

QUARTERLY
REPORT
SEPTEMBER 30,
2010



First National Bank Modaraba

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

First National Bank Modaraba
Quarterly Report
September 30, 2010

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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 – Shahr-e-Fatima Jinnah, Lahore Tel.: 36360824, Fax: 36303301	
Shares Registrar	Hameed Majeed Associates (Pvt.) Limited H. M. House, 7 – Bank Square, Lahore Tel: 37235081-2, Fax: 37358817	
Registered Office	5th Floor, NBP RHQs Building, 26 – McLagon Road, Lahore Tel: 042-99211200, Fax: 042-99213247 URL: http://www.nbmodaraba.com E-mail: info@nbmodaraba.com	

Directors' Report

On behalf of the Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the Management Company of First National Bank Modaraba (FNBM), I am pleased to present the quarterly report, together with unaudited financial statements of FNBM for the quarter ended September 30, 2010.

After completion of a good year ended on June 30, 2010 in which FNBM has been able to declare 10% dividends, a decent start was made in the first quarter of current financial year, as evident from the following financial figures:

	<i>Rupees</i>
Operating revenue	98,973,277
Operating expenses	91,380,051
Net Profit	6,833,903
Earnings per certificate	0.27

During the quarter under review FNBM booked new leases amounting to Rs.123 millions and also made an addition in its Morahaba portfolio amounting to Rs.57 millions. As a result the balance sheet footing increased slightly from Rs.1,761 millions as on June 30, 2010 to Rs.1,785 millions as on September 30, 2010.

The Modaraba generated total income of Rs.98.97 millions in the quarter under review as compared to Rs.85.81 million in the corresponding period last year. Financial charges remained at Rs.37.397 millions compared to Rs.57.587 millions in the corresponding period. The operating expenses that include depreciation on Ijarah assets, stood at Rs.53.98 millions compared to Rs.23.87 millions in the corresponding quarter.

The Board would like to take this opportunity to thank its valued certificate holders and clients for their patronage, patience and consistent support in the time of financial stress faced by the modarabas due to economic and law and order situation of the Country. Besides, the Board extends its sincere gratitude to Registrar Modarabas, SECP and Modaraba Association of Pakistan for their continued guidance and support.

For and on behalf of the Board

Javaid Sadiq
Chief Executive Officer

Lahore: October 28, 2010

Quarterly Report - September 30, 2010

CONDENSED INTERIM BALANCE SHEET (UNAUDITED)

AS AT SEPTEMBER 30, 2010

	Note	September 30, 2010 Rupees	June 30, 2010 Rupees
ASSETS			
Current Assets			
Cash and bank balances		5,606,060	5,019,214
Ijarah rental receivable		19,047,957	16,058,922
Advances, prepayments and other receivables		42,628,241	68,934,002
Accrued Profit		25,196,319	17,921,146
Short-term investments	4	1,836,094	1,856,657
Short-term morabaha investments - secured		650,132,938	595,584,052
Short-term musharaka investments - unsecured		-	2,500,000
Current portion of non-current assets		248,889,784	316,255,858
		993,337,393	1,024,129,851
Non -Current Assets			
Net investment in ijarah finance	5	242,098,546	254,672,831
Long-term morabaha investments - secured		49,103,147	55,271,791
Long-term sukuk investments - secured		2,941,801	4,941,801
Long-term loans and deposits		1,193,111	1,211,401
Fixed assets under ijarah arrangements	6	495,027,239	418,921,835
Fixed assets - owned		1,906,755	2,108,292
		792,270,599	737,127,951
		1,785,607,992	1,761,257,802
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities		45,971,233	24,879,005
Accrued profit payable		22,524,034	22,228,812
Short-term finances - secured		587,386,206	466,728,456
Short-term certificates of musharaka - unsecured		148,901,560	80,475,882
Current portion of long-term liabilities		423,102,831	559,343,948
		1,227,885,864	1,153,656,103
Non-Current Liabilities			
Long-term security deposits		95,786,925	92,956,759
Long-term finances - secured		137,499,999	174,999,995
Deferred morahaba income		11,061,482	8,105,126
		1,472,234,270	1,429,717,983
		313,373,722	331,539,819
NET ASSETS			
REPRESENTED BY			
Capital and Reserves			
Authorized certificate capital		600,000,000	600,000,000
Issued, subscribed and paid up certificate capital		250,000,000	250,000,000
Reserves		63,373,722	81,539,819
		313,373,722	331,539,819

Contingencies and commitments 7
The annexed notes form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER
Lahore: October 28, 2010

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

First National Bank Modaraba

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2010

	Note	Quarter ended	
		September 30 2010	September 30 2009
		Rupees	Rupees
OPERATING REVENUE			
Income from ijarah		71,305,466	52,381,283
Profit on morabaha finances		26,494,846	30,700,341
Profit on musharaka finances		250,687	1,350,069
Profit on bank deposits		102,338	-
Gain/(Loss) on short-term investments	8	(20,566)	1,182,190
Gain on sale of fixed asset		-	172,003
Other income		840,506	28,118
		<u>98,973,277</u>	<u>85,814,004</u>
OPERATING EXPENDITURE			
Operating expenses	9	53,982,395	23,868,042
Finance Cost		37,397,656	57,587,027
Impairment on available for sale investments		-	1,908,281
		<u>91,380,051</u>	<u>83,363,350</u>
Operating profit		7,593,226	2,450,654
Modaraba company's management fee		759,323	245,065
PROFIT FOR THE QUARTER		<u>6,833,903</u>	<u>2,205,589</u>
Provision for taxation		-	-
PROFIT AFTER TAXATION		<u>6,833,903</u>	<u>2,205,589</u>
UNAPPROPRIATED PROFIT BROUGHT FORWARD		49,231,856	28,244,376
PROFIT AVAILABLE FOR APPROPRIATION		<u>56,065,759</u>	<u>30,449,965</u>
Appropriation			
Transfer to statutory reserve		1,366,781	441,118
Dividend for the year ended June 30, 2010 (2009: NIL)		25,000,000	-
		(26,366,781)	(441,118)
UNAPPROPRIATED PROFIT CARRIED FORWARD		<u>29,698,978</u>	<u>30,008,847</u>
EARNINGS PER MODARABA CERTIFICATE			
Basic and diluted		<u>0.27</u>	<u>0.09</u>

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

CHIEF EXECUTIVE OFFICER
Lahore: October 28, 2010

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Quarterly Report - September 30, 2010

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2010

	Quarter ended	
	September 30 2010	September 30 2009
	Rupees	Rupees
Profit after taxation for the Period	6,833,903	2,205,589
Other comprehensive income		
Net unrealised gain / (loss) in value of available for sale investments	-	6,502,710
Total Comprehensive Income for the Period	6,833,903	8,708,299

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

CHIEF EXECUTIVE OFFICER
Lahore: October 28, 2010

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

First National Bank Modaraba

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	Quarter ended	
	September 30 2010	September 30 2009
	Rupees	Rupees
Profit for the quarter	6,833,903	2,205,589
Adjustment for:		
Depreciation / amortization	47,668,271	19,697,943
Allowance for potential loss - Ijarah & Morabaha	3,000,000	-
(Appreciation) / diminution in value of short-term investments	20,566	(1,007,940)
Impairment on available for sale investments	-	1,908,281
Gain on sale of short - term investments	-	-
Gain on sale of fixed asset	-	(172,003)
Finance cost	37,397,656	57,587,027
Profit on bank deposits	(102,338)	-
Dividend income	-	(174,250)
	87,984,155	77,839,058
Operating profit before working capital changes	94,818,058	80,044,647
(Increase)/Decrease in operating assets		
Advances, prepayments and other receivables	26,291,725	9,038,118
Ijarah Rental Receivable	(2,989,035)	-
Accrued Profit	(7,275,173)	261,512
Short-term morabaha investment - secured	(52,640,495)	10,387,799
Short-term musharaka investment - secured	(2,500,000)	2,500,000
Investment in ijarah	64,706,671	118,615,222
Security deposits from lessees	17,514,093	(9,725,627)
Long - term morabaha investment - secured	14,125,000	18,625,000
Long - term musharaka investment - secured	2,000,000	2,000,000
Increase / Decrease in operating liabilities		
Creditors, accrued and other liabilities	21,171,046	5,023,284
	80,403,832	156,725,308
Net changes in working capital		
Cash generated from operations	175,221,890	236,769,955
Finance cost paid	(37,102,434)	(60,984,666)
Income taxes paid	78,818	(20,413)
Dividend income received	-	67,500
Profit Received on bank deposits	116,374	100,000
Net cash flow from operating activities	138,314,648	175,932,376
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(123,572,140)	(59,214,282)
Proceeds from disposal of fixed assets	-	2,404,050
Long-term loans and deposits	94,240	(287,627)
Net cash used in investing activities	(123,477,900)	(57,097,859)
CASH FLOWS FROM FINANCING ACTIVITIES		
Long-term finances repaid - net	(108,333,330)	(75,000,001)
Short term finances - secured	120,657,750	(84,124,851)
Short-term certificates of musharaka - unsecured	68,425,678	50,400,000
Long-term certificate of musharaka - unsecured	(70,000,000)	(2,300,000)
Dividend paid	(25,000,000)	-
Net cash flow used in financing activities	(14,249,902)	(111,024,852)
NET INCREASE IN CASH AND CASH EQUIVALENTS	586,846	7,809,665
CASH AND CASH EQUIVALENTS AT BEGINNING OF QUARTER	5,019,214	13,878,858
CASH AND CASH EQUIVALENTS AT END OF QUARTER	5,606,060	21,688,523

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

CHIEF EXECUTIVE OFFICER
Lahore: October 28, 2010

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Quarterly Report - September 30, 2010

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2010**

	Certificate capital	Capital reserves Statutory reserves	Net unrealized gain / (loss) on available for sale investments	Revenue reserves Unappropriated profits	Total Equity
	Rupees				
Balance as at June 30, 2009	250,000,000	27,061,093	(16,821,982)	11,422,394	271,661,505
Total Comprehensive income for period ended September 30, 2009	-	-	6,502,710	8,708,299	8,708,299
Transferred to statutory reserves	-	441,118	-	(441,118)	-
Transferred to Profit and loss account from net unrealised loss in value of for sale investment	-	-	1,908,281	1,908,281	1,908,281
Balance as at September 30, 2009	250,000,000	27,502,211	(8,410,991)	21,597,856	282,278,085
Total Comprehensive income for period ended June 30, 2010	-	-	8,410,991	32,439,752	40,850,743
Transferred to statutory reserves	-	4,805,752	-	(4,805,752)	-
Transferred to Profit and loss account from net unrealised loss in value of for sale investment	-	-	-	-	-
	-	-	-	-	-
Balance as at June 30, 2010	250,000,000	32,307,963	-	49,231,856	331,539,819
Total Comprehensive income for period ended September 30, 2010	-	-	-	6,833,903	6,833,903
Transferred to statutory reserves	-	1,366,781	-	(1,366,781)	-
Net unrealised gain on available for sale investments	-	-	-	-	-
Profit Distribution for year @ Re.1 per modaraba certificate	-	-	-	(25,000,000)	(25,000,000)
Balance as at September 30, 2010	250,000,000	33,674,744	-	29,698,978	313,373,722

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

CHIEF EXECUTIVE OFFICER
Lahore: October 28, 2010

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

First National Bank Modaraba

SELECTED EXPLANATORY NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED SEPTEMBER 30, 2010

1 LEGAL STATUS AND 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 there under and is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the Companies Ordinance, 1984 and registered with registrar of Modaraba Companies. The registered office of the Modaraba is situated at 5th floor, National Bank of Pakistan, Regional Headquarters Building, 26 - McLagon Road , Lahore. The Modaraba is listed on Karachi and Lahore stock exchanges. The Modaraba commenced its business operations on December 04, 2003 and is currently engaged in various islamic modes of financing and operations including Ijarah, Musharaka and Morabaha arrangements.

2 BASIS OF PREPARATION

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

These financial statements are unaudited. The accounting policies adopted for preparation of these interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Modaraba for the year ended June 30, 2010.

3 TAXATION

The income of non-trading modarabas is exempt from income tax, provided not less than 90% of its profits are distributed to the certificate holders. The Modaraba intends to continue availing the tax exemption and hence no provision for tax liability for the quarter ended September 30, 2010 is made in the financial statements.

			September 30, 2010	June 30, 2010
	Note		Rupees	Rupees
4 SHORT-TERM INVESTMENTS				
At fair value through profit and loss			1,836,094	1,856,657
			<u>1,836,094</u>	<u>1,856,657</u>
5 NET INVESTMENT IN LEASE / IJARAH FINANCE				
Minimum lease / ijarah payments receivable			392,774,540	467,511,242
Residual value of leased assets			105,057,642	106,916,892
Gross investment in lease / ijarah finance			497,832,182	574,428,134
Less: Unearned finance income			58,232,693	(70,121,974)
Net investment in lease / ijarah finance			439,599,489	504,306,160
Less: allowance for potential ijarah losses			(4,920,743)	(4,920,743)
Less: Current portion of net investment in lease / ijarah finance			(192,580,200)	(244,712,586)
			<u>242,098,546</u>	<u>254,672,831</u>
6 FIXED ASSETS				
Leased out	6.1		495,027,239	418,921,835
Owned	6.2		1,906,755	2,108,292
			<u>496,933,994</u>	<u>421,030,127</u>
6.1 FIXED ASSETS - LEASED OUT				
Opening written down value			418,921,835	209,889,450
Additions during the period				
Tangible				
Plant and machinery			57,638,670	83,931,762
Vehicles			65,933,468	238,043,616
			123,572,138	321,975,378
Disposal during the period				
Vehicle			-	(2,524,578)
Less:				
Depreciation / amortization charged during the period			(47,466,734)	(110,418,415)
			<u>495,027,239</u>	<u>418,921,835</u>

Quarterly Report - September 30, 2010

	September 30, 2010 Rupees	June 30, 2010 Rupees
6.2 FIXED ASSETS - OWNED		
Opening written down value	2,108,292	1,626,605
Additions during the period		
Tangible		
Vehicles	-	1,326,947
Computers and accessories	-	16,400
Electric equipment	-	-
Vehicles	-	-
Intangible		
Software and license fee	-	-
	-	1,343,347
Less:		
Disposal - fully depreciated		-
Depreciation / amortization charged during the period	(201,537)	(861,660)
	1,906,755	2,108,292
7 CONTINGENCIES AND COMMITMENTS		
Contingencies		
There were no known contingencies as at September 30, 2010. (June 2010 : Nil)		
Commitments		
Ijarah/morahaba contracts approved but not disbursed.	79,738,000	61,108,000
	79,738,000	61,108,000
	Quarter ended	
	September 30	September 30
	2010	2009
	Rupees	Rupees
8 GAIN ON SHORT-TERM INVESTMENTS		
Gain/(loss) on sale of short-term investments	-	-
Dividend income	-	174,250
Unrealized gain/(loss) in value of short-term investments	(20,566)	1,007,940
	(20,566)	1,182,190
9 OPERATING EXPENSES		
Salaries, allowances and other benefits	2,980,577	3,476,048
Communication expenses	45,159	78,898
Traveling and conveyance	6,480	62,617
Vehicle running expenses	34,557	57,734
Postage and stamps	19,935	26,642
Advertisement	25,000	-
Legal and professional charges	38,962	46,266
Fee and subscription	55,734	124,707
Repairs and maintenance	27,855	51,236
Insurance	33,849	31,458
Stationery, printing and other expenses	6,924	144,734
Depreciation / amortization	47,668,271	19,697,943
Allowance for potential loss in Ijarah & Morabaha	3,000,000	-
Entertainment	19,378	39,861
Other sundry expenses	19,714	29,898
	53,982,395	23,868,042

First National Bank Modaraba

10 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

Transactions with related parties			September 30	September 30
Related Party	Relationship	Nature of Transactions	2010	2009
			Rupees	Rupees
National Bank of Pakistan	Holding company	musharaka obtained	45,989,383	73,561,899
National Bank of Pakistan	Holding company	musharaka repaid	58,333,333	62,499,999
National Bank of Pakistan	Holding company	Profit paid	13,222,645	17,789,863
National Bank of Pakistan	Holding company	Ijarah disbursed	41,928,370	-
National Bank of Pakistan	Holding company	Ijarah repaid	12,996,760	4,034,945
National Bank of Pakistan	Holding company	Profit on Ijarah	2,564,899	1,158,204
National Bank Modaraba Management Company Limited	Management Company	Management fee	759,323	245,065
Balances outstanding at the period end			September 30	June 30
			2010	2010
			Rupees	Rupees
NIDA/current accounts with National Bank of Pakistan (running balances)			4,481,570	5,526,723
Finances under musharaka arrangement from National Bank of Pakistan			446,890,923	459,234,873
Net investment in lease / Ijarah finance to National Bank Limited			96,765,780	67,834,170
Current accounts with National Bank of Pakistan			521,896	521,896
Balance payable to Modaraba Management company			8,789,163	8,029,840

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

11 OTHERS

There were no other significant activities since September 30, 2010 affecting the financial statements.

12 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 28, 2010 by the Board of Directors of the National Bank Modaraba Management Company Limited.

13 GENERAL

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

CHIEF EXECUTIVE OFFICER
Lahore: October 28, 2010

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

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TO:



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