



FIRST NATIONAL BANK MODARABA

# Annual Report 2008



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

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**CORPORATE INFORMATION**

<b>Board of Directors</b>	Mr. S. Ali Raza Mr. Shahid Anwar Khan Dr. Asif A. Brohi Mr. Tajammal H. Bokharee Mr. Muhammad Nusrat Vohra Mr. Wajahat Baqai Mr. Qamar Hussain Mr. Shafiq Khan	Chairman Director Director Director Director Director Director Chief Executive
<b>Chief Financial Officer/ Company Secretary</b>	Mr. Abbas Azam	
<b>Audit Committee</b>	Mr. Shahid Anwar Khan Dr. Asif A. Brohi Mr. Tajammal H. Bokharee	Chairman Member Member
<b>Auditors</b>	M. Yousuf Adil Saleem & Co. (A member firm of Deloitte Touche Tohmatsu)	
<b>Bankers</b>	National Bank of Pakistan Al Baraka Islamic Bank Standard Chartered Bank Bank Alfalah Limited Habib Bank Limited Allied Bank Limited MCB Bank Limited First Women Bank Limited The Hongkong & Shanghai Banking Corp. Limited	
<b>Legal Advisor</b>	Cornelius Lane & Mufti Advocates and Solicitors Nawa-i-Waqt House 4-Shahrah-e-Fatima Jinnah, Lahore Tel : 6360824 Fax : 6303301	
<b>Shares Registrar</b>	Hameed Majeed Associates (Pvt.) Limited H. M. House, 7-Bank Square, Lahore Tel: 7235081 -2, Fax: 7358817	
<b>Registered Office</b>	5 <sup>th</sup> Floor, NBP RHQs Building, 26 Mc Lagon Road, Lahore Tel: 042-9211200, Fax: 042-9213247 URL: <a href="http://www.nbmodaraba.com">http://www.nbmodaraba.com</a> E-mail: <a href="mailto:info@nbmodaraba.com">info@nbmodaraba.com</a>	

## 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 5TH ANNUAL REVIEW MEETING**

Notice is hereby given that the 5<sup>th</sup> Annual Review Meeting of certificate holders of First National Bank Modaraba will be held on Friday, October 31, 2008 at 11:00 a.m. at 4<sup>th</sup> Floor, NBP RHQs Building, 26 – McLagon Road, Lahore to review the performance of the Modaraba for the year ended June 30, 2008

The certificate holders whose names appear on the Register of Certificate Holders of First National Bank Modaraba as on October 23, 2008 will be eligible to attend the Annual Review Meeting.

The Certificate Transfer Book will remain closed from November 01, 2008 to November 10, 2008 (both days inclusive) for the purpose of entitlement of dividend. All transfers received in order, up to close of business on October 31, 2008 at our Registrar's Office, Hameed Majeed Associates (Pvt.) Limited, H.M House, 7 – Bank Square, Lahore will be considered in time.

**By order of the Board**

**Abbas Azam**

Company Secretary  
National Bank Modaraba Management Company Limited  
Managers of First National Bank Modaraba  
Lahore: October 08, 2008

Note: CDC account holders will have to follow the under mentioned guidelines:

- In case of individuals, the account holder and/ or person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate their identity by showing original National Identity Card (NIC) or original passport at the time of attending the meeting (CDC account holders are also requested to bring their participant ID number and account number in CDS).
- In case of corporate entity, board of directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of meeting.

## DIRECTORS' REPORT

Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the management Company of First National Bank Modaraba (FNBM), is pleased to present the directors report on the 5th annual accounts of FNBM for the period ended June 30, 2008. 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, 2008	Year Ended June 30, 2007	Year Ended June 30, 2006	Year Ended June 30, 2005	7 Months Ended June 30, 2004
Balance Sheet Size	2,778,714,825	2,201,495,813	2,074,594,990	1,206,081,190	390,605,324
Total Equity	306,473,205	313,090,449	295,362,450	265,022,554	250,393,313
Total Operating & Other Income	227,964,068	222,132,561	154,361,692	53,338,797	10,982,361
Operating & Financial Exp.	192,672,077	176,003,033	120,541,403	34,689,455	5,791,933
Profit for the period	35,291,991	46,129,528	33,820,289	18,649,342	5,190,428
Modaraba Co.'s Management Fee	3,529,199	4,612,953	3,382,029	1,864,934	519,428
Net profit after tax	31,762,792	41,516,575	30,438,260	16,602,966	4,209,875
Earning per certificate	1.27	1.66	1.22	0.66	0.29
Return on Assets (%)	1.14	1.89	1.47	1.38	1.08
Return on Equity (%)	10.36	13.26	10.31	6.26	1.68
Dividend Yield (%)	12.50	13.87	12.58	-	-
Breakup value per certificate	12.26	12.52	11.81	10.60	10.01

1. **Sector Outlook:**

Fiscal year 2007-08 proved to be a difficult year for Pakistan, with several political and economic events transpiring unexpectedly. Financial sector in Pakistan continued declining trend during the period under review specially in the later half of the year. As a result of tight monetary controls implemented by the State Bank of Pakistan a sharp rise was witnessed in mark up rates. This increase in markup rates not only affected the credit demand in the market but also squeezed the borrowing-lending spreads of the financial institutions.

Modaraba sector being a small part of the financial sector of Pakistan was directly affected by the above measures. Modarabas heavily rely on the banks to meet their appetite for funds. As a result of rising trend in KIBOR the cost of funds of modarabas has increased which has disturbed their profitability. Another challenge faced by modrabas is direct competition with Islamic banks and Islamic banking divisions (IBDs) of conventional banks. In the presence of Islamic banks and IBDs of conventional banks it is becoming difficult for modarabas to increase their share in the market. With the consistent efforts of the Management of FNBM and providing quality service to its clients FNBM has succeeded in increasing its share in the market significantly during the period under review.

## **Review of Operations:**

Despite the fact that overall economic, political & law & order situation of the country have adversely effected the business industry, FNBM's marketing team, with their consistent efforts, managed to explore new business opportunities. Consequently, the size of balance sheet has increased by 26.23% as compared to the last year. The major product of the Modaraba is Ijarah finance. A growth has been recorded in Net Investment in Ijarah which increased by 12% from Rs. 1.335 billion as on June 30, 2007 to Rs.1.493 billion at the end of current year. FNBM's Morabaha investments are also increased by 44% from Rs. 581 million as on June 30, 2007 to Rs.840 million at the end of current year. The total income of the Modaraba increased 2.7% from Rs.222 million in the last year to Rs.228 million in the current year. Net profit decreased by 23.49% from Rs.41.517 million to Rs.31.763 million. Decrease in net profit of the Modaraba is mainly because of downwards trend in the capital market of Pakistan which caused loss of Rs.4.07 million to the Modaraba as compared to the profit of Rs.7.95 million in the corresponding period.

The Modaraba has managed to mobilize funds from various financial institutions at competitive rates. In addition, the Modaraba has been successful in raising substantial 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.

## **3. Profit Distribution:**

The Board in its meeting held on October 08, 2008 has decided to distribute its profits, amounting to One rupee (10%) per certificate subject to Zakat and tax deduction at source as applicable.

## **4. Entity Rating:**

JCR-VIS has upgraded long term entity rating by two notches to A+ (A plus) from A- (A minus ) and short term entity rating to A-1 from A-2 in March , 2008 with a "Stable" outlook. These ratings are one of the highest in the entire Modaraba sector. This indicates low expectation of credit risk and strong capacity for timely payment of financial commitments.

## **5. Future Outlook:**

Financial sector in Pakistan is facing a lot of challenges in current scenario due to political instability, high rate of inflation, rising trend in mark up rates and poor law and order situation. FNBM plans to face 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.

The objective of FNBM is to offer an alternative avenue of financial intermediation, to those who are interested in riba free financing/income. Modaraba can serve as a key element that can adequately cater corporate / consumer sector's financing requirements, while ensuring that it nurtures faith based system of financing consistent with the Shariah principles.

## **6. 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 consistently applied 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.
- 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.

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- 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, 2008 except those disclosed in the financial statements.
- During the year four (04) meetings of the Board of Directors were held. Attendance by each directors is as follows:

<b>Names of Directors:</b>	<b>No of Attendance</b>
i. Mr. S. Ali Raza	4
ii. Mr. Shahid Anwar Khan	4
iii. Dr. Asif A. Brohi	4
iv. Mr. Wajahat Baqai	4
v. Mr. Qamar Hussain	3
vi. Mr. Tajammal H. Bokharee	4
vii. Mr. Muhammad Nusrat Vohra	4
viii. Mr. Shafiq Khan	4

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

- The pattern of certificate holders is annexed.

### **7. Auditors:**

The present auditors Messrs M. Yousuf Adil Saleem & Co., Chartered Accountants, being due for retirement, have offered themselves for re- appointment for the year ending June 30, 2009. Their appointment is subject to approval by the Registrar of Modaraba Companies and Modarabas.

### **8. 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**

**Shafiq Khan**  
Chief Executive Officer

**Dated: October 08, 2008**

**STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF  
THE CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED JUNE 30, 2008**

This statement is being presented to comply with the Code of Corporate Governance contained in the Regulations No. 37 & 43 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 eight directors including Chief Executive Officer and all are nominees of National Bank of Pakistan (Holding Company of National Bank Modaraba Management Company Ltd) and (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 DPI 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 by nominating of employees of National Bank of Pakistan 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 directors are not approved by the Board as they are nominees of National Bank of Pakistan.
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 the directors are employees of NBP and holding key positions in the Bank, as such all directors have relevant experience and knowledge to manage the affairs of the Modaraba.
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 Board has set-up an effective internal audit function.
18. 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.
19. 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.
20. We confirm that all other material principles contained in the Code have been substantially complied with.

**Shafiq Khan**  
**Chief Executive Officer**

**REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF  
COMPLIANCE WITH THE 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 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 Karachi and Lahore 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.

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, 2008.

M. YOUSAF ADIL SALEEM & CO.  
(Chartered Accountants)

Lahore: October 08, 2008

**AUDITORS' REPORT TO THE CERTIFICATE HOLDERS**

We have audited the annexed balance sheet of First National Bank Modaraba as at June 30, 2008 and the related profit and loss account, 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 First National Bank 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, 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, 2008 and of the profit, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980) was deducted by the modaraba and deposited in the central Zakat fund established under section 7 of that Ordinance.

Lahore  
Date: October 08, 2008

M. YOUSAF ADIL SALEEM & CO.  
(Chartered Accountants)

**BALANCE SHEET  
AS AT JUNE 30, 2008**

	Note	June 30 2008 Rupees	June 30 2007 Rupees
<b>ASSETS</b>			
Current Assets			
Bank balances	3	12,264,803	6,794,280
Advances, prepayments and other receivables	4	119,497,001	150,091,560
Accrued profit	5	29,719,250	19,829,293
Short-term investments	6	39,331,377	28,153,349
Short-term morabaha investment - secured	7	660,947,053	542,566,025
Short-term musharaka investment - unsecured	8	100,000,000	-
Current portion of non-current assets	9	637,816,245	490,635,137
		1,599,575,729	1,238,069,644
Non-Current Assets			
Net investment in ijarah	10	965,093,293	890,364,786
Long-term morabaha investment - secured	11	197,321,492	27,434,272
Long-term musharaka investment - secured	12	12,941,801	41,000,000
Long-term loans and deposits	13	1,205,128	933,712
Deferred cost	14	839,813	2,839,949
Fixed assets	15.1	1,997,569	853,450
		1,179,399,096	963,426,169
<b>Total Assets</b>		<b>2,778,974,825</b>	<b>2,201,495,813</b>
<b>LIABILITIES</b>			
Current Liabilities			
Creditors, accrued and other liabilities	16	54,402,389	47,585,066
Short-term finance - secured	17	716,502,230	429,582,772
Short-term certificates of musharaka-unsecured	18	229,900,000	156,700,000
Current portion of long-term liabilities	19	639,537,005	599,831,615
		1,640,341,624	1,233,699,453
Long-Term Loans, Deposits and Deferred Liabilities			
Long-term security deposits	20	191,871,833	167,771,631
Long-term certificates of musharaka-unsecured	21	102,300,000	-
Long-term finance - secured	22	487,500,004	479,500,008
Deferred morabaha income	23	50,488,159	7,434,272
<b>Total Liabilities</b>		<b>2,472,501,620</b>	<b>1,888,405,364</b>
<b>NET ASSETS</b>		<b>306,473,205</b>	<b>313,090,449</b>
<b>REPRESENTED BY</b>			
Capital and reserves			
Certificate capital	24	250,000,000	250,000,000
Reserves		56,473,205	63,090,449
<b>CONTINGENCIES AND COMMITMENTS</b>			
	25	306,473,205	313,090,449

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER  
Lahore: October 08, 2008

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2008**

	Note	For the year ended June 30, 2008 Rupees	For the year ended June 30, 2007 Rupees
<b>INCOME</b>			
Income from ijarah		147,908,417	143,029,578
Profit on morabaha investment		76,410,247	67,302,362
Profit on musharaka investment		6,374,886	3,392,262
Profit on bank deposits		218,413	102,384
(Loss) / gain on short-term investments	26	(4,070,770)	7,946,950
Other income	27	1,122,875	359,025
		<u>227,964,068</u>	<u>222,132,561</u>
<b>EXPENDITURES</b>			
Finance costs	28	176,240,153	161,884,206
Operating expenses	29	16,431,924	14,118,827
		<u>192,672,077</u>	<u>176,003,033</u>
		35,291,991	46,129,528
Modaraba company's management fee		3,529,199	4,612,953
<b>PROFIT FOR THE YEAR</b>		<u>31,762,792</u>	<u>41,516,575</u>
Un-appropriated profit brought forward		49,214,141	41,000,881
Profit available for appropriation		80,976,933	82,517,456
<b>Appropriation :</b>			
Transfer to statutory reserve		6,352,558	8,303,315
Profit distribution for the year ended June 30, 2007 @ Rs. 1.2 per certificate		30,000,000	25,000,000
		<u>36,352,558</u>	<u>33,303,315</u>
Un-appropriated profit carried forward		<u>44,624,375</u>	<u>49,214,141</u>
<b>EARNINGS PER MODARABA CERTIFICATE - BASIC AND DILUTED</b>	34	<u>1.27</u>	<u>1.66</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER  
Lahore: October 08, 2008

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

**FIRST NATIONAL BANK MODARABA**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2008**

	Note	For the year ended June 30, 2008 Rupees	For the year ended June 30, 2007 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the year		31,762,792	41,516,575
Adjustments for:			
Depreciation / amortization		641,367	541,306
Amortization of deferred costs		2,000,136	2,000,136
Loss / (gain) in value of short-term investments		3,010,943	(4,908,184)
Loss / (gain) on sale of short-term investments		2,980,954	(930,361)
Finance costs		176,240,153	161,884,206
Profit on bank deposits		(218,413)	(102,384)
Dividend income		(1,921,127)	(2,108,405)
Gain on disposal of fixed assets		(371,831)	-
		<u>182,362,182</u>	<u>156,376,314</u>
		214,124,974	197,892,889
Decrease / (increase) in advances, prepayments and other receivables		30,337,748	(22,152,055)
Increase in accrued profit		(10,051,026)	(4,912,121)
(Increase) / decrease in short-term morabaha investment		(115,952,286)	8,991,953
(Increase) / decrease in short-term musharaka investment		(100,000,000)	30,000,000
Increase in investment in ijarah		(157,588,654)	(142,940,362)
Increase in long-term morabaha investment		(143,000,000)	(2,206,464)
Decrease / (Increase) in long-term musharaka investment		3,058,199	(14,000,000)
Increase in security deposits against ijarah		47,527,347	54,962,377
Increase / (decrease) in creditors, accrued and other liabilities		12,170,842	(4,662,714)
		<u>(433,497,830)</u>	<u>(96,919,386)</u>
Cash (used in) / generated from operations		(219,372,856)	100,973,503
Finance costs paid		(181,593,673)	(151,704,784)
Income taxes paid		(60,792)	(272,145)
Dividend income received		2,238,730	1,833,405
Profit received on bank deposits		379,482	19,371
		<u>(179,036,253)</u>	<u>(150,124,153)</u>
Net cash used in operating activities		<u>(398,409,109)</u>	<u>(49,150,650)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(1,958,655)	(120,000)
Proceeds on disposal of fixed assets		545,000	-
Long-term loans and deposits		(409,546)	(119,694)
Short-term investments		(25,549,959)	21,469,882
Net cash (used in) / from investing activities		<u>(27,373,160)</u>	<u>21,230,188</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long-term finance obtained		600,000,000	275,000,000
Payment of long-term finances		(601,166,666)	(308,499,263)
Short-term certificate of musharaka - net		73,200,000	156,700,000
Long-term certificate of musharaka		102,300,000	-
Increase / (Decrease) in short-term finance - net		286,919,458	(76,962,167)
Profit distribution to the modaraba certificate holders		(30,000,000)	(25,000,000)
Net cash from financing activities		<u>431,252,792</u>	<u>21,238,570</u>
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS		5,470,523	(6,681,892)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		6,794,280	13,476,172
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	<u>12,264,803</u>	<u>6,794,280</u>

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER  
Lahore: October 08, 2008

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

**STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2008**

The changes in equity are as follows:

	Certificate capital	Statutory reserve	Net unrealized gain / (loss) in the value of securities available for sale	Un-appropriated profit	Total reserves	Total equity
	.....Rupees.....					
Balance as at June 30, 2006	250,000,000	10,250,220	(5,888,651)	41,000,881	45,362,450	295,362,450
Profit for the year ended June 30, 2007	-	-	-	41,516,575	41,516,575	41,516,575
Transfer to statutory reserve	-	8,303,315	-	(8,303,315)	-	-
Net unrealized gain in the value of securities available for sale	-	-	1,211,424	-	1,211,424	1,211,424
Profit distribution for the year ended June 30, 2006 @ Rs. 1 per modaraba certificate.	-	-	-	(25,000,000)	(25,000,000)	(25,000,000)
Balance as at June 30, 2007	250,000,000	18,553,535	(4,677,227)	49,214,141	63,090,449	313,090,449
Profit for the year ended June 30, 2008	-	-	-	31,762,792	31,762,792	31,762,792
Transfer to statutory reserve	-	6,352,558	-	(6,352,558)	-	-
Net unrealized loss in the value of securities available for sale	-	-	(8,380,036)	-	(8,380,036)	(8,380,036)
Profit distribution for the year ended June 30, 2007 @ Rs. 1.20 per modaraba certificate.	-	-	-	(30,000,000)	(30,000,000)	(30,000,000)
Balance as at June 30, 2008	250,000,000	24,906,093	(13,057,263)	44,624,375	56,473,205	306,473,205

Statutory reserve represents profit set aside to comply with the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan.

The annexed notes from 1 to 39 form an integral part of these financial statements.

CHIEF EXECUTIVE OFFICER  
Lahore: October 08, 2008

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2008**

1 GENERAL INFORMATION

1.1 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 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 - Mc Lagon 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 businesses including Ijarah, Musharaka and Morabaha arrangements.

1.2 These financial statements are presented in Pak Rupees, which is the Modaraba's functional and presentation currency.

2 SIGNIFICANT ACCOUNTING POLICIES

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 issued by the Securities and Exchange Commission of Pakistan (the Modaraba Regulations). Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") as 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 relevant laws or directives issued by the Securities and Exchange Commission of Pakistan and the requirements of 'the Modaraba Regulations' differ from the requirements of these standards, the requirements of the relevant laws, directives and regulations take precedence.

2.2 Initial application of a standard or an interpretation

Amendment to IAS 1 - "Presentation of Financial Statements - Capital Disclosures", introduces new disclosures about the level of an entity's capital and how it manages capital. Adoption of this amendment has only resulted in additional disclosures given in note 30 to the financial statements.

2.3 IFRS that are implemented but have no impact on the financial statements of the Modaraba

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below. These standards are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than increase in disclosures in certain cases:

Revised IAS 1 - Presentation of financial statements (effective for annual periods beginning on or after 01 January 2009).

Revised IAS 23 - Borrowing costs (effective from 01 January 2009).

IAS 29 - Financial Reporting in Hyperinflationary Economies (applicable for period beginning from 28 April 2008).

IAS 32 (amendment) - Financial instruments: Presentation and consequential amendment to IAS 1 - Presentation of Financial Statements (effective for annual period beginning on or after 01 January 2009).

IFRS 2 (amendment) - Share-based payments (effective for annual periods beginning on or after 01 January 2007).

IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investment in associates and IAS 31 - Interest in Joint Ventures. (effective prospectively to business combination on or after 01 January 2007)

IFRS 5 - Non current assets held for sale and discontinued operation (applicable for periods beginnings from 01 January 2007).

IFRS 6 - Exploration for and evaluation of mineral of mineral resources (applicable for periods beginnings from 01 January 2007).

IFRS 7 - Financial Instruments: Disclosures (applicable for periods beginnings from 28 April 2008).

IFRS 8 - Operating Segments (effective from 01 January 2009).

IFRIC 12 - Service Concession Arrangements (effective for annual periods beginning on or after 01 January 2008).

IFRIC 13 - Customer Loyalty Programmes (effective for annual periods beginning on or after 01 July 2008).

IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction (effective for annual periods beginning on or after 01 January 2008).

IFRIC 15 - Agreements for the Construction of Real Estate (effective for annual periods beginning on or after 01 January 2009).

IFRIC 16 - Hedges of a Net Investment in a Foreign Operation (effective for annual periods beginning on or after 01 October 2008).

IFAS 2 - Ijarah (effective for annual periods beginning on or after 01 July 2007).

### 2.3.1 New Islamic Financial Accounting Standard ("IFAS")-2

The Islamic Financial Accounting Standard ("IFAS") - 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was promulgated by the Securities and Exchange Commission of Pakistan ("SECP") vide an SRO dated May 22, 2007. As per the above SRO, this IFAS has to be followed for the purposes of preparation of the financial statements of Modarabas while accounting for the 'Ijarah' (lease) transaction. Ijarah has been defined in the above IFAS as 'a contract whereby the owner of an asset other than consumable, transfers its usufruct to another person for an agreed period for an agreed consideration'. These transactions have to comply with the shariah essentials in order to qualify as an 'Ijarah' arrangement.

Under the above IFAS-2, the 'Ijarah' transactions shall be accounted for in the following manner in the books and records of the Modaraba:

- Muj'ir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of asset, distinguished from the assets in own use.

- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as an expense.

The above IFAS is operative for financial statements covering the period beginning on or after July 01, 2007 and is required to be followed on those Ijarah which commence after the above mentioned date. The Modaraba Association of Pakistan ("MAP") has applied to Securities and Exchange Commission of Pakistan for deferment of the effective date of the said IFAS. SECP vide its letter No.SC/M/MAP/2008 dated February 25, 2008 has informed that the deferment is under consideration. MAP is following up the matter with SECP and it is expected that the requisite deferment will be granted, therefore, till the resolution of the matter Modaraba has not adopted the said standard. During the year Modaraba disbursed lease finance amounting to Rs. 650 million. There will be no significant impact on the profit for the year and the assets of the Modaraba if this standard is made applicable on the financial statements of the Modaraba.

Currently the financial information of Modaraba relating to Ijara transactions has been prepared under the requirements of IAS-17 "Leases".

#### 2.4 Basis of preparation

These financial statements have been prepared under the historical cost convention modified by:

- investments carried at fair value in accordance with the requirements of International Accounting Standard-39 " Financial Instruments: Recognition and Measurement "
- accounting for morabaha investment as directed by IFAS-1.

#### 2.5 The principal accounting policies adopted are set out below:

##### 2.5.1 Significant estimates

The preparation of financial statements in conformity with International Financial Reporting Standards ("IFRSs") and International Accounting Standards ("IASs") ("the Standards") 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 various other factors that are believed to be reasonable under circumstances, results of which form the basis of making judgment about carrying value 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 management in the application of the standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the ensuing paragraphs.

##### 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.

##### 2.5.2 Ijarah accounting

The Modaraba provides assets to its clients under ijarah agreements as approved by the Religious Board. These ijarah are recorded in the books of accounts as finance lease in line with International Accounting Standard - 17 "Leases" as the "ijarah" arrangements approved by the Religious Board significantly resemble the "Finance Lease" as per IAS-17. 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.

Net investment in ijarah is stated at present value of minimum ijarah payments. Impairment losses on non-performing ijarah 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 the 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.

#### 2.5.3 Creditors and other liabilities

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

#### 2.5.4 Provisions

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

#### 2.5.5 Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment in value, if any.

Asset's residual values, if significant and their useful lives reviewed and adjusted, if appropriate, at each balance sheet date.

When parts of an item of fixed assets have different useful lives, they are recognized as separate items of fixed assets.

Repair and maintenance are charged to income during the period in which these are incurred. Major renewals and improvements are capitalized.

Depreciation is charged to income applying the straight-line method over the estimated useful life. In respect of additions and disposals during the year, depreciation is charged from the month of acquisition and up to the month preceding the disposal respectively.

Gains or losses on disposal of fixed assets are taken to profit and loss account.

#### 2.5.6 Intangible Assets

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any identified impairment loss. Intangible assets are amortized using the straight -line method over a period of 3 years.

#### 2.5.7 Investments

All investments, other than "investments at fair value through profit or loss", are initially recognized on trade-date at cost, comprising of fair value of consideration and transaction cost directly attributable to cost. Its classification is made on the basis of intended purpose of holding such investment. The subsequent measurement on the balance sheet date is carried out on the following basis:

##### Available for sale financial assets

Investment securities held by the Modaraba which may be sold in response to needs for liquidity or changes in interest rates or equity prices are classified as available for sale.

These are initially recognized at fair value plus transaction cost and subsequently re-measured at fair value. The investment for which quoted market price is not available, are measured at costs as it is not possible to apply any other valuation methodology. Gains and losses arising from re-measurement at fair value is recognized directly in the equity under fair value reserve until sold, collected or otherwise disposed off at which time, the cumulative gain or loss previously recognized in equity is included in profit and loss account.

Financial assets at fair value through profit and loss

These are investments designated at fair value through profit or loss at inception. These are initially measured at fair value and changes on re-measurement are taken to profit and loss account.

Held to maturity investments

Held to maturity investments are financial assets with fixed or determinable payments and fixed maturity that the Modaraba has the positive intent and ability to hold to maturity. These are initially recognized at cost inclusive of transaction cost and are subsequently carried at amortized cost using effective interest rate method.

Derecognition

All investments are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

#### 2.5.8 Receivables

Other receivables are carried at original invoice amount less an estimate made for doubtful receivables based on review of outstanding amounts at the year end. Balances considered bad and irrecoverable are written off when identified.

#### 2.5.9 Morabaha investment

Morabaha investments are stated net of provision. Provision is recognized in accordance with Prudential Regulations for Modarabas or on the estimate of management, whichever is higher.

Morabaha receivable is 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 by accounting for by a debit to "Unearned morabaha income " account with the corresponding credit to "Deferred morabaha income" account and shown in the balance sheet as liability.

#### 2.5.10 Musharaka investment

Musharaka investments are stated net of provision. Provision is recognized in accordance with Prudential Regulations for Modarabas or on the estimate of management, whichever is higher.

#### 2.5.11 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.

#### 2.5.12 Impairment

The Modaraba assesses at each balance sheet date whether there is any indication that assets, except deferred tax assets, may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

The gain or loss on disposal of an assets represented by the difference between the sale proceeds and the carrying amount of the asset is recognized as an income.

## 2.5.13 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 losses 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.

## 2.5.14 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 setoff the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## 2.5.15 Revenue recognition

Revenue is recognized on the following basis:-

- i For ijarah transactions, 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 the 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 Prudential Regulations for Modaraba issued by Securities and Exchange Commission of Pakistan.
- ii Profit on morabaha investment is recognized on pro-rata accrual basis, calculated on number of days funds are utilized.
- iii Return on deposits with bank is recognized on accrual basis.
- iv 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.
- v Dividend income is recognized when the right to receive dividend is established.
- vi Income from fee and commission is recognized as and when it becomes due.

## 2.5.16 Borrowing costs

Borrowing costs are recognized as an expense in profit and loss account in the period in which they are incurred.

## 2.5.17 Taxation

## Current

Under the current tax law, the income of non-trading Modarabas is exempt from Income Tax provided that they distribute ninety percent of its profits as cash dividend to the certificate holders out of current year's total profit 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 Modaraba after taking into account the available tax exemptions and tax credits, if any.

## Deferred

Deferred tax is provided using the liability method for all temporary differences at the balance sheet date between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

## FIRST NATIONAL BANK MODARABA

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses, if any, to the extent that it is probable that taxable profit will be available against which temporary differences and tax losses can be utilized.

Deferred income tax assets and liabilities are measured at the tax rate that are expected to apply to the period when the assets realized or the liabilities settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

### 2.5.18 Profit distribution

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

### 2.5.19 Related party transactions

Transactions with related parties are priced on arm's length basis. Prices for these transactions are determined on commercial terms and conditions.

### 2.5.20 Deferred costs

Deferred costs is amortized over the period of five years.

		June 30 2008	June 30 2007
	Note	Rupees	Rupees
3	BANK BALANCES		
	Current accounts - profit bearing	11,570,152	6,058,702
	Current accounts - non profit bearing	694,651	629,162
	Profit & loss sharing account	-	106,416
		<u>12,264,803</u>	<u>6,794,280</u>

3.1 The balances in profit bearing accounts carry profit ranging between 1.50% to 2.00% (June 30, 2007: 1.50% to 2.00%) per annum.

### 4 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES

	Advances for ijarah-secured, considered good	114,136,512	143,028,445
	Prepayments	229,294	149,281
	Receivables from sale of shares-unsecured, considered good	-	2,897,902
	Other advances and receivables-unsecured, considered good	4,558,745	3,186,671
	Dividend receivable	80,000	397,603
	Tax deducted at source	184,994	124,202
	Income tax refundable	153,330	153,330
	Advance Income Tax	154,126	154,126
		<u>119,497,001</u>	<u>150,091,560</u>

### 5 Accrued profit

	Accrued profit on :		
	- Morabaha investment	16,865,871	10,029,032
	- Musharaka investment	2,091,163	93,572
	- Ijarah	10,735,141	9,518,545
	- Bank deposits	27,075	188,144
		<u>29,719,250</u>	<u>19,829,293</u>

### 6 SHORT-TERM INVESTMENTS

	Financial assets at fair value through profit and loss	7,078,369	16,023,588
	Available for sale financial assets	32,253,008	12,129,761
		<u>39,331,377</u>	<u>28,153,349</u>

Detail of short-term investments is given in "Annexure 1" which is an integral part of these financial statements.

6.1 This represents fund 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.

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			June 30 2008	June 30 2007
7	SHORT-TERM MORABAHA INVESTMENT - SECURED	Note	Rupees	Rupees
	Short-term morabaha investment		641,960,333	526,008,047
	Add : unearned morabaha income	23	<u>18,986,720</u>	<u>16,557,978</u>
			<u><u>660,947,053</u></u>	<u><u>542,566,025</u></u>
	<p>These represent investments under Morabaha arrangements on deferred payment basis at specified profit margins. These carry profit at the rate ranging from 11.23% to 19.45% (June 30, 2007: 11.73% to 15.35%) per annum. These 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.</p>			
8	SHORT-TERM MUSHARAKA INVESTMENT - UNSECURED			
	<p>It is unsecured investment with a financial institution under musharaka arrangement. It carries profit at the rate of 14.55% (June 30, 2007: Nil) per annum.</p>			
9	CURRENT PORTION OF NON-CURRENT ASSETS			
	Net investment in ijarah	10	527,495,844	444,635,697
	Long-term morabaha investment - secured	11	80,880,268	41,697,437
	Long-term musharaka investment - secured	12	29,000,000	4,000,000
	Long-term loans and deposits	13	440,133	302,003
			<u>637,816,245</u>	<u>490,635,137</u>
10	NET INVESTMENT IN IJARAH			
	Minimum ijarah rentals receivable	10.1	1,515,567,269	1,372,439,919
	Add: residual value		<u>239,858,693</u>	<u>183,279,598</u>
	Gross investment in ijarah	10.2	<u>1,755,425,962</u>	<u>1,555,719,517</u>
	Less: unearned finance income		<u>262,836,825</u>	<u>220,719,034</u>
	Net investment in ijarah	10.3	<u>1,492,589,137</u>	<u>1,335,000,483</u>
	Less: current portion	9	<u>527,495,844</u>	<u>444,635,697</u>
			<u><u>965,093,293</u></u>	<u><u>890,364,786</u></u>
10.1	Minimum ijarah rentals receivable			
	Due within one year		676,424,911	564,461,958
	Due after one year but not later than five years		<u>839,142,358</u>	<u>807,977,961</u>
			<u><u>1,515,567,269</u></u>	<u><u>1,372,439,919</u></u>
10.2	Gross investment in ijarah			
	Due within one year		718,225,185	581,538,162
	Due after one year but not later than five years		<u>1,037,200,777</u>	<u>974,181,355</u>
			<u><u>1,755,425,962</u></u>	<u><u>1,555,719,517</u></u>

## FIRST NATIONAL BANK MODARABA

			2008 June 30 Rupees	2007 June 30 Rupees
10.3	Net investment in ijarah	Note		
	Due within one year		527,495,844	444,635,697
	Due after one year but not later than five years		965,093,293	890,364,786
			<u>1,492,589,137</u>	<u>1,335,000,483</u>
10.4	General description of significant ijarah arrangements			
	The Modaraba has entered into various ijarah arrangements at profit rates ranging from 5.00% to 18.35% (June 30, 2007: 5.00% to 14.26%) 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. Facilities extended to National Bank of Pakistan during the year amounting to Rs.21.843 million (June 30, 2007: Rs.12.502 million).			
11	LONG-TERM MORABAHA INVESTMENT - SECURED			
	Long-term morabaha investment		198,000,000	55,000,000
	Add: unearned morabaha income	23	80,201,760	14,131,709
			<u>278,201,760</u>	<u>69,131,709</u>
	Less: current portion	9	80,880,268	41,697,437
			<u>197,321,492</u>	<u>27,434,272</u>
	These represent investment under morabaha arrangements on deferred payment basis at a specified profit margin. These carry profit at the rate ranging from 11.23% to 19.45% (June 30, 2007: 12.02% to 12.83%) per annum and 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.			
12	LONG-TERM MUSHARAKA INVESTMENT - SECURED			
	Long-term musharaka investment		41,941,801	45,000,000
	Less: current portion	9	29,000,000	4,000,000
			<u>12,941,801</u>	<u>41,000,000</u>
	These represent investment under musharaka arrangements. These carry profit at the rate ranging from 12.00% to 16.05% (June 30, 2007: 12.02% to 12.83%) per annum and are secured against first hypothecation over current assets. The arrangements are for two to five years period.			
13	LONG-TERM LOANS AND DEPOSITS			
	Loans to employees-secured	13.1	1,605,761	1,196,215
	Deposits with Central Depository Company Pakistan Limited		39,500	39,500
			<u>1,645,261</u>	<u>1,235,715</u>
	Less: current portion of loans to employees	9	440,133	302,003
			<u>1,205,128</u>	<u>933,712</u>
13.1	These loans are given to employees of the Modaraba for purchase of vehicles. These carry profit at the rate of 5.00% (June 30, 2007: 5.00%) per annum. Maximum aggregate balance due from employees at the end of any month during the year was Rs. 1,712,408 (June 30, 2007: Rs. 1,253,658).			
14	DEFERRED COST			
	Preliminary expenses		2,839,949	4,840,085
	Less: amortized during the year	29	2,000,136	2,000,136
			<u>839,813</u>	<u>2,839,949</u>
14.1	These represent preliminary expenses incurred before December 04, 2003. These are amortized over the period of five years from the month of occurrence on equal monthly basis.			

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### 15 FIXED ASSETS

#### 15.1 Fixed assets as at June 30, 2008

Assets in own use are as follows:

Particulars	Cost			Accumulated depreciation / amortization			Book value as at June 30, 2008	Annual rate of depreciation / amortization %
	As at July 01, 2007	Additions / (disposal)	As at June 30, 2008	As at July 01, 2007	Charge for the year	As at June 30, 2008		
Rupees								
Tangible								
Vehicles	1,598,460	1,610,063 (799,230)	2,409,293	959,076	418,539 (626,061)	751,554	1,657,739	20
Computers and accessories	629,687	310,250	939,937	586,789	91,641	678,430	261,507	33.33
Electric equipment	260,512	38,342	298,854	202,688	57,855	260,543	38,311	20
	2,488,659	1,958,655 (799,230)	3,648,084	1,748,553	568,035 (626,061)	1,690,527	1,957,557	
Intangible								
Software and license fees	407,300	-	407,300	293,956	73,332	367,288	40,012	33.33
	407,300	-	407,300	293,956	73,332	367,288	40,012	
June 30, 2008	2,895,959	1,958,655 (799,230)	4,055,384	2,042,509	641,367 (626,061)	2,057,815	1,997,569	

**15.1.1** Depreciation / amortization charge for the year amounting to Rs. 641,367 (June 30, 2007 Rs. 541,306) has been allocated to operating expenses.

#### 15.2 Fixed assets as at June 30, 2007

Assets in own use are as follows:

Particulars	Cost			Accumulated depreciation / amortization			Book value as at June 30, 2007	Annual rate of depreciation / amortization %
	As at July 01, 2006	Additions / (disposals)	As at June 30, 2007	As at July 01, 2006	Charge for the year	As at June 30, 2007		
Rupees								
Tangible								
Vehicles	1,598,460	-	1,598,460	639,384	319,692	959,076	639,384	20
Computers and accessories	629,687	-	629,687	490,602	96,187	586,789	42,898	33.33
Electric equipment	260,512	-	260,512	150,586	52,102	202,688	57,824	20
	2,488,659	-	2,488,659	1,280,572	467,981	1,748,553	740,106	
Intangible								
Software and license fees	287,300	120,000	407,300	220,631	73,325	293,956	113,344	33.33
	287,300	120,000	407,300	220,631	73,325	293,956	113,344	
June 30, 2007	2,775,959	120,000	2,895,959	1,501,203	541,306	2,042,509	853,450	

#### 15.3 Disposal of fixed assets

Description	Cost	Accumulated depreciation	Book value	Proceeds from disposal of fixed assets	Gain on disposal of fixed assets	Mode of disposal	Particulars of buyer
Rupees							
Suzuki Balleno	799,230	626,061	173,169	545,000	371,831	Negotiation	Rashid Ahmed, Gulberg, Lahore
June 30, 2008	799,230	626,061	173,169	545,000	371,831		
June 30, 2007	-	-	-	-	-		

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		June 30 2008 Rupees	June 30 2007 Rupees
16	CREDITORS, ACCRUED AND OTHER LIABILITIES		
	Advances from clients	21,469,230	13,257,330
	Modaraba company's management fee - unsecured	7,942,152	4,612,953
	Payable to modaraba management company - unsecured	2,286,282	1,794,282
	Accrued expenses	21,968,823	27,363,343
	Tax deducted at source	62,487	66,272
	Others	673,415	490,886
		<u>54,402,389</u>	<u>47,585,066</u>
16.1	The balance represents amount 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 (June 30, 2007: Rs.1,794,282).		
17	SHORT-TERM FINANCE - SECURED		
	Finance under musharaka arrangements		
	From National Bank of Pakistan		
	Musharaka finance	107,504,869	105,629,745
	Finance under morabaha arrangements		
	From other financial institutions		
	Morabaha finance - I	193,489,616	74,797,369
	Morabaha finance - II	-	732
	Morabaha finance - III	-	50,000,000
	Morabaha finance - IV	117,500,640	143,000,000
	Morabaha finance - V	98,007,105	56,154,926
	Morabaha finance - VI	200,000,000	-
		<u>608,997,361</u>	<u>323,953,027</u>
		<u>716,502,230</u>	<u>429,582,772</u>
17.1	The aggregate unavailed short-term borrowing facilities amounting to Rs. 433,497,770 (June 30, 2007: Rs. 400,417,228 ).		
17.2	The facility has been availed from a commercial bank having approved limit of Rs. 150 million (June 30, 2007 : Rs. 150 million) to finance Modaraba's working capital requirements and repayable within one year. The profit is payable monthly which has been determined taking into consideration one month KIBOR (June 30, 2007 : one month KIBOR plus 0.50%) per annum. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba amounting to Rs. 167 million (June 30, 2007: Rs. 167 million).		
17.3	The facility has been availed from Islamic Banking Division of a bank having approved limit of Rs. 300 million (June 30, 2007 : Rs. 300 million) for enhancement of Ijarah portfolio and commodity financing under morabaha and is repayable within one year. The profit is determined taking into consideration matching KIBOR plus 0.30% (June 30, 2007: matching KIBOR plus 1.10%) per annum. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba amounting to Rs.334 million (June 30, 2007: Rs. 334 million).		
17.4	The facility has been availed from a commercial bank having approved limit of Rs. 50 million (June 30, 2007 : Rs. 50 million) for meeting working capital requirements and is repayable within one year. The morabaha finance is priced at three months KIBOR plus 1.00% (June 30, 2007: six months KIBOR plus 1.50% with the floor of 6.00%) per annum payable quarterly. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba amounting to Rs. 56 million (June 30, 2007: Rs. 56 million).		
17.5	The facility has been availed from a commercial bank having approved limit of Rs. 50 million (June 30, 2007: Rs. 50 million) for meeting working capital requirement and is repayable within one year. The morabaha finance is priced at three months KIBOR plus 0.25% (June 30, 2007: three months KIBOR plus 1.25%) per annum payable quarterly. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba amounting to Rs. 56 million (June 30, 2007: Rs. 56 million).		
17.6	The facility has been availed from a commercial bank having approved limit of Rs. 300 million (June 30, 2007: Rs. 180 million) with the expiry of one year. This facility is used for enhancement of ijarah portfolio and commodity financing under morabaha and each morabaha availed under the facility is repayable within 180 days. The repayments are inclusive of profit, calculated at KIBOR plus 0.30 % (June 30, 2007: six months KIBOR plus 1.10%) per annum. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba amounting to Rs. 333.33 million (June 30, 2007: Rs. 200 million).		

- 17.7 The facility has been availed from a commercial bank having approved limit of Rs. 100 million (June 30, 2007 : Rs. 100 million) payable on demand for enhancement of ijarah portfolio and commodity financing under morabaha arrangement. The facility is priced at one month KIBOR plus 0.25% (June 30, 2007: one month KIBOR plus 1.75%) per annum. The profit is repayable on quarterly basis. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba amounting to Rs. 112 million (June 30, 2007: Rs. 112 million).
- 17.8 The facility has been availed from a commercial bank having approved limit of Rs. 200 million (June 30, 2007: Nil) for enhancement of ijarah portfolio and commodity financing under morabaha arrangement. The facility is priced at inter-bank money market (June 30, 2007: Nil) per annum. The profit is repayable on quarterly basis. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba amounting to Rs. 223 million (June 30, 2007: Nil).
- 18 SHORT-TERM CERTIFICATES OF MUSHARAKA-UNSECURED
- This represents Certificates of Musharaka ("COM") through private placement. The COM have different denominations and are repayable within twelve months. The estimated share of profit on these certificates range from 10.05% to 12.00% (June 30, 2007: 10.00% to 11.04%) per annum.

		June 30 2008	June 30 2007
	Note	Rupees	Rupees
19	CURRENT PORTION OF LONG-TERM LIABILITIES		
	Long-term security deposits	20 40,503,349	17,076,204
	Long-term finance - secured	22 550,333,335	559,499,996
	Deferred morabaha income	23 48,700,321	23,255,415
		<u>639,537,005</u>	<u>599,831,615</u>
20	LONG-TERM SECURITY DEPOSITS		
	Long-term security deposit - ijarah	20.1 232,375,182	184,847,835
	Less: current portion	19 40,503,349	17,076,204
		<u>191,871,833</u>	<u>167,771,631</u>
20.1	These represent profit free security deposits received from lessees under ijarah contracts and are repayable / adjustable at the expiry of respective ijarah term.		
21	LONG-TERM CERTIFICATES OF MUSHARAKA-UNSECURED		
	During the year the Modaraba issued long-term Certificates of Musharaka ("COM") through private placement. The COM have different denominations and are repayable after twelve months. The estimated share of profit on these certificates range from 9.75% to 10.75% (June 30, 2007: Nil) per annum.		
22	LONG-TERM FINANCE - SECURED		
	Finance under Musharaka arrangements		
	From National Bank of Pakistan		
	Musharaka finance - I	22.1 -	29,166,666
	Musharaka finance - II	22.2 -	80,000,000
	Musharaka finance - III	22.3 183,333,331	100,000,000
	Musharaka finance - IV	22.4 250,000,000	-
		433,333,331	209,166,666
	Finance under Morabaha arrangements		
	From other financial institutions		
	Morabaha finance - I	22.5 -	200,000,000
	Morabaha finance - II	22.6 200,000,000	200,000,000
	Morabaha finance - III	22.7 -	41,666,670
	Morabaha finance - IV	22.8 108,333,339	166,666,667
	Morabaha finance - V	22.9 16,666,667	50,000,000
	Morabaha finance - VI	22.10 8,333,335	25,000,001
	Morabaha finance - VII	22.11 42,000,000	84,000,000
	Morabaha finance - VIII	22.12 37,500,000	62,500,000
	Morabaha finance - IX	22.13 41,666,667	-
	Morabaha finance - X	22.14 150,000,000	-
		<u>604,500,008</u>	<u>829,833,338</u>
		1,037,833,339	1,039,000,004
	Less: current portion	19 550,333,335	559,499,996
		<u>487,500,004</u>	<u>479,500,008</u>

- 22.1 The facility has been repaid during the period. The facility was obtained from a commercial bank for approved limit of Rs. 250 million. The facility was repayable in six equal semi annual installments in arrears within three years from the date of withdrawal. The facility carried profit at the rate of six months plus spread of 1.00% with a floor of 3.00% and ceiling of 5.00% (June 30, 2007: six months KIBOR plus spread of 1.00% with a floor of 3.00% and ceiling of 5.00%) per annum. The facility was secured against first pari passu hypothecation on all present and future assets of the Modaraba to the extent Rs. 278 million.
- 22.2 The facility has been repaid during the period. The facility was obtained from a commercial bank for approved limit of Rs. 200 million. The facility was repayable in ten equal quarterly installments in arrear within three years from the date of withdrawal. Profit was repayable at the rate of three months KIBOR plus a spread of 0.50% (June 30, 2007: three months KIBOR plus a spread of 0.50%) per annum. The facility was secured against first pari passu hypothecation of on all present and future assets of the Modaraba to the extent Rs. 222 million.
- 22.3 The facility has been availed from a commercial bank having approved limit of Rs. 250 million (June 30, 2007: Rs. 250 million). The facility is repayable in twelve equal quarterly installments within three years from the date of disbursement of each tranch. Profit is payable quarterly at the rate of three months KIBOR plus a spread of 1.00% (June 30, 2007: three months KIBOR plus a spread of 1.00% per annum) per annum. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba amounting to Rs. 278 million (June 30, 2007: Rs. 278 million).
- 22.4 The facility has been availed from a commercial bank having approved limit of Rs. 250 million (June 30, 2007: Nil). The facility is repayable in twelve equal quarterly installments within three years from the date of disbursement. The profit is payable at the rate of three months KIBOR plus 0.10% (June 30, 2007 : Nil) per annum. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba to the extent of Rs. 278 million (June 30, 2007: Nil).
- 22.5 The facility has been repaid during the period. The facility was obtained from a commercial bank for approved limit of Rs. Rs. 200 million. The facility was repayable semi annually and had an expiry of three years from the date of disbursement. The facility carried profit at the rate of six months KIBOR plus a spread of 0.08% (June 30, 2007: six months KIBOR plus a spread of 0.08% ) per annum. The facility was secured against first joint pari passu charge on all present and future assets of the Modaraba to the extent of Rs. 267 million.
- 22.6 The facility has been availed from a commercial bank having approved limit of Rs. 200 million (June 30, 2007: Rs.200 million). The facility is repayable in quarterly installments within three years from the date of disbursement. Profit is payable quarterly at the rate of three months KIBOR plus 1.25% (June 30, 2007: three months KIBOR plus a spread of 1.25%) per annum. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba to the extent of Rs. 267 million (June 30, 2007: Rs. 267 million).
- 22.7 The facility has been repaid during the period. The facility has been availed from a commercial bank having approved limit of Rs. 100 million. The facility was payable in six semi annual installments in arrears from the date of disbursement. Profit is payable quarterly at the rate of 6 months KIBOR plus 1.00% (June 30, 2007: 6 months KIBOR plus 1.00%) per annum. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba to the extent of Rs. 112 million.
- 22.8 The facility has been availed from a commercial bank having approved limit of Rs. 200 million (June 30, 2007: Rs. 200 million). The facility is repayable in six equal semi annual installments in arrear within three years from the date of disbursement. Profit is payable quarterly at the rate of six months KIBOR plus 1.25% (June 30, 2007: six months KIBOR plus 1.25%) per annum. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba to the extent of Rs: 222 million (June 30, 2007: Rs. 222 million).
- 22.9 The facility has been availed from a commercial bank having approved limit of Rs. 100 million (June 30, 2007: Rs. 100 million). The facility is repayable in six equal semi annual installments in arrears within three years from the date of disbursement. Profit is payable semi annually at the rate of six months KIBOR plus 1.00% (June 30, 2007: six months KIBOR plus 1.00% with a floor of 6.50%) per annum. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba to the extent of Rs. 112 million (June 30, 2007: Rs. 112 million).
- 22.10 The facility has been availed from a commercial bank having approved limit of Rs. 46.698 million (June 30, 2007: Rs. 46.698 million). The facility is payable in six semi annual installments within three years from the date of disbursement. Profit is payable six monthly at the rate of six months KIBOR plus 1.00% (June 30, 2007: six months KIBOR plus 1.00%) per annum. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba to the extent of Rs. 62 million (June 30, 2007: Rs. 62 million).

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- 22.11 The facility has been availed from a commercial bank having approved limit of Rs. 100 million (June 30, 2007: Rs. 100 million). The facility is repayable within three years from the date of disbursement in eight equal quarterly installments in arrear after grace period (for principal only) of one year ending on August 11, 2007. Profit is payable quarterly at the rate of three months KIBOR plus 1.50% (June 30, 2007: three months KIBOR plus 1.50%) per annum. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba to the extent of Rs.134 million (June 30, 2007: Rs. 134 million).
- 22.12 The facility has been availed from a commercial bank having approved limit of Rs. 75 million (June 30, 2007: Rs. 75 million). The facility is payable in six semi annual installments within three years from the date of disbursement. Profit is payable six monthly at the rate of six months KIBOR plus 1.00% (June 30, 2007: six months KIBOR plus 1.00%) per annum. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba to the extent of Rs. 100 million (June 30, 2007: Rs. 100 million).
- 22.13 The facility has been availed from a commercial bank having approved limit of Rs. 50 million (June 30, 2007: Nil). The facility is payable in six semi annual installments within three years from the date of disbursement. Profit is payable six monthly at the rate of six months KIBOR plus 0.50% (June 30, 2007: Nil) per annum. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba to the extent of Rs. 67 million (June 30, 2007: Nil).
- 22.14 The facility has been availed from a commercial bank having approved limit of Rs. 150 million (June 30, 2007: Nil). The facility is repayable within three years from the date of disbursement in four equal semi annual installments in arrear after grace period of one year ending on September 24, 2009. Profit is payable quarterly at the rate of three months KIBOR plus 0.40% (June 30, 2007: Nil) per annum. The facility is secured against first joint pari passu hypothecation on all present and future assets of Modaraba to the extent of Rs.200 million (June 30, 2007: Nil).

			June 30 2008	June 30 2007
23	DEFERRED MORABAHA INCOME	<b>Note</b>	Rupees	Rupees
	Deferred morabaha income			
	- Short-term morabaha investments	7	18,986,720	16,557,978
	- Long-term morabaha investments	11	80,201,760	14,131,709
			99,188,480	30,689,687
	Less: current portion	19	48,700,321	23,255,415
			50,488,159	7,434,272

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		June 30 2008 Rupees		June 30 2007 Rupees
24	CERTIFICATE CAPITAL		Note	
	Authorized :			
	Number of certificates			
	2008	<u>60,000,000</u>		<u>60,000,000</u>
	2007	<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>
	Issued, subscribed and paid-up:			
	Modaraba certificates of Rs. 10 each fully paid in cash	<u>250,000,000</u>		<u>250,000,000</u>
	2008	<u>25,000,000</u>		<u>25,000,000</u>
	2007	<u>25,000,000</u>		<u>25,000,000</u>
24.1	There was no movement in certificate capital during the year.			
24.2	7,500,000 (June 30, 2007 : 7,500,000) certificates are held by National Bank Modaraba Management Company Limited.			
25	CONTINGENCIES AND COMMITMENTS			
25.1	Contingencies			
	There were no known contingencies as at June 30, 2008 (June 30, 2007 : Nil).			
25.2	Commitments	<u>511,321,225</u>		<u>16,411,375</u>
	These represents facilities approved but not disbursed or partially disbursed.			
		For the year ended June 30, 2008 Rupees		For the year ended June 30, 2007 Rupees
26	(LOSS) / GAIN ON SHORT-TERM INVESTMENTS			
	(Loss) / gain on sale of short-term investments	(2,980,954)		930,361
	Dividend income	1,921,127		2,108,405
	Unrealized (loss) / gain in value of short-term investments	(3,010,943)	26.1	4,908,184
		<u>(4,070,770)</u>		<u>7,946,950</u>
26.1	Unrealized (gain) / loss in value of short-term investments			
	Unrealized loss at beginning of year	1,838,838		6,747,022
	Loss / (gain) during the year	3,010,943	26	(4,908,184)
	Unrealized loss at end of year	<u>4,849,781</u>		<u>1,838,838</u>
27	OTHER INCOME			
	Service charges	263,789		59,285
	Documentation charges	487,255		299,740
	Profit on disposal of fixed assets	371,831		-
		<u>1,122,875</u>		<u>359,025</u>
28	FINANCE COSTS			
	Profit on morabaha finance	111,370,691		130,085,609
	Profit on musharaka finance	36,440,512		30,316,432
	Profit on certificate of musharaka	28,298,692		1,435,954
	Bank charges	130,258		46,211
		<u>176,240,153</u>		<u>161,884,206</u>

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	Note	For the year	For the year
		ended June 30, 2008	ended June 30, 2007
		Rupees	Rupees
29 OPERATING EXPENSES			
Salaries, allowances and other benefits	29.1	10,014,505	8,351,605
Utility expenses		492,000	489,000
Communication expenses		290,727	280,299
Travelling and conveyance		258,788	146,429
Vehicle running expenses		64,961	39,152
Postage and stamps		106,083	105,810
Advertisement		72,260	55,234
Legal and professional charges		482,486	543,652
Auditors' remuneration	29.2	298,483	292,489
Fee and subscription		599,444	479,846
Repairs and maintenance		263,372	183,656
Insurance		144,898	142,924
Stationary, printing and other expenses		381,288	287,081
Depreciation / amortization	15.1	641,367	541,306
Amortization of deferred costs	14	2,000,136	2,000,136
Central depository company charges		23,268	34,882
Entertainment		70,153	62,273
Others		185,131	46,210
Zakat		42,574	36,843
		<u>16,431,924</u>	<u>14,118,827</u>

### 29.1 Salaries, allowances and other benefits

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

	Officer		Employees	
	2008	2007	2008	2007
	Rupees			
Salary	2,141,404	2,009,325	2,582,445	2,035,270
House rent allowance	963,634	904,196	969,349	711,844
Utilities	214,141	200,935	215,409	158,185
Bonus	500,212	613,085	681,360	408,450
Expenses reimbursed	789,040	677,506	957,511	632,809
	<u>4,608,431</u>	<u>4,405,047</u>	<u>5,406,074</u>	<u>3,946,558</u>
Number of persons	5	4	15	10

29.1.1 In addition to above, Chief Executive Officer and Senior Executives of the Modaraba have been provided with free use of vehicles owned and maintained by Modaraba.

	For the year	For the year
	ended June 30, 2008	ended June 30, 2008
	Rupees	Rupees
29.2 Auditor's remuneration		
Audit fee	175,000	175,000
Review of half yearly financial statements governance	50,000	50,000
Out of pocket expenses	23,483	17,489
	<u>298,483</u>	<u>292,489</u>

### 30 CAPITAL DISCLOSURE

The Modaraba's objective when managing capital is to safeguard the Modaraba's ability to continue as a going concern so that it can continue to provide returns for certificate holders and benefits for other stakeholders, and to maintain a strong capital base to support the sustained development of its businesses.

The Modaraba manages its capital structure which comprises capital and reserves by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of dividend paid to certificate holders, appropriation of amounts to reserve or/and issue new certificates.

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## 31 MATURITY OF ASSETS AND LIABILITIES

June 30, 2008						
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 .....						
<b>Assets</b>						
Bank balances	12,264,803	-	-	-	-	12,264,803
Advances, prepayments and other receivables	7,174,474	721,744	111,600,783	-	-	119,497,001
Accrued profit	27,183,521	2,535,729	-	-	-	29,719,250
Short-term investments	-	-	39,331,377	-	-	39,331,377
Short-term morabaha investment - secured	68,125,000	364,997,053	227,825,000	-	-	660,947,053
Short-term musharaka investment - unsecured	-	100,000,000	-	-	-	100,000,000
Net investment in ijarah	44,115,688	86,059,791	397,320,365	965,093,293	-	1,492,589,137
Long-term morabaha investment - secured	-	-	80,880,268	197,321,492	-	278,201,760
Long-term musharaka investment - secured	-	-	29,000,000	12,941,801	-	41,941,801
Long-term loans and deposits	35,845	72,137	327,348	1,209,931	-	1,645,261
Deferred cost	166,678	333,356	339,779	-	-	839,813
Fixed assets	-	-	-	1,997,569	-	1,997,569
June 30, 2008	159,066,009	554,719,810	886,624,920	1,178,564,086	-	2,778,974,825
June 30, 2007	144,766,596	196,666,800	898,636,383	961,426,034	-	2,201,495,813
<b>Liabilities</b>						
Creditors, accrued and other liabilities	22,695,725	21,459,380	10,247,284	-	-	54,402,389
Short-term finance - secured	40,044,372	209,870,418	466,586,810	630	-	716,502,230
Short-term certificates of musharaka-unsecured	-	170,000,000	59,900,000	-	-	229,900,000
Long-term security deposits	-	-	40,503,349	191,871,833	-	232,375,182
Long-term certificates of musharaka-unsecured	-	-	-	102,300,000	-	102,300,000
Long-term finance - secured	8,333,333	168,833,334	373,166,673	487,499,999	-	1,037,833,339
Deferred morabaha income	316,636	5,518,517	42,865,168	50,488,159	-	99,188,480
June 30, 2008	71,390,066	575,681,649	993,269,284	832,160,621	-	2,472,501,620
June 30, 2007	71,883,991	242,967,634	905,592,148	667,961,591	-	1,888,405,364
June 30, 2008	87,675,943	(20,961,839)	(106,644,364)	346,403,465	-	306,473,205
June 30, 2007	72,882,605	(46,300,834)	(6,955,765)	293,464,443	-	313,090,449

	June 30 2008	June 30 2007
REPRESENTED BY	Rupees	Rupees
Issued, subscribed and paid-up certificate capital	250,000,000	250,000,000
Reserves	56,473,205	63,090,449
	<u>306,473,205</u>	<u>313,090,449</u>

## 32 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

### Fair value of assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability can be settled between knowledgeable willing parties in an arm's length transaction. Financial assets, except investments, are stated at their nominal values as reduced by appropriate impairment loss for estimated irrevocable amounts; investments are stated at fair values. The carrying values of financial liabilities reflected in the financial statements approximate their fair value.

### Profit rate risk

The Modaraba manages the risk by matching the repricing of financial assets and financial liabilities. The Modaraba's profit rate sensitivity position, based on earlier of contractual repricing or maturity dates, is as follows:

## ANNUAL REPORT 2008

		June 30, 2008				
		Profit bearing		Non profit bearing		Total
Note		Within one year	One year to five years	Within one year	One year to five years	
Rupees						
<b>Financial assets</b>						
Bank balances	3	11,570,152	-	694,651	-	12,264,803
Advances, prepayments and other receivables	4	114,136,512	-	4,638,745	-	118,775,257
Accrued profit	5	-	-	29,719,250	-	29,719,250
Short-term investments	6	-	-	39,331,377	-	39,331,377
Short-term morabaha investment - secured	7	660,947,053	-	-	-	660,947,053
Short-term musharaka investment - unsecured	8	100,000,000	-	-	-	100,000,000
Net investment in ijarah	10	527,495,844	965,093,293	-	-	1,492,589,137
Long-term morabaha investment - secured	11	80,880,268	197,321,492	-	-	278,201,760
Long-term musharaka investment - secured	12	29,000,000	12,941,801	-	-	41,941,801
<b>Long-term loans and deposits</b>	13	<b>440,133</b>	<b>1,165,628</b>	<b>-</b>	<b>39,500</b>	<b>1,645,261</b>
June 30, 2008		1,524,469,962	1,176,522,214	74,384,023	39,500	2,775,415,699
June 30, 2007		1,182,394,726	959,693,270	55,093,980	-	2,197,181,976

		June 30, 2008				
		Profit bearing		Non profit bearing		Total
Note		Within one year	One year to five years	Within one year	One year to five years	
Rupees						
<b>Financial liabilities</b>						
Creditors, accrued and other liabilities	16	-	-	54,339,902	-	54,339,902
Short-term finance - secured	17	716,502,230	-	-	-	716,502,230
Short-term certificates of musharaka-unsecured	18	229,900,000	-	-	-	229,900,000
Long-term security deposits	20	-	-	40,503,349	191,871,833	232,375,182
Long-term certificates of musharaka-unsecured	21	-	102,300,000	-	-	102,300,000
Long-term finance - secured	22	550,333,335	487,500,004	-	-	1,037,833,339
June 30, 2008		1,496,735,565	589,800,004	94,843,251	191,871,833	2,373,250,653
June 30, 2007		1,145,782,036	479,500,740	64,661,270	167,771,631	1,857,715,677
On balance sheet gap		27,734,397	586,722,210	(20,459,228)	(191,832,333)	402,165,046
June 30, 2008		27,734,397	614,456,607	593,997,379	402,165,046	-
June 30, 2007		36,612,690	516,805,220	507,237,930	339,466,299	-

#### Off balance sheet items

##### Financial commitments:

Ijarah facilities approved not disbursed						
June 30, 2008 - off balance sheet gap		511,321,225	-	-	-	511,321,225
Ijarah facilities approved not disbursed						
June 30, 2007 - off balance sheet gap		16,411,375	-	-	-	16,411,375

Profit rate risk is the risk that value of a financial instrument will fluctuate in amounts due to changes in market profit rates. Changes in profit rates can adversely affect the rates charged on profit bearing liabilities. This can result in increase in expense relative to financial borrowings or vice versa. The Modaraba manages its risk by maintaining a fair balance between profit rates sensitive financial assets and financial liabilities. The rate of profit and their maturity period has been disclosed in the relevant notes.

##### Effective mark up rate

The effective rate for the financial assets and financial liabilities have been disclosed in their relevant notes.

##### Credit risk management

Credit risk arises from the possibility that one party to a financial instrument fails to meet its obligations and causes the other party to incur financial loss. The Modaraba's credit risk exposure is not significantly different from that reflected in the financial statements. The management monitors and limits 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.

##### Liquidity risk management

Liquidity risk reflects an enterprise's inability in raising funds to meet its commitments. The Modaraba's management closely monitors the Modaraba's liquidity and cash flow position.

#### SEGMENT ANALYSIS

##### Geographical segments

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

## FIRST NATIONAL BANK MODARABA

### 33.2 Business segments Net investment in ijarah

	June 30, 2008		June 30, 2007	
	Net investment		Net investment	
	%	Rupees	%	Rupees
Auto and assemblers	3.98	59,429,769	4.57	61,048,449
Cement	1.59	23,768,904	3.02	40,257,293
Sugar	10.86	162,064,536	5.95	79,476,114
Textile	35.52	530,231,551	36.82	491,486,743
Transport	-	-	2.25	30,034,031
Engineering and construction	2.67	39,912,603	3.05	40,688,786
Knitwear	7.05	105,291,676	9.01	120,350,228
Chemical and pharmaceutical	3.45	51,432,399	1.99	26,549,812
Information technology	1.03	15,372,050	0.33	4,341,696
Education	3.82	56,979,115	3.06	40,861,388
Media and advertising	1.49	22,177,086	1.30	17,401,269
Poultry feed	5.18	77,363,858	5.28	70,504,174
Fabrics	3.12	46,533,825	5.10	68,032,181
Petroleum and oilfields	2.73	40,761,014	2.33	31,136,828
Leather and shoe industries	2.83	42,311,369	3.47	46,328,754
Glass and ceramics	1.02	15,181,456	0.99	13,281,832
Financial institution	2.39	35,690,803	2.16	28,770,522
Telecommunication	1.68	25,068,711	1.62	21,573,563
Food & beverages	2.06	30,725,090	2.76	36,891,887
Energy	1.63	24,320,088	4.54	60,546,307
Fertilizer	0.57	8,509,800	-	-
Rubber and tyre	4.55	67,883,667	-	-
Miscellaneous	0.78	11,579,767	0.41	5,438,626
	100	1,492,589,137	100	1,335,000,483

### 33.3 Morabaha investment

	June 30, 2008		June 30, 2007	
	Net Investment		Net Investment	
	%	Rupees	%	Rupees
Textile	38.81	326,000,000	45.95	281,104,613
Financial institutions	8.33	70,000,000	19.48	119,180,089
Auto and assemblers	2.98	25,000,000	5.83	35,678,563
Leather and shoe industries	4.17	35,000,000	5.89	36,009,725
Sugar	20.83	175,000,000	14.13	86,436,770
Educational institution	0.36	3,000,000	0.52	3,177,855
Rice peddy	1.07	8,960,333	2.13	13,037,827
Individuals	-	-	6.06	37,072,292
Allied and engineering	1.43	12,000,000	-	-
Cable and electric goods	7.14	60,000,000	-	-
Media	3.57	30,000,000	-	-
Paper and board	7.14	60,000,000	-	-
Miscellaneous	4.17	35,000,000	-	-
	100	839,960,333	100	611,697,734

### 33.4 Musharaka investment

	June 30, 2008		June 30, 2007	
	Net Investment		Net Investment	
	%	Rupees	%	Rupees
Energy	12	16,941,801	56	25,000,000
Financial institutions	88	125,000,000	44	20,000,000
	100	141,941,801	100	45,000,000

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		June 30 2008	June 30 2007
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34 EARNINGS PER MODARABA CERTIFICATE - BASIC AND DILUTED

The calculation of the basic earnings per modaraba certificate is based on the following data:

Profit for the year (Rupees)	31,762,792	41,516,575
Weighted average number of modaraba certificates outstanding	25,000,000	25,000,000
Earnings per certificate - basic (Rupees)	1.27	1.66

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

There was no dilutive effect on the basic earnings per certificate of Modaraba.

35 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

The related parties comprise associated companies, directors, key management personnel. The Company in the normal course of business carries out transactions with various related parties. Remuneration of key management personnel is disclosed in note 29.1 to these financial statements.

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

		June 30 2008	June 30 2007
35.1	Balances outstanding at the year end	<b>Rupees</b>	<b>Rupees</b>
	National Income Daily Accounts (NIDA) with National Bank of Pakistan (running balances)	11,204,970	6,056,456
	Finances under musharaka arrangement from National Bank of Pakistan	540,838,204	314,796,412
	Net investment in ijarah to National Bank of Pakistan	24,412,486	17,951,464
	Current account with National Bank of Pakistan-Dividend account	365,419	128,744

		June 30 2008	June 30 2007
35.2	Transactions with related parties	<b>Rupees</b>	<b>Rupees</b>
	Related party	Relationship	Nature of transaction
	Taurus Securities Limited	Common management & control	Commission paid
			604,787
			Purchase and sale of securities
			698,679,984
	National Bank of Pakistan	Management Co's holding company	Musharaka obtained
			401,875,124
			Musharaka repaid
			175,833,331
			Ijarah disbursed
			21,843,230
			Ijarah repaid
			15,382,208
			Profit paid
			36,257,924
			Profit on ijarah
			3,357,627
	National Bank Modaraba management Company Limited	Management Company	Management fee
			3,529,199
			4,612,953

Modaraba management fee at the rate of 10.00% of profit before tax has been recorded as payable to National Bank Modaraba Management Company Limited, under section 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

Other transactions with related parties are carried out at an arm's length in the normal course of business. Prices for these transactions are determined on commercial terms and conditions except the modaraba company's management fee as mentioned above.

## FIRST NATIONAL BANK MODARABA

36 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 8, 2008 the Board of Directors of National Bank Modaraba Management Company Limited.

37 PROFIT DISTRIBUTION

The Board of Directors of Modaraba Management Company in their meeting held on October 8, 2008 have declared a final profit distribution of Re 1.0 (June 30, 2007: Rs. 1.20) per Modaraba certificate amounting to Rs: 25,000,000 (June 30,2007: Rs 30,000,000).

38 RE-CLASSIFICATION AND RE-ARRANGEMENTS

Corresponding figures have been re-classified and re-arranged wherever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison. Significant re-arrangements are as follows:

From	To	Reason	Amount
Advances, prepayments and other receivables	Accrued profit	For better presentation	19,829,293

39 GENERAL

- Figures have been rounded off to the nearest rupee.

CHIEF EXECUTIVE OFFICER  
Lahore: October 08, 2008

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

## ANNUAL REPORT 2008

Annexure 1 as referred to in note 6 to the financial statements.

Particulars	No. of shares / certificates		Average cost		Fair market value	
	June 30 2008	June 30 2007	June 30 2008	June 30 2007	June 30 2008	June 30 2007
	..... Numbers .....		..... Rupees .....			
Financial assets at fair value through profit and loss - Quoted						
Commercial banks:						
National Bank of Pakistan Ordinary shares of Rs. 10 each	19,310	-	4,507,329	-	2,848,225	-
MCB Bank Limited Ordinary shares of Rs. 10 each	-	10,000	-	3,701,390	-	3,650,000
The Bank Of Punjab Ordinary shares of Rs. 10 each	60,375	-	4,768,677	-	1,879,474	-
Cement:						
Maple Leaf Cement Factory Limited Ordinary shares of Rs. 10 each	-	78,125	-	2,695,797	-	1,910,138
Lucky Cement Limited Ordinary shares of Rs. 10 each	10,000	-	990,538	-	979,300	-
Chemicals:						
Engro Chemical Pakistan Limited Ordinary shares of Rs. 10 each	-	10,000	-	2,541,003	-	2,540,000
Energy and Petroleum:						
Pakistan Petroleum Limited Ordinary shares of Rs. 10 each	-	100	-	26,578	-	26,250
Sui Southern Gas Company Limited Ordinary shares of Rs. 10 each	-	50,000	-	1,395,275	-	1,302,500
Oil and Gas Exploration:						
Oil and Gas Development Company Limited Ordinary shares of Rs. 10 each	-	20,000	-	2,501,293	-	2,399,000
Textile Composite:						
Chenab Limited Ordinary shares of Rs. 10 each	-	10,000	-	236,436	-	149,000
Mutual Funds:						
PICIC Growth Fund Ordinary shares of Rs. 10 each	-	50,000	-	1,954,770	-	1,695,000
Refinery:						
BOSICOR Pakistan Limited Ordinary shares of Rs. 10 each	-	64,000	-	1,558,634	-	1,139,200
Fertilizer:						
Fauji Fertilizer Bin Qasim Limited Ordinary shares of Rs. 10 each	38,500	-	1,661,606	-	1,371,370	-
Fauji Fertilizer Company Limited Ordinary shares of Rs. 10 each	-	10,000	-	1,251,250	-	1,212,500
<b>TOTAL</b>			<b>11,928,150</b>	<b>17,862,426</b>	<b>7,078,369</b>	<b>16,023,588</b>

## FIRST NATIONAL BANK MODARABA

### Investments available for Sale - Quoted

#### Commercial banks:

UBL Limited Ordinary shares of Rs. 10 each	35,000	-	5,694,140	-	2,978,150	-
MCB Bank Limited Ordinary shares of Rs. 10 each	10,000	-	4,081,816	-	3,263,800	-
Askari Bank Limited Ordinary shares of Rs. 10 each	67,500	-	5,117,027	-	2,712,825	-

#### Chemicals:

ICI Pakistan Ordinary shares of Rs. 10 each	20,000		4,123,824	-	3,227,400	-
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#### Energy and Petroleum:

Sui Northern Gas Company Limited Ordinary shares of Rs. 10 each	50,000	-	3,342,165		2,178,500	-
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#### Oil and Gas Exploration:

Oil and Gas Development Company Limited Ordinary shares of Rs. 10 each	20,000		2,781,222		2,487,200	
Attock Refinery Limited Ordinary shares of Rs. 10 each	10,000	-	3,111,192		2,498,800	
Pakistan State Oil Ordinary shares of Rs. 10 each	15,000	-	7,730,546	-	6,258,600	-

#### Mutual funds:

ICP ABAMCO Composite Fund Certificate of Rs. 10 each	300,000	300,000	3,000,000	3,000,000	2,673,000	2,535,000
Pakistan Strategic Allocation Fund Certificate of Rs. 10 each	109,000	109,000	1,090,000	1,090,000	1,003,890	1,144,500
PICIC Energy Fund Certificate of Rs. 10 each	-	498,000	-	4,980,000	-	3,735,000

#### Cement:

Dewan Hatter Cement Limited Ordinary shares of Rs. 10 each	-	300,000	-	5,654,810	-	3,840,000
D.G. Khan Cement Company Limited Ordinary shares of Rs. 10 each	20,000	-	1,361,872	-	1,342,800	-

#### Textile Composite:

Nishat Chunian Limited Ordinary shares of Rs. 10 each	21,270	21,270	2,082,178	2,082,178	510,693	875,261
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#### Insurance:

IGI Insurance Company Ordinary shares of Rs. 10 each	5,000	-	1,794,289	-	1,117,350	-
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TOTAL			45,310,271	16,806,988	32,253,008	12,129,761
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## PATTERN OF CERTIFICATE HOLDING AS ON JUNE 30, 2008

Number of Certificate Holders	Certificate Holding		No. of Certificates Held	Percentage of Total Capital	
	From	To			
49	1	-	100	4,414	0.02
454	101	-	500	212,240	0.85
257	501	-	1000	242,700	0.97
245	1001	-	5000	696,873	2.79
88	5001	-	10000	744,600	2.98
28	10001	-	15000	355,300	1.42
19	15001	-	20000	357,200	1.43
14	20001	-	25000	323,773	1.30
12	25001	-	30000	330,300	1.32
7	30001	-	35000	229,500	0.92
3	35001	-	40000	120,000	0.48
2	40001	-	45000	85,400	0.34
5	45001	-	50000	242,700	0.97
3	50001	-	55000	154,500	0.62
3	55001	-	60000	174,300	0.70
1	60001	-	65000	63,000	0.25
3	65001	-	70000	199,500	0.80
1	75001	-	80000	77,500	0.31
1	80001	-	85000	81,000	0.32
1	85001	-	90000	86,500	0.35
2	95001	-	100000	200000	0.80
1	100001	-	105000	100,900	0.40
1	105001	-	110000	110,000	0.44
2	110001	-	115000	227,000	0.91
1	115001	-	120000	120,000	0.48
2	140001	-	145000	286,000	1.14
1	145001	-	150000	150,000	0.60
1	150001	-	155000	153,000	0.61
1	155001	-	160000	159,800	0.64
1	160001	-	165000	160,500	0.64
1	195001	-	200000	200,000	0.80
1	205001	-	210000	206,500	0.83
1	230001	-	235000	231,000	0.92
1	245001	-	250000	250,000	1.00
1	250001	-	255000	251,000	1.00
1	265001	-	270000	270,000	1.08
1	285001	-	290000	287,000	1.15
1	295001	-	300000	300,000	1.20
1	310001	-	315000	314,000	1.26
1	315001	-	320000	317,000	1.27
1	350001	-	355000	355,000	1.42
1	395001	-	400000	400,000	1.60
1	410001	-	415000	414,000	1.66
1	495001	-	500000	500,000	2.00
1	500001	-	505000	501,000	2.00
1	630001	-	635000	632,000	2.53
1	975001	-	980000	978,000	3.91
1	995001	-	1000000	1,000,000	4.00
1	1045001	-	1050000	1,050,000	4.20
1	1115001	-	1120000	1,120,000	4.48
1	1470001	-	1475000	1,475,000	5.90
1	7495001	-	7500000	7,500,000	30.00
<b>1,231</b>				<b>25,000,000</b>	<b>100.00</b>

**CATEGORIES OF CERTIFICATE HOLDERS  
AS ON JUNE 30, 2008**

Sr. #	Category	No. of Certificate Holders	Certificates held	Percentage of Total Capital
1	Individuals	1,197	12,888,450	51.55
2	Insurance Companies	1	65,500	0.26
3	Joint Stock Companies	24	1,394,550	5.58
4	Financial Institutions	4	2,767,000	11.07
5	Modarabas	1	35,000	0.14
6	Modaraba Management Cos	1	7,500,000	30.00
7	Funds	1	12,500	0.05
8	Others	2	337,000	1.35
<b>TOTAL:</b>		<b>1,231</b>	<b>25,000,000</b>	<b>100.00</b>

**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

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Banks, Development Financial Institutions, Non Banking Financial Institutions, Modarabas, Mutual Funds & Insurance Companies	Number of Certificates
RAMADA SECURITIES & DERVIATIVES LTD.	50
MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) Limited	100
FAIR EDGE SECURITIES (PRIVATE) LIMITED	100
PACE INVESTMENT AND SECURITIES (PRIVATE) LIMITED	100
AL-HAQ SECURITIES (PVT) LTD.	500
AMZ SECURITIES (PVT) LIMITED	500
SAZ CAPITAL SECURITIES (PVT) LTD.	700
CLIKTRADE LIMITED	1,000
LIVE SECURITIES (PRIVATE) LIMITED	1,000
MIAN PARVEZ ASLAM SEC (PVT) LTD.	1,000
TARIQ SAYEED SECURITIES (PVT) LTD.	1,400
AFIC SECURITIES (PRIVATE) LIMITED	1,400
DOSSLANI'S SECURITIES (PRIVATE) LIMITED	1,400
CAPITAL VISION SECURITIES (PVT) LTD.	1,500
MOOSANI SECURITIES (PVT) LTD.	2,000
STOCK MASTER SECURITIES (PRIVATE) LTD.	2,300
AWJ SECURITIES (SMC-PRIVATE) LIMITD	2,600
AZEE SECURITIES (PRIVATE) LIMITED	2,700
FAIR DEAL SECURITIES (PRIVATE) LIMITED	3,000
Y.S. SECURITIES & SERVICES (PVT) LTD.	4,300
ALI HUSAIN RAJABALI LTD.	5,000
TRUSTEES-ABBASI & CO.PVT.LTD.EMPS.P.FUND	12,500
FIRST ALNOOR MODARABA	35,000
TRUSTEES ALOO&MINOCHER DINSHAW CHR . TRUST	50,000
ORIX INVESTMENT BANK PAKISTAN LIMITED	63,000
THE CRESCENT STAR INSURANCE CO. LTD.	65,500
DARSON SECURITIES (PRIVATE) LIMITED	100,900
ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED	141,000
FIRST DAWOOD INVESTMENT BANK LIMITED	251,000
TRUSTEES OF TEACHERS RESOURCE CENTRE	287,000
THE BANK OF PUNJAB	978,000
ASIAN SECURITIES (PRIVATE) LIMITED	1,120,000
NIB BANK LIMITED	1,475,000
NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED	7,500,000

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