha investment	25,375,531	25,518,638
Long-term loans and deposits	1,014,932	810,583
Deferred costs	4,340,051	4,840,085
Fixed assets - owned	1,232,157	1,274,756
	<u>933,939,946</u>	<u>869,601,455</u>
	<u>1,859,883,523</u>	<u>2,046,360,472</u>
LIABILITIES		
CURRENT LIABILITIES		
Creditors, advances, accrued and other liabilities	35,634,216	42,068,357
Short-term finances - secured	353,714,500	506,544,207
Current portion of long-term finances - secured	305,498,031	291,720,326
	<u>694,846,747</u>	<u>840,332,890</u>
LONG-TERM SECURITY DEPOSITS	136,744,828	118,165,132
LONG-TERM FINANCES-SECURED	<u>722,500,000</u>	<u>792,500,000</u>
	<u>1,554,091,575</u>	<u>1,750,998,022</u>
NET ASSETS	<u><u>305,791,948</u></u>	<u><u>295,362,450</u></u>
REPRESENTED BY:		
CAPITAL AND RESERVES		
Autorized certificate capital	600,000,000	600,000,000
Issued, subscribed and paid up certificate capital	250,000,000	250,000,000
Reserves	55,791,948	45,362,450
	<u>305,791,948</u>	<u>295,362,450</u>
CONTINGENCIES AND COMMITMENTS	6	

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Lahore: October 13, 2006

Quarterly Report - September 30, 2006

**PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2006**

	Note	Quarter ended	
		September 30 2006	September 30 2005
		Rupees	Rupees
OPERATING REVENUE			
Income from lease / ijarah		33,006,487	19,910,721
Profit on musharika finances		1,830,353	-
Profit on murabaha finances		16,432,956	6,508,642
Profit on bank deposits		20,429	56,098
Dividend income		1,091,500	1,544,750
Gain on sale of shares		169,896	1,825,094
Other operating income		141,295	86,171
		52,692,916	29,931,476
OPERATING EXPENSES			
Operating expenses	7	3,062,246	2,982,682
Financial charges		38,525,575	15,352,971
Provision / (reversal) for diminution in value of investments		(1,314,977)	96,408
		40,272,844	18,432,061
Operating profit		12,420,072	11,499,415
Modaraba Company's Management Fee @ 10%		1,242,007	1,149,941
PROFIT BEFORE TAXATION		11,178,065	10,349,474
Provision for taxation			
PROFIT AFTER TAXATION		11,178,065	10,349,474
UNAPPROPRIATED PROFIT BROUGHT FORWARD		41,000,881	16,650,273
PROFIT AVAILABLE FOR APPROPRIATION		52,178,946	26,999,747
Appropriation			
Transfer to statutory reserve		2,235,613	2,069,895
UNAPPROPRIATED PROFIT CARRIED FORWARD		49,943,333	24,929,852
EARNINGS PER MODARABA CERTIFICATE			
Basic and diluted		0.45	0.41

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Lahore: October 13, 2006

First National Bank Modaraba

CASH FLOW STATEMENT FOR THE PERIOD ENDED SEPTEMBER 30, 2006

	Quarter ended	
	September 30 2006	September 30 2005
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	11,178,065	10,349,474
Adjustment for:		
Depreciation / amortization	162,599	229,767
Amortization of deferred costs	500,034	497,280
Diminution / (Appreciation) in value of short-term investments	(1,314,977)	96,408
Gain on sale of short - term investments	(169,896)	(1,825,094)
Finance cost	38,525,575	15,352,971
Profit on bank deposits	(20,429)	(56,098)
Dividend income	(1,091,500)	(1,544,750)
	<u>36,591,406</u>	<u>12,750,484</u>
	47,769,471	23,099,958
(Increase) / Decrease in operating assets		
Advances, prepayments and other receivables	108,084,874	21,170,316
Short-term morabaha investment	148,000,000	(70,476,594)
Investment in ijarah	(75,790,058)	(93,393,396)
Security deposits from lessees	19,857,401	13,447,029
Long - term morabaha investment	425,707	-
	<u>200,577,924</u>	<u>(129,252,645)</u>
Increase / (Decrease) in operating liabilities		
Creditors, accrued and other liabilities	(10,655,683)	(2,220,988)
Cash generated from operations	<u>237,691,712</u>	<u>(108,373,675)</u>
Finance cost paid	(34,304,033)	(15,982,903)
Income taxes paid	(170,198)	(15,754)
Dividend income received	277,500	162,500
Profit received on bank deposits	-	48,100
Net cash flow from operating activities	<u>203,494,981</u>	<u>(124,161,732)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(120,000)	(21,600)
Long-term loans and deposits	(177,137)	51,453
Short-term investments - Net	5,833,801	2,033,914
Net cash used in investing activities	<u>5,536,664</u>	<u>2,063,767</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long - term finances obtained	-	150,000,000
Repayment of long-term finances	(57,500,000)	(29,166,667)
Increase in short-term finances	(152,829,707)	57,542,348
Net cash flow from financing activities	<u>(210,329,707)</u>	<u>178,375,681</u>
NET INCREASE / (DECEREASE) IN CASH AND CASH EQUILENTS	<u>(1,298,062)</u>	<u>56,277,716</u>
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>13,476,172</u>	<u>11,079,558</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u>12,178,110</u>	<u>67,357,274</u>

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Lahore: October 13, 2006

Quarterly Report - September 30, 2006

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2006

	Certificate capital	Capital reserves..... Statutory reserves	Net unrealised gain / (loss) on available for sale investments	Revenue reserves Unappropriated profits	Total reserves	Total equity
	Rupees.....					
Balance as at June 30, 2005	250,000,000	4,162,568	(5,790,287)	16,650,273	15,022,554	265,022,554
Profit for the period	-	-	-	10,349,474	10,349,474	10,349,474
Transferred to statutory reserves	-	2,069,895	-	(2,069,895)	-	-
Net unrealised gain on investments available for sale	-	-	2,269,547	-	2,269,547	2,269,547
Balance as at September 30, 2005	250,000,000	6,232,463	(3,520,740)	24,929,852	27,641,575	277,641,575
Profit for the period	-	-	-	20,088,786	20,088,786	20,088,786
Transferred to statutory reserves	-	4,017,757	-	(4,017,757)	-	-
Net unrealised loss on available for sale investments	-	-	(2,367,911)	-	(2,367,911)	(2,367,911)
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 period	-	-	-	11,178,065	11,178,065	11,178,065
Transferred to statutory reserves	-	2,235,613	-	(2,235,613)	-	-
Net unrealised gain on available for sale investments	-	-	(748,567)	-	(748,567)	(748,567)
Balance as at September 30, 2006	250,000,000	12,485,833	(6,637,218)	49,943,333	55,791,948	305,791,948

The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Lahore: October 13, 2006

First National Bank Modaraba

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2006

1 STATUS AND ACTIVITIES

First National Bank Modaraba (" the Modaraba") is a multi purpose, perpetual and multi dimensional modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed there under and is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the Companies Ordinance, 1984 and registered with registrar of Modaraba Companies. The registered office of the Modaraba is situated at 5th floor, National Bank of Pakistan, Regional Headquarters Building, 26 - McLagon Road , Lahore. The Modaraba is listed on Karachi and Lahore stock exchanges. The Modaraba commenced its business operations on December 04, 2003.

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

2 BASIS OF PREPARATION

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

These financial statements are unaudited. The accounting policies adopted for preparation of these interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Modaraba for the year ended June 30, 2006.

	September 30, 2006 Rupees	June 30, 2006 Rupees
3 SHORT-TERM INVESTMENTS		
Available for sale	22,180,325	22,928,893
Held for trading	15,295,443	19,644,370
	<u>37,475,768</u>	<u>42,573,263</u>
4 NET INVESTMENT IN LEASE / IJARAH FINANCE		
Minimum lease / ijarah payments receivable	1,356,616,611	1,300,929,724
Residual value of leased assets	151,236,431	130,805,330
Gross investment in lease / ijarah finance	1,507,853,042	1,431,735,054
Less: Unearned finance income	240,002,863	239,674,933
Net investment in lease / ijarah finance	1,267,850,179	1,192,060,121
Less: Current portion of net investment in lease / ijarah finance	365,872,904	354,902,728
	<u>901,977,275</u>	<u>837,157,393</u>
5 FIXED ASSETS - OWNED		
Opening written down value	1,274,756	1,718,014
Additions during the period		
Tangible		
Computers and accessories	-	128,649
Electric equipment	-	5,550
Vehicles	-	-
Intangible		
Software and license fee	120,000	100,000
	120,000	234,199
Less:		
Depreciation / amortization charged during the period	162,599	677,457
	<u>1,232,157</u>	<u>1,274,756</u>
6 CONTINGENCIES AND COMMITMENTS		
Contingencies		
There were no known contingencies as at September 30, 2006. (June 2006 : Nil)		
Commitments		
Lease / ijarah contracts approved but not disbursed.	<u>55,492,000</u>	<u>168,086,105</u>

Quarterly Report - September 30, 2006

	Quarter ended	
	September 30	September 30
	2006	2005
	Rupees	Rupees
7 OPERATING EXPENSES		
Salaries, allowances and other benefits	1,744,219	1,512,038
Utility expenses	121,500	122,500
Communication expenses	77,813	88,564
Traveling and conveyance	4,285	36,470
Vehicle running expenses	12,231	13,384
Postage and stamps	11,090	8,961
Advertisement	-	80,000
Legal and professional charges	65,026	99,253
Fee and subscription	185,923	179,357
Repairs and maintenance	37,735	24,469
Insurance	34,824	37,897
Stationery, printing and other expenses	49,396	20,147
Depreciation / amortization	162,599	229,767
Amortization of deferred costs	500,034	497,279
Central depository company charges	-	6,474
Entertainment	26,925	16,016
Other sundry expenses	10,177	10,106
Zakat	18,469	-
	<u>3,062,246</u>	<u>2,982,682</u>

8 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Modaraba management fee at the rate of 10% of the profit before tax has been recorded as payable to National Bank Modaraba Management Company Ltd U/s 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980

Transactions with related parties during the period			September 30	September 30
Related Party	Relationship	Nature of Transactions	2006	2005
			Rupees	Rupees
Taurus Securities Limited	Common management & control	Commission paid	7,500	54,167
Taurus Securities Limited	Common management & control	Purchase and sale of securities	20,334,400	71,985,398
National Bank of Pakistan	Management Co's holding company	Musharika obtained	-	121,295,348
National Bank of Pakistan	Management Co's holding company	Musharika repaid	89,249,692	29,166,607
National Bank of Pakistan	Management Co's holding company	Profit paid	7,981,047	6,090,308
National Bank Modaraba Management Company Limited	Management Company	Management fee	1,242,007	1,149,942
Balances outstanding at the period end			September 30	June 30
			2006	2006
			Rupees	Rupees
NIDA with National Bank of Pakistan (running balance)			6,040,933	9,133,036
Finances under Musharika arrangement from National Bank of Pakistan			267,720,632	406,136,991
Net investment in lease / Ijarah finance to National Bank Limited			9,967,943	11,984,307

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 un-controlled price method except the modaraba company's management fee as mentioned above.

9 OTHERS

There were no other significant activities since September 30, 2006 affecting the financial statements.

10 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 13, 2006 by the Board of Directors of National Bank Modaraba Management Company Limited.

First National Bank Modaraba

11 APPROPRIATIONS

The Board of Directors in their meeting held on October 4, 2006 have declared a final dividend of Re. 1 per certificate amounting to Rs. 25,000,000/- for the year ended June 30, 2006.

12 GENERAL

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Lahore: October 13, 2006