



First Punjab Modaraba
An Islamic Financial Institution

Half Yearly Accounts
(Un-Audited)
December 31, 2010

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CORPORATE PROFILE

BOARD OF DIRECTORS

Punjab Modaraba Services (Pvt.) Ltd.

Khalid Siddiq Tirmizey	Chairman
Khaqan Hasnain Ibrahim	Chief Executive
Mujahid Eshai	Director
Nadeem Amir	Director
Syed Abdul Razzaq	Director

CHIEF FINANCIAL OFFICER & COMPANY SECRETARY

Mudassar Kaiser Pal

AUDIT COMMITTEE

Mujahid Eshai	Chairman
Nadeem Amir	Member
Syed Abdul Razzaq	Member
Muhammad Mustafa	Secretary

AUDITORS OF THE MODARABA

KPMG Taseer Hadi & Co.
Chartered Accountants

AUDITORS OF MANAGEMENT COMPANY

Hameed Chaudhri & Co.
Chartered Accountants

CREDIT RATING

By The Pakistan Credit Rating Agency Limited (PACRA)

ENTITY RATING

Long Term A-
Short Term A2

BANKERS

The Bank of Punjab
Bank Alfalah Limited
Al Baraka Bank (Pakistan) Limited

REGISTRAR

Hameed Majeed Associates (Pvt.) Ltd.
H. M. House, 7- Bank Square,
The Mall, Lahore.
Tel: (042) 37235081-2

REGISTERED OFFICE

233-A, New Muslim Town, Lahore, Pakistan.
PABX: (+92-42) 35865032-37
Fax: (+92-42) 35865038-39
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URL: www.punjabmodaraba.com.pk



DIRECTORS' REPORT

The Board of Directors of Punjab Modaraba Services (Pvt.) Limited, the management Company of First Punjab Modaraba (the Modaraba), is pleased to present the half yearly results of the Modaraba, together with Directors' report, for the half year ended December 31, 2010.

As anticipated at the end of FY 2010 and in line with our forecast in Q1 this year, the repayment capacities of several businesses worsened in the wake of floods across the country; more so in businesses dependent on payments from Government institutions whose development funds/project budgets had to be diverted / revised. As the fuller impact of this adversity unfolds itself the Modaraba is also experiencing its share of the strain.

Comparing the period under review with the corresponding period last year, the Loss for the period was recorded at Rs.56.59 million, up from Rs.36.19 million which had included a one time gain of Rs. 19.0 million from sale of investments last year. Decline in Income in the period was partially offset by control over Expenses, down by 14% over last year. However, Provisions increased from Rs.15.86 million to Rs.26.59 in the corresponding period as the Modaraba had to apply higher Adjustment Factors on its old aging NPLs.

As the Modaraba enters the second half of the year, it is gearing itself to reduce the losses through recoveries, rescheduling / restructuring, maturation of some court cases as well as out of court settlements. At the same time, the Modaraba shall aim to augment its income by increasing its spreads through a combination of generating lower cost deposits and optimal yield business within acceptable risk parameters.

The Board of Directors is grateful to the regulatory authorities for their guidance and support as also to the certificate holders for their continuing patronage and confidence in the Modaraba.

For and on behalf of the
Board of Directors

Lahore: February 25, 2011

Chief Executive



Independent Report on Review of Interim Financial Information to the members of First Punjab Modaraba

Introduction

We have reviewed the accompanying condensed interim balance sheet of **First Punjab Modaraba** (“the Modaraba”) as at 31 December 2010 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim financial information for the six months period then ended (“the condensed interim financial information”). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim condensed financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagement 2410, “Review of interim Financial performed by the Independent Auditor of the Entity.” A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequent does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, We do no express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved acting standards as applicable in Pakistan.

The figures for the quarter ended 31 December 2010 and 31 December 2009, in the condensed interim profit and loss account and condensed interim statement of comprehensive income have not been reviewed and we do not express a conclusion on them.

Lahore: February 25, 2011

KPMG Taseer Hadi & Co.
Chartered Accountants
(Kamran Iqbal Yousafi)

Condensed Interim Balance Sheet (Un-Audited)

As at December 31, 2010



First Punjab Modaraba

	Note	31-Dec-2010 Rupees (Un-Audited)	30-Jun-2010 Rupees (Audited)
ASSETS			
Non current assets			
Tangible fixed assets			
Ijarah assets	5	1,389,329,164	1,447,816,251
Assets in own use	5	8,511,165	9,531,813
Intangible asset		1,164,507	-
Cards and rooms		45,000,000	45,000,000
Long term musharikhah investment - secured		21,687,771	19,552,548
Long term deposits		206,946	165,060
		1,465,899,553	1,522,065,672
Current assets			
Short term morabaha investment - secured		690,079,538	684,742,763
Current maturity of long term investment	6	31,362,171	27,622,700
Advances, deposits, prepayments and other receivables		398,528,517	386,602,274
Tax refundable		1,892,828	1,818,104
Cash and bank balances		87,126,949	42,246,793
		1,208,990,003	1,143,032,634
TOTAL ASSETS		2,674,889,556	2,665,098,306
EQUITY AND LIABILITIES			
Capital and reserves			
Authorised certificate capital:			
50,000,000 certificates of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital			
34,020,000 certificates of Rs. 10 each		340,200,000	340,200,000
Reserves		(30,167,515)	29,829,639
		310,032,485	370,029,639
Non current liabilities			
Security deposits		207,214,370	213,395,671
Long term musharikhah finances - secured		943,026,126	885,035,859
Redeemable capital - participatory and unsecured		300,000	80,850,000
		1,150,540,496	1,179,281,530
Current liabilities			
Current maturity of non current liabilities		161,852,860	100,091,187
Deffered morabaha income		10,730,432	19,238,582
Short term finances - secured		182,000,000	262,000,000
Redeemable capital - participatory and unsecured		725,001,295	609,988,404
Mark up payable		60,600,769	55,439,069
Trade and other payables		61,306,499	56,997,142
Unclaimed profit		12,824,720	12,032,753
		1,214,316,575	1,115,787,137
Contingencies and commitments	7		
TOTAL EQUITY AND LIABILITIES		2,674,889,556	2,665,098,306

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Chief Executive
Punjab Modaraba Services (Pvt) Ltd.

Director
Punjab Modaraba Services (Pvt) Ltd.

Director
Punjab Modaraba Services (Pvt) Ltd.

Condensed Interim Profit And Loss Account (Un-Audited)

For the six months period ended December 31, 2010



First Punjab Modaraba

	2010		2009	
	July to December	October to December	July to December	October to December
	Rupees	Rupees	Rupees	Rupees
Income				
Ijarah rentals	354,158,155	172,034,521	396,900,687	208,286,320
Profit on morabaha investment	19,332,620	10,606,259	34,962,471	27,890,908
Profit on musharikhah investment	1,212,174	582,804	1,230,434	605,426
Return on investments	-	-	-	-
Gain on disposal of fixed assets	7,455,404	622,512	286,879	245,521
Gain on sale of investment	-	-	19,022,818	1,196,060
Other income	10,460,629	4,805,451	20,301,371	10,786,140
	392,618,982	188,651,547	472,704,660	249,010,375
Expenses				
Operating expenses	(13,734,248)	(7,450,763)	(13,619,411)	(7,528,632)
Depreciation of ijarah assets	(273,350,023)	(134,836,127)	(327,534,474)	(164,490,536)
Finance cost	(135,536,201)	(68,679,488)	(151,882,661)	(71,315,945)
	(422,620,472)	(210,966,378)	(493,036,546)	(243,335,113)
Operating (loss) / profit before provision and impairment	(30,001,490)	(22,314,831)	(20,331,886)	5,675,262
(Provision) / reversal for morabaha investment	(2,057,673)	(1,090,969)	(1,492,748)	1,835,621
Provision for impairment of ijarah assets	(17,262,751)	(981,117)	(10,490,395)	(10,490,395)
Other provision	(7,273,240)	(3,617,521)	(3,874,145)	(5,650,276)
	(26,593,664)	(5,689,607)	(15,857,288)	(14,305,050)
Operating loss after provision and impairment	(56,595,154)	(28,004,438)	(36,189,174)	(8,629,788)
Modaraba Company's management fee	-	-	-	-
Loss for the period	(56,595,154)	(28,004,438)	(36,189,174)	(8,629,788)
Loss per certificate - basic and diluted	(1.66)	(0.82)	(1.06)	(0.25)

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Chief Executive
Punjab Modaraba Services (Pvt) Ltd.

Director
Punjab Modaraba Services (Pvt) Ltd.

Director
Punjab Modaraba Services (Pvt) Ltd.

Condensed Interim Statement of Comprehensive Income (Un-Audited)
For the six months period ended December 31, 2010



First Punjab Modaraba

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	July to December	October to December	July to December	October to December
	Rupees	Rupees	Rupees	Rupees
Loss for the period	(56,595,154)	(28,004,438)	(36,189,174)	(8,629,788)
Other comprehensive income	-	-	-	-
Total comprehensive loss for the period	<u>(56,595,154)</u>	<u>(28,004,438)</u>	<u>(36,189,174)</u>	<u>(8,629,788)</u>

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Chief Executive
Punjab Modaraba Services (Pvt) Ltd.

Director
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Condensed Interim Cash Flow Statement (Un-Audited)

For the six month period ended December 31, 2010

	Note	31-Dec-2010 Rupees	31-Dec-2009 Rupees
Cash generated from operating activities	9	110,407,583	368,830,067
Profit paid on morabaha / musharikhah finances		(65,975,656)	(108,075,154)
Finance cost paid		(64,391,553)	(77,122,312)
Income tax paid		(74,724)	(135,655)
		(130,441,933)	(185,333,121)
Net cash (used in) / generated from operating activities		(20,034,350)	183,496,946
Cash flow from investing activities			
Proceeds from disposal of fixed assets		-	607,826
Fixed capital expenditure		(1,514,400)	(1,930,787)
Cash margin on LG refunded		(18,789,525)	-
Investments made		-	(28,345,476)
Proceeds from sale of investments		-	106,108,184
Investment in morabaha		2,700,000	1,500,000
Investment in musharikhah		(7,874,694)	2,239,534
Net cash (used in) / generated from investing activities		(25,478,619)	80,179,281
Cash flow from financing activities			
Finances under musharikhah arrangements		57,990,267	(36,450,598)
Finances under morabaha		(80,000,000)	(159,086,736)
Redeemable capital		115,012,891	(56,618,805)
Profit distribution to certificate holders		(2,610,033)	(65,673)
Net cash generated from / (used in) financing activities		90,393,125	(252,221,812)
Net increase in cash and cash equivalents		44,880,156	11,454,415
Cash and cash equivalents at the beginning of the period		42,246,793	26,434,250
Cash and cash equivalents at the end of the period		87,126,949	37,888,665

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Chief Executive
Punjab Modaraba Services (Pvt) Ltd.

Director
Punjab Modaraba Services (Pvt) Ltd.

Director
Punjab Modaraba Services (Pvt) Ltd.

Condensed Interim Statement of Changes in Equity (Un-Audited)
For the six months period ended December 31, 2010



First Punjab Modaraba

	Certificate Capital Rupees	Statutory Reserve Rupees	Unappropriated Loss Rupees	Total Rupees
Balance as at 1 July 2009	340,200,000	110,683,572	(87,885,124)	362,998,448
Changes in equity for 2009:				
Total comprehensive loss for six months period ended 31 December 2009	-	-	(36,189,174)	(36,189,174)
Balance as at 31 December 2009	340,200,000	110,683,572	(124,074,298)	326,809,274
Balance as at 1 July 2010	340,200,000	114,199,168	(84,369,529)	370,029,639
Changes in equity for 2010:				
Profit distribution for the year 2010 @ Re.0.10 per certificate	-	-	(3,402,000)	(3,402,000)
Total comprehensive loss for six months period ended 31 December 2010	-	-	(56,595,154)	(56,595,154)
Balance as at 31 December 2010	340,200,000	114,199,168	(144,366,683)	310,032,485

The annexed notes 1 to 13 form an integral part of this condensed interim financial information.

Chief Executive
Punjab Modaraba Services (Pvt) Ltd.

Director
Punjab Modaraba Services (Pvt) Ltd.

Director
Punjab Modaraba Services (Pvt) Ltd.

Notes to The Condensed Interim Financial Statements (Un-Audited)

For the six months period ended December 31, 2010



1 Status and nature of business

First Punjab Modaraba (“the Modaraba”) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of the Bank of Punjab), a Company incorporated in Pakistan. The Registered Office of the Modaraba is situated at 233-A, New Muslim Town, Lahore. The Modaraba commenced its business operations from 23 December 1992. The Modaraba is listed on all the Stock Exchanges in Pakistan.

The Modaraba is a perpetual, multi purpose and multi dimensional modaraba and is primarily engaged in the business of ijarah, musharikah and morabaha financing, equity investment and other related business in accordance with the injunctions of Islam.

2 Basis of preparation

The condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. The disclosures in the condensed interim financial information do not include the information reported for full annual financial statements and should therefore be read in conjunction with the financial statements for the year ended 30 June 2010.

This interim financial information is being submitted to the certificate holders as required under the Rule 10 of Modaraba Companies and Modaraba Rules, 1981.

3 Significant accounting policies

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of the financial statements of the Modaraba for the preceding year ended 30 June 2010.

4 Estimates

The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Modaraba's accounting policies and the key sources of estimation were the same as those that were applied to the financial statements for year ended 30 June 2010.



	Ijarah assets Rupees	Assets is own used Rupees	Total Rupees
5 Tangible fixed assets			
Book value as at 30 June 2010 (Audited)	1,447,816,251	9,531,813	1,457,348,064
Additions during the period	295,002,149	219,400	295,221,549
Disposal during the period	(62,876,462)	-	(62,876,462)
Impairment of assets	(17,262,751)	-	(17,262,751)
Net depreciation	(273,350,023)	(1,240,048)	(274,590,071)
Book value as at 31 December 2010 (unaudited)	<u>1,389,329,164</u>	<u>8,511,165</u>	<u>1,397,840,329</u>

	31 December 2010 (Un-Audited) Rupees	30 June 2009 (Audited) Rupees
6 Current maturity of long term investment		
Morabaha investment	-	2,000,000
Musharikhah investment	31,362,171	25,622,700
	<u>31,362,171</u>	<u>27,622,700</u>

7 Contingencies and commitments

7.1 Contingencies

There are no significant changes in contingent liabilities since the last published financial statements.

7.2 Commitments

7.2.1 Lease commitments approved but not disbursed as on balance sheet date amount to Rs.244.384 million (2009 : Rs. 82.547 million).

7.2.2 Morabaha commitments approved but not disbursed as on balance sheet date amount to Rs. 74.40 million (2009 : Rs. 230.067 million).

7.2.3 Musharikhah commitments approved but not disbursed as on balance sheet date amount to Rs. 28.20 million (2009: Nil).

8 Taxation

Income of non trading modaraba is exempt from tax provided that not less than 90% of profits are distributed to the certificate holders.

However, due to loss for the period, no provision for taxation has been made in this condensed interim financial information.



9 Cash flow from operating activities

	July to December 2010 (Un-Audited) Rupees	July to December 2009 (Un-Audited) Rupees
Loss for the period	(56,595,154)	(36,189,174)
Adjustments for non cash expenses and other items:		
Depreciation of ijarah assets	273,350,023	327,534,474
Depreciation of assets in own use	1,240,048	1,331,718
Amortisation of intangible assets	130,493	-
Gain on sale of investments	-	(19,022,818)
Gain on disposal of assets under ijarah arrangements	(7,455,404)	(298,054)
Loss on disposal of fixed assets in own use	-	11,176
Provision against doubtful morabaha investment	2,057,673	1,492,748
Provision for impairment of assets	17,262,751	10,490,395
Other provisions	7,273,240	3,874,145
Profit on morabaha / musharikah finances	85,690,931	100,679,953
Finance cost	49,837,978	51,202,708
	429,387,733	477,296,445
Operating profit before working capital changes	372,792,579	441,107,271
Working capital changes		
(Increase) / decrease in current assets:		
Morabaha investment	(16,602,598)	158,537,583
Purchase of assets under ijarah arrangements	(295,002,149)	(173,190,742)
Proceeds from disposal of assets under ijarah arrangements	70,329,772	6,706,377
Long term deposits	(41,886)	-
Advances, deposits, prepayments and other receivables	(19,197,389)	(77,365,376)
	(260,514,250)	(85,312,158)
Increase / (decrease) in current liabilities:		
Trade and other payables	4,309,357	3,814,706
Security deposits received against ijarah arrangements	27,126,145	14,144,942
Security deposits refunded against ijarah arrangements	(33,306,248)	(4,924,694)
	(1,870,746)	13,034,954
	(262,384,996)	(72,277,204)
Cash generated from operating activities	110,407,583	368,830,067



	31 December 2010 (Un-Audited) Rupees	30 June 2010 (Audited) Rupees
10 Transactions with related parties		
10.1 Balance outstanding at the end of period		
10.1.1 The Bank of Punjab (Holding company of the Modaraba's Management Company)		
Musharikah finances	943,026,126	885,035,859
Profit payable on Musharikah finances	35,059,579	29,334,802
Net book value of the ijarah assets to employees	13,777,850	14,483,400
Ijarah security deposits	3,755,070	4,808,470
Ijarah rentals receivables	7,215	-
Certificates of Musharikah	300,000,000	300,000,000
Profit payable on Certificates of Musharikah	3,906,103	3,322,877
10.1.2 BOP Employee Provident Fund		
Certificates of Musharikah	75,000,000	75,000,000
Profit payable on Certificate of musharikah	199,905	3,723,836
	July to December 2010 (Un-audited) Rupees	July to December 2009 (Un-audited) Rupees
10.2 Transactions during the period		
10.2.1 The Bank of Punjab (Holding company of the Modaraba's Management Company)		
Ijarah rentals income	4,260,290	6,216,693
Profit charged on finances	70,285,905	72,604,443
Profit charged on Certificates of Musharikah	20,216,378	21,162,190

**10.2.2 BOP Employee Provident Fund**

Profit charged on Certificates of Musharikah	5,255,316	13,711,770
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**10.2.3 Punjab Modaraba Services (Pvt) Limited
(Modaraba's Management Company)**

Profit distribution paid	1,332,069	-
Management fee	781,243	-

11 Financial risk management

The Modaraba's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2010.

12 Date of authorization

This unaudited condensed interim financial information for the six months period ended 31 December 2010 was authorized for issue by the Board of Directors of the Management company on 25 February 2011.

13 General

Figures have been rounded off to the nearest rupee.

Chief Executive
Punjab Modaraba Services (Pvt) Ltd.

Director
Punjab Modaraba Services (Pvt) Ltd.

Director
Punjab Modaraba Services (Pvt) Ltd.



First Punjab Modaraba

An Islamic Financial Institution

Managed by:

Punjab Modaraba Services (Pvt) Ltd.

(A wholly owned subsidiary of The Bank of Punjab)

233-A, New Muslim Town, Lahore, Pakistan.

PABX: (+92-42) 3586 5032-37 Fax: (+92-42) 3586 5038-39

www.punjabmodaraba.com.pk