

QUARTERLY REPORT SEPTEMBER 30, 2007



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, 2007

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First National Bank Modaraba

CORPORATE INFORMATION

Board of Directors	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
Chief Financial Officer/ Company Secretary	Mr. Abbas Azam	
Audit Committee	Mr. Shahid Anwar Khan Dr. Asif A. Brohi Mr. Tajammal H. Bokharee	Chairman Member Member
Auditors	M. Yousuf Adil Saleem & Co. (An independent firm associated with Deloitte Touche Tohmatsu)	
Bankers	National Bank of Pakistan Standard Chartered Bank Bank Alfalah Limited Al Baraka Islamic Bank Habib Bank Limited Allied Bank Limited MCB Bank Limited First Women Bank Limited Hongkong Shanghai Banking Corporation Emirates Global Islamic Bank Limited	
Legal Advisor	Cornelius Lane & Mufti Advocates and Solicitors Nawa-i-Waqt House 4 Shahrah-e-Fatima Jinnah, Lahore Tel.: 6360824, Fax: 6303301	
Shares Registrar	Hameed Majeed Associates (Pvt.) Limited H. M. House, 7 Bank Square, Lahore Tel: 7235081-2, Fax: 7358817	
Registered Office	5 th Floor, NBP RHQs Building, 26 McLagon Road, Lahore Tel: 042-9211200, Fax: 042-9213247 URL: http://www.nbmodaraba.com E-mail: info@nbmodaraba.com	

Quarterly Report - September 30, 2007

DIRECTORS' REPORT

On behalf of the Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the Management Company of First National Bank Modaraba (FNBM), I am pleased to present the quarterly report, together with un-audited financial statements of FNBM for the quarter ended September 30, 2007.

After completion of a good year ended on June 30, 2007, in which FNBM was successful in announcing 12% cash dividend to its Certificate Holders, the Modaraba also booked good financial results in the subsequent quarter ended on September 30, 2007 as is evident from the following key financial indicators:

	<i>Rupees</i>
Operating revenue	58,403,550
Operating expenses	45,912,838
Profit after tax	11,241,641
Earnings per certificate	0.45

During the period under review, FNBM maintained its balance sheet size. The balance sheet footing remained stable at Rs.2.161 billion as compared to Rs.2.201 billion as on June 30, 2007. From business point of view, the main focus of the Modaraba remained on lease finance. The Net Investment in Lease Finance increased by 3.54% from Rs.1.335 billion as on June 30, 2007 to Rs.1.382 billion as on September 30, 2007. The short term Morabaha Investments, however, remained stable at Rs.542 million.

The total income increased by 8% from Rs.54.00 million in first quarter of the previous financial year to Rs.58.403 million in the period under review. Similarly, expenditures increased by 10.4% from Rs.41.587 million in the comparative period last year to Rs.45.912 million in the period under review. Due to decline in the value of stock market investments the net profit remained the same (which could have otherwise been higher) in this quarter as in the previous comparative period.

FNBM is making efforts to mobilize funds through issuance of Certificates of Musharaka (COMs). As at end of September 2007 FNBM managed to raise Rs.209 million from issuance of COMs.

The Board would like to take this opportunity to thank its valued certificate holders and clients for their patronage and consistent support. Besides, the Board extends its sincere gratitude to Registrar Modarabas, SECP and Modaraba Association of Pakistan for their continued guidance and support.

For and on behalf of the Board

Shafiq Khan
Chief Executive Officer

Lahore: October 10, 2007

First National Bank Modaraba

BALANCE SHEET (UNAUDITED)

AS AT SEPTEMBER 30, 2007

	Note	September 30, 2007 Rupees	June 30, 2007 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances		11,237,187	6,794,280
Advances, deposits, prepayments and other receivables		112,552,072	169,920,853
Short-term investments	4	29,758,879	28,153,349
Short-term murabaha investments - secured		542,781,441	542,566,025
Current portion of non-current assets		475,069,668	490,635,137
		1,171,399,247	1,238,069,644
NON-CURRENT ASSETS			
Net investment in lease / ijarah finance	5	921,637,576	890,364,786
Long-term morabaha investment - secured		23,423,555	27,434,272
Long-term musharika investment - secured		41,000,000	41,000,000
Long-term loans and deposits		1,105,550	933,712
Deferred costs		2,339,915	2,839,949
Fixed assets - owned	6	830,188	853,450
		990,336,784	963,426,169
		2,161,736,031	2,201,495,813
LIABILITIES			
CURRENT LIABILITIES			
Creditors, advances, accrued and other liabilities		54,616,290	47,585,066
Short-term finances - secured		354,923,154	429,582,772
Certificates of musharika - unsecured		209,000,000	156,700,000
Current portion of long-term finances - secured		532,810,431	599,831,615
		1,151,349,875	1,233,699,453
LONG-TERM LOANS, DEPOSITS, and DERERRED LIABILITIES			
Long-term security deposits		170,824,589	167,771,631
Long-term finances - secured		510,667,404	479,500,008
Deferred morahaba income		5,923,555	7,434,272
		1,838,765,423	1,888,405,364
NET ASSETS			
		322,970,608	313,090,449
REPRESENTED BY			
CAPITAL AND RESERVES			
Autorized certificate capital		600,000,000	600,000,000
Issued, subscribed and paid up certificate capital		250,000,000	250,000,000
Reserves		72,970,608	63,090,449
		322,970,608	313,090,449
CONTINGENCIES AND COMMITMENTS			
	7		

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

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Lahore: October 10, 2007

Quarterly Report - September 30, 2007

PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2007

	Note	Quarter ended	
		September 30	September 30
		2007	2006
		Rupees	Rupees
OPERATING REVENUE			
Income from lease / ijarah		38,600,371	33,006,487
Profit on musharika finances		1,354,276	1,830,353
Profit on murabaha finances		18,985,321	16,432,956
Profit on bank deposits		19,500	20,429
Gain on short-term investments	8	(649,767)	2,576,373
Other operating income		93,849	141,295
		58,403,550	54,007,893
OPERATING EXPENSES			
Operating expenses	9	3,314,797	3,062,246
Financial charges		42,598,041	38,525,575
		45,912,838	41,587,821
Operating profit		12,490,712	12,420,072
Modaraba Company's Management Fee @ 10%		1,249,071	1,242,007
PROFIT BEFORE TAXATION		11,241,641	11,178,065
Provision for taxation		-	-
PROFIT AFTER TAXATION		11,241,641	11,178,065
UNAPPROPRIATED PROFIT BROUGHT FORWARD		49,214,141	41,000,881
PROFIT AVAILABLE FOR APPROPRIATION		60,455,782	52,178,946
Appropriation			
Transfer to statutory reserve		2,248,328	2,235,613
UNAPPROPRIATED PROFIT CARRIED FORWARD		58,207,454	49,943,333
EARNINGS PER MODARABA CERTIFICATE			
Basic and diluted		0.45	0.45

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

CHIEF EXECUTIVE
Lahore: October 10, 2007

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

First National Bank Modaraba

CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2007

	Quarter ended	
	September 30 2007	September 30 2006
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	11,241,641	11,178,065
Adjustment for:		
Depreciation / amortization	124,822	162,599
Amortization of deferred costs	500,034	500,034
Diminution / (Appreciation) in value of short-term investments	24,449	(1,314,977)
Gain on sale of short - term investments	1,597,568	(169,896)
Finance cost	42,598,041	38,525,575
Profit on bank deposits	(19,500)	(20,429)
Dividend income	(972,250)	(1,091,500)
	<u>43,853,164</u>	<u>36,591,406</u>
	55,094,805	47,769,471
(Increase) / Decrease in operating assets		
Advances, prepayments and other receivables	57,746,273	108,084,874
Short-term morabaha investment	5,000,000	148,000,000
Investment in ijarah	(47,294,194)	(75,790,058)
Security deposits from lessees	11,680,459	19,857,401
Long - term morabaha investment	27,500,000	425,707
	<u>54,632,538</u>	<u>200,577,924</u>
Increase / (Decrease) in operating liabilities		
Creditors, accrued and other liabilities	9,040,351	(10,655,683)
Cash generated from operations	<u>118,767,694</u>	<u>237,691,712</u>
Finance cost paid	(44,607,170)	(34,304,033)
Income taxes paid	(3,242)	(170,198)
Dividend income received	617,500	277,500
Net cash flow from operating activities	<u>74,774,782</u>	<u>203,494,981</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(101,560)	(120,000)
Long-term loans and deposits	(282,403)	(177,137)
Short-term investments - Net	(4,589,029)	5,833,801
Net cash used in investing activities	<u>(4,972,992)</u>	<u>5,536,664</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Long - term finances obtained	100,000,000	
Repayment of long-term finances	(143,000,000)	(57,500,000)
Certificates of musharaka - issued	52,300,000	
Increase/(decrease) in short-term finances	(74,658,883)	(166,829,707)
Net cash flow from financing activities	<u>(65,358,883)</u>	<u>(210,329,707)</u>
NET INCREASE / (DECEREASE) IN CASH AND CASH EQUILENTS	4,442,907	(1,298,062)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	<u>6,794,280</u>	<u>13,476,172</u>
CASH AND CASH EQUIVALENTS AT END OF PERIOD	<u><u>11,237,187</u></u>	<u><u>12,178,110</u></u>

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

CHIEF EXECUTIVE
Lahore: October 10, 2007

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Quarterly Report - September 30, 2007

STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2007

	Certificate capital	Capital reserves Statutory reserves	Net unrealised gain / (loss) on available for sale investments	Revenue reserves Unappropriated profits	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 period	-	-	-	11,178,065	11,178,065	11,178,065
Transferred to statutory reserves	-	2,235,613		(2,235,613)	-	-
Net unrealised gain on investments available for sale			(748,567)	-	(748,567)	(748,567)
Balance as at September 30, 2006	250,000,000	12,485,833	(6,637,218)	49,943,333	55,791,948	305,791,948
Profit for the period	-	-	-	30,338,510	30,338,510	30,338,510
Transferred to statutory reserves	-	6,067,702	-	(6,067,702)	-	-
Net unrealised loss on available for sale investments	-	-	1,959,991	-	1,959,991	1,959,991
Profit distribution for the year ended June 30, 2006 Re. 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 period	-	-	-	11,241,641	11,241,641	11,241,641
Transferred to statutory reserves	-	2,248,328	-	(2,248,328)	-	-
Net unrealised gain on available for sale investments	-	-	(1,361,482)	-	(1,361,482)	(1,361,482)
Balance as at September 30, 2007	250,000,000	20,801,863	(6,038,709)	58,207,454	72,970,608	322,970,608

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

CHIEF EXECUTIVE
Lahore: October 10, 2007

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

First National Bank Modaraba

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2007

1 STATUS AND ACTIVITIES

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

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

2 BASIS OF PREPARATION

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

These financial statements are unaudited. The accounting policies adopted for preparation of these interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Modaraba for the year ended June 30, 2007.

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, 2007 is made in the financial statements.

4 SHORT-TERM INVESTMENTS

	September 30, 2007 Rupees	June 30, 2007 Rupees
Available for sale	10,768,279	12,129,761
Held for trading	18,990,600	16,023,588
	<u>29,758,879</u>	<u>28,153,349</u>

5 NET INVESTMENT IN LEASE / IJARAH FINANCE

Minimum lease / ijarah payments receivable	1,417,754,673	1,372,439,919
Residual value of leased assets	200,285,454	183,279,598
Gross investment in lease / ijarah finance	1,618,040,127	1,555,719,517
Less: Unearned finance income	235,745,450	220,719,034
Net investment in lease / ijarah finance	1,382,294,677	1,335,000,483
Less: Current portion of net investment in lease / ijarah finance	460,657,101	444,635,697
	<u>921,637,576</u>	<u>890,364,786</u>

6 FIXED ASSETS - OWNED

Opening written down value	853,450	1,274,756
Additions during the period		
Tangible		
Computers and accessories	101,560	
Electric equipment	-	
Vehicles	-	
Intangible		
Software and license fee		120,000
	101,560	120,000
Less:		
Depreciation / amortization charged during the period	124,822	541,306
	<u>830,188</u>	<u>853,450</u>

7 CONTINGENCIES AND COMMITMENTS

Contingencies

There were no known contingencies as at September 30, 2007. (June 2006 : Nil)

Commitments

Ijarah/morabaha contracts approved but not disbursed.

<u>28,401,433</u>	<u>16,411,375</u>
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Quarterly Report - September 30, 2007

	Quarter ended	
	September 30	September 30
	2007	2006
	Rupees	Rupees
8 GAIN ON SHORT-TERM INVESTMENTS		
Gain/(loss) on sale of short-term investments	(1,597,568)	169,896
Dividend income	972,250	1,091,500
Unrealised gain/(loss) in value of short-term investments	(24,449)	1,314,977
	<u>(649,767)</u>	<u>2,576,373</u>
9 OPERATING EXPENSES		
Salaries, allowances and other benefits	2,065,050	1,744,219
Utility expenses	123,000	121,500
Communication expenses	72,470	77,813
Traveling and conveyance	6,220	4,285
Vehicle running expenses	14,362	12,231
Postage and stamps	12,894	11,090
Advertisement	7,410	-
Legal and professional charges	92,081	65,026
Fee and subscription	76,749	185,923
Repairs and maintenance	66,680	37,735
Insurance	20,826	34,824
Stationery, printing and other expenses	68,520	49,396
Depreciation / amortization	124,822	162,599
Amortization of deferred costs	500,034	500,034
Central depository company charges	2,765	-
Entertainment	25,069	26,925
Other sundry expenses	12,546	10,177
Zakat	23,299	18,469
	<u>3,314,797</u>	<u>3,062,246</u>

10 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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

			September 30	September 30
			2007	2006
			Rupees	Rupees
Transactions with related parties				
Related Party	Relationship	Nature of Transactions		
Taurus Securities Limited	Common directorship	Commission paid	<u>48,586</u>	<u>7,500</u>
Taurus Securities Limited	Common directorship	Purchase and sale of securities	<u>73,657,032</u>	<u>20,334,400</u>
National Bank of Pakistan	Holding company	Musharika obtained	<u>116,292,983</u>	<u>-</u>
National Bank of Pakistan	Holding company	Musharika repaid	<u>57,500,000</u>	<u>89,249,692</u>
National Bank of Pakistan	Holding company	Profit paid	<u>8,287,484</u>	<u>7,981,047</u>
National Bank of Pakistan	Holding company	Ijarah disbrused	<u>16,351,030</u>	<u>-</u>
National Bank of Pakistan	Holding company	Ijarah repaid	<u>3,663,134</u>	<u>-</u>
National Bank of Pakistan	Holding company	Profit on Ijarah	<u>548,293</u>	<u>-</u>
National Bank Modaraba Management Company Limited	Management Company	Management fee	<u>1,249,071</u>	<u>1,242,007</u>

First National Bank Modaraba

	September 30 2007 Rupees	June 30 2007 Rupees
Balances outstanding at the period end		
NIDA/current accounts with National Bank of Pakistan (running balances)	10,312,900	6,185,200
Finances under Musharika arrangement from National Bank of Pakistan	373,589,394	314,796,412
Net investment in lease / Ijarah finance to National Bank Limited	30,501,860	12,771,003

11 OTHERS

There were no other significant activities since September 30 , 2007 affecting the financial statements.

12 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 10, 2007 by the Board of Directors of the National Bank Modaraba Management Company Limited.

13 APPROPRIATIONS

The Board of Directors in their meeting held on October 10, 2007 have declared a final dividend for the year ended June 30, 2007 of Rs. 1.20 per certificate amounting to Rs. 30,000,000/-

14 GENERAL

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

CHIEF EXECUTIVE
Lahore: October 10, 2007

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

