



FIRST NATIONAL BANK MODARABA

Quarterly Report September 30 2008



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

First National Bank Modaraba

Quarterly Report
September 30, 2008

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CORPORATE INFORMATION

Board of Directors	Mr. S. Ali Raza Mr. Shahid Anwar Khan Dr. Asif A. Brohi Mr. Muhammad Nusrat Vohra Mr. Tajammal H. Bokharee 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	

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, 2008.

After completion of a good year ended on June 30, 2008, in which FNBM was successful in announcing 10% cash dividend to its Certificate Holders, the Modaraba in the context of unfavorable economic and financial environment achieved satisfactory financial results in the subsequent quarter ended on September 30, 2008 as is evident from the following figures:

	<i>Rupees</i>
Operating revenue	81,578,424
Operating expenses	74,745,157
Profit after tax	6,149,940
Earnings per certificate	0.25

During the period under review, FNBM almost maintained its balance sheet size. The balance sheet footing moved to Rs.2.643 billion as compared to Rs.2.779 billion as on June 30, 2008. From business point of view, the main focus of the Modaraba remained on lease finance. The Net Investment in Lease Finance stood at Rs.1.482 billion as on September 30, 2008 as compared to Rs.1.492 billion as on June 30, 2008.

The operating revenue increased by 40% from Rs.58.403 million in first quarter of the previous financial year to Rs.81.578 million in the period under review. Similarly, financial charges increased from Rs.42.598 million in the corresponding period last year to Rs.69.490 million in the period under review. During the quarter the rising trend in KIBOR on one end, increased the cost of funds and on the other reduced the credit demand in the market thus squeezing the borrowing-lending spreads that resulted in net profit figure of Rs.6.149 million as compared to Rs.11.24 million earned in the corresponding period last year.

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 30, 2008

First National Bank Modaraba

CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT SEPTEMBER 30, 2008

	Note	September 30, 2008 Rupees	June 30, 2008 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances		12,915,843	12,264,803
Advances, deposits, prepayments and other receivables		123,698,792	119,497,001
Accrued Profit		34,127,656	29,719,250
Short-term investments	4	28,068,899	39,331,377
Short-term murabaha investments - secured		579,715,107	660,947,053
Short-term musharaka investments - unsecured			100,000,000
Current portion of non-current assets		636,434,924	637,816,245
		1,414,961,221	1,599,575,729
NON-CURRENT ASSETS			
Net investment in ijarah finance	5	952,637,902	965,093,293
Long-term morabaha investment - secured		261,123,064	197,321,492
Long-term musharika investment - secured		10,941,801	12,941,801
Long-term loans and deposits		1,327,993	1,205,128
Deferred costs		339,779	839,813
Fixed assets - owned	6	2,054,543	1,997,569
		1,228,425,082	1,179,399,096
		2,643,386,303	2,778,974,825
LIABILITIES			
CURRENT LIABILITIES			
Creditors, advances, accrued and other liabilities		69,314,077	54,402,389
Short-term finances - secured		857,814,927	716,502,230
Certificates of musharika - unsecured		121,600,000	229,900,000
Current portion of long-term finances - secured		576,543,586	639,537,005
		1,625,272,590	1,640,341,624
LONG-TERM LOANS, DEPOSITS, and DERERRED LIABILITIES			
Long-term security deposits		161,023,168	191,871,833
Long-term certificate of musharaka - unsecured		102,300,000	102,300,000
Long-term finances - secured		401,866,672	487,500,004
Deferred morahaba income		50,308,823	50,488,159
		2,340,771,253	2,472,501,620
		302,615,050	306,473,205
NET ASSETS			
REPRESENTED BY			
CAPITAL AND RESERVES			
Authorised certificate capital		600,000,000	600,000,000
Issued, subscribed and paid up certificate capital		250,000,000	250,000,000
Reserves		52,615,050	56,473,205
		302,615,050	306,473,205
CONTINGENCIES AND COMMITMENTS			
	7		
The annexed notes form an integral part of these financial statements.			

CHIEF EXECUTIVE OFFICER
Lahore: October 30, 2008

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Quarterly Report - September 30, 2008

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	Note	Quarter ended	
		September 30 2008	September 30 2007
		Rupees	Rupees
OPERATING REVENUE			
Income from ijarah		50,006,987	38,600,371
Profit on musharika finances		4,269,594	1,354,276
Profit on murabaha finances		28,758,315	18,985,321
Profit on bank deposits		86,750	19,500
Gain/(Loss) on short-term investments	8	(1,955,341)	(649,767)
Other operating income		412,119	93,849
		81,578,424	58,403,550
OPERATING EXPENSES			
Operating expenses	9	5,254,539	3,314,797
Financial charges		69,490,618	42,598,041
		74,745,157	45,912,838
Operating profit		6,833,267	12,490,712
Modaraba Company's Management Fee @ 10%		683,327	1,249,071
PROFIT BEFORE TAXATION		6,149,940	11,241,641
Provision for taxation		-	-
PROFIT AFTER TAXATION		6,149,940	11,241,641
UNAPPROPRIATED PROFIT BROUGHT FORWARD		44,624,375	49,214,141
PROFIT AVAILABLE FOR APPROPRIATION		50,774,315	60,455,782
Appropriation			
Transfer to statutory reserve		1,229,988	2,248,328
UNAPPROPRIATED PROFIT CARRIED FORWARD		49,544,327	58,207,454
EARNINGS PER MODARABA CERTIFICATE			
Basic and diluted		0.25	0.45

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

CHIEF EXECUTIVE OFFICER
Lahore: October 30, 2008

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

First National Bank Modaraba

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	Quarter ended	
	September 30 2008	September 30 2007
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	6,149,940	11,241,641
Adjustment for:		
Depreciation / amortization	159,384	124,822
Amortization of deferred costs	500,034	500,034
Diminution / (Appreciation) in value of short-term investments	2,331,330	24,449
Gain on sale of short - term investments	(124,089)	1,597,568
Finance cost	69,490,618	42,598,041
Profit on bank deposits	(86,750)	(19,500)
Dividend income	(251,900)	(972,250)
	72,018,627	43,853,164
	78,168,567	55,094,805
 (Increase) / Decrease in operating assets		
Advances, prepayments and other receivables	(8,585,630)	57,746,273
Short-term morabaha investment	79,060,334	5,000,000
Short-term musharaka investment	100,000,000	-
Investment in ijarah	10,306,941	(47,294,194)
Security deposits from ijarah	(2,154,442)	11,680,459
Long - term musharaka investment	2,000,000	-
Long - term morabaha investment	(58,375,000)	27,500,000
	122,252,203	54,632,538
 Increase / (Decrease) in operating liabilities		
Creditors, accrued and other liabilities	9,838,255	9,040,351
Cash generated from operations	210,259,025	118,767,694
Finance cost paid	(64,442,184)	(44,607,170)
Income taxes paid	(1,642)	(3,242)
Dividend income received	226,900	617,500
Profit received on bank deposits	113,825	
Net cash flow from operating activities	146,155,924	74,774,782
 CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(216,360)	(101,560)
Long-term loans and deposits	(181,695)	(282,403)
Short-term investments - Net	(952,860)	(4,589,029)
Net cash used in investing activities	(1,350,915)	(4,972,992)
 CASH FLOWS FROM FINANCING ACTIVITIES		
Long - term finances obtained	-	100,000,000
Repayment of long-term finances	(177,166,666)	(143,000,000)
Certificates of musharaka - paid	(108,300,000)	52,300,000
Increase/(decrease) in short-term finances	141,312,697	(74,658,883)
Net cash flow from financing activities	(144,153,969)	(65,358,883)
 NET INCREASE / (DECEREASE) IN CASH AND CASH EQUILENTS	651,040	4,442,907
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	12,264,803	6,794,280
CASH AND CASH EQUIVALENTS AT END OF PERIOD	12,915,843	11,237,187

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

CHIEF EXECUTIVE OFFICER
Lahore: October 30, 2008

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Quarterly Report - September 30, 2008

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2008

	Certificate capital	Capital reserves Statutory reserves	Capital reserves Net unrealised gain / (loss) on available for sale investments	Revenue reserves Unappropriated profits	Total reserves	Total equity
	Rupees					
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 period	-	-	-	11,241,641	11,241,641	11,241,641
Transferred to statutory reserves	-	2,248,328	-	(2,248,328)	-	-
Net unrealised gain on available for sale investments	-	-	(1,361,482)	-	(1,361,482)	(1,361,482)
Balance as at September 30, 2007	250,000,000	20,801,863	(6,038,709)	58,207,454	72,970,608	322,970,608
Profit for the period				20,521,151	20,521,151	20,521,151
Transferred to statutory reserves		4,104,230		(4,104,230)		
Net unrealised gain on available for sale investments			(7,018,554)		(7,018,554)	(7,018,554)
Profit distribution for the year ended June 30, 2007 @ Rs. 1.20 per modaraba certificate				(30,000,000)	(30,000,000)	(30,000,000)
Balance as at June 30, 2008	250,000,000	24,906,093	(13,057,263)	44,624,375	56,473,205	306,473,205
Profit for the period				6,149,940	6,149,940	6,149,940
Transferred to statutory reserves		1,229,988		(1,229,988)		
Net unrealised gain on available for sale investments			(10,008,095)		(10,008,095)	(10,008,095)
Balance as at September 30, 2008	250,000,000	26,136,081	(23,065,358)	49,544,327	52,615,050	302,615,050

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

CHIEF EXECUTIVE OFFICER
Lahore: October 30, 2008

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 SEPTEMBER 30, 2008

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 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, 2008.

3 TAXATION

The income of non-trading modarabas 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 for tax liability for the quarter ended September 30, 2008 is made in the financial statements.

4 SHORT-TERM INVESTMENTS

Available for sale (Redemption Reserve Fund)
Financial Assets at fair value through profit and loss

September 30, 2008 Rupees	June 30, 2008 Rupees
23,321,379	32,253,008
4,747,520	7,078,369
28,068,899	39,331,377

5 NET INVESTMENT IN IJARAH FINANCE

Minimum lease payments receivable
Add: Residual value
Gross investment in ijarah finance
Less: Unearned finance income
Net investment in ijarah finance
Less: Current portion of net investment in ijarah finance

1,531,139,653	1,515,567,269
238,308,461	239,858,693
1,769,448,114	1,755,425,962
287,165,918	262,836,825
1,482,282,196	1,492,589,137
529,644,294	527,495,844
952,637,902	965,093,293

6 FIXED ASSETS - OWNED

Opening written down value

1,997,569 853,450

Additions during the period

Tangible

Computers and accessories
Electric equipment
Vehicles

16,360	310,250
-	38,342
-	1,610,063

Intangible

Software and license fee

200,000 1,958,655

Disposal during the period

Tangible

Computers and accessories
Electric equipment
Vehicles

-	799,230
-	-
-	-

Intangible

Software and license fee

799,230

Less:

Depreciation / amortization charged during the period

159,384 641,367

Ajustement of Accumulated Depreciation of Disposed Asset

-

2,054,545 1,997,569

Quarterly Report - September 30, 2008

	September 30, 2008	June 30, 2008
	Rupees	Rupees
7 CONTINGENCIES AND COMMITMENTS		
Contingencies		
There were no known contingencies as at September 30, 2008. (June 2008 : Nil)		
Commitments		
Ijarah/morahaba contracts approved but not disbursed.	<u>161,311,619</u>	<u>511,321,225</u>
	Quarter ended	
	September 30	September 30
	2008	2007
	Rupees	Rupees
8 GAIN ON SHORT-TERM INVESTMENTS		
Gain/(loss) on sale of short-term investments	124,089	(1,597,568)
Dividend income	251,900	972,250
Unrealised gain/(loss) in value of short-term investments	<u>(2,331,330)</u>	<u>(24,449)</u>
	<u>(1,955,341)</u>	<u>(649,767)</u>
9 OPERATING EXPENSES		
Salaries, allowances and other benefits	3,924,962	2,065,050
Utility expenses	-	123,000
Communication expenses	90,369	72,470
Traveling and conveyance	72,444	6,220
Vehicle running expenses	19,207	14,362
Postage and stamps	17,758	12,894
Advertisement	-	7,410
Legal and professional charges	101,632	92,081
Fee and subscription	105,750	76,749
Repairs and maintenance	99,455	66,680
Insurance	28,291	20,826
Stationery, printing and other expenses	52,545	68,520
Depreciation / amortization	159,384	124,822
Amortization of deferred costs	500,034	500,034
Central depository company charges	-	2,765
Entertainment	37,684	25,069
Other sundry expenses	21,014	12,546
Zakat	<u>24,010</u>	<u>23,299</u>
	<u>5,254,539</u>	<u>3,314,797</u>
10 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		
	September 30	September 30
	2008	2007
	Rupees	Rupees
Transactions with related parties		
Related Party	Relationship	Nature of Transactions
Taurus Securities Limited	Common management & Control	Commission paid
		<u>6,250</u>
Taurus Securities Limited	Common management & Control	Purchase and sale of securities
		<u>7,244,691</u>
National Bank of Pakistan	Management Co.'s holding company	Musharika obtained
		<u>22,432,183</u>
		Musharika repaid
		<u>41,666,667</u>
		Profit paid
		<u>15,298,031</u>
		Ijarah disbursed
		<u>3,626,950</u>
		Ijarah repaid
		<u>3,833,285</u>
		Profit on Ijarah
		<u>548,293</u>
National Bank Modaraba Management Company Limited	Management Company	Management fee
		<u>683,327</u>
		<u>1,249,071</u>

First National Bank Modaraba

	September 30 2007	June 30 2008
Balances outstanding at the period end	Rupees	Rupees
NIDA/current accounts with National Bank of Pakistan (running balances)	11,610,750	11,204,970
Finances under Musharika arrangement from National Bank of Pakistan	521,603,720	540,838,204
Net investment in Ijarah finance to National Bank Limited	24,206,151	24,412,486
Current account with National Bank of Pakistan	364,993	365,419

11 OTHERS

There were no other significant activities since September 30, 2008 affecting the financial statements.

12 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 30, 2008 by the Board of Directors of the National Bank Modaraba Management Company Limited.

13 APPROPRIATIONS

The Board of Directors in their meeting held on October 08, 2008 have declared a final dividend for the year ended June 30, 2008 of Re. 1.00 per certificate amounting to Rs. 25,000,000/-

14 GENERAL

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

CHIEF EXECUTIVE OFFICER
Lahore: October 30, 2008

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

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