

annual report 2010



First National Bank Modaraba

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

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CORPORATE INFORMATION

Board of Directors	Mr. Qamar Hussain Mr. Shahid Anwar Khan Dr. Asif A. Brohi Mr. Wajahat A. Baqai Mr. Khawaja Waheed Raza Syed Mustafa Kamal Mr. Javaid Sadiq	Chairman Director Director Director Director Director Chief Executive Officer
Chief Financial Officer/ Company Secretary	Mr. Abbas Azam	
Audit Committee	Mr. Shahid Anwar Khan Dr. Asif A. Brohi Mr. Wajahat A. Baqai	Chairman Member Member
Auditors	Horwath Hussain Chaudhury & Co. (A member firm of Crowe Horwath International)	
Bankers	National Bank of Pakistan Standard Chartered Bank Bank Alfalah Limited Al Baraka Islamic Bank Habib Bank Limited Allied Bank Limited MCB Bank Limited First Women Bank Limited HSBC Middle East Limited Bank Islami Pakistan Limited	
Legal Advisor	Cornelius Lane & Mufti Advocates and Solicitors Nawa-i-Waqt House 4 – Shahrah-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	5 th Floor, NBP RHQs Building, 26 – McLagon Road, Lahore Tel: 042-99211200, Fax: 042-99213247 URL: http://www.nbmodaraba.com E-mail: info@nbmodaraba.com	

VISION

PRESERVE TO REPLACE RIBA DRIVEN INSTRUMENTS WITH ISLAMIC MODES OF FINANCING IN A MANNER TO ACHIEVE OPTIMUM CUSTOMER SATISFACTION BY DEVELOPING SUSTAINABLE AND DEPENDABLE RELATIONSHIPS

TO BE AN INSTITUTION OF EXCELLENCE, WHICH WILL CREATE AND MAINTAIN AN ENVIRONMENT OF STATE-OF-ART MANAGEMENT SYSTEM AND A HIGH STANDARD OF INTEGRITY, EFFICIENCY PROFESSIONALISM AND INNOVATION

ATTAIN THE STATUS OF MOST PROFESSIONALLY AND PROFITABLY RUN MODARABA AMONG ITS COMPETITORS

IT SHALL PLACE A SPECIAL EMPHASIS ON HUMAN RESOURCES DEVELOPMENT, DIGNITY, SECURITY, WELFARE OF PEOPLE WHO OPERATE AND WORK FOR THE MODARABA

MISSION

THE FUNDAMENTAL MISSION IS TO SEEK THE PLEASURE OF ALLAH THROUGH MAKING HUMBLE CONTRIBUTION IN THE TRANSFORMATION OF OUR MERCANTILE AND FINANCIAL SYSTEM AND BUSINESS DEALINGS IN ACCORDANCE WITH THE PRINCIPLES ENSHRINED IN THE SHARIA

COMMITMENTS TO PROVIDE RIBA FREE INVESTMENT AND FINANCING OPPORTUNITIES TO THE INVESTORS, THE BUSINESS COMMUNITY AND INDUSTRY

IN ALL BUSINESS DEALINGS OF MODARABA, THE RIGHTS OF ALLAH, THE RIGHTS OF ALL CERTIFICATE HOLDERS AND ALL OTHER RIGHTS SHALL BE SINCERELY SAFEGUARDED

NOTICE OF 7TH ANNUAL REVIEW MEETING & BOOK CLOSURE

Notice is hereby given that the 7th Annual Review Meeting of certificate holders of First National Bank Modaraba will be held on Friday, October 29, 2010 at 11:00 a.m. at 4th Floor, NBP RHQs Building, 26 – McLagon Road, Lahore to review the performance of the Modaraba for the year ended June 30, 2010

The Board of Directors has declared final dividend of 10% for the year ended June 30, 2010.

The Certificate Transfer Book will remain closed from October 22, 2010 to October 29, 2010 (both days inclusive) for the purpose of entitlement to dividend and eligibility to attend the Annual Review Meeting. All transfers received in order, up to the close of business on October 21, 2010 at our Registrar's Office, Hameed Majeed Associates (Pvt.) Limited, H.M House, 7 – Bank Square, Lahore will be considered in time.

The certificate holders whose names appear on the Register of Certificate Holders of First National Bank Modaraba at the close of business as on October 21, 2010 will be eligible to receive dividend and attend the Annual Review Meeting.

By order of the Board

Abbas Azam
Company Secretary
National Bank Modaraba Management Company Limited
Managers of First National Bank Modaraba
Lahore: September 30, 2010

FIRST NATIONAL BANK MODARABA

DIRECTORS' REPORT

Board of Directors of National Bank Modaraba Management Company Limited (NBMCL), the management Company of First National Bank Modaraba (FNB), is pleased to present the directors report on the 7th annual accounts of FNB for the period ended June 30, 2010. These accounts have been audited by the statutory auditors of the Modaraba and are accompanied by their audit report.

1. Financial Results:

(Amounts in Rupees)

	Year Ended June 30, 2010	Year Ended June 30, 2009	Year Ended June 30, 2008	Year Ended June 30, 2007	Year Ended June 30, 2006	Year Ended June 30, 2005
Balance Sheet Size	1,761,257,802	2,410,441,957	2,778,974,825	2,201,495,813	2,074,594,990	1,206,081,190
Total Equity	331,881,894	288,483,487	306,473,205	313,090,449	295,362,450	265,022,554
Total Operating & Other Income	370,063,518	352,479,348	227,964,068	222,132,561	154,361,692	53,338,797
Operating & Financial Exp.	340,914,240	340,507,125	192,672,077	176,003,033	120,541,403	34,689,455
Profit for the period	29,149,278	11,972,223	35,291,991	46,129,528	33,820,289	18,649,342
Modaraba Co.'s Management Fee	2,914,927	1,197,222	3,529,199	4,612,953	3,382,029	1,864,934
Net profit after tax	26,234,350	10,775,001	31,762,792	41,516,575	30,438,260	16,602,966
Earning per certificate	1.05	0.43	1.27	1.66	1.22	0.66
Return on Assets (%)	1.48	0.45	1.14	1.89	1.47	1.38
Return on Equity (%)	7.9	3.74	10.36	13.26	10.31	6.26
Dividend Paid (%)	10	-	10	12	10	-
Breakup value per certificate	13.27	11.54	12.26	12.52	11.81	10.60

2. Sector Outlook:

Financial year 2009-10 offered big challenges for Pakistan economy. The Major problem faced by our economy is the skyrocketing inflation and slowing down of economic activity. The country is suffering from acute power shortage which is hampering the manufacturing and trading activities. In spite of political stabilizations in the country, the law and order situation in frontier and other parts of the Country remained a source of extreme anxiety. As of recently, just as every thing appeared to be on course we were struck by devastating floods, that was a calamity of the most heinous nature in the history of our Country. Many people have lost their lives and millions rendered homeless. It is not too difficult to imagine the aftermath of such a disaster. Gigantic efforts and resources will be needed for the rehabilitation of the effected people and for them to again start putting their contribution in the economic activity.

Financial sector in Pakistan that experienced declining trend over last couple of years, has shown signs of stabilization during the period under review. Modaraba sector being a small part of the financial sector of Pakistan was directly affected by the above as it mainly rely on the banks to meet most of its financial needs. As a result cost of funds of modarabas remained high which has affected their profitability. Another challenge faced by modrabas is direct competition with Islamic banks and Islamic banking divisions (IBDs) of conventional banks that are showing reasonable growth and capturing a major share of the Islamic financial market. In the presence of Islamic banks and IBDs of conventional banks it is becoming difficult for modarabas to increase their share in the market. Nevertheless, the Modaraba sector is striving through innovation and efficiency to get its due share in the financial markets and to cope with these circumstances. Furthermore it has to adopt a well structured and sustained marketing strategy to hover through the present turbulences.

3. Review of Operations:

During the period under review, the economy remained under pressure due to some negative economic indicators, low credit demand by the industry and high borrowing cost, despite some signs of recovery during the last few months. Faced with adverse implications on account of above during this period, FNBM adopted a cautious approach. Consequently, the size of balance sheet decreased by 27% as compared to the last year. The major product of the Modaraba is Ijarah finance and during the current year, FNBM's made ijarah investment to the tune of Rs.323 Millions. Whereas an amount of Rs.480 Millions in Ijarah investment has been recovered/repaid during the year. The Morabaha investments also decreased by 29 % from Rs. 1,016 million as on June 30, 2009 to Rs.717 million at the end of current year. The total income of the Modaraba increased by 5% from Rs.352 Million in the last year to Rs.370 Million in the current year. Net profit increased by 144 % from Rs.10.775 Million to Rs.26.234 Millions. Increase in net profit of the Modaraba is mainly because of slightly better performance in short term equity investments as compared to last year, and also because of normalization of the initial impact, booked last year, of change in accounting policy to IFAS-II. Further the modaraba has curtailed its short term equity investments to avoid the impact of uncertainties in the stock markets on profitability.

International Accounting Standard 39 – Financial Instruments: Recognition and Measurement requires that available for sale equity securities are impaired when there is a significant or prolonged decline in the fair value below its cost and such impairment loss should be transferred to profit & loss account from equity. However due to significant decline in values of equity securities SECP vide S.R.O.150 (1) dated February 13, 2009 has allowed to show this impairment loss in equity instead of charging to profit & loss account up to the period ended December 31, 2008. However, this loss has to be taken to profit & loss account on quarterly basis during calendar year 2009. FNBM charged last year Rs.11.343 million to P&L account which is 50% of the difference between market value and cost of available for sale equity securities as at December 31, 2008 after adjusting for the price movements. The remaining impact amounting to Rs.11.558 millions was booked this year.

The Modaraba has managed to mobilize funds from various financial institutions at competitive rates. In addition, the Modaraba has been successful in raising reasonable amount of funds through issuance of Certificates of Musharika (COMs).

We believe in steady and sustainable growth backed by the policy of low risk. This policy has resulted into modest but sustainable profitability coupled with sound and healthy asset portfolio comprising of clients of good credit rating and lower level of risk. The asset portfolio is fairly diversified both in terms of sector, asset type and geographical dispersion.

4. Profit Distribution:

Board in its meeting held on September 30, 2010 has declared Re.1/- per certificate (10%) as final dividends for the year ended June 30, 2010 to its certificate holders.

5. Entity Rating:

JCR-VIS has reaffirmed long term entity rating at A+ (A plus) and short term entity rating of A-1 in May 2010 with a "Stable" outlook.

6. Future Outlook:

Financial sector in Pakistan has been badly hit due to increase in delayed recoveries, lack of further opportunities for profitable investments, uncertain stock markets and fluctuating mark up rates. The challenge before FNBM is to maintain the size and quality of its business portfolio on acceptable margins which are coming under constant pressure. FNBM further plans to overcome these challenges by exploring new market opportunities to increase its market share and focusing on such market segments which have the capacity and financial strength to absorb the above factors.

7. Corporate and Financial Reporting Framework:

- The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Accounting policies have been applied consistently in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, International accounting standards, and Islamic Financial Accounting Standards as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements.

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- The system of internal control, which is sound in design is in place and is being continuously reviewed by internal audit. The process of review will continue and any weakness in controls will be removed.
- Board is satisfied with the Modaraba's ability to continue as going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding as on June 30, 2010 except those disclosed in the financial statements.
- During the year ended June 30, 2010 four (04) meetings of the Board of Directors were held. Attendance by each directors is as follows:

Names of Directors:	No of Attendance
i. Mr. Qamar Hussain	4
ii. Mr. Shahid Anwar Khan	3
iii. Dr. Asif A. Brohi	2
iv. Mr. Wajahat A. Baqai	4
v. Mr. Qamar Hussain	3
vi. Mr. Muhammad Nusrat Vohra	3
vii. Mr. Shafiq Khan	1
viii. Mr. Barbruce Ishaq	3

During the year Mr. Shafiq Khan, CEO, resigned and Mr. Barbruce Ishaq took charge from him and who also resigned by the year end. Mr. Qamar Hussain and Mr. Muhammad Nusrat Vohra resigned by the end of the financial year. Mr. Khawaja Waheed Raza and Syed Mustafa Kamal were appointed in their place and by the end of the year they did not attend any meeting.

Leave of absence was granted to directors who could not attend some of the Board meetings.

The pattern of certificate holders is annexed.

8. Auditors:

The present auditors Messrs Horwath Hussain Chaudhury & Co, Chartered Accountants, being due for retirement, have offered themselves for re-appointment for the year ending June 30, 2011. Their appointment has been confirmed by the Board, subject to approval by the Registrar, Modaraba Companies and Modarabas,

9. Acknowledgement:

The Board would like to take this opportunity of expressing gratitude and thanks to our valued customers for their patronage and support, the Securities and Exchange Commission of Pakistan, Karachi Stock Exchange, Lahore Stock Exchange and Modaraba Association of Pakistan for their continuance support and guidance.

Special thanks to our certificate holders for the trust and confidence reposed in us and the Modaraba's staff for their commitment and dedicated services.

For and on Behalf of the Board

Javaid Sadiq
Chief Executive Officer

STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2010

This statement is being presented to comply with the Code of Corporate Governance contained in the Listing Regulations of Karachi and Lahore Stock Exchanges respectively for the purpose of establishing framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Modaraba has applied the principles contained in the Code in the following manner:

1. The Board presently comprises of directors nominated by National Bank of Pakistan (Holding Company of National Bank Modaraba Management Company Ltd) and all (except for Chief Executive Officer) are non-executive directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including this company.
3. All the resident directors of the company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFC or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. All casual vacancies are filled up by the holding company, National Bank of Pakistan, by nomination on the Board of the Company after getting the approval of Registrar of Modaraba Companies and Modarabas.
5. The Modaraba has prepared a Statement of Ethics and Business Practices', which has been signed by all directors and employees of the Modaraba.
6. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Modaraba along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken on the Board. The terms of appointment and remuneration package of the CEO and executive directors is approved by the Board.
8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working paper were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are fully aware of the relevant laws applicable to the Modaraba, its policies and procedures and provisions of the Memorandum and Articles of Association to manage the affairs of the Modaraba on behalf of the certificate holders. Further all directors have relevant experience and knowledge to manage the affairs of the Modaraba.

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10. The Board has approved the appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit. The remuneration and terms and conditions of employment of Chief Financial Officer, Internal auditor and Company Secretary have been approved by the Board, as determined by the Chief Executive Officer.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Modaraba other than that disclosed in the pattern of holding of certificates.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee, which comprises of three members and all are non executive directors including the Chairman of the Committee.
16. The meetings of the audit committee are held at least once every quarter prior to approval of interim and final results of the Modaraba as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The related party transactions have been placed before audit committee and approved by the Board of Directors to comply with the requirements of the Code.
18. The Board has set-up an effective internal audit function.
19. The statutory auditors of the Modaraba had confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Modaraba and that the firm and all of its partners are in compliance with international Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the person associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been substantially complied with.

Javaid Sadiq
Chief Executive Officer

REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of National Bank Modaraba Management Company Limited (the Management Company) in respect of First National Bank Modaraba (the Modaraba) to comply with the Listing Regulations of the Stock Exchanges in Pakistan where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate governance and report if it does not. A review is limited primarily to inquiries of the Modaraba personnel and review of various documents prepared by the Modaraba to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Modaraba to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2010.

Lahore
Dated: September 30, 2010

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement Partner: Muhammad Nasir Muneer)

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of First National Bank Modaraba ("the Modaraba") as at June 30, 2010 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Company's (National Bank Modaraba Management Company Limited) responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis; evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2010 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The financial statements of the Modaraba as at June 30, 2009 were audited by another auditor whose report dated August 19, 2009 expressed an unqualified opinion on those financial statements.

LAHORE
Dated: September 30, 2010

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

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BALANCE SHEET AS AT JUNE 30, 2010

		2010	2009
	Note	Rupees	Rupees
ASSETS			
Current Assets			
Bank balances	6	5,019,214	13,878,858
Ijarah rentals receivable		16,058,922	9,974,535
Advances, prepayments and other receivables	7	68,934,002	92,746,184
Accrued profit	8	17,921,146	20,124,933
Short term investments	9	1,856,657	21,704,851
Short term morabaha investments	10	595,584,052	732,293,129
Short term musharaka investment	11	2,500,000	25,000,000
Current portion of non-current assets	12	316,255,858	535,030,967
		1,024,129,851	1,450,753,457
Non-Current Assets			
Net investment in ijarah	13	254,672,831	565,865,257
Long term morabaha investments	14	55,271,791	172,238,527
Long term sukuk certificate	15	4,941,801	8,941,801
Long term loans and deposits	16	1,211,401	1,126,860
Fixed assets under ijarah arrangements	17	418,921,835	209,889,450
Fixed assets - Tangible	18	2,016,200	1,397,834
Intangible assets	19	92,092	228,771
		737,127,951	959,688,500
		1,761,257,802	2,410,441,957
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities	20	24,879,005	35,265,721
Accrued profit payable		22,228,812	32,229,676
Short term finance	21	466,728,456	726,969,660
Short term certificates of musharaka	22	80,475,882	53,825,000
Current portion of non-current liabilities	23	559,343,948	562,265,886
		1,153,656,103	1,410,555,943
Non-Current Liabilities			
Long term security deposits	24	92,956,759	122,530,664
Long term certificates of musharaka	25	-	120,000,000
Long term finance	26	174,999,995	421,133,335
Deferred morabaha income	27	8,105,126	47,738,528
		276,061,880	711,402,527
		1,429,717,983	2,121,958,470
NET ASSETS		331,539,819	288,483,487
REPRESENTED BY:			
Capital and Reserves			
Certificate capital	28	250,000,000	250,000,000
Reserves	29	81,539,819	38,483,487
Contingencies and commitments	30	-	-
		331,539,819	288,483,487

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

CHIEF EXECUTIVE OFFICER
Lahore: September 30, 2010

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

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PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2010

		2010 Rupees	2009 Rupees
INCOME			
Income from ijarah		239,731,340	224,781,704
Profit on morabaha investment		116,967,147	117,509,066
Profit on musharaka investment		6,417,699	9,188,580
Profit on bank deposits		451,239	377,234
Gain / (loss) on short term investments	31	1,397,775	(2,080,845)
Other income	32	5,098,318	2,703,609
		370,063,518	352,479,348
EXPENDITURES			
Operating expenses	33	(134,157,267)	(66,633,993)
Finance cost	34	(195,198,797)	(262,530,240)
Impairment on available for sale investments	35	(11,558,176)	(11,342,892)
		(340,914,240)	(340,507,125)
		29,149,278	11,972,223
Modaraba Company's management fee	36	(2,914,928)	(1,197,222)
Profit for the year		26,234,350	10,775,001
Un-appropriated profit brought forward		28,244,376	44,624,375
Profit available for appropriation		54,478,726	55,399,376
Appropriation:			
Transfer to statutory reserve		5,246,870	2,155,000
Profit distribution for the year ended June 30, 2008		-	25,000,000
		(5,246,870)	(27,155,000)
Un-appropriated profit carried forward		49,231,856	28,244,376
Earnings per Modaraba Certificate - Basic and Dilutive	37	1.05	0.43

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

CHIEF EXECUTIVE OFFICER
Lahore: September 30, 2010

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

STATEMENT OF COMPREHENSIVE INCOME
AS THE YEAR ENDED JUNE 30, 2010

	2010	2009
	Rupees	Rupees
Profit for the year	26,234,350	10,775,001
Other comprehensive income		
Net unrealized gain / (loss) in value of available for sale investments	16,821,982	(3,764,719)
Total Comprehensive Income for the Year	<u>43,056,332</u>	<u>7,010,282</u>

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

CHIEF EXECUTIVE OFFICER
Lahore: September 30, 2010

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

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CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2010

	2010 RUPEES	2009 RUPEES
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	26,234,350	10,775,001
Adjustment for:		
Depreciation / amortization	111,280,075	49,487,737
Amortization of deferred costs	-	839,813
Impairment on available for sale investments	11,558,176	11,342,892
Allowance for potential ijarah losses	6,420,743	-
(Appreciation) / diminution in value of investments	(302,958)	3,595,868
Gain on sale of shares	(633,902)	(139,733)
Gain on disposal of vehicle	(620,000)	-
Gain on termination of ijarah arrangements	(450,684)	-
Finance cost	195,198,797	262,530,240
Profit on bank deposits	(451,239)	(377,234)
Dividend income	(460,915)	(1,375,290)
	321,538,093	325,904,293
Operating profit before working capital changes (Increase)/ Decrease in operating assets	347,772,443	336,679,294
Advances, prepayments and other receivables	23,710,796	26,923,103
Ijarah rentals receivable	(6,084,387)	760,606
Accrued profit	2,203,787	(1,140,824)
Short term morabaha investment	126,950,149	(62,389,966)
Short term musharaka investment	22,500,000	75,000,000
Investment in ijarah	479,966,235	508,316,742
Security deposits from lessees	(59,267,591)	(13,064,394)
Long term morabaha investment	106,333,334	(11,458,333)
Long term sukuk certificate	4,000,000	29,000,000
Increase/ (Decrease) in operating liabilities		
Creditors, accrued and other liabilities	(10,386,716)	2,454,149
Net changes in working capital	689,925,607	554,401,083
Cash generated from operations	1,037,698,050	891,080,377
Finance cost paid	(205,199,661)	(251,891,387)
Income taxes paid	(31,114)	(16,861)
Dividend income received	593,415	1,292,790
Profit received on bank deposits	451,239	304,309
Net Cash from Operating Activities	833,511,929	640,769,228
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(323,318,725)	(259,006,223)
Proceeds from disposal of vehicle	620,000	-
Proceeds from disposal of ijarah assets	2,975,262	-
Short term investments	26,048,860	(937,214)
Long term loans and deposits	(306,639)	62,501
Net Cash Used in Investing Activities	(293,981,242)	(259,880,936)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances repaid - net	(312,500,009)	(208,666,667)
Short term finances	(260,241,204)	10,467,430
Short term Certificate of Musharaka	26,650,882	(176,075,000)
Long term Certificate of Musharaka	(2,300,000)	20,000,000
Dividends paid	-	(25,000,000)
Net Cash Used in Financing Activities	(548,390,331)	(379,274,237)
Net (Decrease) / Increase in Cash and Cash Equivalents	(8,859,644)	1,614,055
Cash and Cash Equivalents at the Beginning of the Year	13,878,858	12,264,803
Cash and Cash Equivalents at the End of the Year	5,019,214	13,878,858

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Lahore: September 30, 2010

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2010**

Particulars	Certificate Capital	Reserves				Total Equity
		Statutory reserve	Unrealized gain / (loss) on investment	Unappropriated profit	Total	
Rupees						
Balance as at June 30, 2008	250,000,000	24,906,093	(13,057,263)	44,624,375	56,473,205	306,473,205
Total comprehensive income for the year ended June 30, 2008	-	-	(3,764,719)	10,775,001	7,010,282	7,010,282
Transfer to statutory reserve	-	2,155,000		(2,155,000)	-	-
Profit distribution for the year ended June 30, 2008	-	-	-	(25,000,000)	(25,000,000)	(25,000,000)
Balance as at June 30, 2009	250,000,000	27,061,093	(16,821,982)	28,244,376	38,483,487	288,483,487
Total comprehensive income for the year ended June 30, 2009	-	-	16,821,982	26,234,350	43,056,332	43,056,332
Transfer to statutory reserve	-	5,246,870	-	(5,246,870)	-	-
Balance as at June 30, 2010	250,000,000	32,307,963	-	49,231,856	81,539,819	331,539,819

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

CHIEF EXECUTIVE OFFICER
Lahore: September 30, 2010

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2010

Note 1

The Company and its Operations

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 the 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 operations on December 04, 2003 and is currently engaged in various Islamic modes of financing and operations including Ijarah, Musharaka and Morabaha arrangements.

Note 2

Basis of Preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations and directives issued by the Securities and Exchange Commission of Pakistan (the Modaraba Regulations). Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") and the Islamic Financial Accounting Standards (IFASs) as are notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas under Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Wherever, the requirements of the Modaraba Regulations differ from the requirements of these standards, the requirements of the Modaraba Regulations take precedence.

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for the measurement of certain financial instruments at fair value in accordance with the requirements of IAS-39 (Financial Instruments: Recognition and Measurement) and IFAS-1 (Morahaba).

2.3 Impairment loss on available for sale investments

The Karachi Stock Exchange (Guarantee) Limited (KSE) placed a "Floor Mechanism" on the market value of securities effective from August 27, 2008 till December 15, 2008, based on the closing prices of securities prevailing as on August 27, 2008. Consequent to the introduction of Floor Mechanism, the market volume declined significantly during the said period. Subsequent to the lifting of the floor, there were lower floors on a number of securities at December 31, 2008. The equity securities were valued at prices quoted on KSE on December 31, 2008 without any adjustment.

Due to unprecedented decline in equity security prices and financial crisis, the SECP allowed to show impairment loss, if any, recognized as on December 31, 2008 due to valuation of listed equity investment held as 'Available for Sale' to quoted market prices under equity and take this amount to the profit and loss account on quarterly basis during the calendar year ending on December 31, 2009. The amount taken to equity was required to be treated as a charge to the profit and loss account for the purposes of distribution as dividend. Pursuant to this, the Modaraba has charged the entire amount to the profit and loss account by December 31, 2009.

2.4 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the Company's functional and presentation currency. All financial information presented in Pak Rupees has been rounded to the nearest Rupee.

Note 3 Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRSs requires management to make judgments, estimates and assumptions that affect application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under circumstances, results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as under:

Fixed assets

The Modaraba reviews the useful lives of fixed assets on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of fixed assets with a corresponding effect on the depreciation charge and impairment, if any.

Short term investments

The Modaraba has recorded its short term investments by using quotations from active market. This estimates is subjective in nature and therefore, cannot be determined with precision.

Note 4 Amendments to Existing Standards and Forthcoming New Standards and Interpretations

4.1 Amendment to published standards effective in current year and applicable to the Modaraba

IAS 1 (Revised) 'Presentation of Financial Statements' (effective for annual periods beginning on or after July 01, 2009), was issued in September 2007. The revised standard requires an entity to present, in Statement of Changes in Equity, all owner changes in equity. All non-owner changes in equity (i.e. comprehensive income) are required to be presented separately from owner's changes in equity, either in one statement of comprehensive income or in two statements (a separate income statement and a statement of comprehensive income). In compliance with change in IAS-1 (Presentation of Financial Statements), the Modaraba has changed its accounting policy and opted to issue two separate statements. Comparative information has been re-presented so that it is in conformity with the revised standards.

4.2 Amendment to published standards effective in current year not applicable to the Modaraba

The following amendments to existing standards have been published that are not applicable to the Modaraba's financial statements:

- IAS 23 'Borrowing Costs' certain amendments have been published that are applicable to the financial statements covering annual periods, beginning on or after July 01, 2009. Adoption of these amendments require the capitalization of borrowing costs directly attributable to acquisition, construction or production of qualifying assets (one that takes substantial period of time to get ready for the use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs is removed.

FIRST NATIONAL BANK MODARABA

Note 4 - Amendments to Existing Standards and Forthcoming New Standards and Interpretations ... Contd.

- IAS 27 (Revised), 'Consolidated and Separate Financial Statement', is effective from July 01, 2009. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The Standard also specifies the accounting when control is lost. Any remaining interest in the entity is again measured at fair value, and a gain or loss is recognized in income statement.
- IAS 39 (Amendment), 'Financial Instruments Recognition and Measurement' - Reclassification of Financial Assets (effective from July 01, 2009). The amendments to the standard permit an entry to reclassify non derivative financial assets (other than those designated at fair value through profit or loss by the entity upon initial recognition) out of the fair value through profit or loss category in the particular circumstances. The amendment also permits an entity to transfer from the available for sale category to the loans and receivable category, a financial asset that would have met the definition of loans and receivable (if the financial asset had not been designated as available for sale), if the entity has intention and ability to hold that financial asset for the foreseeable future.
- IFRS 2, 'Share based payment' (effective from 1 January 2009). This standard requires attribution of group share-based payment transactions only if they are equity settled. The amendments require an entity receiving goods or services in either an equity-settled or a cash-settled payment transaction to account for the transaction in its separate financial statements.
- IFRS 3 (Revised), 'Business Combinations' (effective from July 01, 2009). The revised standard continues to apply the acquisition method to business combination with some significant changes. To exemplify, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re measured through the income statement. There is a choice on an acquisition-by acquisition basis to measure the non-controlling interest in the acquiree at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisitions related costs are required to be expensed.
- Other Interpretations

	<u>Effective Date</u> (accounting period beginning on/after)
IFRIC 13 Customers Loyalty Programs	July 01, 2009
IFRIC 15 Agreement for the Construction of Real Estate	January 01, 2009
IFRIC 17 Distribution of Non-Cash Assets to Owners	July 01, 2009
IFRIC 18 Transfer of Assets from Customers	July 01, 2009

4.3 Amendments and Interpretation to published standards not yet effective

<u>Standards or Interpretation</u>	<u>Effective Date</u> (accounting period beginning on/after)
Revision / Improvements / Amendments to IFRSs in 2009	
IAS 24 Related Party Disclosure	January 01, 2011
IAS 32 Financial Instruments: Presentation	January 01, 2010
IFRS 2 Share-based Payments	January 01, 2010
IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments	July 01, 2010
IFRIC 14 The Limit on a Defined Benefit Assets	January 01, 2011

The Modaraba expects that the adoption of above standards, amendments and interpretations will have no material impact on its financial statements in the period of initial application.

Note 5 Summary of Significant Accounting Policies

5.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

5.2 Receivables

Receivables are due on normal trade terms. These are carried at original invoice amount less provision for doubtful debts, if any. Balances considered bad and irrecoverable are written off when identified.

5.3 Investments

All purchases and sales of investments are recognized using trade date accounting. Trade date is the date that the Modaraba commits to purchase or sell the investment. Investments are classified as under:

Available for sale

These are non-derivative financial assets that are designated as available for sale and may be sold in response to needs for liquidity or changes in interest rates or equity prices. These investments are initially recognized at fair value plus transaction cost and subsequently re-measured at fair value. Investments for which quoted market price is not available are measured at costs. Gain / loss arising from re-measurement at fair value, other than impairment losses, is recognized directly in equity until such investments are sold, collected or disposed off, at which time, the cumulative gain or loss previously recognized in equity is included in the profit and loss account.

At fair value through profit and loss

These include investments held for trading and those that are designated at fair value through profit or loss at inception. Investments are classified as held for trading if they are acquired for the purpose of selling in the near term. These are initially measured at fair value and changes on re-measurement are taken to the profit and loss account.

Held to maturity investments

Investments with fixed or determinable payments and fixed maturity and where the Modaraba has positive intent and ability to hold to maturity are classified as held to maturity. These are initially recognized at cost, including transaction costs, less impairment loss, if any, recognized to reflect irrecoverable amount and are subsequently carried at amortized cost using the effective interest rate method. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the investment to its net carrying amount. Gain / loss is recognized in the profit and loss account when the investment is de-recognized or impaired, through the amortization process as well.

5.4 Derecognition

All investments are de-recognized when the right to receive cash flows from investments have expired and / or the Modaraba has transferred substantially all risks and rewards of ownership.

5.5 Morabaha investment

Morabaha investments are stated net of provision. Provision is recognized in accordance with Prudential Regulations for Modarabas issued by the SECP or on the estimate of management, whichever is higher. Bad debts are written off when identified. Morabaha receivables are recorded by the Modaraba at the invoiced amount and disclosed as such in the balance sheet.

Purchases and sales under morabaha and the resultant profit is accounted for on the culmination of morabaha transaction. However, the profit on that portion of sales revenue not due for payment is deferred and shown in the balance sheet as liability.

Note 5 - Summary of Significant Accounting Policies ... Contd.

5.6 Musharaka investment

Musharaka investments are stated net of provision. Provision is recognized in accordance with Prudential Regulations for Modarabas issued by the SECP or on the estimate of management, whichever is higher. Bad debts are written off when identified.

5.7 Lease (ijarah) accounting

The Modaraba provides assets to its clients under ijarah agreements as approved by the Religious Board. Ijarah arrangements up to June 30, 2008 have been recorded in the books of accounts as finance lease in line with IAS-17 (Leases) and arrangements beginning on or after July 1, 2008 have been recorded in the books of accounts under IFAS-2 (Ijarah).

Under the ijarah arrangements up to June 30, 2008, amount due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

As per the requirements of IFAS-2, the Modaraba has presented assets subject to ijarah in its balance sheet according to the nature of the asset, distinguished from the assets in own use. Income from ijarah is recognized on accrual basis, unless another systematic basis is more representative of the time pattern in which benefit of used derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the ijarah income are recognized as an expense.

Net investment in ijarah is stated at present value of minimum ijarah payments. Impairment losses on non-performing ijarahs are recognized at higher of provision required in accordance with the Prudential Regulations for Modarabas or at a level which in the judgment of the management is adequate to provide for potential ijarah losses. These losses can be reasonably anticipated as the difference between the carrying amount of receivables and present value of expected cash flows discounted at the rates implicit in the ijarah agreement.

5.8 Fixed assets

Assets given to customers under ijarah arrangements

Assets given to customers under ijarah arrangements on or after July 01, 2008 are accounted for as operating lease and are stated at cost less accumulated depreciation and impairment loss, if any. Assets under ijarah arrangements are depreciated using straight line basis over the shorter of ijarah term or asset's useful life. In respect of additions and transfer during the year, depreciation is charged proportionately to the period of ijarah.

Assets in own use - Tangible

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Cost in relation to the assets comprises acquisition and other directly attributable costs. Subsequent costs are included in assets' carrying amounts when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. Carrying amount of parts so replaced, if any, is derecognized. All other repairs and maintenance are charged to income as and when incurred. Gain / loss on disposals are carried to the profit and loss account in the year of disposal.

Depreciation is charged to income using the straight line method at the rates as specified in note 18 to these financial statements so as to write off the cost of assets over their estimated useful lives without taking into account any residual value. Depreciation on additions to the tangible fixed assets is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

Note 5 - Summary of Significant Accounting Policies ... Contd.

Carrying amounts of the Modaraba's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated and impairment loss is recognized in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the initial cost of the asset. A reversal of the impairment loss is recognized as income in the profit and loss account.

Assets in own use - Intangible

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized on straight line basis over a period of three years.

5.9 Provisions

Provisions are recognized when the Modaraba has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for.

5.10 Creditors and other liabilities

Creditors and other liabilities are measured at cost which is the fair value of the consideration to be paid in future for goods and services received whether billed to the Modaraba or not.

5.11 Financial instruments

Financial assets and liabilities are recognized when the Modaraba becomes a party to contractual provisions of the instrument and de-recognized when the Modaraba loses control of the contractual rights that comprise the financial asset and in case of financial liability when the obligation specified in the contract is discharged, cancelled or expired.

Other particular recognition methods adopted by the Modaraba are disclosed in the individual policy statements associated with each item of financial instruments. Gain or loss, if any, on realization or settlement / subsequent measurement and derecognition of financial assets and liabilities are included in net profit and loss in the period in which it arises.

Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount reported in the balance sheet, if the Modaraba has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

5.12 Revenue recognition

For lease (ijarah) agreements executed on or before June 30, 2008, the unearned finance income is deferred and amortized to income over the term of ijarah, applying the annuity method to produce a constant rate of return on net investment in ijarah. Unrealized ijarah income on potential lease losses is excluded from the income from ijarah operations in accordance with the requirements of the Prudential Regulations for Modaraba issued by the SECP.

For lease (ijarah) agreements executed on or after July 01, 2008 lease rentals are recognized as income on accrual basis, as and when the rental become due over the lease period.

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Note 5 - Summary of Significant Accounting Policies ... Contd.

Profit on morabaha investment is recognized on pro-rata accrual basis, calculated on number of days for which funds are utilized.

Return on deposits with bank is recognized on accrual basis.

Profit on investment under musharaka arrangements is recognized on accrual basis and additional profit, if any, is recognized on declaration by the investee company in accordance with terms of issue.

Dividend income is recognized when the right to receive dividends is established.

Income from fee and commission is recognized as and when it becomes due.

5.13 Borrowing costs

Borrowing costs are charged to income as and when incurred except those costs that are directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

5.14 Taxation

Under the current tax law, the income of non-trading Modaraba is exempt from income tax provided that the Modaraba distributes ninety percent (90%) of its profits for the year, as cash dividend to the certificate holders, after appropriating statutory reserves. Where such profit is not distributed, provision for tax is made on taxable income at the current tax rates applicable to the Modaraba after taking into account the available tax exemptions and tax credits, if any.

5.15 Profit distribution

Profit distribution is recognized in the period in which it is distributed.

5.16 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at an arm's length on the same terms and conditions as are applicable to third party transactions.

Note 6

Bank Balances

	Note	2010 Rupees	2009 Rupees
Current accounts - profit bearing	6.1	4,442,920	10,955,951
Current accounts - non profit bearing		576,294	2,922,907
		<u>5,019,214</u>	<u>13,878,858</u>

6.1 These carry profit at the rate of 1.50% to 2.00% (2009: 1.50% to 2.00%) per annum.

6.1.1 This also represents redemption reserve funds set aside by the Modaraba to comply with the requirements of the Registrar Modarabas for the issuance of Certificates of Musharaka.

Note 7

Advances, Prepayments and Other Receivables

	2010 Rupees	2009 Rupees
Advances for ijarah (Secured - Considered good)	68,231,185	91,807,448
Advances to employees for expenses (Unsecured - Considered good)	50,198	30,960
Tax deducted at source	232,969	201,855
Income tax refundable	153,330	153,330
Advance income tax	154,126	154,126
Prepayments	82,194	235,965
Dividends receivable	30,000	162,500
	<u>68,934,002</u>	<u>92,746,184</u>

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Note 8 Accrued Profit

	2010	2009
	Rupees	Rupees
Morabaha investment	16,961,116	19,001,697
Musharaka investment	885,994	1,023,236
Bank deposits	74,036	100,000
	<u>17,921,146</u>	<u>20,124,933</u>

Note 9 Short Term Investments

	Note	2010	2009
		Rupees	Rupees
At fair value through profit and loss	9.1	1,856,657	3,482,982
Available for sale		-	18,221,869
		<u>1,856,657</u>	<u>21,704,851</u>

9.1 This represented redemption reserve funds set aside by the Modaraba to comply with the requirements of the Registrar 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 (refer to Note 15.2, Note 6.1.1).

9.2 Detail of short term investments is as under:

Shares / Certificates		Average Cost		Fair Market Value	
2010	2009	2010	2009	2010	2009
Number	Number	Rupees	Rupees	Rupees	Rupees

Investments at Fair Value through Profit or Loss - Quoted

Ordinary Shares of Rs. 10 each

Commercial Banks

National Bank of Pakistan	28,965	23,172	4,507,810	4,507,810	1,856,657	1,553,699
The Bank of Punjab	-	60,375	-	4,768,677	-	662,918

Cement

Lucky Cement Limited	-	10,000	-	990,538	-	585,300
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Fertilizers

Fauji Fertilizer Bin Qasim Limited	-	38,500	-	1,661,606	-	681,065
			<u>4,507,810</u>	<u>11,928,631</u>	<u>1,856,657</u>	<u>3,482,982</u>

Investments Available for Sale - Quoted

Ordinary Shares of Rs. 10 each

Commercial Banks

United Bank Limited	-	38,500	-	5,694,140	-	1,474,165
MCB Bank Limited	-	11,000	-	4,081,816	-	1,705,330
Askari Commercial Bank Limited	-	84,375	-	5,117,027	-	1,289,250
Bank Alfalah Limited	-	28,125	-	1,076,465	-	296,719
		c / f	-	<u>15,969,448</u>	-	<u>4,765,464</u>

FIRST NATIONAL BANK MODARABA

Note 9 - Short Term Investments ... Contd.

		b / f			
			-	15,969,448	-
					4,765,464
Chemicals					
ICI Pakistan Limited	-	20,000	-	4,123,824	-
Energy & Petroleum					
Sui Northern Gas					
Pipelines Limited	-	50,000	-	3,342,165	-
Oil and Gas Exploration					
Oil and Gas Development					
Company Limited	-	20,000	-	2,781,222	-
Attock Refinery Limited	-	12,000	-	3,111,192	-
Pakistan State Oil					
Company Limited	-	15,000	-	7,730,546	-
Mutual Funds					
ICP ABAMCO					
Composite Fund	-	300,000	-	3,000,000	-
Pakistan Strategic					
Allocation Fund	-	109,000	-	1,090,000	-
Cement					
DG Khan Cement					
Company Limited	-	20,000	-	361,872	-
Textile Composition					
Nishat Chunian Limited	-	23,397		2,082,185	-
Insurance					
IGI Insurance					
Company Limited	-	7,500	-	1,794,289	-
			-	45,386,743	-
					677,550
					18,221,869

Note 10

Short Term Morabaha Investments

		2010	2009
	Note	Rupees	Rupees
Short term morabaha investments (Secured)		577,400,150	704,350,299
Unearned morabaha income	27	19,683,902	27,942,830
		597,084,052	732,293,129
Less: allowance for potential morabaha losses		(1,500,000)	-
		<u>595,584,052</u>	<u>732,293,129</u>

10.1 These represent investments under morabaha arrangements on deferred payment basis at specified profit margins. These investments carry profit at the rate of 14.10% to 16.44% (2009: 14.77% to 20.41%) 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 11

Short Term Musharaka Investment - Unsecured

This represents an unsecured investment with Saudi Pak Leasing Company under musharaka arrangement and carries profit at the rate of 14.33% (2009: 14.65%) per annum, effectively.

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Note 12

Current Portion of Non-Current Assets

	Note	2010 Rupees	2009 Rupees
Net investment in ijarah	13	244,712,586	418,407,138
Long term morabaha investments	14	66,865,274	112,167,929
Long term sukuk certificate	15	4,000,000	4,000,000
Long term loans and deposits	16	677,998	455,900
		<u>316,255,858</u>	<u>535,030,967</u>

Note 13

Net Investment in Ijarah

	Note	2010 Rupees	2009 Rupees
Minimum ijarah rentals receivable	13.1	467,511,242	929,984,242
Residual value		<u>106,916,892</u>	<u>201,293,518</u>
Gross investment in ijarah (Secured)	13.2	574,428,134	1,131,277,760
Unearned finance income		<u>(70,121,974)</u>	<u>(147,005,365)</u>
Net investment in ijarah	13.3	504,306,160	984,272,395
Less: allowance for potential ijarah losses		(4,920,743)	-
Less: current portion	12	<u>(244,712,586)</u>	<u>(418,407,138)</u>
		<u>254,672,831</u>	<u>565,865,257</u>

13.1 Minimum ijarah rentals receivable

Due within one year	236,663,496	520,507,116
Due after one year but not later than five years	<u>230,847,746</u>	<u>409,477,126</u>
	<u>467,511,242</u>	<u>929,984,242</u>

13.2 Gross investment in ijarah

Due within one year	318,380,756	616,186,812
Due after one year but not later than five years	<u>256,047,378</u>	<u>515,090,948</u>
	<u>574,428,134</u>	<u>1,131,277,760</u>

13.3 Net investment in ijarah

Due within one year	244,712,586	418,407,138
Due after one year but not later than five years	<u>254,672,831</u>	<u>565,865,257</u>
	<u>499,385,417</u>	<u>984,272,395</u>

13.4 General description of significant ijarah arrangements (IFAS-2)

The Modaraba has entered into various ijarah arrangements carrying profit at the rate of 8.25% to 16.80% (2009: 5.00% to 19.43%) per annum. The arrangements are for three to five years' period. These are secured against assets under ijarah, personal / corporate guarantees, promissory notes given by lessees and other collaterals.

13.5 Aggregate amount of future Ijarah rentals receivable on the basis of ijarah arrangements executed from July 01, 2008 onwards are as follows:

Not later than one year	198,518,324	153,988,476
Later than one year and not later than five years	289,415,422	129,988,165
Later than five years	-	7,152,718
	<u>487,933,746</u>	<u>291,129,359</u>

Assets given under ijarah arrangements are disclosed in Note 17 to these financial statements.

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Note 14 Long Term Morabaha Investments

		2010	2009
	Note	Rupees	Rupees
Long term morabaha investments (Secured)		103,124,999	209,458,333
Deferred morabaha income	27	<u>19,012,066</u>	<u>74,948,123</u>
		122,137,065	284,406,456
Less: current portion	12	<u>(66,865,274)</u>	<u>(112,167,929)</u>
		<u>55,271,791</u>	<u>172,238,527</u>

14.1 These represent investments under morabaha arrangements on deferred payment basis at a profit margin ranging from 13.54% to 16.23% (2009: 14.07% to 19.41%) per annum. These investments are secured against charge over fixed and current assets, personal guarantees of the directors of customer companies, demand promissory notes and post dated cheques varying from case to case basis.

Note 15 Long Term Sukuk Certificate - Secured

		2010	2009
	Note	Rupees	Rupees
Long term sukuk certificate		8,941,801	12,941,801
Less: current portion	12	<u>(4,000,000)</u>	<u>(4,000,000)</u>
		<u>4,941,801</u>	<u>8,941,801</u>

15.1 This represents sukuk certificate issued to Sitara Energy Limited under musharaka arrangement that carries profit at the rate of 14.27% (2009: 16.05% to 17.49%) per annum, effectively. This investment is secured against first pari passu charge over fixed assets and title over the financed asset of the client. This arrangement shall last by July 2012.

15.2 These investments also represent funds invested by the Modaraba to comply with the requirements of the Registrar Modarabas for the issuance of Certificates of Musharaka (refer to Note 9.1).

Note 16 Long Term Loans and Deposits

		2010	2009
	Note	Rupees	Rupees
Loans to employees - secured	16.1	1,849,899	1,543,260
Deposits with Central Depository Company Pakistan Limited		<u>39,500</u>	<u>39,500</u>
		1,889,399	1,582,760
Less: current portion of loans to employees	12	<u>(677,998)</u>	<u>(455,900)</u>
		<u>1,211,401</u>	<u>1,126,860</u>

16.1 These loans are given to employees of the Modaraba for purchase of vehicles and carry profit at the rate of 5% (2009: 5.00%) per annum. Maximum aggregate balance due from employees at the end of any month during the year was Rs. 2,108,819 (2009: Rs. 1,543,260).

Note 17
Fixed Assets under Ijara Arrangement

Particulars	As at 30-06-2009		Cost		Total as at 30-06-2010	Rate %	Depreciation		Total as at 30-06-2010	Written Down value 30-06-2010
	Rupees	Rupees	Additions	(Deletions)			Rupees	Rupees		
Plant and machinery	202,823,671	83,931,762	(2,751,839)	284,003,594	20 - 33.3%	39,514,351	(519,792)	68,303,263	51,365,661	232,637,933
Vehicles	55,849,282	238,043,616	(311,174)	293,581,724	20 - 33.3%	9,269,152	(18,643)	42,115,152	107,297,822	186,283,902
Total Rupees 2010	258,672,953	321,975,378	(3,063,013)	577,585,318		48,783,503	(538,435)	110,418,415	158,663,483	418,921,835

Particulars	As at 30-06-2008		Cost		Total as at 30-06-2009	Rate %	Depreciation		Total as at 30-06-2009	Written Down value 30-06-2009
	Rupees	Rupees	Additions	(Deletions)			Rupees	Rupees		
Plant and machinery	-	202,823,671	-	202,823,671	20 - 33.3%	-	-	39,514,351	39,514,351	163,309,320
Vehicles	-	55,849,282	-	55,849,282	20 - 33.3%	-	-	9,269,152	9,269,152	46,580,130
Total Rupees 2009	-	258,672,953	-	258,672,953		-	-	48,783,503	48,783,503	209,889,450

17.1 Disposal of fixed assets under ijarah arrangement

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain on Disposal	Mode of disposal	Particular of purchaser
	Rupees	Rupees	Rupees	Rupees	Rupees		
Plant and machinery	2,751,839	519,792	2,232,047	2,510,728	278,681	Negotiation	Crescent Bahuman Limited
Vehicles	311,174	18,643	292,531	464,534	172,003	Negotiation	Panther Sports and Rubber Industries (Pvt) Limited
	3,063,013	538,435	2,524,578	2,975,262	450,684		

Note 18
Fixed Assets - Tangible

Particulars	As at 01-07-2009		Cost		Rate %	As at 01-07-2009		Depreciation		Written Down value 30-06-2010
	Rupees	(Deletions)	Rupees	Total as at 30-06-2010		Rupees	Transfer / Disposal	Rupees	Total as at 30-06-2010	
Owned										
Vehicles	2,409,293	(799,230)	1,326,947	2,937,010	20	1,233,414	498,926	933,110	2,003,900	
Computers and accessories	956,297	-	16,400	972,697	33.33	786,838	-	960,397	12,300	
Electric equipment	325,764	-	-	325,764	20	273,268	52,496	325,764	-	
Total Rupees 2010	3,691,354	(799,230)	1,343,347	4,235,471		2,293,520	(799,230)	2,219,271	2,016,200	

Particulars	As at 01-07-2008		Cost		Rate %	As at 01-07-2008		Depreciation		Written Down value 30-06-2009
	Rupees	(Deletions)	Rupees	Total as at 30-06-2009		Rupees	Transfer / Disposal	Rupees	Total as at 30-06-2009	
Owned										
Vehicles	2,409,293	-	-	2,409,293	20	751,554	481,860	1,233,414	1,175,879	
Computers and accessories	939,937	-	16,360	956,297	33.33	678,430	108,408	786,838	169,459	
Electric equipment	298,854	-	26,910	325,764	20	260,543	12,725	273,268	52,496	
Total Rupees 2009	3,648,084	-	43,270	3,691,354		1,690,527	602,993	2,293,520	1,397,834	

18.1 Disposal of assets

Particulars	Cost	Accumulated depreciation	Net book value	Sale proceeds	Gain on Disposal	Mode of disposal	Particular of purchaser
	Rupees	Rupees	Rupees	Rupees	Rupees		
Motor vehicle	799,230	799,230	-	620,000	620,000	Auction	Mr. Nusrat-ur- Rashid

Note 19
Intangible Assets

Particulars	As at 01-07-2009		Additions		Cost (Deletions)		Total as at 30-06-2010		Rate %	As at 01-07-2009		Transfer / Disposal		Depreciation For the year		Total as at 30-06-2010		Written Down value 30-06-2010		
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Software and license fees																				
Total Rupees 2010	697,300	-	-	-	-	-	697,300	697,300	33.33	468,529	-	-	136,679	605,208	92,092					
Total Rupees 2009	407,300	290,000	697,300	697,300	33.33	367,288	468,529	101,241	468,529	228,771										

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Note 20
Creditors, Accrued and Other Liabilities

		2010	2009
	Note	Rupees	Rupees
Advances from customers		13,536,232	23,253,964
Modaraba Company's management fee (Unsecured)		7,659,628	8,171,130
Payable to modaraba management company (Unsecured)	20.1	370,212	2,286,282
Accrued expenses		2,103,059	487,000
Withholding tax payable		78,818	100,155
Dividends payable		537,417	556,723
Others		593,639	410,467
		<u>24,879,005</u>	<u>35,265,721</u>

20.1 This represents payable against utility services. Maximum aggregate amount due to modaraba management company at the end of any month during the year was Rs. 2,286,282 (2009: Rs. 2,286,282).

Note 21
Short Term Finance - Secured

		2010	2009
	Note	Rupees	Rupees
Finance under musharaka arrangements			
National Bank of Pakistan (NBP)	21.2	155,068,981	78,083,315
Finance under morabaha arrangements			
Other financial institutions	21.3	311,659,475	648,886,345
		<u>466,728,456</u>	<u>726,969,660</u>

21.1 The aggregate unavailed short term borrowing facilities amount to Rs. 733.271 million (2009: Rs. 473.03 million).

21.2 This represents facility of Rs. 250 million (2009: Rs. 150 million) obtained to finance Modaraba's working capital requirements and is repayable within one year. The profit is payable on the basis of one month KIBOR (2009: one month KIBOR). The facility is secured against first joint pari passu hypothecation charge on all present and future assets of Modaraba including leased assets and receivables against leased assets, musharaka and morabaha investments amounting to Rs. 278 million (2009: Rs. 167 million).

21.3 This represents combined facilities of Rs. 900 million (2009: Rs. 1,050 million) obtained from various financial institutions that are payable within one year and carry mark up at the rate of one month KIBOR plus 1.00% to 3.00% (2009: one / three months KIBOR plus 0.25% to 2.00%) 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 amounting to Rs. 1,189 million (2009: Rs. 1,393 million).

Note 22
Short Term Certificates of Musharaka - Unsecured

This represents Certificates of Musharaka through private placement. These certificates have different denominations and are repayable within twelve months. The estimated share of profit on these certificates ranges from 11% to 13.50% (2009: 10.05% to 15.00%) per annum.

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Note 23 Current Portion of Non-Current Liabilities

	Note	2010 Rupees	2009 Rupees
Long term security deposits	24	67,086,438	96,780,124
Long term certificates of musharaka	25	120,000,000	2,300,000
Long term finance	26	341,666,668	408,033,337
Deferred morabaha income	27	30,590,842	55,152,425
		<u>559,343,948</u>	<u>562,265,886</u>

Note 24 Long Term Security Deposits

	Note	2010 Rupees	2009 Rupees
Security deposit - ijarah	24.1	160,043,197	219,310,788
Less: current portion	23	<u>(67,086,438)</u>	<u>(96,780,124)</u>
		<u>92,956,759</u>	<u>122,530,664</u>

24.1 These represent profit free security deposits received from lessees under ijarah contracts and are repayable / adjustable at the expiry of respective ijarah term.

Note 25 Long Term Certificates of Musharaka - Unsecured

	Note	2010 Rupees	2009 Rupees
Certificates of Musharaka		120,000,000	122,300,000
Less: current portion	23	<u>(120,000,000)</u>	<u>(2,300,000)</u>
		<u>-</u>	<u>120,000,000</u>

25.1 This represents long term Certificates of Musharaka issued through private placement. These certificates have different denominations and carry profit ranging from 11% to 14.75% (2009: 9.75% to 14.78%) per annum. These certificates shall mature within one year and, therefore, have been transferred to current liabilities.

Note 26 Long-Term Finance - Secured

	Note	2010 Rupees	2009 Rupees
Finance under Musharaka arrangements			
National Bank of Pakistan	26.1	304,166,658	516,666,663
Finance under Morabaha arrangements			
Other financial institutions	26.2	<u>212,500,005</u>	<u>312,500,009</u>
		516,666,663	829,166,672
Less: current portion	23	<u>(341,666,668)</u>	<u>(408,033,337)</u>
		<u>174,999,995</u>	<u>421,133,335</u>

26.1 This represents various facilities totalling Rs. 800 million (2009: Rs. 800 million) obtained from National Bank of Pakistan. These facilities are repayable by August 2012 through quarterly installments and carry profit payable at the rate of 3 months KIBOR plus 0.10% to 1.00% (2009: 3 months KIBOR plus 0.10% to 1.00%) per annum, payable quarterly. These facilities are secured against first joint pari passu charge of Rs. 886 (2009: Rs. 886) million on the assets of the Modaraba.

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Note 26 - Long-Term Finance ... Contd.

26.2 This represents various facilities totalling Rs. 675 million (2009: Rs. 575 million) obtained from various commercial banks. These facilities are repayable by June 2013 through quarterly / half-yearly installments and carry profit at the rate of 3 to 6 months KIBOR plus 0.40% to 3.00% (2009: 3 to 6 months KIBOR plus 0.40% to 1.00%) per annum, payable quarterly / half-yearly. These facilities are secured against first ranking pari passu hypothecation charge on all present and future moveable and leased assets of the Modaraba including ijarah, morabaha and musharaka assets along with their related receivables / rentals and ranking charge over assets of the Modaraba amounting to Rs. 1,166 million (2009: Rs. 699 million).

Note 27

Deferred Morabaha Income

	Note	2010 Rupees	2009 Rupees
Short term morabaha investments	10	19,683,902	27,942,830
Long term morabaha investments	14	19,012,066	74,948,123
		38,695,968	102,890,953
Less: current portion	23	(30,590,842)	(55,152,425)
		<u>8,105,126</u>	<u>47,738,528</u>

Note 28

Certificate Capital

	2010	2009	2010 Rupees	2009 Rupees
Number of certificates				

Authorized:

<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>
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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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28.1 There was no movement in certificate capital during the year.

28.2 Certificates of modaraba held by its related companies / associated undertakings are as under:

National Bank Modaraba Management Company Limited	<u>7,500,000</u>	<u>7,500,000</u>
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Note 29

Reserves

	Note	2010 Rupees	2009 Rupees
Statutory reserve	29.1	32,307,963	27,061,093
Net unrealized loss in value of available for sale investments		-	(16,821,982)
Un-appropriated profit		49,231,856	28,244,376
		<u>81,539,819</u>	<u>38,483,487</u>

29.1 Statutory reserve represents profit set aside in compliance with the requirements of Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its after tax profit until the reserves equal 100% of the paid up capital. Thereafter, a sum not less than 5% is to be transferred.

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Note 30 Contingencies and Commitments

30.1 Contingencies

There were no known contingencies as at June 30, 2010 (2009: Nil).

30.2 Commitments

These represents ijarah / morabaha facilities approved but not disbursed or partially disbursed amounting to Rs. 61,108,000 (2009: Rs. 52,838,976).

Note 31 Gain / (Loss) on Short Term Investments

	Note	2010 Rupees	2009 Rupees
Gain on sale of short term investments		633,902	139,733
Dividend income		460,915	1,375,290
Unrealized gain / (loss) in value of short term investments	31.1	<u>302,958</u>	<u>(3,595,868)</u>
		<u>1,397,775</u>	<u>(2,080,845)</u>

31.1 Unrealized gain / (loss) in value of short term investments

At fair value through profit or loss

Unrealized loss at beginning of year	8,445,649	4,849,781
Reversal of unrealized loss on investments disposed off	(5,491,538)	-
Reversal of unrealized loss on remaining investment	(302,958)	-
Impairment loss on investment	-	3,595,868
(Gain) / loss during the year	<u>(5,794,496)</u>	<u>3,595,868</u>
Unrealized loss at end of the year	<u>2,651,153</u>	<u>8,445,649</u>

Note 32 Other Income

	2010 Rupees	2009 Rupees
Service charges	206,774	434,298
Documentation charges	3,820,860	2,269,311
Gain on termination of ijarah arrangements	450,684	-
Gain on disposal of vehicle	<u>620,000</u>	<u>-</u>
	<u>5,098,318</u>	<u>2,703,609</u>

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Note 33
Operating Expenses

		2010	2009
	Note	Rupees	Rupees
Salaries, allowances and other benefits	33.2	13,018,667	12,596,295
Communication expenses		279,418	321,981
Travelling and conveyance		261,608	367,776
Vehicle running expenses	33.3	153,526	79,895
Postage and stamps		72,808	118,639
Advertisement		38,242	68,964
Legal and professional charges		457,353	466,847
Auditors' remuneration	33.4	423,000	451,195
Fees and subscription		731,690	544,831
Repairs and maintenance		346,521	352,772
Insurance		166,722	160,726
Stationery, printing and other expenses		362,771	408,714
Depreciation / amortization:			
- Assets under ijarah arrangement		110,418,415	48,783,503
- Owned - tangible		724,981	602,993
- Intangible assets		136,679	101,241
Allowance for potential loss in ijarah and short term morabaha investments		6,420,743	-
Amortization of deferred costs		-	839,813
Central Depository Company charges		7,915	6,383
Entertainment		97,344	98,095
Others		32,364	98,123
Zakat		6,500	165,207
		<u>134,157,267</u>	<u>66,633,993</u>

33.1 Office space, utilities and related expenditure are borne by National Bank Modaraba Management Company Limited.

33.2 Salaries, allowances and other benefits

The aggregate amount charged for remuneration including all benefits to officers and employees of the Modaraba are as under:

	Officers		Employees	
	2010	2009	2010	2009
	Rupees	Rupees	Rupees	Rupees
Salary	2,192,071	2,086,338	3,298,451	4,749,525
House rent allowance	981,540	729,713	1,221,885	2,454,310
Utilities	235,572	175,137	293,228	589,028
Bonus	1,385,873	238,202	1,505,330	1,314,759
Expenses reimbursed	657,205	57,160	1,247,510	202,123
	<u>5,452,261</u>	<u>3,286,550</u>	<u>7,566,404</u>	<u>9,309,745</u>
Number of persons	<u>4</u>	<u>3</u>	<u>12</u>	<u>15</u>

33.3 The Chief Executive Officer and Senior Executives of the Modaraba are provided with free use of vehicles owned and maintained by the Modaraba.

33.4 Auditors' remuneration

Audit fee	250,000	250,000
Review of half yearly financial statements and other certifications	140,000	140,000
Out of pocket expenses	33,000	61,195
	<u>423,000</u>	<u>451,195</u>

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Note 34 Finance Cost

	2010	2009
	Rupees	Rupees
Profit on musharaka finance	68,101,783	63,861,955
Profit on morabaha finance	96,748,335	170,690,701
Profit on certificate of musharaka	30,260,476	27,872,147
Bank charges	88,203	105,437
	<u>195,198,797</u>	<u>262,530,240</u>

Note 35 Impairment on Available for Sale Investments

	Note	2010	2009
		Rupees	Rupees
Transferred to the profit and loss account from net unrealized loss in value of available for sale investments	35.1	16,821,980	16,821,982
Net realized / unrealized gain in the value of available for sale investments		<u>(5,263,804)</u>	<u>(5,479,090)</u>
		<u>11,558,176</u>	<u>11,342,892</u>

35.1 This amount is transferred to the profit and loss account from net unrealized loss in value of available for sale investments as referred in note 2.3 to these financial statements.

35.2 Movement in net unrealized loss in the value of available for sale investments is as follows:

Net unrealized loss in value of available for loss investments	16,821,980	13,057,263
Loss recognized upto December 31, 2008	-	20,586,699
	<u>16,821,980</u>	<u>33,643,962</u>
Transferred to the profit and loss account	<u>(16,821,980)</u>	<u>(16,821,982)</u>
Net unrealized loss in value of available for loss investments	<u>-</u>	<u>16,821,980</u>

Note 36 Modaraba Company's Management Fee

In accordance with Section 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, management fee @ 10% of annual profits is paid to the Modaraba Management company.

Note 37 Earnings per Modaraba Certificate - Basic and Dilutive

	2010	2009
	Rupees	Rupees
Profit for the year (Rupees)	<u>26,234,350</u>	<u>10,775,001</u>
Weighted average number of modaraba certificates outstanding (Numbers)	<u>25,000,000</u>	<u>25,000,000</u>
Earnings per certificate - basic (Rupees)	<u>1.05</u>	<u>0.43</u>

37.1 Basic earnings per modaraba certificate has been computed by dividing profit for the year as stated above with weighted average number of the Modaraba certificates.

37.2 There is no dilutive effect on the basic earnings per modaraba certificate.

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Note 38
Maturity of Assets and Liabilities

	Up to one month	One month to three months	Three months to one year	One year to five years	Five years and above	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Bank balances	5,019,214	-	-	-	-	5,019,214
Ijarah rentals receivables	16,058,922	-	-	-	-	16,058,922
Advances, prepayments and other receivables	51,052,435	17,881,567	-	-	-	68,934,002
Accrued profit	17,744,919	176,227	-	-	-	17,921,146
Short term investments	1,856,657	-	-	-	-	1,856,657
Short term morabaha investment - secured	70,555,190	349,255,800	175,773,062	-	-	595,584,052
Short term musharaka investment - unsecured	2,500,000	-	-	-	-	2,500,000
Net investment in ijarah	22,152,809	17,010,729	205,549,048	254,672,831	-	499,385,417
Long term morabaha investment - secured	4,743,367	13,663,955	48,457,953	55,271,790	-	122,137,065
Long term musharaka investment - secured	2,632,754	-	2,632,754	3,676,293	-	8,941,801
Long term loans and deposits	86,630	94,851	496,517	1,211,401	-	1,889,399
Fixed assets	-	-	-	421,030,127	-	421,030,127
June 30, 2010	194,402,897	398,083,129	432,909,334	735,862,442	-	1,761,257,802
June 30, 2009	363,079,604	353,873,589	723,532,888	925,322,954	44,632,922	2,410,441,957

	Up to one month	One month to three months	Three months to one year	One year to five years	Five years and above	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Liabilities						
Creditors, accrued and other liabilities	24,879,005	-	-	-	-	24,879,005
Accrued profit payable	15,782,456	4,445,763	2,000,593	-	-	22,228,812
Short term finance - secured	25,000,000	235,346,973	206,381,483	-	-	466,728,456
Short term certificates of musharaka - unsecured	21,405,096	19,145,786	39,925,000	-	-	80,475,882
Long term security deposits	10,273,424	5,437,245	51,375,769	92,956,759	-	160,043,197
Long term certificates of musharaka - unsecured	-	20,000,000	100,000,000	-	-	120,000,000
Long term finance - secured	4,166,667	104,166,667	233,333,333	174,999,996	-	516,666,663
Deferred morabaha income	38,695,968	-	-	-	-	38,695,968
June 30, 2010	140,202,616	388,542,434	633,016,178	267,956,755	-	1,429,717,983
June 30, 2009	219,867,630	404,297,882	806,390,431	688,909,727	2,492,800	2,121,958,470
June 30, 2010	54,200,281	9,540,695	(200,106,844)	467,905,687	-	331,539,819
June 30, 2009	143,211,974	(50,424,293)	(82,857,543)	236,413,227	42,140,122	288,483,487

Represented by:
Certificate capital
Reserves

	2010	2009
	Rupees	Rupees
Certificate capital	250,000,000	250,000,000
Reserves	81,539,819	38,483,487
	<u>331,539,819</u>	<u>288,483,487</u>

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Note 39
Segment Analysis

39.1 Geographical segments

The Modaraba's assets are employed and its income is derived in Pakistan.

39.2 Business segments

Net investment in ijarah

	2010		2009	
	%	Rupees	%	Rupees
Auto and assemblers	1.03	5,243,750	3.58	35,209,064
Cement	0.00	-	0.23	2,299,849
Chemicals and pharmaceuticals	3.74	18,942,222	4.79	47,116,583
Education	2.39	12,099,679	2.73	26,860,125
Energy	0.15	742,022	0.23	2,252,075
Engineering and construction	1.88	9,515,835	1.34	13,163,847
Fabrics	2.27	11,482,380	3.12	30,742,660
Fertilizer	0.00	-	0.44	4,341,169
Financial institutions	0.21	1,058,432	3.33	32,775,867
Food and beverages	3.35	16,952,805	2.42	23,836,840
Glass and ceramics	0.62	3,158,681	0.49	4,808,602
Information technology	0.91	4,585,987	1.51	14,899,800
Knitwear	0.00	-	9.40	92,484,971
Leather and shoe industries	0.93	4,729,453	2.25	22,156,565
Media and advertising	0.72	3,653,169	1.18	11,622,934
Petroleum and oilfields	0.00	-	2.28	22,463,412
Poultry feed	3.18	16,110,813	4.28	42,175,928
Rubber and tyre	6.31	31,986,042	5.30	52,192,793
Sugar	18.76	95,043,546	11.78	115,989,085
Telecommunication	0.58	2,929,769	1.01	9,987,176
Textile	48.93	245,538,835	36.81	362,293,447
Miscellaneous	4.05	20,532,740	1.48	14,599,603
	100	504,306,160	100	984,272,395
Morabaha investment				
Allied and engineering	4.26	29,000,000	-	-
Auto and assemblers	1.60	10,900,000	1.19	10,900,000
Cable and electric goods	5.88	39,999,999	5.84	53,333,332
Educational institution	0.44	3,000,000	0.33	3,000,000
Energy	5.14	35,000,000	3.83	35,000,000
Financial institutions	0.00	-	6.02	55,000,000
Fertilizers	2.94	20,000,000	4.38	40,000,000
Leather and shoe industries	5.14	35,000,000	3.83	35,000,000
Media and advertising	1.47	10,000,000	2.19	20,000,000
Paper and board	0.00	-	6.57	60,000,000
Rice peddy	1.10	7,500,000	0.82	7,500,000
Sugar	22.41	152,500,000	18.06	165,000,000
Textile	49.61	337,625,150	40.39	369,075,300
Paints	0.00	-	6.57	60,000,000
	100.0	680,525,149	100	913,808,632
Musharaka investment				
Energy	78.15	8,941,801	34.11	12,941,801
Financial institutions	21.85	2,500,000	65.89	25,000,000
	100	11,441,801	100	37,941,801

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Note 40 Balances and Transactions with Related Parties

Related parties comprise associated companies, directors and key management personnel. The Modaraba in the normal course of business carries out transactions with various related parties. Remuneration of key management personnel is disclosed in note 33.2 to these financial statements.

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

40.1 Balances outstanding at the year end	2010	2009
	Rupees	Rupees
National Income Daily Accounts (NIDA) with National Bank of Pakistan (running balances)	5,526,723	10,356,275
Finances under musharaka arrangement from National Bank of Pakistan	459,234,873	594,749,207
Net investment in ijarah to National Bank of Pakistan	67,834,170	28,831,584
Current accounts with National Bank of Pakistan	521,896	649,537
Balance payable to Modaraba Management company	8,029,840	10,457,412

40.2 Transactions with related parties

Related party	Relationship	Nature of transaction		
Taurus Securities Limited	Common management and control	Commission paid Purchase and sale of securities - net	60,172 31,146,381	6,250 7,260,335
National Bank of Pakistan	Management Company's holding company	Musharaka obtained - net Musharaka repaid - net Ijarah disbursed Ijarah repaid Profit paid Profit on ijarah	76,985,666 212,500,000 63,438,500 24,435,914 69,936,886 5,065,342	328,083,315 166,666,668 20,673,584 16,254,486 58,548,273 4,152,222
National Bank Modaraba	Management Company	Management fee	2,914,928	1,197,222

Transactions with related parties, except the management fee payable to the management company, are carried at an arm's length in the normal course of business.

Note 41
Capital Risk Management

While managing capital, the objectives of the Modaraba are to ensure that it continues to meet the going concern assumption, enhance certificate holders' wealth and meets stakeholders' expectations. The Modaraba ensures its sustainable growth viz. maintaining optimal capital structure and keeping its profits payable low thus maintaining smooth capital management.

In line with others in the industry, the Modaraba monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated by adding equity, as shown in the balance sheet, into net debt.

As on the balance sheet date, the gearing ratio of the Modaraba was as under:

	2010	2009
	Rupees	Rupees
Total borrowings	983,395,119	1,556,136,332
Cash and bank balances	(5,019,214)	(13,878,858)
Net Debt	978,375,905	1,542,257,474
Equity	331,539,819	288,483,487
Total Capital	1,309,915,724	1,830,740,961
 Gearing Ratio	 74.69%	 84.24%

Note 42
Financial Risk Management

42.1 The Modaraba has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Board of Directors of Modaraba Management Company "the Board" has overall responsibility for the establishment and oversight of the Modaraba's risk management framework. The Board is responsible for developing and monitoring the Modaraba's risk management policies.

The Modaraba's risk management policies are established to identify and analyze the risks faced by the Modaraba, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Modaraba's activities. The Modaraba, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Modaraba's Audit Committee oversees how the management monitors compliance with the Modaraba's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Modaraba. The Audit Committee is assisted in its oversight role by the Internal Audit Department.

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Note 42 - Financial Risk Management ... Contd.

The maximum exposure to credit risk for receivables at the reporting date by type of customer was:

	2010	2009
	Rupees	Rupees
Auto and assemblers	16,143,750	46,109,064
Allied and engineering	29,000,000	-
Cement	-	2,299,849
Chemicals and pharmaceuticals	18,942,222	47,116,583
Education	15,099,679	29,860,125
Energy	44,683,823	50,193,876
Engineering and construction	49,515,834	66,497,179
Fabrics	11,482,380	30,742,660
Fertilizer	20,000,000	44,341,169
Financial institutions	3,558,432	112,775,867
Food and beverages	16,952,805	31,336,840
Paper and board	-	60,000,000
Glass and ceramics	3,158,681	4,808,602
Information technology	4,585,987	14,899,800
Knitwear	-	92,484,971
Leather and shoe industries	39,729,453	22,156,565
Media and advertising	3,653,169	11,622,934
Petroleum and oilfields	-	22,463,412
Poultry feed	16,110,813	42,175,928
Rubber and tyre	31,986,042	52,192,793
Sugar	247,543,546	280,989,085
Telecommunication and media	12,929,769	29,987,176
Textile	583,163,985	774,015,184
Rice peddy	7,500,000	-
Miscellaneous	20,532,740	97,473,082
	<u>1,196,273,110</u>	<u>1,966,542,744</u>

The maximum exposure to credit risk for financial assets at the reporting date by mode of financing was:

Net investment in ijarah	504,306,160	984,272,395
Morabaha investments	719,221,117	1,016,699,585
Musharaka investments	11,441,801	37,941,801
Short term investment	1,856,657	21,704,851
	<u>1,236,825,735</u>	<u>2,060,618,632</u>

Impairment losses

The aging of financial assets at the reporting date was:

	Gross	Impairment	Gross	Impairment
	2010	2010	2009	2009
	Rupees	Rupees	Rupees	Rupees
Not past due	1,223,338,642	6,420,743	2,022,124,240	-
Past due 0-90 days	10,980,806	-	11,961,744	-
Past due 90-180 days	649,630	-	4,827,797	-
	<u>1,234,969,078</u>	<u>6,420,743</u>	<u>2,038,913,781</u>	<u>=</u>

Note 42 - Financial Risk Management ... Contd.

42.2 Credit Risk:

42.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties to the financial instruments fail to perform as contracted. The Modaraba is exposed to credit risk from its operating activities (primarily from investments in ijarah, morabaha and musharaka contracts), deposits with banks and financial institutions and other financial instruments.

42.2.2 Credit risk related to receivables

The Modaraba has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Modaraba only transacts with those counter parties that are rated the equivalent of investment grade and above. The Modaraba has internally developed rating criteria to rate its customers which is supplemented by ratings supplied by independent rating agencies, where available. The Modaraba also uses other publicly available financial information and its own trading records to rate its customers. The Modaraba's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The management monitors and limits the Modaraba's exposure to credit risk through monitoring of clients' credit exposure, reviews and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organizations of sound financial standing covering various industrial sectors and segments.

42.2.3 Credit risk related to financial instruments and cash deposits

The Modaraba limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a track record. Given these high credit ratings, the management does not expect any counterparty to fail to meet its obligations, except to the extent of impairment loss recognized.

42.2.4 Exposure to credit risk

Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Financial assets	Note	2010 Rupees	2009 Rupees
Bank balances	6	5,019,214	13,878,858
Ijarah rentals receivable	-	16,058,922	9,974,535
Advances, prepayments and other receivables	7	68,311,383	92,000,908
Accrued profit	8	17,921,146	20,124,933
Short term investments	9	1,856,657	21,704,851
Short term morabaha investment - secured	10	597,084,052	732,293,129
Short term musharaka investment - unsecured	11	2,500,000	25,000,000
Net investment in ijarah	13	504,306,160	984,272,395
Long term morabaha investment - secured	14	122,137,065	284,406,456
Long term sukuk certificate	15	8,941,801	12,941,801
Long term loans and deposits	16	1,889,399	1,582,760
		<u>1,346,025,799</u>	<u>2,198,180,626</u>

Geographically all credit exposure is concentrated in Pakistan.

Note 42 - Financial Risk Management ... Contd.

42.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

The maturity profile of the Modaraba's financial liabilities based on contractual amounts is disclosed in Note 38 to the financial statements.

42.3.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Modaraba's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

42.3.2 Exposure to currency risk

The Modaraba has no exposure to foreign currency risk at balance sheet date.

42.3.3 Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial asset and liability at fair value through profit or loss and does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would affect the profit or loss. A change of 100 basis points in interest rates would have increased or decreased equity by Rs. 12.51 (2009: 18.29) million.

42.3.4 Other market price risk

The Modaraba is following a policy to set aside funds, to comply with the requirements of the registrar Modarabas for the issuance of certificate of musharaka at minimum of 5.00% of the certificate of musharaka outstanding at any month end, keeping the fund invested in specified equity investments. The primary goal of the Modaraba's equity investment strategy is to maximise investment returns on funds. The Modaraba adopts a policy to minimize its price risk by investing in liquid securities. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis. Equity price risk arises from measurement of investments at fair value through profit or loss.

42.3.5 Sensitivity analysis - equity price risk

A change of Rs. 5 in value of investments at fair value through profit or loss would have increased or decreased equity by Rs. 144,825 (2009: Rs. 660,235).

42.3.6 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities approximate their fair values.

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Note 43
Date of Authorization for Issue

These financial statements were authorized for issue on September 30, 2010 by the Board of Directors of First National Bank Modaraba Management Company.

Note 44
Profit Distribution

The Board of Directors of Modaraba Management Company in their meeting held on September 30, 2010 has declared a final profit distribution of Re.1 (2009: Rs. Nil) per modaraba certificate which in total amounts to Rs.25,000,000 (2009: Rs. Nil).

Note 45
General

For better presentation of the financial statements, certain comparative figures have been re-arranged as under:

Particulars	Amount Rupees	From	To
Ijarah rentals receivable	9,974,535	Accrued profit	Face of the balance sheet
Advances to employees (shown separately)	30,960	Advances, prepayments and other receivables (Note 7)	Advances, prepayments and other receivables (Note 7)
Accrued profit payable	32,229,676	Creditors, accrued and other liabilities (Note 20)	Face of the balance sheet

CHIEF EXECUTIVE OFFICER
Lahore: September 30, 2010

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

FIRST NATIONAL BANK MODARABA

PATTERN OF CERTIFICATE HOLDING AS ON JUNE 30, 2010

Number of Certificate Holders	From	-	To	No. of Certificates Held	Percentage of Total Capital
64	1	-	100	4,361	0.02
427	101	-	500	199,949	0.80
237	501	-	1000	223,106	0.89
219	1001	-	5000	618,661	2.47
74	5001	-	10000	620,997	2.48
19	10001	-	15000	240,300	0.96
11	15001	-	20000	207,310	0.83
14	20001	-	25000	317,991	1.27
16	25001	-	30000	450,484	1.80
5	30001	-	35000	162,400	0.65
4	35001	-	40000	156,723	0.63
1	40001	-	45000	40,500	0.16
3	45001	-	50000	143,900	0.58
2	50001	-	55000	104,274	0.42
2	55001	-	60000	117,500	0.47
1	65001	-	70000	65,500	0.26
2	75001	-	80000	154,000	0.62
1	80001	-	85000	81,000	0.32
1	85001	-	90000	86,500	0.35
2	95001	-	100000	200,000	0.80
1	110001	-	115000	115,000	0.46
1	115001	-	120000	120,000	0.48
1	130001	-	135000	132,500	0.53
1	140001	-	145000	145,000	0.58
1	145001	-	150000	150,000	0.60
1	150001	-	155000	152,644	0.61
2	155001	-	160000	316,900	1.27
1	170001	-	175000	172,500	0.69
1	175001	-	180000	178,500	0.71
1	195001	-	200000	200,000	0.80
1	255001	-	260000	259,008	1.04
1	270001	-	275000	273,998	1.10
1	315001	-	320000	319,413	1.28
1	350001	-	355000	355,000	1.42
1	445001	-	450000	446,030	1.78
1	530001	-	535000	530,500	2.12
1	580001	-	585000	584,500	2.34
1	695001	-	700000	699,751	2.80
1	775001	-	780000	775,800	3.10
1	975001	-	980000	978,000	3.91
3	995001	-	1000000	3,000,000	12.00
2	1695001	-	1700000	3,399,500	13.60
1	7495001	-	7500000	7,500,000	30.00
1,132				25,000,000	100.00

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CATEGORIES OF CERTIFICATE HOLDERS AS ON JUNE 30, 2010

Sr. #	Code	Category	No. of Certificate Holders	Certificates held	Percentage of Total Capital
1	1	Individuals	1,102	12,486,727	49.9469
2	2	Investment Companies	1	300	0.0012
3	3	Insurance Companies	1	65,500	0.2620
4	4	Joint Stock Companies	21	2,898,224	11.5929
5	5	Financial Institutions	2	1,677,751	6.7110
6	6	Modarabas	1	35,000	0.1400
7	9	Modaraba Management Cos	1	7,500,000	30.0000
8	24	Others	3	336,498	1.3460
TOTAL:			1,132	25,000,000	100.0000

Details of trading in the certificates by the Directors, CEO, CFO,
Company Secretary and their spouses and minor children:

None of the Directors, CEO, CFO, Company Secretary and their spouses and minor children has traded the certificates in the Modaraba during the year under review.

Associated companies, undertakings and related parties

Number of
Certificates

National Bank Modaraba Management Company Limited

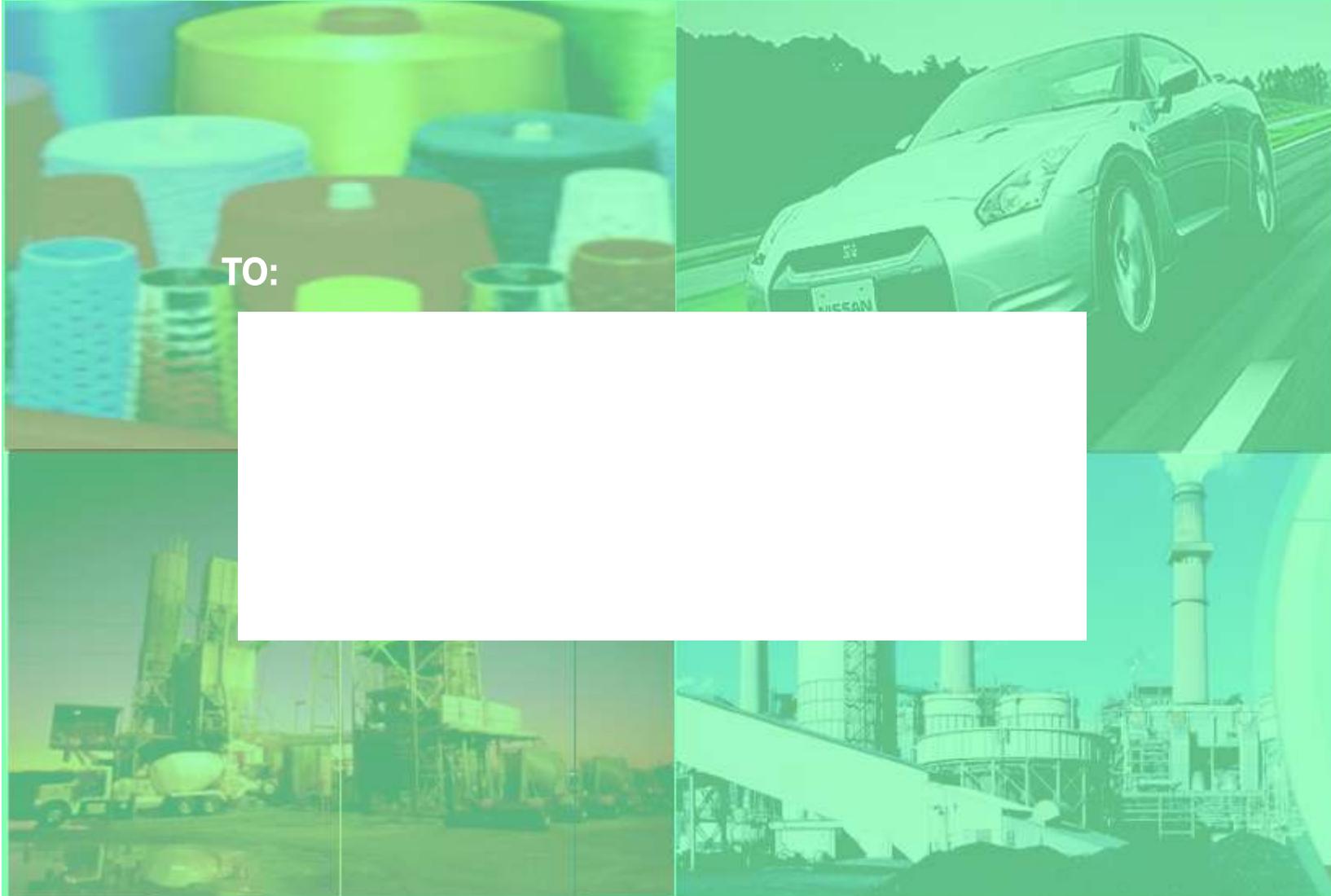
7,500,000

FIRST NATIONAL BANK MODARABA

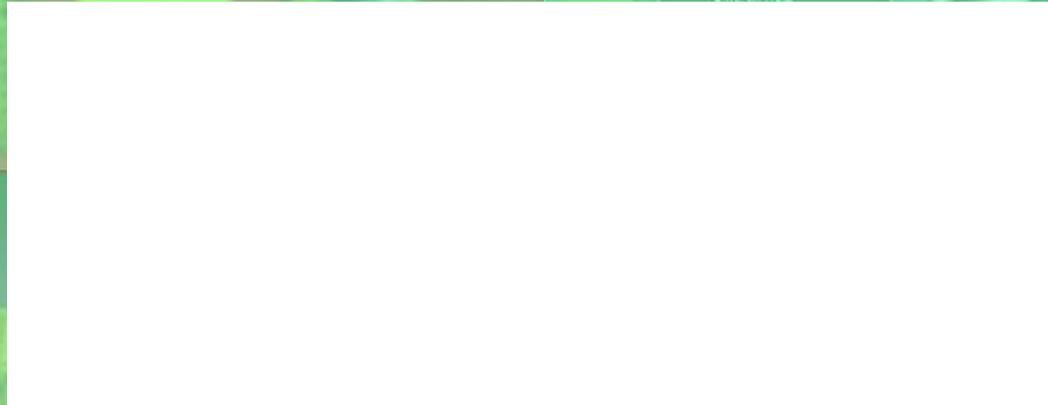
CATEGORIES DETAILS AS ON JUNE 30, 2010

Category	Numbers of Certificates
Investment Companies	
INVEST CAPITAL INVESTMENT BANK LIMITED	300
Insurance Companies	
THE CRESCENT STAR INSURANCE CO.LTD.	65,500
Joint Stock Companies	
RAMADA SECURITIES & DERVIATIVES LTD.	50
PACE INVESTMENT & SECURITIES (PVT) LTD.	100
MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	100
FAIR EDGE SECURITIES (PRIVATE) LIMITED	100
H.S.Z. SECURITIES (PRIVATE) LIMITED	199
WASI SECURITIES (SMC-PVT) LTD.	200
STOCK MASTER SECURITIES (PRIVATE) LIMITED	300
SHAFFI SECURITIES (PVT) LIMITED	400
AMZ SECURITIES (PVT) LIMITED	500
DOSSLANI'S SECURITIES (PVT) LIMITED	500
AL-HAQ SECURITIES (PVT) LTD.	500
DARSON SECURITIES (PRIVATE) LIMITED	901
UNITED CAPITAL SECURITIES PVT. LTD.	1,000
DURVESH SECURITIES (PVT) LTD	1,073
AFIC SECURITIES (PRIVATE) LIMITED	1,400
Y.S. SECURITIES & SERVICES (PVT) LTD.	4,300
MOHAMMAD MUNIR MOHAMMAD AHMED KHANANI SECURITIES (PVT) Ltd.	10,000
1673 TREET CORPORATION LIMITED	20,001
HAJI ABDUL SATTAR SECURITIES (PVT.) LIMITED	157,100
ASIAN SECURITIES LIMITED	1,000,000
TREET CORPORATION LIMITED.	1,699,500
Financial Institutions	
NIB BANK LIMITED	699,751
THE BANK OF PUNJAB	978,000
Modarabas	
FIRST ALNOOR MODARABA	35,000
Modaraba Management Cos	
NATIONAL BANK MODARBA MANAGEMENT COMPANY LIMITED	7,500,000
Others	
TRUSTEES-ABBASI & CO.PVT.LTD.EMPS.P.FUND	12,500
TRUSTEES, ALOO & MINOCHER DINSHAW CHARITABLE TRUST	50,000
TRUSTEES OF TEACHERS RESOURCE CENTRE	273,998

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