



Quarterly Report September 30, 2009

First National Bank Modaraba

Managed By: National Bank Modaraba Management Company Limited

(A wholly owned subsidiary of National Bank of Pakistan)

First National Bank Modaraba
Quarterly Report
September 30, 2009

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CORPORATE INFORMATION

Board of Directors	Mr. Qamar Hussain Mr. Shahid Anwar Khan Dr . Asif A. Brohi Mr. Muhammad Nusrat Vohra Mr. Wajahat Baqai Mr. Qamar Hussain Mr. Barbruce Ishaq	Chairman Director Director Director Director Director Chief Executive
Chief Financial Officer/ Company Secretary	Mr. Abbas Azam	
Audit Committee	Mr. Shahid Anwar Khan Dr . Asif A. Brohi Mr. Wajahat Baqai	Chairman Member Member
Auditors	M. Yousuf Adil Saleem & Co. (A member firm of Deloitte Touche Tohmatsu)	
Bankers	National Bank of Pakistan Al Baraka Islamic Bank Standard Chartered Bank Bank Alfalah Limited Habib Bank Limited HSBC Bank Middle East Limited Allied Bank Limited MCB Bank Limited First Women Bank Limited Bank Islami Pakistan	
Legal Advisor	Cornelius Lane & Mufti Advocates and Solicitors Nawa-i-Waqt House 4-Shahrah-e-Fatima Jinnah, Lahore Tel : 36360824 Fax: 36303301	
Shares Registrar	Hameed Majeed Associates (Pvt.) Limited H. M. House, 7-Bank Square, Lahore Tel: 37235081-2, Fax: 37358817	
Registered Office	5 th Floor, NBP RHQs Building, 26 - Mc Lagon Road, Lahore Tel: 042-99211200, Fax: 042-9213247 URL: http://www.nbmodaraba.com E-mail: info@nbmodaraba.com	

Directors' Report

On behalf of the Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the Management Company of First National Bank Modaraba (FNBM), I am pleased to present the quarterly review report, together with un-audited financial statements of FNBM for the quarter ended September 30, 2009.

After completion of a turbulent year ended on June 30, 2009 in which FNBM has to change its accounting policy for its Ijarah portfolio to IFAS –II (Ijarah) and also booked 50% of its impairment loss in 'Available for Sale' equity investments, FNBM, in the context of unfavorable economic environment, made a cautious start in the first quarter of current financial year as is evident from the following financial figures:

	Rupees
Operating revenue	85,814,004
Operating expenses	83,363,350
Net Profit	2,205,589
Earnings per certificate	0.09

The main focus of FNBM remained on Ijarah finance. FNBM booked new leases under IFAS –II Ijarah amounting to Rs.59 Millions to replace the maturing leases and maintained its Morahaba portfolio. The balance sheet footing dropped slightly to Rs.2.266 billion as compared to Rs.2.410 billion as on June 30, 2009 mainly due to maturity of Ijarah portfolio. The operating revenue increased by 5% from Rs.81.578 million in first quarter of the previous financial year to Rs.85.814 million in the period under review. Similarly, operating expenses increased by 12% from Rs.74.745 million in the corresponding period last year to Rs.83.363 million in the period under review that included impairment loss of AFS investment amounting to Rs.1.9 Millions booked under SECP's S.R.O.150(1) dated February 13, 2009. Resultantly the EPC remained at 0.09 as compared to 0.25 in the corresponding period. Further if there is no rise in stock markets from the levels that existed as on September 30, 2009, we would have to book a further impairment/loss on AFS investments in the next quarter.

As the negative impact on profitability of the change in accounting policy to IFAS-II Ijarah is expected to reverse and even out after two to three years of its first time adoption, the profits in the current financial year are also expected to be relatively subdued.

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

For and on behalf of the Board

Barbruce Ishaq
Chief Executive Officer

Lahore: October 20, 2009

First National Bank Modaraba

CONDENSED INTERIM BALANCE SHEET (UNAUDITED)

AS AT SEPTEMBER 30, 2009

	Note	September 30, 2009 Rupees	June 30, 2009 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances		21,688,523	13,878,858
Advances, prepayments and other receivables		83,823,113	92,746,184
Accrued Profit		29,737,956	30,099,468
Short-term investments	4	29,215,501	21,704,851
Short-term morabaha investments - secured		714,042,336	732,293,129
Short-term musharaka investments - unsecured		22,500,000	25,000,000
Current portion of non-current assets		508,970,455	535,030,967
		<u>1,409,977,884</u>	<u>1,450,753,457</u>
NON-CURRENT ASSETS			
Net investment in ijarah finance	5	472,922,916	565,865,257
Long-term morabaha investment - secured		126,017,398	172,238,527
Long-term musharaka investment - secured		6,941,801	8,941,801
Long-term loans and deposits		1,412,001	1,126,860
Fixed assets	6	248,800,347	211,516,055
		<u>856,094,463</u>	<u>959,688,500</u>
		<u>2,266,072,347</u>	<u>2,410,441,957</u>
LIABILITIES			
CURRENT LIABILITIES			
Creditors, accrued and other liabilities		66,285,286	67,495,397
Short-term finances - secured		642,844,809	726,969,660
Short-term certificates of musharaka - unsecured		104,225,000	53,825,000
Current portion of long-term liabilities		544,630,891	562,265,886
		<u>1,357,985,986</u>	<u>1,410,555,943</u>
LONG-TERM LOANS, DEPOSITS, and DEFERRED LIABILITIES			
Long-term security deposits		127,478,583	122,530,664
Long-term certificate of musharaka - unsecured		120,000,000	120,000,000
Long-term finances - secured		341,666,672	421,133,335
Deferred morahaba income		19,841,039	47,738,528
		<u>1,966,972,280</u>	<u>2,121,958,470</u>
NET ASSETS		<u>299,100,067</u>	<u>288,483,487</u>
REPRESENTED BY			
CAPITAL AND RESERVES			
Authorized certificate capital		<u>600,000,000</u>	<u>600,000,000</u>
Issued, subscribed and paid up certificate capital		250,000,000	250,000,000
Reserves		49,100,067	38,483,487
		<u>299,100,067</u>	<u>288,483,487</u>
CONTINGENCIES AND COMMITMENTS	7		
The annexed notes form an integral part of these financial statements.			

CHIEF EXECUTIVE OFFICER
Lahore: October 20, 2009

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Quarterly Report - September 30, 2009

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2009**

	Note	Quarter ended	
		September 30	September 30
		2009	2008
		Rupees	Rupees
OPERATING REVENUE			
Income from ijarah		52,381,283	50,006,987
Profit on morabaha finances		30,700,341	28,758,315
Profit on musharaka finances		1,350,069	4,269,594
Profit on bank deposits		-	86,750
Gain/(Loss) on short-term investments	8	1,182,190	(1,955,341)
Gain on sale of fixed asset		172,003	-
Other income		28,118	412,119
		85,814,004	81,578,424
OPERATING EXPENDITURE			
Operating expenses	9	23,868,042	5,254,539
Finance Cost		57,587,027	69,490,618
Impairment on available for sale investments	4.2	1,908,281	-
		83,363,350	74,745,157
Operating profit		2,450,654	6,833,267
Modaraba company's management fee		245,065	683,327
PROFIT FOR THE QUARTER		2,205,589	6,149,940
Provision for taxation		-	-
PROFIT AFTER TAXATION		2,205,589	6,149,940
UNAPPROPRIATED PROFIT BROUGHT FORWARD		28,244,376	44,624,375
PROFIT AVAILABLE FOR APPROPRIATION		30,449,965	50,774,315
Appropriation			
Transfer to statutory reserve		441,118	1,229,988
UNAPPROPRIATED PROFIT CARRIED FORWARD		30,008,847	49,544,327
EARNINGS PER MODARABA CERTIFICATE			
Basic and diluted		0.09	0.25

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

CHIEF EXECUTIVE OFFICER
Lahore: October 20, 2009

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2009**

	Quarter ended	
	September 30 2009	September 30 2008
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the quarter	2,205,589	6,149,940
Adjustment for:		
Depreciation / amortization	19,697,943	159,384
Amortization of deferred costs	-	500,034
(Appreciation) / diminution in value of short-term investments	(1,007,940)	2,331,330
Impairment on available for sale investments	1,908,281	-
Gain on sale of short - term investments	-	(124,089)
Gain on sale of fixed asset	(172,003)	-
Finance cost	57,587,027	69,490,618
Profit on bank deposits	-	(86,750)
Dividend income	(174,250)	(251,900)
	<u>77,839,058</u>	<u>72,018,627</u>
	80,044,647	78,168,567
Working capital changes		
Advances, prepayments and other receivables	9,038,118	(4,177,224)
Accrued Profit	261,512	(4,408,406)
Short-term morabaha investment	10,387,799	79,060,334
Short-term musharaka investment	2,500,000	100,000,000
Investment in ijarah	118,615,222	10,306,941
Security deposits from lessees	(9,725,627)	(2,154,442)
Long - term morabaha investment	18,625,000	(58,375,000)
Long - term musharaka investment	2,000,000	2,000,000
Creditors, accrued and other liabilities	5,023,284	9,838,255
	<u>156,725,308</u>	<u>132,090,458</u>
Cash generated from operations	236,769,955	210,259,025
Finance cost paid	(60,984,666)	(64,442,184)
Income taxes paid	(20,413)	(1,642)
Dividend income received	67,500	226,900
Profit Received on bank deposits	100,000	113,825
Net cash flow from operating activities	<u>175,932,376</u>	<u>146,155,924</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(59,214,282)	(216,360)
Proceeds from disposal of fixed assets	2,404,050	-
Long-term loans and deposits	(287,627)	(181,695)
Short-term investments - net	-	(952,860)
Net cash used in investing activities	<u>(57,097,859)</u>	<u>(1,350,915)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long - term financing	50,000,000	-
Repayment of long-term financing	(125,000,001)	(177,166,666)
Short-term certificates of musharaka - unsecured	50,400,000	(108,300,000)
Long-term certificate of musharaka - unsecured	(2,300,000)	-
Increase/(decrease) in short-term finances	(84,124,851)	141,312,697
Net cash flow used in financing activities	<u>(111,024,852)</u>	<u>(144,153,969)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,809,665	651,040
CASH AND CASH EQUIVALENTS AT BEGINNING OF QUARTER	<u>13,878,858</u>	<u>12,264,803</u>
CASH AND CASH EQUIVALENTS AT END OF QUARTER	<u><u>21,688,523</u></u>	<u><u>12,915,843</u></u>

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

CHIEF EXECUTIVE OFFICER
Lahore: October 20, 2009

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE PERIOD ENDED SEPTEMBER 30, 2009**

	Certificate capital	Capital reserves Statutory reserves	Net unrealized gain / (loss) on available for sale investments	Revenue reserves Unappropriated profits	Total Equity
	Rupees				
Balance as at June 30, 2008	250,000,000	24,906,093	(13,057,263)	44,624,375	306,473,205
Profit for the period	-	-	-	6,149,940	6,149,940
Transferred to statutory reserves	-	1,229,988	-	(1,229,988)	-
Net unrealised gain on available for sale investments	-	-	(10,008,095)	-	(10,008,095)
Balance as at September 30, 2008	250,000,000	26,136,081	(23,065,358)	49,544,327	302,615,050
Profit for the period	-	-	-	4,625,061	4,625,061
Transferred to statutory reserves	-	925,012	-	(925,012)	-
Net unrealised gain on available for sale investments	-	-	(10,578,606)	-	(10,578,606)
Transferred to Profit and loss account from net unrealised loss in value of available for sale investment	-	-	16,821,982	-	16,821,982
Profit Distribution for the year @ Re.1 per modaraba certificate	-	-	-	(25,000,000)	(25,000,000)
Balance as at June 30, 2009	250,000,000	27,061,093	(16,821,982)	28,244,376	288,483,487
Profit for the period	-	-	-	2,205,589	2,205,589
Transferred to statutory reserves	-	441,118	-	(441,118)	-
Net unrealised gain on available for sale investments	-	-	6,502,710	-	6,502,710
Transferred to Profit and loss account from net unrealised loss in value of available for sale investment	-	-	1,908,281	-	1,908,281
Balance as at September 30, 2009	250,000,000	27,502,211	(8,410,991)	30,008,847	299,100,067

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

CHIEF EXECUTIVE OFFICER
Lahore: October 20, 2009

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

First National Bank Modaraba

SELECTED EXPLANATORY NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED SEPTEMBER 30, 2009

1 LEGAL STATUS AND OPERATIONS

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

The Modaraba is currently engaged in various Islamic modes of financing and business including ijarah, musharaka and morabaha arrangements.

2 BASIS OF PREPARATION

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

These financial statements are unaudited. The accounting policies adopted for preparation of these interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Modaraba for the year ended June 30, 2009.

The corresponding figures of Profit & Loss account for the quarter ended September 30, 2008 that relate to Ijarah transactions (that include Income from Ijarah, and depreciation / amortization under Operating Expenses) have not been converted to IFAS - II Ijarah as it was not practical to do so.

3 TAXATION

The income of non-trading modarabas is exempt from income tax, provided not less than 90% of its profits are distributed to the certificate holders. The Modaraba intends to continue availing the tax exemption and hence no provision for tax liability for the quarter ended September 30, 2009 is made in the financial statements.

	Note	September 30, 2009 Rupees	June 30, 2009 Rupees
4 SHORT-TERM INVESTMENTS			
Available for sale	4.1	24,724,579	18,221,869
Held for trading		4,490,922	3,482,982
		<u>29,215,501</u>	<u>21,704,851</u>
4.1	This represent redemption reserve fund against certificates of musharika.		
4.2 IMPAIRMENT OF AVAILABLE FOR SALE INVESTMENT			
The Modaraba has charged to Profit & Loss account an impairment loss of Rs. 1.908 Million on Available for Sale ('AFS') investment under SECP's S.R.O. 150(1)/2009 dated February 13, 2009, which is 25% of the unrealized loss on AFS investment as on December 31, 2008 (i.e. Rs. 33.644 Millions) less appreciation in prices during the quarter. Had the entire amount of unrealized loss on AFS investment (Rs.8.411 Millions) been charged to P & L a/c there would have been a loss of Rs. 5.96 Millions for the quarter.			
5 NET INVESTMENT IN LEASE / IJARAH FINANCE			
Minimum ijarah payments receivable		794,675,246	929,984,242
Residual value of Ijarah assets		182,721,180	201,293,518
Gross investment in ijarah finance		977,396,426	1,131,277,760
Less: Unearned finance income		111,739,253	147,005,365
Net investment in ijarah finance		865,657,173	984,272,395
Less: Current portion of net investment in ijarah finance		392,734,257	418,407,138
		<u>472,922,916</u>	<u>565,865,257</u>
6 FIXED ASSETS			
Asset under Ijarah	6.1	247,309,162	209,889,450
Owned	6.2	1,491,185	1,626,605
		<u>248,800,347</u>	<u>211,516,055</u>

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	September 30, 2009 Rupees	June 30, 2009 Rupees
6.1 FIXED ASSETS - UNDER IJARAH		
Opening written down value	209,889,450	-
Additions during the period		
Tangible		
Plant and machinery	51,176,115	202,823,671
Vehicles	8,038,167	55,849,282
	59,214,282	258,672,953
Disposal during the period		
Vehicle	(2,232,047)	
Less:		
Depreciation / amortization charged during the period	(19,562,523)	(48,783,503)
	<u>247,309,162</u>	<u>209,889,450</u>
6.2 FIXED ASSETS - OWNED		
Opening written down value	1,626,605	1,997,569
Additions during the period		
Tangible		
Computers and accessories	-	16,360
Electric equipment	-	26,910
Vehicles	-	-
Intangible		
Software and license fee		290,000
Less:		
Depreciation / amortization charged during the period	(135,420)	(704,234)
	<u>1,491,185</u>	<u>1,626,605</u>
7 CONTINGENCIES AND COMMITMENTS		
Contingencies		
There were no known contingencies as at September 30, 2009. (June 2009 : Nil)		
Commitments		
Ijarah/morahaba contracts approved but not disbursed.	<u>17,873,400</u>	<u>52,838,976</u>
	Quarter ended	
	September 30	September 30
	2009	2008
	Rupees	Rupees
8 GAIN ON SHORT-TERM INVESTMENTS		
Gain/(loss) on sale of short-term investments	-	124,089
Dividend income	174,250	251,900
Unrealized gain/(loss) in value of short-term investments	1,007,940	(2,331,330)
	<u>1,182,190</u>	<u>(1,955,341)</u>
9 OPERATING EXPENSES		
Salaries, allowances and other benefits	3,476,048	3,924,962
Communication expenses	78,898	90,369
Traveling and conveyance	62,617	72,444
Vehicle running expenses	57,734	19,207
Postage and stamps	26,642	17,758
Legal and professional charges	46,266	101,632
Fee and subscription	124,707	105,750
Repairs and maintenance	51,236	99,455
Insurance	31,458	28,291
Stationery, printing and other expenses	144,734	52,545
Depreciation / amortization	19,697,943	159,384
Amortization of deferred costs	-	500,034
Entertainment	39,861	37,684
Other sundry expenses	29,898	21,014
Zakat	-	24,010
	<u>23,868,042</u>	<u>5,254,539</u>

First National Bank Modaraba

10 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Modaraba management fee at the rate of 10% of the profit before tax has been recorded as payable to National Bank Modaraba Management Company Ltd U/s 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Other transaction with related parties are carried out at an arm's length in the normal course of business.

Transactions with related parties			September 30 2009	September 30 2008
Related Party	Relationship	Nature of Transactions	Rupees	Rupees
Taurus Securities Limited	Common directorship	Commission paid	-	6,250
Taurus Securities Limited	Common directorship	Purchase and sale of securities	-	7,244,691
National Bank of Pakistan	Holding company	musharaka obtained	73,561,899	22,432,183
National Bank of Pakistan	Holding company	musharaka repaid	62,499,999	41,666,667
National Bank of Pakistan	Holding company	Profit paid	17,789,863	15,298,031
National Bank of Pakistan	Holding company	Ijarah disbursed	-	3,626,950
National Bank of Pakistan	Holding company	Ijarah repaid	4,034,945	3,833,285
National Bank of Pakistan	Holding company	Profit on Ijarah	1,158,204	548,293
National Bank Modaraba Management Company Limited	Management Company	Management fee	245,065	683,327
Balances outstanding at the period end			September 30 2009	June 30 2008
			Rupees	Rupees
NIDA/current accounts with National Bank of Pakistan (running balances)			20,798,193	10,356,275
Finances under musharaka arrangement from National Bank of Pakistan			605,811,107	594,749,207
Net investment in lease / Ijarah finance to National Bank Limited			24,796,639	28,831,584
11	Current accounts with National Bank of Pakistan		538,318	649,537

OTHERS

12 There were no other significant activities since June 30, 2009 affecting the financial statements.

DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 20, 2009 by the Board of Directors of the National Bank Modaraba Management Company Limited.

13

GENERAL

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

CHIEF EXECUTIVE OFFICER
Lahore: October 20, 2009

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

If undelivered please return to :

FIRST NATIONAL BANK MODARABA

5th Floor, NBP RHQs Building,

26 McLagon Road,

Lahore.

Tel : 99211200, Fax: 99213247