

# ANNUAL REPORT

# 07



## First National Bank Modaraba

Managed By: National Bank Modaraba Management Company Limited  
(A wholly owned 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. (An independent firm associated with Deloitte Touche Tohmatsu)	
<b>Bankers</b>	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	
<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 McLagon 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 DEVELOPING 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 4<sup>th</sup> ANNUAL REVIEW MEETING**

Notice is hereby given that the 4<sup>th</sup> Annual Review Meeting of certificate holders of First National Bank Modaraba will be held on Wednesday, October 31, 2007 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, 2007

The Certificate Transfer Book will remain closed from November 02, 2007 to November 12, 2007 (both days inclusive) for the purpose of entitlement of dividend. All transfers received in order, up to close of business on November 01, 2007 at our Registrar's Office, Hameed Majeed Associates (Pvt.) Limited, H.M House, 7 – Bank Square, Lahore will be considered in time.

The certificate holders whose names appear on the Register of Certificate Holders of First National Bank Modaraba as on October 23, 2007 will be eligible to attend the Annual Review Meeting.

### **By order of the Board**

#### **Abbas Azam**

Company Secretary  
National Bank Modaraba Management Company Limited  
Managers of First National Bank Modaraba  
Lahore: October 10, 2007

#### **Note:**

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 Computerised National Identity Card (CNIC) 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 4th annual accounts of FNBM for the period ended June 30, 2007. 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			
	<b>Year Ended June 30, 2007</b>	<b>Year Ended June 30, 2006</b>	<b>Year Ended June 30, 2005</b>	<b>7 Months Ended June 30, 2004</b>
Balance Sheet Size	2,201,495,813	2,074,594,990	1,206,081,190	390,605,324
Total Equity	313,090,449	295,362,450	265,022,554	250,393,313
Total Operating & Other Income	222,132,561	154,361,692	53,338,797	10,982,361
Operating & Financial Exp.	176,003,033	120,541,403	34,689,455	5,791,933
Profit for the period	46,129,528	33,820,289	18,649,342	5,190,428
Modaraba Co.'s Management Fee	4,612,953	3,382,029	1,864,934	519,043
Net profit after tax	41,516,575	30,438,260	16,602,966	4,209,875
Earning per certificate	1.66	1.22	0.66	0.29
Breakup value per certificate	12.52	11.81	10.60	10.01

### **2. Sector Outlook:**

Financial sector in Pakistan experienced declining appetite for credit by the major industrial sectors of the economy in the period under review. The banks and financial institutions remained tentative in extending credit to sectors like textile, and endeavored to seek other profitable opportunities for deployment of funds. Due to surplus liquidity in the financial sector the access to funds was relatively easy. However the deployment of these funds remained a challenge. In this respect Modaraba sector came in direct competition with the Islamic banks and Islamic banking divisions of conventional banks. This competition has forced Modarabas to improvise, innovate and be efficient in order to survive and get their due share in the financial market. FNBM has not only increased in size by winning a good share of the market but has also improved its profitability.

#### **Review of Operations:**

During the period under review, FNBM maintained a gradual and steady growth. The major product of the Modaraba is Ijarah finance. A growth has been recorded in Net Investment in Lease finance/ Ijarah which increased by 12% from Rs.1.192 billion as on June 30, 2006 to Rs.1.335 billion at the end of current year. This increase has a corresponding impact on related items of the Income Statement, like total income and net profit. The total income of the Modaraba increased 44% from Rs.154 million in the last year to Rs.222 million in the current year. Similarly net profit increased by 36% from Rs.33.82 million to Rs.46.13 million. FNBM's Morabaha investments remained stable.

## **Annual Report 2007**

The profit this year received a healthy boost in form of gain from short term investments in stock market. Nevertheless, the profit is satisfactory, because it was earned despite the environment of cut throat competition, and squeezing spreads.

The Modaraba has been successful in managing to mobilize funds from various financial institutions at competitive rates as disclosed in the financial statements. Moreover, after obtaining approval of the Registrar Modarabas SECP this year, the Modaraba has also managed to raise 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 10, 2007 has decided to distribute its profits, amounting to One rupee twenty paise (12%) per certificate subject to Zakat and tax deduction at source as applicable.

### **4. Entity Rating:**

JCR-VIS awarded long term entity rating of A- (A minus) and short term entity rating of A-2 to the Modaraba in April, 2007 with a "Positive" outlook. Keeping in view the Modaraba's quality of asset portfolio and future prospects, it is expected that the rating may improve in the next assessment.

### **5. Future Outlook:**

The goal and objectives of FNBM's forward looking strategy are to offer an alternative avenue of financial intermediation, which is competitive and promotes efficient allocation of resources in an equitable manner.

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.

Applying innovative Islamic products on a stand alone basis or applying a combination of Islamic instruments to suit commercial financing needs while ensuring that Islamic products such as Murabaha, Ijara, Musharaka etc. are implemented with their necessary preconditions, consistent with Shariah principles, to promote modes that can be used to finance commercial finance activity.

### **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. Also the Modaraba has adopted the "Islamic Financial Accounting Standard-1, Morabaha (IFAS-1) as per SECP's SRO 865 (1) / 2005 dated August 24, 2005
- 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.

## **First National Bank Modaraba**

- 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, 2007 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	2
ii. Mr. Shahid Anwar Khan	2
iii. Dr. Asif A. Brohi	3
iv. Mr. Wajahat Baqai	3
v. Mr. Qamar Hussain	4
vi. Mr. Tajammal H. Bokha ree	2
vii. Mr. Muhammad Nusrat Vohra	2
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, 2008. Subject to approval by the Registrar of Modaraba Companies and Modarabas, their appointment has been confirmed by the Board.

### **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 10, 2007**



## **STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2007**

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 DFI 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.

## ***First National Bank Modaraba***

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**

## **REPORT ON IMPLEMENTATION OF TRANSFER PRICING POLICY FOR THE YEAR ENDED JUNE 30, 2007**

We take pleasure in presenting to our certificate holder the Report on Implementation of Transfer Pricing Policy of the Modaraba. During the year the Modaraba entered into following transactions with the related parties:

- i. **National Bank Modaraba Management Company Limited**
- |  |   |
|--|---|
|  | NBP Regional HQ Building<br>26 - McLagon Road, Lahore |
| <b>Nature of Relationship</b>  | Management Company                                    |
| <b>Nature of Business</b>  | Managing and Floatation of Modarabas                  |
| <b>Transaction with Related Party</b>  |   |
| Management Fee   | Rs. 4,612,953   |
| <b>Terms and Conditions</b>  |   |
| 10% management fee is payable to National Bank Modaraba Management Company Limited, under section 18 of the Modaraba Companies & Modaraba (Floatation & Control) Ordinance, 1980 |   |
- ii. **National Bank of Pakistan**
- |  |                               |
|--|-------------------------------|
|  | Main Branch, The Mall, Lahore |
| <b>Nature of Relationship:</b>           | Holding Co. of Management Co. |
| <b>Nature of Business:</b>               | Commercial Banking            |
| <b>Transaction with Related Party</b>    |                               |
| Currency of Transaction                  | Pak Rupees                    |
| NIDA Accounts Running Balances           | 6,056,456                     |
| Current account –for dividend payment    | 128,744                       |
| Long Term Musharika Finance              | 209,166,666                   |
| Short Term Musharika Finance             | 105,629,745                   |
| Ijara facility provided to National Bank | 12,501,500                    |

**Terms and Conditions:**

**Long Term Musharika Finance:**

Three facilities have been availed from National Bank of Pakistan. The facility limits are of Rs. 250 million, Rs. 200 million and another sanctioned during the year of Rs. 250 million. The first facility is repayable in six equal semi annual installments in arrears. The repayments are inclusive of profit which has been determined taking into consideration six months average KIBOR (prevailing 2 days prior to the commencement of the semi annual period for which profit is being charged) plus a spread of 1% p.a. with a floor of 3% and Ceiling of 5% p.a. The profit is payable semi annually in arrear. The facility is secured against the First Hypothecation charge on all present and future assets of the Modaraba for not less than Rs. 278 million, ranking pari passu with other secured creditors. The second facility of Rs. 200 million is payable in 10 equal quarterly installments in arrear after a grace period of six months, within a total period of three years from the date of drawdown. The repayments are inclusive of profit which has been calculated taking into consideration 3 months average KIBOR plus a spread of 0.5% p.a. The facility is secured against first pari passu hypothecation charge on leased assets amounting to Rs. 222 million. The third facility of Rs. 250 million is payable in 12 equal quarterly installments in arrear, within a total period of three years from the date of drawdown. The repayments are inclusive of profit which has been calculated taking into consideration 3 months average KIBOR plus a spread of 1% p.a. The facility is secured against first pari passu hypothecation charge on leased assets amounting to Rs. 278 million.

## **First National Bank Modaraba**

### **Short Term Musharika Finance:**

The facility has been availed from National Bank of Pakistan. The limit is of Rs 150 million to be used to finance the working capital requirements of the Modaraba, repayable within one year. The profit is payable monthly which has been determined taking into consideration one month average KIBOR (prevailing on the last day of the month prior to the the month for which profit is being charged) plus a spread of 0.5% p.a. The facility is secured against the First pari passu hypothecation charge on current assets of the Modaraba amounting to Rs. 167 million.

### **Ijarah facility to National Bank of Pakistan:**

Modaraba has provided Ijarah facilities to National Bank of Pakistan for 7 vehicles. The total tenure of the facilities is 3 years and the rentals are payable quarterly. The pricing ranges from 11.59% to 12.49% per annum.

### **Method Adopted for Determining Transfer Price:**

Transactions are carried out at an arm's length in the normal course of business. The method used for computation of consideration is comparable uncontrolled price method.

### **iii. Taurus Securities Limited**

Room No 618, 6th Floor, Karachi S t o c k Exchange Building, Karachi

#### **Nature of Relationship**

Subsidiary of National Bank of Pakistan

#### **Nature of Business**

Member Karachi Stock Exchange and deals in shares brokerage

#### **Transaction with Related Party**

Currency of Transactions

Pak Rupees

Purchase and Sale of Listed Securities

436,802,114

Payment of Commission

249,700

#### **Terms and Conditions**

Ordinary course of business

### **Method Adopted for Determining Transfer Price:**

Transactions are carried out at an arm's length in the normal course of business. The method used for computation of consideration is comparable uncontrolled price method.

**For and on behalf of the Board of Directors**

**Director**

**Director**

## **CERTIFICATE ON TRANSFER PRICING POLICY FOR THE YEAR ENDED JUNE 30, 2007**

It is hereby certified that the Modaraba has:

- i. recorded all transactions with related parties undertaken during the financial year ended June 30, 2007 on arm's length price using valuation modes, as admissible in the best interests of the Modaraba in the books of account of the Modaraba and the record of related party transactions;
- ii. duly filed with the Commission all required periodic returns in respect of related parties, which completely and fully disclosed all related parties and transactions with those related parties during the financial year;
- iii. provided all the aforesaid information, together with the minutes of the Board of Directors meetings wherein the valuation policy and the related party transactions were approved and the decisions of the Audit Committee ratifying the related party transactions, to the statutory auditors for the purposes of the audit.

For and on Behalf of the Board

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

**Dated: October 10, 2007**

**REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF THE 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 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, 2007.

**M. YOUSUF ADIL SALEEM & CO.**  
**Chartered Accountants**

**Lahore: October 10, 2007**

## **AUDITORS' REPORT TO THE CERTIFICATE HOLDERS**

We have audited the annexed balance sheet of First National Bank Modaraba as at June 30, 2007 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, 2007 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 10, 2007**

**M. YOUSUF ADIL SALEEM & CO.**  
**Chartered Accountants**

**BALANCE SHEET  
AS AT JUNE 30, 2007**

	Note	2007 Rupees	2006 Rupees
<b>ASSETS</b>			
Current Assets			
Bank balances	3	6,794,280	13,476,172
Advances, prepayments and other receivables	4	169,920,853	142,226,518
Short-term investments	5	28,153,349	42,573,263
Short-term morabaha investment	6	542,566,025	551,562,607
Short-term musharaka investment	7	-	30,000,000
Current portion of non-current assets	8	490,635,137	419,409,388
		<b>1,238,069,644</b>	<b>1,199,247,948</b>
Non - Current Assets			
Net investment in ijarah	9	890,364,786	837,157,393
Long-term morabaha investment	10	27,434,272	31,264,225
Long-term musharaka investment	11	41,000,000	-
Long-term loans and deposits	12	933,712	810,583
Deferred costs	13	2,839,949	4,840,085
Fixed assets	14	853,450	1,274,756
		<b>963,426,169</b>	<b>875,347,042</b>
Total Assets		<b>2,201,495,813</b>	<b>2,074,594,990</b>
<b>LIABILITIES</b>			
Current Liabilities			
Creditors, accrued and other liabilities	15	47,585,066	42,068,357
Short-term finance	16	429,582,772	506,544,207
Certificates of musharaka	17	156,700,000	-
Current portion of long-term liabilities	18	599,831,615	314,209,257
		<b>1,233,699,453</b>	<b>862,821,821</b>
Long-Term Loans, Deposits and Deferred Liabilities			
Long-term security deposits	19	167,771,631	118,165,132
Long-term finance	20	479,500,008	792,500,000
Deferred morabaha income	21	7,434,272	5,745,587
Total Liabilities		<b>1,888,405,364</b>	<b>1,779,232,540</b>
NET ASSETS		<b>313,090,449</b>	<b>295,362,450</b>
Represented by			
<b>CAPITAL AND RESERVES</b>			
Certificate capital	22	250,000,000	250,000,000
Reserves		63,090,449	45,362,450
<b>CONTINGENCIES AND COMMITMENTS</b>			
	23		
		<b>313,090,449</b>	<b>295,362,450</b>

*The annexed notes from 1 to 35 form an integral part of these financial statements.*

**CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**CHIEF FINANCIAL OFFICER**

**Lahore: October 10, 2007**



**Annual Report 2007**

**PROFIT AND LOSS ACCOUNT  
FOR THE YEAR ENDED JUNE 30, 2007**

	Note	2007 Rupees	2006 Rupees
<b>INCOME</b>			
Income from ijarah		143,029,578	97,869,029
Profit on morabaha investment		67,302,362	45,651,733
Profit on musharaka investment		3,392,262	7,394,327
Profit on bank deposits		102,384	419,309
Gain on short-term investments	24	7,946,950	2,712,510
Other income	25	359,025	314,784
		<b>222,132,561</b>	<b>154,361,692</b>
<b>EXPENDITURES</b>			
Finance costs	26	161,884,206	107,747,289
Operating expenses	27	14,118,827	12,794,114
		<b>176,003,033</b>	<b>120,541,403</b>
		<b>46,129,528</b>	<b>33,820,289</b>
Modaraba company's management fee		4,612,953	3,382,029
<b>PROFIT FOR THE YEAR</b>		<b>41,516,575</b>	<b>30,438,260</b>
Un-appropriated profit brought forward		41,000,881	16,650,273
Profit available for appropriation		82,517,456	47,088,533
Appropriation :			
Transfer to statutory reserve		8,303,315	6,087,652
Profit distribution for the year ended June 30, 2006 @ Re. 1 per certificate.		25,000,000	-
		<b>33,303,315</b>	<b>6,087,652</b>
Un-appropriated profit carried forward		<b>49,214,141</b>	<b>41,000,881</b>
<b>EARNINGS PER MODARABA CERTIFICATE - BASIC AND DILUTED</b>	31	<b>1.66</b>	<b>1.22</b>

The annexed notes from 1 to 35 form an integral part of these financial statements.

**CHIEF EXECUTIVE**  
Lahore: October 10, 2007

**DIRECTOR**

**DIRECTOR**

**CHIEF FINANCIAL OFFICER**

**CASH FLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2007**

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	<b>Note</b>	<b>2007 Rupees</b>	<b>2006 Rupees</b>
<b>Profit for the year</b>		<b>41,516,575</b>	<b>30,438,260</b>
<b>Adjustments for:</b>			
Depreciation / amortization		541,306	677,457
Amortization of deferred costs		2,000,136	1,989,120
(Gain) / loss in value of short-term investments		(4,908,184)	6,373,896
Gain on sale of short-term investments		(930,361)	(5,691,256)
Finance costs		161,884,206	107,747,289
Profit on bank deposits		(102,384)	(419,309)
Dividend income		(2,108,405)	(3,395,150)
		<u>156,376,314</u>	<u>107,282,047</u>
		<b>197,892,889</b>	<b>137,720,307</b>
Increase in advances, prepayments and other receivables		(27,064,176)	(49,320,055)
Decrease / (increase) in short-term morabaha investment		8,991,953	(267,657,021)
Decrease / (increase) in short-term musharaka investment		30,000,000	(30,000,000)
Increase in investment in ijarah		(142,940,362)	(400,072,650)
Increase in security deposits from ijarah		54,962,377	43,650,638
Increase in long-term morabaha investment		(2,206,464)	(52,793,536)
Increase in long-term musharaka investment		(14,000,000)	(31,000,000)
(Increase) / decrease in creditors, accrued and other liabilities		(4,662,714)	14,876,871
		<u>(96,919,386)</u>	<u>(772,315,753)</u>
Cash generated from operations		<b>100,973,503</b>	<b>(634,595,446)</b>
Finance costs paid		(151,704,784)	(100,340,217)
Income taxes paid		(272,145)	(486,705)
Dividend income received		1,833,405	3,330,047
Profit received on bank deposits		19,371	362,278
		<u>(150,124,153)</u>	<u>(97,134,597)</u>
Net cash used in operating activities		<b>(49,150,650)</b>	<b>(731,730,043)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of fixed assets		(120,000)	(234,199)
Long-term loans and deposits		(119,694)	(309,680)
Short-term investments		21,469,882	(9,787,337)
Net cash from / (used in) investing activities		<b>21,230,188</b>	<b>(10,331,216)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long - term finances obtained		275,000,000	600,000,000
Payment of long-term finance		(308,499,263)	(173,333,334)
Certificate of musharaka - issued		156,700,000	-
(Decrease) / increase in short-term finance		(76,962,167)	317,791,207
Profit distribution to the modaraba certificate holders		(25,000,000)	-
Net cash flow from financing activities		<b>21,238,570</b>	<b>744,457,873</b>
<b>NET (DECREASE) / INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(6,681,892)</b>	<b>2,396,614</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>13,476,172</b>	<b>11,079,558</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>3</b>	<b>6,794,280</b>	<b>13,476,172</b>

*The annexed notes from 1 to 35 form an integral part of these financial statements.*

**CHIEF EXECUTIVE**

**DIRECTOR**

**DIRECTOR**

**CHIEF FINANCIAL OFFICER**

**Lahore: October 10, 2007**

## Annual Report 2007

### STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2007

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.....						
<b>Balance as at June 30, 2005</b>	<b>250,000,000</b>	<b>4,162,568</b>	<b>(5,790,287)</b>	<b>16,650,273</b>	<b>15,022,554</b>	<b>265,022,554</b>
Profit for the year	-	-	-	30,438,260	30,438,260	30,438,260
Transfer to statutory reserve	-	6,087,652	-	(6,087,652)	-	-
Net unrealized losses in the value of securities available for sale	-	-	(98,364)	-	(98,364)	(98,364)
<b>Balance as at June 30, 2006</b>	<b>250,000,000</b>	<b>10,250,220</b>	<b>(5,888,651)</b>	<b>41,000,881</b>	<b>45,362,450</b>	<b>295,362,450</b>
Profit for the year	-	-	-	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 Re. 1 per modaraba certificate.	-	-	-	(25,000,000)	(25,000,000)	(25,000,000)
<b>Balance as at June 30, 2007</b>	<b>250,000,000</b>	<b>18,553,535</b>	<b>(4,677,227)</b>	<b>49,214,141</b>	<b>63,090,449</b>	<b>313,090,449</b>

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 35 form an integral part of these financial statements.*

**CHIEF EXECUTIVE**  
Lahore: October 10, 2007

**DIRECTOR**

**DIRECTOR**

**CHIEF FINANCIAL OFFICER**

## **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2007**

### **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 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 - 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 business 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.

### **1.3 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 and 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 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 (Flotation 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.

## **Annual Report 2007**

- 2.2** Following International Financial Reporting Standards ("IFRSs"), Islamic Financial Accounting Standards and interpretations of accounting standards are either not relevant to Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than increased disclosures in certain cases:

<b>Title of IFRSs, IFASs and IFRICs:</b>	<b>Effective from accounting period on or after:</b>
IFRS 2 - Share based payment	January 1, 2007
IFRS 3 - Business combinations	January 1, 2007
IFRS 5 - Non-current assets held for sale and discontinued operations	January 1, 2007
IFRS 6 - Exploration for and evaluation of mineral resources	January 1, 2007
IFRIC 10 - Interim financial reporting and impairment	November 1, 2006
IFRIC 11 - Group and treasury share transactions	March 1, 2007
IFRIC 12 - Services concession arrangements	January 1, 2008
IFAS 2 - Ijarah	July 1, 2007

### **2.3 Adoption of IFAS 1 - MORABAHA**

Securities and Exchange Commission of Pakistan (SECP) through its SRO 865 (1) / 2005 dated August 24, 2005 notified and the Modaraba has adopted the "Islamic Financial Accounting Standard-1, Morabaha (IFAS-1). As per requirements of ("IFAS-1"), the purchase and sale under Morabaha financing and resultant profit is accounted for on culmination of Morabaha transaction. The profit on sale revenue not due for payment is deferred and shown in balance sheet as liability with corresponding debit to unearned Morabaha Income. As per previous policy, the unrecognized profit was not presented in financial statements. The adoption of IFAS-1 has no impact on results of the Modaraba.

### **2.4 Basis of preparation**

These financial statements have been prepared under the historical cost convention, except for the measurement at fair value of certain financial instruments in accordance with the requirements of International Accounting Standard - 39 " Financial Instruments: Recognition and Measurement ", wherever applicable and accounting for morabaha investment as directed by IFAS-1.

The principal accounting policies adopted are set out below.

### **2.5 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.

### **2.6 Creditors and other liabilities**

Creditors and other liabilities are carried 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.

## **First National Bank Modaraba**

### **2.7 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.

### **2.8 Fixed assets**

Fixed assets are stated at cost less accumulated depreciation and impairment in value, if any. Depreciation is charged to income applying the straight-line method whereby the cost of an asset is written off over its estimated useful life. Depreciation on additions to fixed assets is charged from the month in which fixed assets becomes available for use while no depreciation is charged for the month in which fixed assets is disposed off.

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 a separate items of fixed assets.

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

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

### **2.9 Fixed assets - Intangible**

Intangible assets are stated at cost less accumulated amortization and accumulated impairment losses if any. Amortization is recorded when these assets are available for use using straight line method whereby the cost of an asset is written off over its estimated useful life.

### **2.10 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:

#### **Held for trading**

These are securities which are either acquired for generating a profit from short - term fluctuation in prices or are securities included in a portfolio in which a pattern of short-term profit taking exists. These are measured at fair value and changes in carrying values are included in profit and loss account.

#### **Available for sale**

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 stated at fair value and surplus / (deficit) on revaluation of investment being unrealized gain/ (loss) is taken directly to equity until sold or otherwise disposed off at which time, the cumulative gain or loss previously recognized in equity is included in profit and loss account.

#### **Held to maturity**

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, less impairment losses, if any, using effective interest rate method. Surplus / (deficit) arising due to fluctuation in fair value is taken to profit and loss account.

#### **Derecognition**

All investments are de - recognized 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.

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### **2.11 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.

### **2.12 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 shall be 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.

### **2.13 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.

### **2.14 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.

### **2.15 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 that extent of initial cost of the asset. Reversal of impairment loss is recognized as income.

### **2.16 Financial instruments**

Financial assets and liabilities are recognized when the Modaraba becomes a party to contractual provisions of the instrument and de-recognised 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. 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.

Other particular recognition methods adopted by the Modaraba are disclosed in the individual policy statements associated with each item of financial instruments.

### **2.17 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 set off the transaction and also intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

## **First National Bank Modaraba**

### **2.18 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.

### **2.19 Borrowing costs**

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

### **2.20 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 the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax assets, if any, are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax liability, if any, is based on the expected tax rates applicable at the time of reversal of temporary differences.

### **2.21 Profit distribution**

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

### **2.22 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.

### **2.23 Deferred costs**

Deferred costs will be amortized over the period of five years.

<b>3</b>	<b>BANK BALANCES</b>	<b>Note</b>	<b>2007 Rupees</b>	<b>2006 Rupees</b>
	Current accounts - profit bearing	<b>3.1</b>	<b>6,058,702</b>	9,133,036
	Current accounts - non profit bearing		<b>629,162</b>	3,371,591
	Profit & loss sharing account		<b>106,416</b>	971,545
			<b>6,794,280</b>	<b>13,476,172</b>

- 3.1 The balances in profit bearing accounts carry profit ranging between 1.50% to 2.00 % ( 2006: 1.50% to 2.00 %) per annum.



## Annual Report 2007

	Note	2007 Rupees	2006 Rupees
<b>4 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advance for ijarah - secured, considered good		143,028,445	126,169,212
Prepayments		149,281	183,276
Receivables from sale of shares - unsecured, considered good		2,897,902	17,241
Other advances and receivables - unsecured, considered good		3,186,671	657,502
Accrued profit on :			
- Morabaha investment		10,029,032	6,543,025
- Musharaka investment		93,572	847,362
- Ijarah		9,518,545	7,421,654
- Bank deposits		188,144	105,131
Dividend receivable		397,603	122,603
Tax deducted at source		124,202	159,512
Income tax refundable		153,330	-
Advance Income Tax		154,126	-
		<u>169,920,853</u>	<u>142,226,518</u>
<b>5 SHORT-TERM INVESTMENTS</b>			
Held for trading		16,023,588	19,644,370
Available for sale	5.1	<u>12,129,761</u>	<u>22,928,893</u>
		<u>28,153,349</u>	<u>42,573,263</u>
Detail of short-term investments is given in "Annexure 1" which is an integral part of these financial statements.			
5.1 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 % of the certificates of musharaka outstanding at any month end.			
<b>6 SHORT-TERM MORABAHA INVESTMENT - SECURED</b>			
Short - term morabaha investment		526,008,047	535,000,000
Add : unearned morabaha income		16,557,978	16,562,607
		<u>542,566,025</u>	<u>551,562,607</u>
These represent investments under Morabaha arrangements on deferred payment basis at specified profit margins. These carry profit ranging from 11.73% to 15.35 % (2006: 3.80% to 13.50%) 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.			
<b>7 SHORT-TERM MUSHARAKA INVESTMENT - UNSECURED</b>			
It was unsecured investment with a financial institution under musharaka arrangement. It carried profit ranging from Nil (2006:10.50% to 11.05%) per annum.			
<b>8 CURRENT PORTION OF NON- CURRENT ASSETS</b>			
	Note	2007 Rupees	2006 Rupees
Net investment in ijarah	9	444,635,697	354,902,728
Long-term morabaha investment	10	41,697,437	33,201,222
Long-term musharaka investment	11	4,000,000	31,000,000
Long-term loans and deposits	12	302,003	305,438
		<u>490,635,137</u>	<u>419,409,388</u>
<b>9 NET INVESTMENT IN IJARAH</b>			
Minimum ijarah rentals receivable	9.1	1,372,439,919	1,300,929,724
Residual value		183,279,598	130,805,330
Gross investment in ijarah	9.2	<u>1,555,719,517</u>	<u>1,431,735,054</u>
Less: unearned finance income		220,719,034	239,674,933
Net investment in ijarah	9.3	<u>1,335,000,483</u>	<u>1,192,060,121</u>
Less: current portion	8	444,635,697	354,902,728
		<u>890,364,786</u>	<u>837,157,393</u>

## First National Bank Modaraba

	Note	2007 Rupees	2006 Rupees
<b>9.1 Minimum ijarah rentals receivable</b>			
Due within one year		564,461,958	409,897,647
Due after one year but not later than five years		807,977,961	891,032,077
		<u>1,372,439,919</u>	<u>1,300,929,724</u>
<b>9.2 Gross investment in ijarah</b>			
Due within one year		581,538,162	480,913,149
Due after one year but not later than five years		974,181,355	950,821,905
		<u>1,555,719,517</u>	<u>1,431,735,054</u>
<b>9.3 Net investment in ijarah</b>			
Due within one year		444,635,697	354,902,728
Due after one year but not later than five years		890,364,786	837,157,393
		<u>1,335,000,483</u>	<u>1,192,060,121</u>

### 9.4 General description of significant ijarah arrangements

The Modaraba has entered into various ijarah arrangements at profit rates ranging from 5.00% to 14.26% (2006: 5.00% to 14.60%) 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. 12.502 million (2006 : 14.865 ) million.

### 10 LONG - TERM MORABAHA INVESTMENT - SECURED

	Note	2007 Rupees	2006 Rupees
Long - term morabaha investment		55,000,000	52,793,536
Add: unearned morabaha income		14,131,709	11,671,911
		<u>69,131,709</u>	<u>64,465,447</u>
Less: Current portion	8	41,697,437	33,201,222
		<u>27,434,272</u>	<u>31,264,225</u>

These represent investment under morabaha arrangements on deferred payment basis at a specified profit margin. These carry profit ranging from 12.02% to 12.83 % (2006: 10.27% to 11.63%) per annum and are secured against charge over specific assets. The arrangements are for two to three years period.

### 11 LONG - TERM MUSHARAKA INVESTMENT - SECURED

Long - term musharaka investment		45,000,000	31,000,000
Less: Current portion	8	4,000,000	31,000,000
		<u>41,000,000</u>	<u>-</u>

These represent investment under musharaka arrangements. These carry profit ranging from 12.02% to 12.83 % (2006: 10.54% to 10.99 %), per annum and are secured against first hypothecation over current assets. The arrangements are for two to five years period.

### 12 LONG-TERM LOANS AND DEPOSITS

Loans to employees - secured	12.1	1,196,215	1,076,521
Deposits with Central Depository Company Pakistan Limited		39,500	39,500
		<u>1,235,715</u>	<u>1,116,021</u>
Less: Current portion of loans to employees	8	302,003	305,438
		<u>933,712</u>	<u>810,583</u>

12.1 These loans are given to employees for purchase of vehicles. These carry profit at the rate of 5 % per annum (2006: 5%). Maximum aggregate balance due from employees at the end of any month during the year was Rs. 1,253,658 (2006: Rs. 1,410,376).

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	2007 Rupees	2006 Rupees
<b>13 DEFERRED COSTS</b>		
Preliminary expenses	4,840,085	6,829,205
Less: Amortized during the year	2,000,136	1,989,120
	<u>2,839,949</u>	<u>4,840,085</u>

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.

## 14 FIXED ASSETS

Assets in own use are as follows:

Particulars	Cost		Accumulated depreciation / amortization			Book value as at June 30, 2007	Annual rate of Depreciation %	
	As at July 01, 2006	Additions	As at June 30, 2007	As at July 01, 2006	Charge for the year			As at June 30, 2007
.....Rupees.....								
<b>Tangible</b>								
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
	<u>2,488,659</u>	<u>-</u>	<u>2,488,659</u>	<u>1,280,572</u>	<u>467,981</u>	<u>1,748,553</u>	<u>740,106</u>	
<b>Intangible</b>								
Software and license fees	287,300	120,000	407,300	220,631	73,325	293,956	113,344	33.33
	<u>287,300</u>	<u>120,000</u>	<u>407,300</u>	<u>220,631</u>	<u>73,325</u>	<u>293,956</u>	<u>113,344</u>	
<b>2007</b>	<b>2,775,959</b>	<b>120,000</b>	<b>2,895,959</b>	<b>1,501,203</b>	<b>541,306</b>	<b>2,042,509</b>	<b>853,450</b>	
<b>2006</b>	<b>2,541,760</b>	<b>234,199</b>	<b>2,775,959</b>	<b>823,746</b>	<b>677,457</b>	<b>1,501,203</b>	<b>1,274,756</b>	

15 CREDITORS, ACCRUED AND OTHER LIABILITIES	Note	2007 Rupees	2006 Rupees
Advances from clients		13,257,330	17,779,713
Modaraba company's management fee - unsecured		4,612,953	5,766,006
Payable to modaraba management company limited - unsecured	15.1	1,794,282	1,305,282
Accrued expenses		27,363,343	16,915,386
Tax deducted at source		66,272	-
Others		490,886	301,970
		<u>47,585,066</u>	<u>42,068,357</u>

15.1 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. 1,794,282 (2006: Rs.1,305,282).

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	Note	2007 Rupees	2006 Rupees
16	SHORT - TERM FINANCE - SECURED		
	Finance under musharaka arrangements		
	From National Bank of Pakistan		
	Musharaka finance	16.1	105,629,745
	From other financial institutions		
	Musharaka finance	16.2	-
			138,636,991
			138,580,216
			272,217,207
	Finance under morabaha arrangements		
	From other financial institutions		
	Morabaha finance - I	16.3	74,797,369
	Morabaha finance - II	16.4	732
	Morabaha finance - III	16.5	50,000,000
	Morabaha finance - IV	16.6	143,000,000
	Morabaha finance - V	16.7	-
			85,000,000
			50,000,000
			50,000,000
			49,327,000
			-
			323,953,027
			234,327,000
			506,544,207

- 16.1 The facility has been availed from a Commercial Bank having approved limit of Rs.150 million (2006 : Rs. 150 million) to finance Modaraba's working capital requirements and repayable within one year. The profit is payable quarterly which has been determined taking into consideration one month KIBOR plus 0.50% (2006 : one month KIBOR plus 0.50% ) per annum. The facility is secured against first pari passu hypothecation on assets of Modaraba amounting to Rs. 167 million.
- 16.2 The facility has been fully settled during the year. It was availed from a commercial bank having approved limit of Rs.150 million (2006 : Rs.150 million) for the purpose of financing Modaraba's working capital requirements and repayable within one year. The profit was payable quarterly which was determined taking into consideration six months KIBOR plus 1.00 % (2006 :six months KIBOR plus 1.00 %) per annum. The facility was secured against first pari passu hypothecation on assets of Modaraba amounting to Rs. 167 million which was subsequently vacated.
- 16.3 The facility has been availed from Islamic Banking Division of a bank having approved limit of Rs. 300 million ( 2006 : Rs. 200 million) for enhancement of Ijarah portfolio and commodity financing under morabaha and is repayable within one year. The profit is determined taking into consideration KIBOR plus 1.10 % per annum and tenure of KIBOR to be matched with terms of morabaha transaction (2006: matching KIBOR plus 1.50 %). The facility is secured against first pari passu hypothecation over current assets of the Modaraba amounting to Rs. 334 million (2006: Rs. 223 million).
- 16.4 The facility has been availed from a commercial bank having approved limit of Rs. 50 million for meeting working capital requirements and is repayable within one year. The morabaha finance is priced at six months KIBOR plus 1.50% with a floor of 6.00% (2006 : three months KIBOR plus 1.00% with a floor of 6.00 % per annum payable quarterly. The facility is secured against first pari passu hypothecation over current assets of the Modaraba amounting to Rs. 56 million (2006: 67 million).
- 16.5 The facility was availed from a commercial bank having approved limit of Rs. 50 million (2006: Rs. 50 million) for meeting working capital requirement and is repayable within one year. The morabaha finance is priced at three months KIBOR plus 1.25% (2006:three months KIBOR plus 1.25%) per annum payable quarterly. The facility is secured against first pari passu hypothecation on existing and future assets including leased assets and related rentals receivables amounting to Rs. 56 million (2006: 56 million).
- 16.6 The facility has been availed from a commercial bank having approved limit of Rs.180 million (2006:Rs. 100 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 six months KIBO plus 1.10% (2006: six months KIBOR plus 1.00%) per annum. The facility is secured against first pari passu hypothecation over current assets of the Modaraba amounting to Rs. 200 million (2006 : Rs. 111 million).
- 16.7 The facility has been availed from a commercial bank having approved limit of 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 1.75 % per annum (2006: Nil) The profit is repayable on quarterly basis. The facility is secured against first pari passu hypothecation over current assets of the Modaraba amounting to Rs. 112 million.

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### 17 CERTIFICATES OF MUSHARAKA - UNSECURED

During the year the Modaraba issued 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 10.00% to 11.04 % per annum.

	Note	2007 Rupees	2006 Rupees
18 CURRENT PORTION OF LONG - TERM LIABILITIES			
long - term security deposits	19	17,076,204	11,720,326
long - term finance	20	559,499,996	280,000,000
deferred morabaha income	21	23,255,415	22,488,931
		<u>599,831,615</u>	<u>314,209,257</u>
19 LONG-TERM SECURITY DEPOSITS			
Long - term security deposit - ijarah	19.1	184,847,835	129,885,458
Less: current portion	18	17,076,204	11,720,326
		<u>167,771,631</u>	<u>118,165,132</u>

19.1 These represent profit free security deposits received from lessees under ijarah contracts and are repayable / adjustable at the expiry of respective ijarah term.

	Note	2007 Rupees	2006 Rupees
20 LONG-TERM FINANCE - SECURED			
Finance under Musharaka arrangements From National Bank of Pakistan			
Musharaka finance - I	20.1	29,166,666	112,500,000
Musharaka finance - II	20.2	80,000,000	160,000,000
Musharaka finance - III	20.3	100,000,000	-
		209,166,666	272,500,000
Finance under Morabaha arrangements From other financial institutions			
Morabaha finance - I	20.4	200,000,000	200,000,000
Morabaha finance - II	20.5	200,000,000	200,000,000
Morabaha finance - III	20.6	41,666,670	75,000,000
Morabaha finance - IV	20.7	166,666,667	100,000,000
Morabaha finance - V	20.8	50,000,000	83,333,333
Morabaha finance - VI	20.9	25,000,001	41,666,667
Morabaha finance - VII	20.10	84,000,000	100,000,000
Morabaha finance - VIII	20.11	62,500,000	-
		<u>829,833,338</u>	<u>800,000,000</u>
		1,039,000,004	1,072,500,000
Less: current portion	18	559,499,996	280,000,000
		<u>479,500,008</u>	<u>792,500,000</u>

20.1 The facility has been availed from a commercial bank having total amount of Rs. 250 million ( 2006 : Rs. 250 million). The facility is repayable in six equal semi annual installments in arrear within three years from the date of withdrawal. Profit is payable at the rate of six months KIBOR plus a spread of 1.00 % with a floor of 3.00 % and ceiling of 5.00 % ( 2006 : six months KIBOR plus spread of 1.00 % with a floor of 3.00 % and ceiling of 5.00 %) per annum. The facility is secured against first pari passu hypothecation on all present and future assets of the Modaraba to the extent of Rs. 278 million (2006: Rs. 278 million).

20.2 The facility has been availed from a commercial bank having approved limit of Rs. 200 million ( 2006 : Rs. 200 million). The facility is repayable in ten equal quarterly installments in arrear within three years from the date of withdrawal. Profit is repayable at the rate of three months KIBOR plus a spread of 0.50% ( 2006 : Three months KIBOR plus a spread of 0.50%) per annum. The facility is secured against first pari passu hypothecation of on all present and future assets of the Modaraba to the extent of Rs. 222 million (2006:Rs. 222 million).

20.3 The facility has been availed from a commercial bank having approved limit of Rs. 250 million. The facility is repayable in equal quarterly installments within three years from the date of disbursement of each tranche. Profit is payable quarterly at the rate of three months KIBOR plus a spread of 1.00 % per annum. The facility is secured against first pari passu hypothecation on all present and future assets of the Modaraba to the extent of Rs. 278 million.

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- 20.4 The facility has been availed from a commercial bank having approved limit of Rs. 200 million ( 2006 : Rs. 200 million). The facility is repayable semi annually and has an expiry of three years from the date of disbursement. The facility is renewable with the mutual consent of the Modaraba and bank. The profit is payable at the rate of six months KIBOR plus 0.80% ( 2006 : six months KIBOR plus 0.80%) per annum. The facility is secured against first pari passu hypothecation on all present and future assets of the Modaraba to the extent of Rs. 267 million ( 2006 : Rs. 267 million).
- 20.5 The facility has been availed from a commercial bank having approved limit of Rs. 200 million (2006 : Rs. 200 million). The facility is repayable quarterly and has an expiry of three years from the date of disbursement. Profit is repayable at the rate of three months KIBOR plus a spread of 1.25% (2006 : three months KIBOR plus a spread of 1.25% ) per annum. The facility is renewable with the mutual consent of the Modaraba and bank. The facility is secured against first pari passu hypothecation on all present and future assets of the Modaraba to the extent of Rs. 267 million ( 2006 : Rs. 267 million).
- 20.6 The facility has been availed from a commercial bank having approved limit of Rs. 100 million ( 2006 : Rs.100 million). The facility is repayable in six semi annual installments within three years from the date of disbursement. Profit is payable quarterly at the rate of six months KIBOR plus 1.00% (2006 : six months KIBOR plus a spread of 1.00%) per annum. The facility is secured against first pari passu hypothecation over all present and future assets of the Modaraba to the extent of Rs. 112 million (2006: Rs. 112 million).
- 20.7 The facility has been availed from a commercial bank having approved limit of Rs.200 million ( 2006 : Rs. 200 million). The facility is payable in six semi annual installments within three years from the date of disbursement. Profit is payable quarterly at the rate of 6 months KIBOR plus 1.25% (2006 : 6 months KIBOR plus 1.25%) per annum. The facility is secured against first pari passu hypothecation over all present and future assets of the Modaraba to the extent of Rs.222 million (2006 : Rs. 222 million).
- 20.8 The facility has been availed from a commercial bank having approved limit of Rs. 100 million ( 2006 : Rs. 100 million). The facility is repayable in six equal semi annual installments in arrear within three years from the date of disbursement. Profit is payable semi annually at the rate of six months KIBOR plus 1.00% per annum with a floor of 6.50% (2006 : six months KIBOR plus 1.00% per annum with a floor of 6.50%) per annum. The facility is secured against first pari passu hypothecation on all present and future assets of the Modaraba to the extent of Rs: 112 million (2006 : Rs. 134 million).
- 20.9 The facility has been availed from a commercial bank having approved limit of Rs. 46.698 million (2006 : Rs. 46.698 million). The facility is payable in six semi annual installments within three years from the date of disbursement. Profit is payable at the rate of six months KIBOR plus 1.00% (2006 : six months KIBOR plus 1.00%) per annum. The facility is secured against first pari passu hypothecation over all present and future assets of the Modaraba to the extent of Rs. 62 million (2006 : Rs. 62 million).
- 20.10** The facility has been availed from a commercial bank having approved limit of Rs. 100 million ( 2006 : 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 at the rate of three months KIBOR plus 1.50% (2006 : three months KIBOR plus 1.50%) per annum. The facility is secured against first pari passu hypothecation on all present and future assets of the Modaraba to the extent of Rs.134 million (2006 : Rs. 134 million).
- 20.11 The facility has been availed from a commercial bank having approved limit of Rs. 75 million. The facility is repayable within three years from the date of withdrawal in six semi annual installments. Profit is payable at the rate of six months KIBOR plus a spread of 1.00% (2006 : Nil) per annum. The facility is secured against first pari passu hypothecation on all present and future assets of the Modaraba to the extent of Rs.94 million.

		2007	2006
	Note	Rupees	Rupees
21 DEFERRED MORABAHA INCOME			
Deferred morabaha income			
-Short term morabaha	6	16,557,978	16,562,607
-Long term morabaha	10	14,131,709	11,671,911
		<u>30,689,687</u>	<u>28,234,518</u>
Less: current portion	18	23,255,415	22,488,931
		<u>7,434,272</u>	<u>5,745,587</u>

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		Note	2007 Rupees	2006 Rupees
22	CERTIFICATE CAPITAL			
	Authorized :			
	Number of certificates			
	2007			2006
	<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:			
	25,000,000		25,000,000	25,000,000
	Modaraba certificates of Rs. 10 each fully paid in cash		<u>250,000,000</u>	<u>250,000,000</u>
22.1	7,500,000 (2006 : 7,500,000) certificates are held by National Bank Modaraba Management Company Limited.			
23	CONTINGENCIES AND COMMITMENTS			
23.1	Contingencies			
	There were no known contingencies as at June 30, 2007 (2006 : Nil).			
23.2	Commitments			
	These represents ijarah facilities approved but not disbursed		<u>16,411,375</u>	<u>168,086,105</u>
24	GAIN ON SHORT-TERM INVESTMENTS			
	Gain on sale of short-term investments		930,361	5,691,256
	Dividend income		2,108,405	3,395,150
	Unrealized gain / (loss) in value of short-term investments	24.1	4,908,184	(6,373,896)
			<u>7,946,950</u>	<u>2,712,510</u>
24.1	Unrealized (gain) / loss in value of short-term investments			
	Unrealized loss at the beginning of the year		6,747,022	373,126
	(Gain) / loss during the year		(4,908,184)	6,373,896
	Unrealized loss at the end of the year		<u>1,838,838</u>	<u>6,747,022</u>
25	OTHER OPERATING INCOME-NET			
	Service charges		59,285	52,904
	Documentation charges		299,740	261,880
			<u>359,025</u>	<u>314,784</u>
26	FINANCE COSTS			
	Profit on morabaha finance		130,085,609	68,111,322
	Profit on musharaka finance		31,752,386	39,605,122
	Bank charges		46,211	30,845
			<u>161,884,206</u>	<u>107,747,289</u>

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27 OPERATING EXPENSES	Note	2007	2006
		Rupees	Rupees
Salaries, allowances and other benefits	27.1	8,351,605	6,692,622
Utility expenses		489,000	487,000
Communication expenses		280,299	341,602
Traveling and conveyance		146,429	277,433
Vehicle running expenses		39,152	49,844
Postage and stamps		105,810	73,063
Advertisement		55,234	128,626
Legal and professional charges		543,652	548,558
Auditors' remuneration	27.2	292,489	175,000
Fee and subscription		479,846	481,156
Repairs and maintenance		183,656	171,737
Insurance		142,924	181,313
Stationary, printing and other expenses		287,081	259,317
Depreciation / amortization		541,306	677,457
Amortization of deferred costs		2,000,136	1,989,120
Central depository company charges		34,882	19,586
Entertainment		62,273	71,007
Others		46,210	58,564
Zakat		36,843	111,109
		<u>14,118,827</u>	<u>12,794,114</u>

### 27.1 Salaries, allowances and other benefits

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

	Officers		Employees	
	2007	2006	2007	2006
	..... Rupees .....			
Salary	2,009,325	1,501,635	<b>2,035,270</b>	1,814,299
House rent allowance	904,196	675,722	<b>711,844</b>	816,435
Utilities	200,935	150,165	<b>158,185</b>	181,430
Bonus	613,085	225,980	<b>408,450</b>	162,838
Expenses reimbursed	677,506	699,699	<b>632,809</b>	464,420
	<u>4,405,047</u>	<u>3,253,201</u>	<u>3,946,558</u>	<u>3,439,422</u>
Number of persons	<u>4</u>	<u>4</u>	<u>10</u>	<u>12</u>

27.1.1 In addition to above, Chief Operating Officer and Chief Financial Officer of the Modaraba have been provided with free use of vehicles owned and maintained by Modaraba.

### 27.2 Auditor's remuneration

Audit fee	175,000	125,000
Review of half yearly financial statements	50,000	25,000
Review report on statement of compliance with code of corporate governance	50,000	25,000
Out of pocket expenses	17,489	-
	<u>292,489</u>	<u>175,000</u>



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### 28 MATURITY OF ASSETS AND LIABILITIES

2007					
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	6,794,280	-	-	-	6,794,280
Advances, prepayments and other receivables	22,990,477	3,618,328	143,312,048	-	169,920,853
Short - term investments	-	-	28,153,349	-	28,153,349
Short - term morabaha investment	70,349,724	161,674,028	310,542,273	-	542,566,025
Net investment in ijarah	44,441,271	30,825,775	369,368,651	890,364,786	1,335,000,483
Long - term morabaha investment	-	-	41,697,437	27,434,272	69,131,709
Long - term musharaka investment	-	-	4,000,000	41,000,000	45,000,000
Long - term loans and deposits	24,166	48,635	229,202	933,712	1,235,715
Deferred costs	166,678	500,034	1,333,423	839,814	2,839,949
Fixed assets	-	-	-	853,450	853,450
<b>June 30, 2007</b>	<b>144,766,596</b>	<b>196,666,800</b>	<b>898,636,383</b>	<b>961,426,034</b>	<b>2,201,495,813</b>
<b>June 30, 2006</b>	<b>97,393,496</b>	<b>300,048,627</b>	<b>797,868,622</b>	<b>879,284,246</b>	<b>2,074,594,991</b>
<b>Liabilities</b>					
Creditors, accrued and other liabilities	28,200,934	-	6,128,452	13,255,680	47,585,066
Short - term finance	35,000,000	35,626,942	358,955,830	-	429,582,772
Certificate of musharaka	-	35,000,000	121,700,000	-	156,700,000
Long - term security deposits	-	-	17,076,204	167,771,631	184,847,835
Long - term finance	8,333,333	169,666,664	381,499,999	479,500,008	1,039,000,004
Deferred morabaha income	349,724	2,674,028	20,231,663	7,434,272	30,689,687
<b>June 30, 2007</b>	<b>71,883,991</b>	<b>242,967,634</b>	<b>905,592,148</b>	<b>667,961,591</b>	<b>1,888,405,364</b>
<b>June 30, 2006</b>	<b>25,585,127</b>	<b>105,036,595</b>	<b>706,654,163</b>	<b>941,956,656</b>	<b>1,779,232,541</b>
<b>Net assets - 2007</b>	<b>72,882,605</b>	<b>(46,300,834)</b>	<b>(6,955,765)</b>	<b>293,464,443</b>	<b>313,090,449</b>
<b>Net assets - 2006</b>	<b>71,808,369</b>	<b>195,012,032</b>	<b>91,214,459</b>	<b>(62,672,410)</b>	<b>295,362,450</b>

#### Represented by:

Issued, subscribed and paid up certificate capital	250,000,000	250,000,000
Reserves	63,090,449	45,362,450
	<b>313,090,449</b>	<b>295,362,450</b>

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

2007					
Note	Profit bearing		Non profit bearing		Total
	Within one year	One year to five years	Within one year	One year to five years	
Rupees					
Financial assets					
Bank balances	3	6,165,119	-	629,162	6,794,281
Advances and other receivables	4	143,028,445	-	26,311,469	169,339,914
Short - term investments	5	-	-	28,153,349	28,153,349
Short - term morabaha investment	6	542,566,025	-	-	542,566,025
Net investment in ijarah	9	444,635,697	890,364,786	-	1,335,000,483
Long-term morabaha investment	10	41,697,437	27,434,272	-	69,131,709
Long-term musharaka investment	11	4,000,000	41,000,000	-	45,000,000
Long-term loans and deposits	12	302,003	894,212	-	1,196,215
<b>June 30, 2007</b>		<b>1,182,394,726</b>	<b>959,693,270</b>	<b>55,093,980</b>	<b>2,197,181,976</b>
<b>June 30, 2006</b>		<b>1,131,014,027</b>	<b>874,347,942</b>	<b>46,619,597</b>	<b>2,051,981,566</b>

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		2007				
		Profit bearing		Non profit bearing		Total
Note		Within one year	One year to five years	Within one year	One year to five years	
Rupees						
Financial liabilities						
Creditors, accrued and other liabilities	15	-	-	47,585,066	-	47,585,066
Short - term finance	16	429,582,040	-	-	-	429,582,040
Certificate of musharaka	17	156,700,000	-	-	-	156,700,000
Long - term security deposits	19	-	-	17,076,204	167,771,631	184,847,835
Long - term finance	20	559,499,996	479,500,740	-	-	1,039,000,736
June 30, 2007		1,145,782,036	479,500,740	64,661,270	167,771,631	1,857,715,677
June 30, 2006		786,544,207	792,500,000	53,788,683	118,165,132	1,750,998,022
On balance sheet gap		36,612,690	480,192,530	(9,567,290)	(167,771,631)	339,466,299
Cumulative gap - 2007		36,612,690	516,805,220	507,237,930	339,466,299	-
Cumulative gap - 2006		327,907,212	398,083,243	390,914,157	272,749,025	-
Off balance sheet items						
Financial commitments						
Ijara facilities approved not disbursed June 30, 2007		16,411,375	-	-	-	16,411,375
Ijara facilities approved not disbursed June 30, 2006		168,086,105	-	-	-	168,086,105

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.

## 30 SEGMENT ANALYSIS

### 30.1 Geographical segments

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

### 30.2 Business segments

#### Net investment in ijarah

	2007		2006	
	%	Rupees	%	Rupees
Auto and assemblers	4.57	61,048,449	5.20	61,931,244
Cement	3.02	40,257,293	0.51	6,082,148
Sugar	5.95	79,476,114	8.24	98,255,966
Textile	36.82	491,486,743	47.38	564,758,836
Transport	2.25	30,034,031	-	-
Engineering and construction	3.05	40,688,786	4.04	48,138,872
Knitwear	9.01	120,350,228	11.62	138,505,933
Chemical and pharmaceutical	1.99	26,549,812	0.81	9,612,369
Information technology	0.33	4,341,696	0.29	3,408,956
Education	3.06	40,861,388	2.66	31,747,811
Media and advertising	1.30	17,401,269	1.69	20,174,647
Poultry feed	5.28	70,504,174	3.57	42,612,917
Fabrics	5.10	68,032,181	3.53	42,091,051
Petroleum and oilfields	2.33	31,136,828	3.25	38,699,675
Leather and shoe industries	3.47	46,328,754	2.11	25,095,180
Glass and ceramics	0.99	13,281,832	1.20	14,297,151
Financial institution	2.16	28,770,522	1.00	11,867,274
Telecommunication	1.62	21,573,563	0.08	961,769
Food & beverages	2.76	36,891,887	-	-
Energy	4.54	60,546,307	-	-
Miscellaneous	0.41	5,438,626	2.84	33,818,322
	100	1,335,000,483	100	1,192,060,121

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### 30.3 Morabaha investment

	2007		2006	
	Net Investment		Net Investment	
	%	Rupees	%	Rupees
Energy	-	-	3.36	20,678,147
Spinning	28.00	175,419,986	25.95	159,846,577
Textile	4.00	24,383,837	22.07	135,927,891
Weaving	13.00	81,300,790	-	-
Financial institutions	19.00	119,180,089	26.48	163,154,308
Auto and assemblers	6.00	35,678,563	8.28	51,004,182
Leather and shoe industries	6.00	36,009,725	5.85	36,116,350
Sugar	14.50	86,436,770	5.84	35,951,494
Educational institution	1.00	3,177,855	-	-
Rice peddy	2.00	13,037,827	1.70	10,465,200
Individuals	6.00	37,072,292	0.47	2,883,905
	100	611,697,734	100	616,028,054

### 30.4 Musharaka investment

	2007		2006	
	Net Investment		Net Investment	
	%	Rupees	%	Rupees
Energy				
Financial institutions	56	25,000,000	-	-
	44	20,000,000	100	30,000,000
	100	45,000,000	100	30,000,000

### 31 EARNINGS PER MODARABA CERTIFICATE - BASIC AND DILUTED

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

	2007	2006
Profit for the year (Rupees)	41,516,575	30,438,260
Weighted average number of modaraba certificates outstanding	25,000,000	25,000,000
Earnings per certificate - basic (Rupees)	1.66	1.22

Basic earnings per Modaraba Certificate has been computed by dividing profit after tax as stated above with weighted average number of modaraba certificate.

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

### 32 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Modaraba management fee at the rate of 10 % 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.

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

#### Balances outstanding at the year end:

	2007	2006
	Rupees	Rupees
National income daily accounts (NIDA) with National Bank Of Pakistan (running balances)	6,056,456	9,133,036
Finances under musharaka arrangement from National Bank of Pakistan	314,796,412	406,136,991
Net investment in ijarah to National Bank of Pakistan	17,951,464	11,984,307
Current account with National Bank of Pakistan - Dividend account	128,744	-

#### Transactions with related parties

Related party	Relationship	Nature of transaction	2007	2006
			Rupees	Rupees
Taurus Securities Limited	Common management & control	Commission paid	249,700	725,416
Taurus Securities Limited	Common management & control	Purchase and sale of securities	436,802,114	964,086,000
National Bank of Pakistan	Management co's holding company	Musharaka obtained	100,000,000	125,000,000
National Bank of Pakistan	Management co's holding company	Musharaka repaid	163,333,333	139,696,343
National Bank of Pakistan	Management co's holding company	Ijarah disbursed	12,501,500	14,865,073
National Bank of Pakistan	Management co's holding company	Ijarah repaid	6,457,549	3,399,508
<b>Profit / expenses during the year</b>				
National Bank Modaraba management Company Limited	Management company	Management fee	4,612,953	3,382,029
National Bank of Pakistan	Management co's holding company	Profit paid	29,674,604	36,525,194
National Bank of Pakistan	Management co's holding company	Profit on ijarah	1,568,725	1,061,175

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***

### **33 DATE OF AUTHORIZATION FOR ISSUE**

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

### **34 PROFIT DISTRIBUTION**

The board of directors of Modaraba Management Company in their meeting held on October 10, 2007 have declared a final profit distribution of Rs:1.20 (2006: Re. 1.00) per Modaraba certificate amounting to Rs: 30,000,000 (2006: Rs 25,000,000).

### **35 GENERAL**

-Figures have been rounded off to the nearest rupee.

-Corresponding figures have been rearranged and reclassified to reflect more appropriate presentation of events and transactions for purposes of comparison.

**CHIEF EXECUTIVE**  
**Lahore: October 10, 2007**

**DIRECTOR**

**DIRECTOR**

**CHIEF FINANCIAL OFFICER**

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Annexure 1 as referred to in the note 5 to the financial statements.

Particulars	No. of shares / certificates		Average cost		Fair market value	
	June 30 2007 .....Numbers .....	June 30 2006	June 30 2007	June 30 2006 ..... Rupees .....	June 30 2007	June 30 2006
<b>Investments held for trading - Quoted</b>						
<b>Commercial banks:</b>						
National Bank of Pakistan Ordinary shares of Rs. 10 each	-	10,000	-	2,348,547	-	2,158,000
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	-	400	-	34,826	-	33,160
Bank Al falah Limited Ordinary shares of Rs. 10 each	-	46,666	-	2,842,108	-	1,866,640
Askari Commercial Bank Limited Ordinary shares of Rs. 10 each	-	10,000	-	1,095,511	-	775,500
PICIC Commercial Bank Limited Ordinary shares of Rs. 10 each	-	20,000	-	811,103	-	504,000
<b>Cement:</b>						
D.G. Khan Cement Company Limited Ordinary shares of Rs. 10 each	-	10,000	-	1,158,443	-	900,000
Maple Leaf Cement Factory Limited Ordinary shares of Rs. 10 each	78,125	52,500	2,695,797	2,278,941	1,910,138	1,344,000
Lucky Cement Limited Ordinary shares of Rs. 10 each	-	10,000	-	1,133,117	-	1,048,000
<b>Chemicals:</b>						
Nimir Industrial Chemical Limited Ordinary shares of Rs. 10 each	-	50,000	-	336,533	-	245,000
Engro Chemical Pakistan Limited Ordinary shares of Rs. 10 each	10,000	-	2,541,003	-	2,540,000	-
<b>Energy and Petroleum:</b>						
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	-
<b>Oil and Gas Exploration:</b>						
Oil and Gas Development Company Limited Ordinary shares of Rs. 10 each	20,000	-	2,501,293	-	2,399,000	-
Pakistan State Oil Ordinary shares of Rs. 10 each	-	10,000	-	3,871,162	-	3,095,000
<b>Textile Composite:</b>						
Nishat Mills Limited Ordinary shares of Rs. 10 each	-	10,000	-	1,438,144	-	1,048,000
Chenab Limited Ordinary shares of Rs. 10 each	10,000	20,000	236,436	472,872	149,000	291,000

## First National Bank Modaraba

Particulars	No. of shares / certificates		Average cost		Fair market value	
	June 30 2007	June 30 2006	June 30 2007	June 30 2006	June 30 2007	June 30 2006
	.....Numbers .....		..... Rupees .....			
<b>Mutual Funds:</b>						
PICIC Growth Fund Ordinary shares of Rs. 10 each	50,000	20,000	1,954,770	945,370	1,695,000	632,000
<b>Refinery:</b>						
BOSICOR Pakistan Limited Ordinary shares of Rs. 10 each	64,000	40,000	1,558,634	1,318,631	1,139,200	866,000
<b>Fertilizer:</b>						
Fauji Fertilizer Bin Qasim Limited Ordinary shares of Rs. 10 each	-	30,000	-	1,277,628	-	877,500
Fauji Fertilizer Company Limited Ordinary shares of Rs. 10 each	10,000	-	1,251,250	-	1,212,500	-
<b>Insurance:</b>						
Adamjee Insurance Company Limited Ordinary shares of Rs. 10 each	-	29,100	-	4,396,726	-	3,570,570
<b>Power Generation And Distribution:</b>						
Karachi Electric Supply Corp. Limited Ordinary shares of Rs. 10 each	-	50,000	-	631,729	-	390,000
<b>TOTAL</b>			<u>17,862,426</u>	<u>26,391,391</u>	<u>16,023,588</u>	<u>19,644,370</u>
<b>Investments available for sale - Quoted</b>						
<b>Mutual funds:</b>						
ICP ABAMCO Composite Fund Certificate of Rs. 10 each	300,000	300,000	3,000,000	3,000,000	2,535,000	2,550,000
Pakistan Strategic Allocation Fund Certificate of Rs. 10 each	109,000	109,000	1,090,000	1,090,000	1,144,500	1,160,850
PICIC Energy Fund Certificate of Rs. 10 each	498,000	498,000	4,980,000	4,980,000	3,735,000	4,233,000
<b>Commercial Banks:</b>						
Bank Islamic Pakistan Limited Ordinary shares of Rs. 10 each	-	475,100	-	4,751,000	-	5,938,750
<b>Cement:</b>						
Dewan Hatter Cement Limited Ordinary shares of Rs. 10 each	300,000	300,000	5,654,810	5,654,810	3,840,000	3,450,000
<b>Textile Composite:</b>						
Nishat Chunian Limited Ordinary shares of Rs. 10 each	21,270	21,270	2,082,178	2,082,178	875,261	976,293
The Hub Power Company Limited Ordinary shares of Rs. 10 each	-	200,000	-	7,259,556	-	4,620,000
<b>TOTAL</b>			<u>16,806,988</u>	<u>28,817,544</u>	<u>12,129,761</u>	<u>22,928,893</u>

**PATTERN OF CERTIFICATE HOLDING  
AS ON JUNE 30, 2007**

<b>Number of Certificate Holders</b>	<b>Certificate Holding</b>		<b>Total Number of Certificates Held</b>	<b>Percentage</b>
	<b>From</b>	<b>To</b>		
44	1	100	3,954	0.02
499	101	500	235,100	0.94
279	501	1000	263,800	1.06
272	1001	5000	791,573	3.17
98	5001	10000	854,200	3.42
27	10001	15000	338,300	1.35
22	15001	20000	412,700	1.65
19	20001	25000	445,773	1.78
12	25001	30000	336,300	1.35
8	30001	35000	264,000	1.06
4	35001	40000	158,000	0.63
5	45001	50000	245,500	0.98
4	50001	55000	205,500	0.82
4	55001	60000	232,300	0.93
2	65001	70000	132,000	0.53
3	80001	85000	244,500	0.98
3	95001	100000	300,000	1.20
1	105001	110000	110,000	0.44
2	110001	115000	227,000	0.91
1	115001	120000	120,000	0.48
1	135001	140000	136,700	0.55
2	145001	150000	297,000	1.19
1	150001	155000	153,000	0.61
1	155001	160000	159,800	0.64
1	165001	170000	166,500	0.67
1	175001	180000	178,000	0.71
1	185001	190000	186,000	0.74
1	195001	200000	196,500	0.79
1	205001	210000	208,500	0.83
1	210001	215000	210,500	0.84
1	215001	220000	219,000	0.88
1	235001	240000	235,500	0.94
1	265001	270000	270,000	1.08
1	290001	295000	292,000	1.17
1	310001	315000	314,000	1.26
1	495001	500000	500,000	2.00
1	500001	505000	504,500	2.02
1	515001	520000	515,500	2.06
1	620001	625000	623,500	2.49
1	975001	980000	978,000	3.91
2	995001	1000000	2,000,000	8.00
1	1330001	1335000	1,335,000	5.34
1	1895001	1900000	1,900,000	7.60
1	7495001	7500000	7,500,000	30.00
<b>1,335</b>			<b>25,000,000</b>	<b>100.00</b>

**CATEGORIES OF CERTIFICATE HOLDERS  
AS AT JUNE 30, 2007**

<b>Sr. No.</b>	<b>Category</b>	<b>Number of Certificate Holders</b>	<b>Number of Certificates</b>	<b>Percentage</b>
1	Individuals	1,300	11,919,000	47.68
2	Insurance Companies	1	65,500	0.26
3	Joint Stock Companies	24	1,547,500	6.19
4	Financial Institutions	5	3,684,500	14.74
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	236,000	0.94
<b>Total:</b>		<b>1,335</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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<b>Banks, Development Financial Institutions, Non Banking Financial Institutions, Modarabas, Mutual Funds &amp; Insurance Companies</b>	<b>Number of Certificates</b>
MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	100
PACE INVESTMENT & SECURITIES (PVT) LTD.	100
FAIR EDGE SECURITIES (PRIVATE) LIMITED	100
S.Z. SECURITIES (PRIVATE) LIMITED	100
AMZ SECURITIES (PVT) LIMITED	500
AL-HAQ SECURITIES (PVT) LTD.	500
EXCEL SECURITIES (PVT.) LTD.	500
PROGRESSIVE SECURITIES (PRIVATE) LIMITED	500
SAZ CAPITAL SECURITIES (PVT) LTD.	700
MIAN MUHAMMAD AKRAM SECURITIES (PVT) LTD.	1,000
MAM SECURITIES (PRIVATE) LIMITED	1,000
DOSSLANI'S SECURITIES (PVT) LIMITED	1,400
AFIC SECURITIES (PRIVATE) LIMITED	1,400
PASHA SECURITIES (PVT) LTD.	1,500
CAPITAL VISION SECURITIES (PVT) LTD.	1,500
H.S.Z. SECURITIES (PRIVATE) LIMITED	2,000
MARS SECURITIES (PRIVATE) LIMITED	2,500
AWJ SECURITIES (SMC-PRIVATE) LIMITED.	2,600
AZEE SECURITIES (PRIVATE) LIMITED	3,500
Y.S. SECURITIES & SERVICES (PVT) LTD.	5,500
TRUSTEES-ABBASI & CO.PVT.LTD.EMPS.P.FUND	12,500
STOCK MASTER SECURITIES (PRIVATE) LTD.	18,500
MOOSANI SECURITIES (PVT) LTD.	20,000
FIRST ALNOOR MODARABA	35,000
TRUSTEES ALOO&MINOCHER DINSHAW CHR.TRUST	50,000
THE CRESCENT STAR INSURANCE CO.LTD.	65,500
FIRST DAWOOD INVESTMENT BANK LTD.	110,000
ISMAIL ABDUL SHAKOOR SECURITIES (PRIVATE) LIMITED	147,000
TRUSTEES OF TEACHERS RESOURCE CENTRE	186,000
ORIX INVESTMENT BANK PAKISTAN LIMITED	196,500
FIRST DAWOOD INVESTMENT BANK	500,000
THE BANK OF PUNJAB	978,000
ASIAN SECURITIES LIMITED	1,335,000
PAKISTAN INDUSTRIAL CREDIT AND INVESTMENT CORPORATION	1,900,000
NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED	7,500,000