



# 2012 ANNUAL REPORT

**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

Board of Directors	<b>Mr. Shahid Anwar Khan</b> <b>Mr. Wajahat A. Baqai</b> <b>Mr. Khawaja Waheed Raza</b> <b>Syed Mustafa Kamal</b> <b>Mr. Jamal Nasim</b> <b>Mr. Sadiq-ul-Huda</b> <b>Mr. Javaid Sadiq</b>	Chairman Director Director Director Director Director Chief Executive Officer
Chief Financial Officer/ Company Secretary	<b>Mr. Abbas Azam</b>	
Audit Committee	<b>Mr Jamal Nasim</b> <b>Mr. Wajahat A. Baqai</b> <b>Mr. Khawaja Waheed Raza</b>	Chairman Member Member
HR & Remuneration Committee	<b>Mr. Khawaja Waheed Raza</b> <b>Mr. Wajahat A. Baqai</b> <b>Syed Mustafa Kamal</b>	Chairman Member Member
Auditors	<b>Horwath Hussain Chaudhury &amp; Co.</b> (A member firm of Crowe Horwath International)	
Bankers	<b>National Bank of Pakistan</b> <b>Bank Alfalah Limited</b> <b>Al Baraka Islamic Bank</b> <b>Habib Bank Limited</b> <b>Allied Bank Limited</b> <b>MCB Bank Limited</b> <b>First Women Bank Limited</b> <b>Bank Islami Pakistan Limited</b>	
Legal Advisor	<b>Cornelius Lane &amp; Mufti</b> <b>Advocates and Solicitors</b> <b>Nawa-i-Waqt House</b> <b>4 – Shahrah-e-Fatima Jinnah, Lahore</b> <b>Tel.: 36360824, Fax: 36303301</b>	
Shares Registrar	<b>Hameed Majeed Associates (Pvt.) Limited</b> <b>H. M. House, 7 – Bank Square, Lahore</b> <b>Tel: 37235081-2, Fax: 37358817</b>	
Registered Office	<b>5<sup>th</sup> Floor, NBP RHQs Building,</b> <b>26 – McLagon Road, Lahore</b> <b>Tel: 042-99211200, Fax: 042-99213247</b> <b>URL: <a href="http://www.nbmodaraba.com">http://www.nbmodaraba.com</a></b> <b>E-mail: <a href="mailto:info@nbmodaraba.com">info@nbmodaraba.com</a></b>	

**VISION**

PRESERVE TO REPLACE RIBA DRIVEN INSTRUMENTS WITH ISLAMIC MODES OF FINANCING IN A MANNER TO ACHIEVE OPTIMUM CUSTOMER SATISFACTION BY DEVELOPING SUSTAINABLE AND DEPENDABLE RELATIONSHIPS

TO BE AN INSTITUTION OF EXCELLENCE, WHICH WILL CREATE AND MAINTAIN AN ENVIRONMENT OF STATE-OF-ART MANAGEMENT SYSTEM AND A HIGH STANDARD OF INTEGRITY, EFFICIENCY PROFESSIONALISM AND INNOVATION

ATTAIN THE STATUS OF MOST PROFESSIONALLY AND PROFITABLY RUN MODARABA AMONG ITS COMPETITORS

IT SHALL PLACE A SPECIAL EMPHASIS ON HUMAN RESOURCES DEVELOPMENT, DIGNITY, SECURITY, WELFARE OF PEOPLE WHO OPERATE AND WORK FOR THE MODARABA

**MISSION**

THE FUNDAMENTAL MISSION IS TO SEEK THE PLEASURE OF ALLAH THROUGH MAKING HUMBLE CONTRIBUTION IN THE TRANSFORMATION OF OUR MERCANTILE AND FINANCIAL SYSTEM AND BUSINESS DEALINGS IN ACCORDANCE WITH THE PRINCIPLES ENshrINED IN THE SHARIA

COMMITMENTS TO PROVIDE RIBA FREE INVESTMENT AND FINANCING OPPORTUNITIES TO THE INVESTORS, THE BUSINESS COMMUNITY AND INDUSTRY

IN ALL BUSINESS DEALINGS OF MODARABA, THE RIGHTS OF ALLAH, THE RIGHTS OF ALL CERTIFICATE HOLDERS AND ALL OTHER RIGHTS SHALL BE SINCERELY SAFEGUARDED

### NOTICE OF 9TH ANNUAL REVIEW MEETING & BOOK CLOSURE

Notice is hereby given that the 9<sup>th</sup> Annual Review Meeting of certificate holders of First National Bank Modaraba will be held on Wednesday, October 31, 2012 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, 2012.

The Board of Directors has declared final dividend of 10% for the year ended June 30, 2012.

The Certificate Transfer Book will remain closed from October 23, 2012 to October 31, 2012 (both days inclusive) for the purpose of entitlement to dividend and eligibility to attend the Annual Review Meeting. All transfers received in order, up to the close of business on October 22, 2012 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 at the close of business as on October 22, 2012 will be eligible to receive dividend and 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: September 25, 2012

## BOARD OF DIRECTORS



**Mr. Shahid Anwar Khan**

*Chairman Board of Director*

He has rich and diversified banking experience of more than three decades. Currently he is SEVP/Group Chief-Credit Management Group in NBP. He holds degrees of BE from UET Lahore and MBA from USA.



**Mr. Wajahat A. Baqai**

*Director*

He has a vast and versatile banking experience of over 27 years. He is currently EVP/Division Head-Compliance Group in NBP. He is BE (Mechanical) from UET and MS in Management from USA.



**Mr. Jamal Nasim**

*Director/Chairman Audit Committee*

He is Chairman and Managing Director (Acting) of IDBP. He has a vast experience of working at senior levels in development banking. He holds MBA from Asian Institute of Management Manila (Philippines).



**Mr. Khawaja Waheed Raza**

*Director/Chairman HR & Remuneration Committee*

He has varied experience of over 38 year including his posting in various countries. He served as a Senior Executive Vice President in Habib Bank, United Bank and Allied Bank of Pakistan. He holds M.Sc. degree with specialization in Strategic Studies.



**Syed Mustafa Kamal**

*Director*

He is management consultant by profession. He is a well rounded professional, with substantial cross-functional experience in enterprise management and Islamic finance at both strategic and operational levels. He holds bachelors degree in Business Administration (honor) USA.

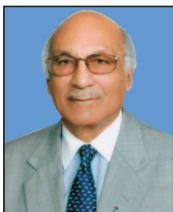
has diversified



**Mr. Sadiq-ul-Huda**

*Director*

He is diversified 32 years experience in development banking at key managerial posts. He is also associated with teaching in the institute of Business Administration (IBA). He holds degrees of M.Sc. Statistics (Gold Medalist) from Punjab University, Msc. Economics from St. Louis University USA, and MBA from Karachi.



**Mr. Javaid Sadiq**

*CEO*

He has vast local and international professional experience at senior levels. He has held a position of Regional Director of NDFC and later as Managing Director/Chairman of IDBP from 1998 to 2001. He has done his graduation from University of Liverpool England and Masters from University of Manchester England.

## 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 9th annual accounts of FNBM for the period ended June 30, 2012. These accounts have been audited by the statutory auditors of the Modaraba and are accompanied by their audit report.

### 1. Financial Results:

	Rupees					
	Year Ended June 30, 2012	Year Ended June 30, 2011	Year Ended June 30, 2010	Year Ended June 30, 2009	Year Ended June 30, 2008	Year Ended June 30, 2007
<b>Balance Sheet Size</b>	1,962,968,244	2,167,572,691	1,761,257,802	2,410,441,957	2,778,974,825	2,201,495,813
<b>Total Equity</b>	339,775,945	337,139,427	331,881,894	288,483,487	306,473,205	313,090,449
<b>Total Operating &amp; Other Income</b>	605,820,667	473,557,528	370,063,518	352,479,348	227,964,068	222,132,561
<b>Operating &amp; Financial Exp.</b>	575,113,425	439,557,963	340,914,240	340,507,125	192,672,077	176,003,033
<b>Profit for the period</b>	30,707,724	33,999,565	29,149,278	11,972,223	35,291,991	46,129,528
<b>Modaraba Co.'s Management Fee</b>	3,070,724	3,399,957	2,914,927	1,197,222	3,529,199	4,612,953
<b>Net profit after tax</b>	27,636,518	30,599,608	26,234,350	10,775,001	31,762,792	41,516,575
<b>Earning per certificate</b>	1.11	1.22	1.05	0.43	1.27	1.66
<b>Return on Assets (%)</b>	1.41	1.42	1.48	0.45	1.14	1.89
<b>Return on Equity (%)</b>	8.13	9.02	7.9	3.74	10.36	13.26
<b>Dividend Paid (%)</b>	10	10	10	-	10	12
<b>Breakup value per certificate</b>	13.59	13.48	13.27	11.54	12.26	12.52

### 2. Sector Outlook:

Financial year 2011-12 was marked by acute power shortage, high energy prices, poor law and order situation in frontier and other parts of the Country, and excessive inflation. This state of affairs severely hampered the economic activities in the Country.

Financial sector in Pakistan has shown signs of stabilization during the year. Despite rising level of NPLs, the banking sector has reported some growth in profits and in assets during their recent financial year ended on December 31, 2011. However until the revival of the real sector, the NPLs would remain a source of serious concern for the financial sector. To get around the rising trend in NPLs the banks have resorted to investing in government securities instead of the private sector. Modaraba sector, being a small part of the financial sector of Pakistan, was directly affected by the above state of affairs. However, since the share of Islamic financing is growing in the overall financial sector, there is a room for modarabas to grow; provided that they improve their Islamic-image on one hand and do innovation in the products being offered on the other. The introduction of Shariah compliance and Shariah audit mechanism for Modarabas by SECP in February this year and compulsory appointment of Shariah advisor would definitely improve the Islamic image of modarabas and help them compete with the Islamic banks and Islamic divisions of Conventional Banks for a share in the market.

## **Review of Operations:**

During the period under review the economy remained under pressure overall. Faced with adverse implications on account of the above, FNBM adopted a cautious marketing approach. Consequently, the balance sheet size has been maintained at Rs.1,963 Millions. The major product of the Modaraba is Ijarah finance and by the end of current year FNBM made new investments in ijarah to the tune of Rs.626 Millions. The total income of the Modaraba increased by 28% from Rs.473 Million in the last year to Rs.606 Million in the current year. Accordingly the total expenses (including depreciation on Ijarah assets) increased by 31% from Rs.439 Millions last year to Rs.575 Millions this year. Net profit remained at Rs.27.63 Million as compared to Rs.30.59 Millions last year.

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

### **1. Profit Distribution:**

Board in its meeting held on September 25, 2012 has declared Re. 1 per certificate (10%) as final dividends for the year ended June 30, 2012 to its certificate holders.

### **2. Entity Rating:**

JCR-VIS Credit Rating Company assigned entity rating of A+ (A plus) for long term and A-1 (A one) for short term.

### **3. Future Outlook:**

Financial sector in Pakistan has been adversely effected by delays in recoveries and lack of further opportunities for profitable investments in the real sector. The challenge before FNBM is to maintain the quality of its asset portfolio. FNBM plans to overcome these challenges by exploring new market opportunities focusing on such market segments which have the capacity and financial strength to pay good returns at an acceptable risk.

### **4. 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 applied consistently 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.



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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.

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, 2012 except those disclosed in the financial statements.

During the year ended June 30, 2012 four (04) meetings of the Board of Directors were held. Attendance by each directors in the Board Meeting is as follows:

<b>Names of Directors:</b>	<b>No of Attendance</b>
i. Mr. Shahid Anwar Khan	4
ii. Mr. Wajahat Baqai	4
iii. Mr. Khawaja Waheed Raza	3
iv. Syed Mustafa Kamal	3
v. Mr. Jamal Nasim	4
vi. Mr. Sadiq-ul-Huda	2
vii. Mr. Javed Sadiq	4

Mrs. Naiyer Muzafar Hussain resigned during the year (she did not attend any meeting during the year) and Mr.Sadiq-ul-Huda was appointed in her place.

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

The pattern of certificate holders is annexed.

## **1. Auditors:**

The present auditors Messrs Horwath Hussain Chaudhry, Chartered Accountants, being due for retirement, have offered themselves for re-appointment for the year ending June 30, 2013. Their appointment has been confirmed by the Board, subject to approval by the Registrar, Modaraba Companies and Modarabas,

## **2. 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**

**Javaid Sadiq**  
**Chief Executive Officer**

**Lahore: September 25, 2012**

# FIRST NATIONAL BANK MODARABA

## **Statement of Compliance with the Code of Corporate Governance** **First National Bank Modaraba** **Year ending June 30, 2012**

This statement is being presented to comply with the Code of Corporate Governance contained in Regulation No. 35 of listing regulations of Karachi Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The National Bank modaraba Management Company Ltd ('management company') has applied the principles contained in the CCG in respect of First National Bank Modaraba, the modaraba being managed by it, in the following manner:

The management company encourages representation of independent non-executive directors on its board of directors. At present the board includes:

<b>Name</b>	<b>Status</b>
Mr. Shahid Anwar Khan (Chairman)	Non-Executive
Mr. Wajahat Baqai	Non-Executive
Mr. Khawaja Waheed Raza	Non-Executive & Independent
Syed Mustafa Kamal	Non-Executive & Independent
Mr. Jamal Nasim	Non-Executive & Independent
Mr. Sadiq -ul-Huda	Non-Executive & Independent
Mr. Javaid sadiq (CEO/MD)	Executive

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this management company.

3. All the resident directors of the management company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. A casual vacancy occurring on the board was filled up by the directors.

5. The modaraba has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the modaraba along with its supporting policies and procedures.

6. The board has developed a vision/mission statement, overall corporate strategy and significant policies of the modaraba. A complete record of particulars of significant policies 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, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the board.

8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board would arrange training programs for its directors as per time lines provided by the SECP.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG 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 certificates of the modaraba other than that disclosed in the pattern of shareholding.
14. The modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the modaraba and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
18. The board has set up an effective internal audit function.
19. The statutory auditors of the modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons 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.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of modaraba's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the CCG have been complied with.

**Javaid Sadiq**  
CEO/MD

## REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance for the year ended June 30, 2012 prepared 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 of Corporate Governance.

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.

Further, Sub-Regulation (xiii) of Listing Regulations 37 notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated January 19, 2009 requires the Modaraba to place before the board of directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternative pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the board of directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, 2012.

Lahore  
Dated: September 25, 2012

**HORWATH HUSSAIN CHAUDHURY & CO.**  
Chartered Accountants  
(Engagement Partner: Muhammad Nasir Muneer)

## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First National Bank Modaraba** ("the Modaraba") as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, 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 the 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, statement of comprehensive income, 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, 2012 and of the profit, comprehensive income, 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  
Dated : September 25, 2012

**HORWATH HUSSAIN CHAUDHURY & CO.**  
Chartered Accountants  
(Engagement Partner: Muhammad Nasir Muneer)

# FIRST NATIONAL BANK MODARABA

## BALANCE SHEET AS AT JUNE 30, 2012

	Note	2012 Rupees	2011 Rupees
<b>ASSETS</b>			
<b>Current Assets</b>			
Bank balances	6	17,414,896	8,140,110
Ijarah rentals receivable - Secured and considered good		61,138,915	41,042,491
Advances, prepayments and other receivables	7	112,534,951	174,201,991
Accrued profit	8	15,484,215	26,048,514
Short term investments	9	1,734,024	1,825,507
Short term murabaha investments	10	695,922,758	747,751,646
Short term musharakah investment	11	-	100,000,000
Current portion of non-current assets	12	57,425,977	164,760,304
		961,655,736	1,263,770,563
<b>Non-Current Assets</b>			
Net investment in ijarah	13	74,739,723	124,213,765
Long term murabaha investments	14	30,235,221	49,862,728
Long term sukuk certificate	15	-	941,801
Long term loans and deposits	16	3,430,690	1,526,640
Fixed assets under ijarah arrangements	17	891,244,292	725,840,696
Fixed assets under own use	18	1,662,582	1,416,498
Intangible assets	19	-	-
		1,001,312,508	903,802,128
		<u>1,962,968,244</u>	<u>2,167,572,691</u>
<b>Total Assets</b>			
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Creditors, accrued and other liabilities	20	44,704,665	53,757,648
Accrued profit payable		22,725,644	30,689,323
Short term finances	21	634,897,699	665,022,113
Short term certificates of musharakah	22	81,177,255	120,790,290
Current portion of non-current liabilities	23	365,380,170	439,908,691
		1,148,885,433	1,310,168,065
<b>Non-Current Liabilities</b>			
Long term security deposits	24	175,802,255	127,635,813
Long term certificates of musharakah	25	113,838,077	78,600,000
Long term finances	26	181,666,659	312,499,991
Deferred murabaha income	27	2,999,875	1,529,395
		474,306,866	520,265,199
		<u>1,623,192,299</u>	<u>1,830,433,264</u>
<b>Total Liabilities</b>			
<b>NET ASSETS</b>			
<b>REPRESENTED BY:</b>			
Certificate capital	28	250,000,000	250,000,000
Reserves	29	89,775,945	87,139,427
Contingencies and commitments	30	-	-
		<u>339,775,945</u>	<u>337,139,427</u>

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

CHIEF EXECUTIVE OFFICER  
Lahore: September 25, 2012

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

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## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2012

		<b>2012</b>	<b>2011</b>
	Note	Rupees	Rupees
<b>INCOME</b>			
Income from ijarah		480,524,358	359,029,514
Profit on murabaha investments		104,715,470	105,782,952
Profit on musharakah investments and sukuk certificates		1,338,927	915,979
Profit on bank deposits		263,830	626,582
Income from short term investments - net	31	180,062	186,088
Other income	32	<u>18,798,020</u>	<u>7,016,413</u>
		605,820,667	473,557,528
<b>EXPENSES</b>			
Operating expenses	33	<u>(20,800,117)</u>	<u>(15,695,281)</u>
Depreciation on assets under ijarah		(348,381,841)	(235,561,653)
Finance cost	34	(185,966,167)	(175,878,029)
Other operating expenses	35	<u>(19,965,300)</u>	<u>(12,423,000)</u>
		<u>(575,113,425)</u>	<u>(439,557,963)</u>
Modaraba Company's management fee	36	<u>30,707,242</u> <u>(3,070,724)</u>	<u>33,999,565</u> <u>(3,399,957)</u>
<b>Profit for the Year</b>		<u><u>27,636,518</u></u>	<u><u>30,599,608</u></u>
<b>Earnings per Modaraba Certificate - Basic and Diluted</b>	37	<u><u>1.11</u></u>	<u><u>1.22</u></u>

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

CHIEF EXECUTIVE OFFICER  
Lahore: September 25, 2012

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

# FIRST NATIONAL BANK MODARABA

## STATEMENT OF COMPREHENSIVE INCOME AS THE YEAR ENDED JUNE 30, 2012

	<b>2012</b>	<b>2011</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Profit for the Year</b>	27,636,518	30,599,608
Other comprehensive income		
Net unrealized gain in value of available for sale investments	-	-
<b>Total Comprehensive Income for the Year</b>	<u>27,636,518</u>	<u>30,599,608</u>

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

CHIEF EXECUTIVE OFFICER  
Lahore: September 25, 2012

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER



# ANNUAL REPORT 2012

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2012

	2012 RUPEES	2011 RUPEES
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit for the Year</b>	<b>27,636,518</b>	<b>30,599,608</b>
<b>Adjustment for:</b>		
Depreciation / amortization	349,056,635	236,253,447
Allowance for potential losses in ijarah and short term murabaha certificates	19,500,000	12,000,000
Diminution in value of investment	91,483	31,150
Gain on disposal of fixed assets under own use	(531,333)	-
Gain on termination of ijarah arrangements	(6,829,169)	(249,535)
Finance cost	185,966,167	175,878,029
Profit on bank deposits	(263,830)	(626,582)
Dividend income	(271,545)	(217,238)
	546,718,408	423,069,271
<b>Operating profit before working capital changes (Increase)/ Decrease in operating assets</b>	<b>574,354,926</b>	<b>453,668,879</b>
Advances, prepayments and other receivables	61,681,844	(105,290,598)
Ijarah rentals receivable	(20,096,424)	(24,983,569)
Accrued profit	10,430,930	(8,127,368)
Short term murabaha investments	37,558,864	(154,043,341)
Short term musharakah investment	100,000,000	(97,500,000)
Investment in ijarah	134,486,912	255,002,468
Long term security deposits - ijarah	42,318,108	36,002,570
Long term murabaha investment	28,709,978	19,833,332
Long term sukuk certificate	4,941,801	4,000,000
<b>Increase/ (Decrease) in operating liabilities</b>	<b>(8,806,812)</b>	<b>28,582,683</b>
Creditors, accrued and other liabilities	(8,806,812)	28,582,683
<b>Net changes in working capital</b>	<b>391,225,201</b>	<b>(46,523,823)</b>
<b>Cash generated from operations</b>	<b>965,580,127</b>	<b>407,145,056</b>
Finance cost paid	(193,929,846)	(167,417,518)
Income taxes paid	(14,804)	(7,391)
Dividend income received	271,545	247,238
Profit received on bank deposits	397,199	626,582
<b>Net Cash from Operating Activities</b>	<b>772,304,221</b>	<b>240,593,967</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets under ijarah arrangements	(565,681,090)	(547,397,060)
Purchase of fixed assets under own use	(1,059,545)	-
Proceeds from disposal of fixed assets under own use	670,000	-
Proceeds from disposal of ijarah assets	58,724,822	5,166,081
Long term loans and deposits	(2,238,076)	(246,112)
<b>Net Cash Used in Investing Activities</b>	<b>(509,583,889)</b>	<b>(542,477,091)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Long term finances - net	(222,500,003)	132,499,995
Short term finances	(30,124,414)	198,293,657
Short term certificates of musharakah	(39,613,035)	40,314,408
Long term certificates of musharakah	64,038,077	(41,400,000)
Dividends paid	(25,246,171)	(24,704,040)
<b>Net Cash from / (Used in) Financing Activities</b>	<b>(253,445,546)</b>	<b>305,004,020</b>
<b>Net Increase in Cash and Cash Equivalents</b>	<b>9,274,786</b>	<b>3,120,896</b>
Cash and cash equivalents at the beginning of the year	<b>8,140,110</b>	<b>5,019,214</b>
<b>Cash and Cash Equivalents at the End of the Year</b>	<b>17,414,896</b>	<b>8,140,110</b>

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

CHIEF EXECUTIVE OFFICER  
Lahore: September 25, 2012

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

# FIRST NATIONAL BANK MODARABA

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2012

Particulars	Certificate Capital	Reserves			Total Equity
		Statutory reserve	Unappropriated profit	Total	
<b>Rupees</b>					
<b>Balance as at June 30, 2010</b>	<b>250,000,000</b>	<b>32,307,963</b>	<b>49,231,856</b>	<b>81,539,819</b>	<b>331,539,819</b>
Total comprehensive income for the year ended June 30, 2011	-	-	30,599,608	30,599,608	30,599,608
Transfer to statutory reserve	-	6,119,922	(6,119,922)	-	-
Profit distributed for the year ended June 30, 2010			(25,000,000)	(25,000,000)	(25,000,000)
<b>Balance as at June 30, 2011</b>	<b>250,000,000</b>	<b>38,427,885</b>	<b>48,711,542</b>	<b>87,139,427</b>	<b>337,139,427</b>
Total comprehensive income for the year ended June 30, 2012	-	-	27,636,518	27,636,518	27,636,518
Transfer to statutory reserve	-	5,527,304	(5,527,304)	-	-
Profit distributed for the year ended June 30, 2012			(25,000,000)	(25,000,000)	(25,000,000)
<b>Balance as at June 30, 2012</b>	<b>250,000,000</b>	<b>43,955,189</b>	<b>45,820,756</b>	<b>89,775,945</b>	<b>339,775,945</b>

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

CHIEF EXECUTIVE OFFICER  
Lahore: September 25, 2012

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2012

Note 1

### **Legal Status and Nature of Business**

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First National Bank Modaraba ("the Modaraba") is a multi-purpose, perpetual and multi-dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed thereunder. The Modaraba 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 the 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. It commenced its operations on December 04, 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharakah and murabaha arrangements.

Note 2

### **Basis of Preparation**

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#### **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 and directives issued by the Securities and Exchange Commission of Pakistan (the Modaraba Regulations). Approved accounting standards comprise of such International Financial Reporting Standards ("IFRSs") and the Islamic Financial Accounting Standards (IFASs) as are notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas under Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Wherever, the requirements of the Modaraba Regulations differ from the requirements of these standards, the requirements of the Modaraba Regulations take precedence.

#### **2.2 Accounting convention**

These financial statements have been prepared under the historical cost convention except for the measurement of certain financial instruments at fair value in accordance with the requirements of IAS-39 (Financial Instruments: Recognition and Measurement) and IFAS-1 (Murabaha).

#### **2.3 Functional and presentation currency**

These financial statements are presented in Pak Rupees which is Modaraba's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest Rupee unless otherwise stated.

Note 3

### **Use of Estimates and Judgments**

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The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under circumstances, results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Note 3, Use of Estimates and Judgments - Continued...

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 the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as under:

### **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, if any.

### **Short term investments**

The Modaraba has recorded its short term investments by using quotations from active market. This estimates is subjective in nature and therefore, cannot be determined with precision.

### **Ijarah rentals and Musharakah investments**

Ijarah rentals and murabaha investments are stated net of provision. Provision is recognised for ijarah rentals receivable and murabaha investment in accordance with the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP). Bad debts are written-off when identified.

Note 4

### **New and Revised Standards and Interpretations**

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International Accounting Standard Board (IASB) has made amendments into certain standards and further introduced new standards during the year. The standards that are not considered relevant or have any significant effect on the Modaraba's operations are not disclosed in these financial statements.

#### **4.1 Amendment to the published standards effective in current year and applicable to the Modaraba**

- IAS 24 – Related Party Disclosures; the amendments simplify the disclosure requirements for government related entities and clarify the definition of a related party. The revised standard provides a partial exemption for government related entities but still requires disclosures that are important to users of financial statements and eliminates requirements to disclose information that is costly to gather and of less value to users.
- IAS 34 – Interim Financial Reporting; the revised standard includes amendments in significant events and transactions.
- IFRS 7 - Financial Instruments: Disclosures; its requirements have been further amended that facilitate the users of financial statements in evaluating risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position. These requirements have increased the transparency in the reporting of transfer transactions, particularly those that involve securitization of financial assets.

The management assesses that the effect of adopting these standards and amendments to existing standards do not have any material impact on the financial statements of the Modaraba.

Note 4, Basis of Preparation - Continued...

**4.2** Amendments to published standards that are yet not effective and not early adopted by the Modaraba

- IAS 1 'Presentation of Financial Statement' (Amendment). This amendment has been issued as part of annual improvements project and is applicable on accounting periods beginning on or after January 1, 2013. The amendment clarifies the disclosure requirements for comparative information when an entity provides a third balance sheet. When an entity produces balance sheet as required by IAS 8 'Accounting policies, changes in accounting estimates and errors' in which case the balance sheet should be as at the date of the beginning of the preceding period i.e. the opening position. No notes are required to support this balance sheet. When management provides additional comparative information voluntarily e.g. statement of profit and loss, balance sheet, it should present the supporting notes to these additional statements.
- IAS 16 'Property, plant and equipment' (Amendment). This amendment has been issued as part of annual improvements project and is applicable on accounting periods beginning on or after January 1, 2013. The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment.
- IAS-19 'Employee Benefits': the amendments in the standard are effective for periods beginning on or after January 1, 2013. The amendments in the standard have eliminated the corridor approach resultantly recognizing the entire actuarial gains / losses in other comprehensive income as they are incurred. These amendments have also resulted in recognizing all the past service costs immediately and replaced the interest cost and expected return on plan assets with a net interest amount that would be calculated by applying the discount rate to the net defined liability / asset.
- IAS 32 - 'Financial instruments: Presentation' (Amendment). This amendment has been issued part of annual improvements project and is applicable on accounting periods beginning on or after January 1, 2013. Prior to the amendment, IAS 32 was ambiguous as to whether the tax effects of distributions and the tax effects of equity transactions should be accounted for in the income statement or in equity. The amendment clarifies that the treatment is in accordance with IAS 12. So, income tax related to distributions is recognized in the income statement, and income tax related to the costs of equity transactions is recognized in equity. The Modaraba will apply this amendment from July 1, 2013.

Note 5

**Summary of Significant Accounting Policies**

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**5.1 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.

**5.2 Receivables**

Receivables are due on normal trade terms. These are carried at original invoice amount less provision for doubtful debts, if any. Balances considered bad and irrecoverable are written off when identified.

**5.3 Murabaha investment**

Murabaha investments are stated net of provision against potential murabaha losses. Provision is recognized in accordance with Prudential Regulations for Modarabas issued by the SECP or on the estimate of management, whichever is higher. Bad debts are written off when identified. Murabaha receivables are recorded by the Modaraba at the invoiced amount and disclosed as such in the balance sheet.

Purchases and sales under murabaha and the resultant profit are accounted for on the culmination of murabaha transaction. However, the profit on that portion of sales revenue not due for payment is deferred and shown in the balance sheet as liability.

Note 5, Summary of Significant Accounting Policies - Continued...

## **5.4 Financial assets**

Financial assets in the scope of IAS 39, are classified as either financial assets at fair value through profit or loss, loans and receivable, held-to-maturity investments and / or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost. The Modaraba determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

### **5.4.1 Financial assets at fair value through profit or loss**

Financial assets classified as held for trading are included in the category ' Financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, if any, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in the profit and loss account.

### **5.4.2 Held-to-maturity**

Non-derivatives financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Modaraba has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments, that are intended to be held-to-maturity, are subsequently measured at amortized cost.

This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest rate method, of a difference between the initially recognised amount and the maturity amount. This calculation includes all fees and charges paid or received between parties to the contract that are an integral part of the effective interest rate, transaction cost and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in the profit and loss account and then the investments are derecognized or impaired, as well as, through the amortization process.

### **5.4.3 Loans and receivables**

Loans and receivables are not derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the profit and loss account when the loans and receivables are derecognized or impaired, as well as, through the amortization process.

### **5.4.4 Available-for-sale**

Available-for-sale financial assets are those non derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains and losses being recognized as a separate component of equity until the investments are derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid price at the close of business on the balance sheet date. For investments where there is no active market, value is determined using valuation techniques.

### **5.4.5 Trade date accounting**

All 'regular way' purchase and sale of quoted equity securities are recognized on the trade date i.e. the date that the Modaraba commits to purchase / sell the asset. 'Regular way' purchase or sale of quoted investments require delivery within three working days after the transaction date as per stock exchange regulations.

Note 5 - Summary of Significant Accounting Policies ... Contd.

## **5.5 Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are secured deposits against ijarah (lease) assets declared and unclaimed profit distribution and other liabilities.

## **5.6 Recognition and derecognition of financial instruments**

Financial assets are recognized initially at fair value or in case of financial asset that are not carried at fair value through profit or loss, at fair value plus transaction cost.

All financial assets and liabilities are recognized at the time when entity becomes party to the contractual provisions of the instrument and are derecognized in the case of asset, when the contractual rights under the instrument are derecognized, expired or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

Any gain / (loss) on the recognition and derecognition of financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

Assets and liabilities that are not of contractual nature and that are created as a result of statutory requirements imposed by the Government are not financial instruments of the Modaraba.

## **5.7 Offsetting of financial assets and financial liabilities**

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and the Modaraba intends to either settle on a net basis, or to recognize the asset and settle the liability simultaneously.

## **5.8 Musharakah investment**

Musharakah investments are stated net of provision. Provision is recognized in accordance with Prudential Regulations for Modarabas issued by the SECP or on the estimate of management, whichever is higher. Bad debts are written off when identified.

## **5.9 Lease (ijarah) accounting**

The Modaraba provides assets to its clients under ijarah agreements as approved by the Religious Board. Ijarah arrangements up to June 30, 2008 have been recorded in the books of accounts as finance lease in line with IAS-17 (Leases) and arrangements beginning on or after July 1, 2008 have been recorded in the books of accounts under IFAS-2 (Ijarah).

Under the ijarah arrangements up to June 30, 2008, 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.

As per the requirements of IFAS-2, the Modaraba has presented assets subject to ijarah in its balance sheet according to the nature of the asset, distinguished from the assets in own use. Income from ijarah is recognized on accrual basis, unless another systematic basis is more representative of the time pattern in which benefit of use derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the ijarah income are recognized as an expense.

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 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.

Note 5 - Summary of Significant Accounting Policies ... Contd.

## 5.10 Fixed assets

### Assets given to customers under ijarah arrangements

Assets given to customers under ijarah arrangements on or after July 01, 2008 are accounted for as operating lease and are stated at cost less accumulated depreciation and impairment loss, if any. Assets under ijarah arrangements are depreciated using the straight line basis over the shorter of ijarah term or asset's useful life. In respect of additions and transfer during the year, depreciation is charged proportionately to the period of ijarah.

### Assets in own use - Tangible

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Cost in relation to the assets comprises acquisition and other directly attributable costs. Subsequent costs are included in assets' carrying amounts when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. Carrying amount of parts so replaced, if any, is derecognized. All other repairs and maintenance are charged to income as and when incurred. Gain / loss on disposals are carried to the profit and loss account in the year of disposal.

Depreciation is charged to income using the straight line method at the rates as specified in note 18 to these financial statements so as to write off the cost of assets over their estimated useful lives without taking into account any residual value. Depreciation on additions to the tangible fixed assets is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

Carrying amounts of the Modaraba's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated and impairment loss is recognized in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the initial cost of the asset. A reversal of the impairment loss is recognized as income in the profit and loss account.

### Assets in own use - Intangible

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

## 5.11 Provisions

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

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for.

## 5.12 Creditors and other liabilities

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



Note 5 - Summary of Significant Accounting Policies ... Contd.

## 5.13 Revenue recognition

For lease (ijarah) agreements executed on or before June 30, 2008, 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 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 the Prudential Regulations for Modaraba issued by the SECP.

For lease (ijarah) agreements executed on or after July 01, 2008 lease rentals are recognized as income on accrual basis, as and when the rental becomes due over the lease period.

Profit on murabaha investment is recognized on pro-rata accrual basis, calculated on number of days for which funds are utilized.

Return on deposits with bank is recognized on accrual basis.

Profit on investment under musharakah 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.

Dividend income is recognized when the right to receive dividends is established.

Income from fee and commission is recognized as and when it becomes due.

## 5.14 Borrowing costs

Borrowing costs are charged to income as and when incurred except those costs that are directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

## 5.15 Taxation

Under the current tax law, the income of non-trading Modaraba is exempt from income tax provided that the Modaraba distributes ninety percent (90%) of its profits for the year, as cash dividend to the certificate holders, 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 the Modaraba after taking into account the available tax exemptions and tax credits, if any.

## 5.16 Profit distribution

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

## 5.17 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length on the same terms and conditions as are applicable to third party transactions or otherwise as approved by the Board of Directors.

Note 6

### Bank Balances

		2012	2011
	Note	Rupees	Rupees
Profit bearing bank accounts	6.1	17,003,564	7,961,563
Non profit bearing bank accounts		411,332	178,547
		<u>17,414,896</u>	<u>8,140,110</u>

**6.1** These carry profit at the rate of 1.50% to 2.00% (2011: 1.50% to 2.00%) per annum and also represent redemption reserve funds set aside by the Modaraba in compliance with the requirements of the Registrar Modarabas for the issuance of Certificates of Musharakah (refer to Note 9.1).

# FIRST NATIONAL BANK MODARABA

Note 7

## Advances, Prepayments and Other Receivables

	2012	2011
	Rupees	Rupees
Advances for ijarah (Secured - Considered good)	82,488,981	173,422,286
Advances for Murabaha (Secured - Considered good)	29,000,000	-
Advances to employees for expenses (Unsecured - Considered good)	281,851	23,055
Income tax deducted at source	562,620	547,816
Prepayments	161,109	185,418
Other receivable	40,390	23,416
	<u>112,534,951</u>	<u>174,201,991</u>

Note 8

## Accrued Profit

	2012	2011
	Rupees	Rupees
Murabaha investment	15,361,156	25,423,413
Musharakah investment	-	368,673
Bank deposits	123,059	256,428
	<u>15,484,215</u>	<u>26,048,514</u>

Note 9

## Short Term Investments

	2012	2011
	Rupees	Rupees
<b>At fair value through profit or loss</b>	Note 9.1	Rupees
Quoted		
National Bank of Pakistan		
- 39,826 (2011: 36,206) fully paid ordinary shares including		
- 20,516 (2011: 16,896) bonus shares		
- Market value per share is Rs. 43.54 (2011: Rs. 50.42)		
- Cost of investment is Rs. 4,507,810 (2011: Rs. 4,507,810)	1,734,024	1,825,507
	<u>1,734,024</u>	<u>1,825,507</u>

**9.1** This investment also represent redemption reserve funds set aside by the Modaraba in compliance with the requirements of the Registrar Modarabas for the issuance of Certificates of Musharakah. This fund is maintained at minimum of 5.00% of the Certificates of Musharakah outstanding at any month end (Refer to Note 6.1).

Note 10

## Short Term Murabaha Investments

	2012	2011
	Rupees	Rupees
	Note	Rupees
Short term murabaha investments (Secured)	693,884,627	731,443,491
Unearned murabaha income	27 27,401,767	29,808,155
	721,286,394	761,251,646
Less: allowance for potential murabaha losses	(25,363,636)	(13,500,000)
	<u>695,922,758</u>	<u>747,751,646</u>

**10.1** These represent investments under murabaha arrangements on deferred payment basis at specified profit margins. These investments carry profit at the rate of 13.14% to 16.76% (2011: 14.36% to 17.76%) per annum and are secured against charge over fixed and current assets, personal guarantees of directors of customer companies, demand promissory notes and post dated cheques varying from case to case basis.

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Note 11

## Short Term Musharakah Investment - Unsecured

This represented an unsecured investment with Albaraka Islamic Bank Limited under musharakah arrangement and carried profit at the rate of 13.25% (2011: 13.25%) per annum, effectively. The investment has been matured during the year.

Note 12

## Current Portion of Non-Current Assets

		2012	2011
	Note	Rupees	Rupees
Net investment in ijarah	13	35,156,314	120,169,184
Long term murabaha investments	14	21,326,766	39,982,249
Long term sukuk certificate	15	-	4,000,000
Long term loans and deposits	16	942,897	608,871
		<u>57,425,977</u>	<u>164,760,304</u>

Note 13

## Net Investment in Ijarah

		2012	2011
	Note	Rupees	Rupees
Minimum ijarah rentals receivable	13.1	126,965,822	216,142,107
Residual value		<u>21,259,971</u>	<u>69,717,236</u>
Gross investment in ijarah (Secured)	13.2	148,225,793	285,859,343
Unearned finance income		<u>(33,409,013)</u>	<u>(36,555,651)</u>
Net investment in ijarah	13.3	114,816,780	249,303,692
Less: Allowance for potential ijarah losses		<u>(4,920,743)</u>	<u>(4,920,743)</u>
Less: Current portion	12	<u>(35,156,314)</u>	<u>(120,169,184)</u>
		<u>74,739,723</u>	<u>124,213,765</u>

### 13.1 Minimum ijarah rentals receivable

Due within one year	39,024,993	103,445,612
Due after one year but not later than five years	<u>87,940,829</u>	<u>112,696,495</u>
	<u>126,965,822</u>	<u>216,142,107</u>

### 13.2 Gross investment in ijarah

Due within one year	75,165,332	179,783,747
Due after one year but not later than five years	<u>73,060,461</u>	<u>106,075,596</u>
	<u>148,225,793</u>	<u>285,859,343</u>

### 13.3 Net investment in ijarah

Due within one year	35,156,314	120,169,184
Due after one year but not later than five years	<u>74,739,723</u>	<u>124,213,765</u>
	<u>109,896,037</u>	<u>244,382,949</u>

### 13.4 General description of significant ijarah arrangements (IFAS-2)

The Modaraba has also entered into various ijarah arrangements carrying profit at the rate of 8.25% to 17.80% (2011: 14.18% to 18.26%) per annum. The arrangements are for three to five years' period. These are secured against assets under ijarah, personal / corporate guarantees, promissory notes given by lessees and other collaterals.

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Note 13 - Net Investment in Ijarah ... Contd.

**13.5** Aggregate amount of future Ijarah rentals receivable on the basis of ijarah arrangements executed from July 01, 2008 onwards are as follows:

	<b>2012</b>	<b>2011</b>
	Rupees	Rupees
Not later than one year	432,733,373	382,487,844
Later than one year and not later than five years	576,188,041	513,779,397
Later than five years	-	-
	<b>1,008,921,414</b>	<b>896,267,241</b>

**13.6** Assets given under ijarah arrangements are disclosed in Note 17 to these financial statements.

Note 14

## Long Term Murabaha Investments

		<b>2012</b>	<b>2011</b>
	Note	Rupees	Rupees
Long term murabaha investments (Secured)		54,581,689	83,291,667
Deferred murabaha income	27	4,616,662	6,553,310
		59,198,351	89,844,977
Less: allowance for potential murabaha losses		(7,636,364)	-
Less: Current portion	12	(21,326,766)	(39,982,249)
		<b>30,235,221</b>	<b>49,862,728</b>

**14.1** These represent investments under murabaha arrangements on deferred payment basis at a profit margin ranging from 14.36% to 17.36% (2011: 13.54% to 16.23%) per annum. These investments 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.

Note 15

## Long Term Sukuk Certificate - Secured

		<b>2012</b>	<b>2011</b>
	Note	Rupees	Rupees
Long term sukuk certificate		-	4,941,801
Less: Current portion		-	(4,000,000)
		-	<b>941,801</b>

**15.1** This represented sukuk certificate issued to Sitara Energy Limited under musharakah arrangement that carried profit at the rate of 15.73% (2011: 14.35%) per annum, effectively. This arrangement was matured during the year.

Note 16

## Long Term Loans and Deposits

		<b>2012</b>	<b>2011</b>
	Note	Rupees	Rupees
Loans to employees (Secured - considered goods)	16.1	4,334,087	2,096,011
Less: Current portion of loans to employees	12	(942,897)	(608,871)
		3,391,190	1,487,140
Security deposits		39,500	39,500
		<b>3,430,690</b>	<b>1,526,640</b>

**16.1** These loans are given to employees of the Modaraba for purchase of vehicles and carry profit at the rate of 5% (2011: 5.00%) per annum. Maximum aggregate balance due from employees at the end of any month during the year was Rs. 4,334,087 (2011: Rs. 2,096,011).

Note 17  
**Fixed Assets under Ijarah Arrangement**

Particulars	Cost			Rate	Depreciation			Written Down value as at 30-06-2012
	As at 01-07-2011	Additions	(Deletions)		Total as at 30-06-2012	As at 01-07-2011	Adjustment	
	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees
Plant and machinery	570,008,966	275,401,723	(87,064,890)	20 - 33.3%	143,082,978	(53,812,793)	152,569,292	241,839,477
Vehicles	527,540,188	290,279,367	(57,508,584)	20 - 33.3%	228,625,480	(38,865,028)	195,812,549	385,573,001
<b>Total Rupees 2012</b>	<b>1,097,549,154</b>	<b>565,681,090</b>	<b>(144,573,474)</b>		<b>371,708,458</b>	<b>(92,677,821)</b>	<b>348,381,841</b>	<b>627,412,478</b>

Particulars	Cost			Rate	Depreciation			Written Down value as at 30-06-2011
	As at 01-07-2010	Additions	(Deletions)		Total as at 30-06-2011	As at 01-07-2010	Adjustment	
	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	Rupees
Plant and machinery	284,003,594	303,820,914	(17,815,542)	20 - 33.3%	51,365,661	(17,815,542)	109,532,859	143,082,978
Vehicles	293,581,724	243,576,146	(9,617,682)	20 - 33.3%	107,297,822	(4,701,136)	126,028,794	228,625,480
<b>Total Rupees 2011</b>	<b>577,585,318</b>	<b>547,397,060</b>	<b>(27,433,224)</b>		<b>158,663,483</b>	<b>(22,516,678)</b>	<b>235,561,653</b>	<b>371,708,458</b>

Note 18  
**Fixed Assets under Own Use**

Particulars	As at 01-07-2011		Additions		Cost (Deletions)		Total as at 30-06-2012		Rate %	Depreciation			Written Down value as at 30-06-2012
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		As at 01-07-2011	Adjustment	For the year	
Vehicles	2,937,010	990,895	(640,000)	3,287,905	20	1,520,512	(501,333)	655,539	1,674,718	1,613,187			
Computers and accessories	972,697	18,650	-	991,347	33.33	972,697	-	2,590	975,287	16,060			
Electric equipment	325,764	50,000	-	375,764	20	325,764	-	16,665	342,429	33,335			
<b>Total Rupees 2012</b>	<b>4,235,471</b>	<b>1,059,545</b>	<b>(640,000)</b>	<b>4,655,016</b>		<b>2,818,973</b>	<b>(501,333)</b>	<b>674,794</b>	<b>2,992,434</b>	<b>1,662,582</b>			

Particulars	As at 01-07-2010		Additions		Cost (Deletions)		Total as at 30-06-2011		Rate %	Depreciation			Written Down value as at 30-06-2011
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		As at 01-07-2010	Adjustment	For the year	
Vehicles	2,937,010	-	-	2,937,010	20	933,110	-	587,402	1,520,512	1,416,498			
Computers and accessories	972,697	-	-	972,697	33.33	960,397	-	12,300	972,697	-			
Electric equipment	325,764	-	-	325,764	20	325,764	-	-	325,764	-			
<b>Total Rupees 2011</b>	<b>4,235,471</b>	<b>-</b>	<b>-</b>	<b>4,235,471</b>		<b>2,219,271</b>	<b>-</b>	<b>599,702</b>	<b>2,818,973</b>	<b>1,416,498</b>			

**18.1 Disposal of Vehicles**

Particulars	Cost	Accumulated Depreciation	Written down value	Sale proceeds	Gain / (loss)	Buyer Name	Mode of disposal
Suzuki Cultus LEJ 1979	640,000	(501,333)	138,667	670,000	531,333	Mr. Habib Ul Haq	Negotiation

Note 19

**Intangible Assets**

Particulars	As at 01-07-2011		Additions		Cost (Deletions)		Total as at 30-06-2012		Rate %	Depreciation			Written Down value as at 30-06-2012
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees		As at 01-07-2011	Adjustment	For the year	
Software and license fees	697,300	-	-	697,300	33.33	697,300	-	-	697,300	-			
<b>Total Rupees 2012</b>	<b>697,300</b>	<b>-</b>	<b>-</b>	<b>697,300</b>		<b>605,208</b>	<b>-</b>	<b>92,092</b>	<b>697,300</b>	<b>-</b>			
<b>Total Rupees 2011</b>	<b>697,300</b>	<b>-</b>	<b>-</b>	<b>697,300</b>		<b>605,208</b>	<b>-</b>	<b>92,092</b>	<b>697,300</b>	<b>-</b>			

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Note 20

## Creditors, Accrued and Other Liabilities

		<b>2012</b>	<b>2011</b>
	Note	Rupees	Rupees
Advances from customers		41,766,388	44,344,835
Modaraba Company's management fee (Unsecured)		1,348,724	7,059,585
Payable to modaraba management company (Unsecured)	20.1	-	370,212
Accrued expenses		526,000	429,500
Withholding tax payable		2,630	7,526
Dividends payable		587,206	833,377
Charity payable		473,717	712,613
		<u>44,704,665</u>	<u>53,757,648</u>

**20.1** This represented payable against utility services. Maximum aggregate amount due to modaraba management company at the end of any month during the year was Nil (2011: Rs. 370,212).

**20.2** This Modaraba has paid Rs. 712,613 (2011: Rs. 655,238) as charity to approved charitable institutions during the year.

Note 21

## Short Term Finance - Secured

		<b>2012</b>	<b>2011</b>
	Note	Rupees	Rupees
<b>Finance under musharakah arrangements</b>			
National Bank of Pakistan (NBP)	21.2	159,911,763	120,850,995
<b>Finance under murabaha arrangements</b>			
Other financial institutions	21.3	474,985,936	544,171,118
		<u>634,897,699</u>	<u>665,022,113</u>

**21.1** The aggregate unavailed short term borrowing facilities amount to Rs. 435.10 million (2011: Rs. 404.98 million).

### 21.2 Terms and conditions of borrowings

Purpose

This facility has been obtained from National Bank of Pakistan with sanctioned limit of Rs. 250 million (2011: 250 million) to meet the working capital requirements of the Modaraba. This facility has been renewed during the year.

Profit

Profit on this facility is charged @ 1 month KIBOR plus 1% (2011: one month KIBOR).

Securities

This facility is secured against:

First joint pari passu hypothecation charge on all present and future assets of Modaraba including leased assets and receivables against leased assets, musharakah and murabaha investments of the Modaraba

	<b>2012</b>	<b>2011</b>
	Rupees in Million	Rupees in Million

800

800

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Note 21 - Short Term Finance - Secured ... Contd.

## 21.3 Terms and conditions of borrowings

### Purpose

These facilities have been obtained from various banking companies with sanctioned limit of Rs. 820 million (2011: 820 million) to meet the working capital requirements of the Modaraba. These facilities have been renewed during the year.

### Profit

Profit on these facilities ranges from 1 to 6 months KIBOR plus 0.75% to 3.00% (2011: one month KIBOR plus 0.75% to 3.00%) per annum.

	<u>2012</u>	<u>2011</u>
	Rupees in Million	Rupees in Million
Securities		
These facilities are secured against:		
First pari passu charge on all present and future receivables of the Modaraba; joint pari passu charge over all leased assets; present and future current and non-current assets of the Modaraba and first pari passu hypothecation charge over present and future current assets of the Modaraba	911.11	1,000.33

Note 22

## Short Term Certificates of Musharakah - Unsecured

This represents Certificates of Musharakah through private placement. These certificates have different denominations and are repayable within twelve months. The estimated share of profit on these certificates ranges from 11.00% to 13.15% (2011: 11.00% to 13.65%) per annum.

Note 23

## Current Portion of Non-Current Liabilities

		<u>2012</u>	<u>2011</u>
	Note	Rupees	Rupees
Long term security deposits	24	62,561,620	68,409,954
Long term certificates of musharakah	25	28,800,000	-
Long term finance	26	244,999,996	336,666,667
Deferred murabaha income	27	29,018,554	34,832,070
		<u>365,380,170</u>	<u>439,908,691</u>

Note 24

## Long Term Security Deposits

		<u>2012</u>	<u>2011</u>
	Note	Rupees	Rupees
Security deposit - ijarah	24.1	238,363,875	196,045,767
Less: Current portion	23	<u>(62,561,620)</u>	<u>(68,409,954)</u>
		<u>175,802,255</u>	<u>127,635,813</u>

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



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Note 25

## Long Term Certificates of Musharakah - Unsecured

	Note	2012 Rupees	2011 Rupees
Certificates of Musharakah		142,638,077	78,600,000
Less: Current portion	23	(28,800,000)	-
		<u>113,838,077</u>	<u>78,600,000</u>

**25.1** This represents long term Certificates of Musharakah issued through private placement. These certificates have different denominations and carry profit ranging from 11.15% to 13.45% (2011: 12.49% to 14.75%) per annum.

Note 26

## Long-Term Finance - Secured

	Note	2012 Rupees	2011 Rupees
<b>Finance under Musharakah arrangements</b>			
National Bank of Pakistan	26.1	214,166,651	415,833,319
<b>Finance under Murabaha arrangements</b>			
Other financial institutions	26.2	212,500,004	233,333,339
		426,666,655	649,166,658
Less: Current portion	23	(244,999,996)	(336,666,667)
		<u>181,666,659</u>	<u>312,499,991</u>

**26.1** This represents various facilities aggregating Rs. 800 million (2011: Rs. 800 million) obtained from National Bank of Pakistan to bridge the gap between loan / lease repayments received and new loan/lease investments of Musharakah arrangements. These facilities are repayable by April 2014 through quarterly installments and carry profit payable at the rate of 3 months KIBOR plus 0.50% to 2.00% (2011: 3 months KIBOR plus 0.10% to 0.50%) per annum, payable quarterly. These facilities are secured against first joint pari passu charge of Rs. 1,040 (2011: Rs. 800) million on the assets of the Modaraba.

**26.2** This represents various facilities aggregating Rs. 525 million (2011: Rs. 438 million) obtained from various commercial banks. These facilities are repayable by December 2014 through quarterly / half-yearly installments and carry profit at the rate of 3 to 6 months KIBOR plus 1.50% to 3.00% (2011: 3 to 6 months KIBOR plus 1.50% to 3.00%) per annum, payable quarterly / half-yearly. These facilities are secured against first ranking pari passu hypothecation charge on all present and future moveable and leased assets of the Modaraba including ijarah, murabaha and musharakah assets along with their related receivables / rentals and ranking charge over assets of the Modaraba amounting to Rs. 567 million (2010: Rs. 493.5 million).

Note 27

## Deferred Murabaha Income

	Note	2012 Rupees	2011 Rupees
Short term murabaha investments	10	27,401,767	29,808,155
Long term murabaha investments	14	4,616,662	6,553,310
		32,018,429	36,361,465
Less: Current portion	23	(29,018,554)	(34,832,070)
		<u>2,999,875</u>	<u>1,529,395</u>

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Note 28

## Certificate Capital

	2012	2011		2012	2011
	Number of certificates			Rupees	
Authorized:					
	<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:					
	<u>25,000,000</u>	<u>25,000,000</u>	Modaraba Certificates of Rs. 10 each fully paid in cash	<u>250,000,000</u>	<u>250,000,000</u>

**28.1** There was no movement in certificate capital during the year.

**28.2** 7,500,000 (2011: 7,500,000) Certificates of modaraba are held by National Bank Modaraba Management Company Limited, an associated undertaking of the Modaraba.

Note 29

## Reserves

		2012	2011
	Note	Rupees	Rupees
Statutory reserve	29.1	43,955,189	38,427,885
Un-appropriated profit		<u>45,820,756</u>	<u>48,711,542</u>
		<u>89,775,945</u>	<u>87,139,427</u>

**29.1** Statutory reserve represents profit set aside in compliance with the requirements of Prudential Regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer at least 20% after tax profit, upto a maximum of 50% in the statutory reserves until the reserves equal 100% of the paid up capital. Thereafter, 5% of its profit after tax is to be transferred into the statutory reserve each year.

Note 30

## Contingencies and Commitments

### 30.1 Contingencies

There were no material contingencies as at June 30, 2012 (2011: Nil).

### 30.2 Commitments

These represents ijarah / murabaha facilities approved but not disbursed or partially disbursed amounting to Rs. 82,711,000 (2011: Rs. 111,998,949).

Note 31

## Income from Short Term Investments - Net

		2012	2011
	Note	Rupees	Rupees
Dividend income		271,545	217,238
Unrealized loss in value of short term investments	31.1	<u>(91,483)</u>	<u>(31,150)</u>
		<u>180,062</u>	<u>186,088</u>

### 31.1 Unrealized gain / (loss) in value of short term investments

Investment at fair value through profit or loss

Unrealized loss at the beginning of the year	2,682,303	2,651,153
Impairment loss on investment	<u>91,483</u>	<u>31,150</u>
Unrealized loss at the end of the year	<u>2,773,786</u>	<u>2,682,303</u>

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Note 32

## Other Income

	2012	2011
	Rupees	Rupees
Service charges	5,162,136	560,748
Documentation charges	6,275,382	6,206,130
Gain on termination of ijarah arrangements	6,829,169	249,535
Gain on disposal of fixed assets under own use	531,333	-
	<u>18,798,020</u>	<u>7,016,413</u>

Note 33

## Operating Expenses

		2012	2011
	Note	Rupees	Rupees
Salaries, allowances and other benefits	33.2	15,850,432	12,046,440
Communication expenses		353,438	248,281
Travelling and conveyance		432,830	161,186
Vehicle running expenses	33.3	308,520	194,580
Postage and stamps		58,719	75,655
Advertisement		54,630	102,880
Legal and professional charges		767,237	462,733
Fees and subscription		775,644	616,686
Repairs and maintenance		425,851	361,069
Insurance		285,306	177,154
Stationery, printing and other expenses		449,696	304,839
Depreciation / amortization:			
- Owned - tangible		674,794	599,702
- Intangible assets		-	92,092
Entertainment		222,933	105,115
Others		140,087	146,869
		<u>20,800,117</u>	<u>15,695,281</u>

**33.1** Office space, utilities and related expenditure are borne by National Bank Modaraba Management Company Limited.

### 33.2 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	
	2012	2011	2012	2011
	Rupees	Rupees	Rupees	Rupees
Salary	3,427,608	2,552,300	3,231,241	2,286,382
House rent allowance	1,713,816	1,220,232	1,130,822	1,082,913
Utilities	411,318	292,856	271,385	259,125
Bonus	1,621,129	1,422,972	824,724	726,644
Expenses reimbursed	1,523,459	742,626	1,694,930	1,460,390
	<u>8,697,330</u>	<u>6,230,986</u>	<u>7,153,102</u>	<u>5,815,454</u>
Number of persons	<u>5</u>	<u>4</u>	<u>11</u>	<u>11</u>

**33.3** The Chief Executive Officer and Senior Executives of the Modaraba are provided with free use of vehicles owned and maintained by the Modaraba.

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Note 34

## Finance Cost

	<b>2012</b>	<b>2011</b>
	Rupees	Rupees
Profit on musharakah finance	57,874,797	48,535,584
Profit on murabaha finance	105,642,410	103,930,776
Profit on certificate of musharakah	22,256,636	23,212,693
Bank charges	192,324	198,976
	<u>185,966,167</u>	<u>175,878,029</u>

Note 35

## Other Operating Expenses

		<b>2012</b>	<b>2011</b>
	Note	Rupees	Rupees
Allowance for potential loss in ijarah and short term murabaha investments		19,500,000	12,000,000
Auditors' remuneration	35.1	465,300	423,000
		<u>19,965,300</u>	<u>12,423,000</u>

### 35.1 Auditors' remuneration

Audit fee	275,000	250,000
Review of half yearly financial statements and other certifications	154,000	140,000
Out of pocket expenses	36,300	33,000
	<u>465,300</u>	<u>423,000</u>

Note 36

## Modaraba Company's Management Fee

In accordance with Section 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, management fee @ 10% of annual profits is paid to the Modaraba Management Company.

Note 37

## Earnings per Modaraba Certificate - Basic and Diluted

	<b>2012</b>	<b>2011</b>
	Rupees	Rupees
The calculation of the basic earnings per modaraba certificate is based on the following data:		
Profit for the year (Rupees)	<u>27,636,518</u>	<u>30,599,608</u>
Weighted average number of modaraba certificates outstanding (Numbers)	<u>25,000,000</u>	<u>25,000,000</u>
Earnings per certificate - basic (Rupees)	<u>1.11</u>	<u>1.22</u>

**37.1** Basic earnings per modaraba certificate have been computed by dividing profit for the year as stated above with weighted average number of the Modaraba certificates.

**37.2** There is no dilutive effect on the basic earnings per modaraba certificate.

# ANNUAL REPORT 2012

Note 38

## Maturity of Assets and Liabilities

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	Rupees	Rupees	Rupees	Rupees	Rupees

### Assets

Bank balances	17,414,896	-	-	-	-	17,414,896
Ijarah rentals receivables	36,533,624	20,184,207	4,421,084	-	-	61,138,915
Advances, prepayments and other receivables	67,245,381	37,151,930	8,137,640	-	-	112,534,951
Accrued profit	7,921,861	4,733,717	2,828,637	-	-	15,484,215
Short term investments	1,734,024	-	-	-	-	1,734,024
Short term morabaha investment - secured	189,203,134	150,918,256	355,801,368	-	-	695,922,758
Short term musharikhah investment - unsecured	-	-	-	-	-	-
Net investment in ijarah	4,241,613	7,675,935	23,238,766	74,739,722	-	109,896,036
Long term morabaha investment - secured	4,928,540	1,907,779	6,854,083	37,871,584	-	51,561,986
Long term musharikhah investment - secured	-	-	-	-	-	-
Long term loans and deposits	78,575	157,150	707,173	3,430,690	-	4,373,588
Fixed assets	42,508,883	70,360,840	267,709,772	512,327,380	-	892,906,875
<b>June 30, 2012</b>	<b>371,810,531</b>	<b>293,089,814</b>	<b>669,698,523</b>	<b>628,369,376</b>	<b>-</b>	<b>1,962,968,244</b>
June 30, 2011	441,133,413	462,438,935	394,457,257	868,113,968	1,429,117	2,167,572,690

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	Rupees	Rupees	Rupees	Rupees	Rupees

### Liabilities

Creditors, accrued and other liabilities	3,055,794	13,284,285	28,364,586	-	-	44,704,665
Accrued profit payable	1,553,415	6,753,075	14,419,154	-	-	22,725,644
Short term finances - secured	34,134,597	54,615,078	546,148,024	-	-	634,897,699
Short term certificates of musharikhah - unsecured	12,632,363	7,169,717	55,795,601	5,579,574	-	81,177,255
Long term security deposits	19,300,066	35,229,192	79,158,433	104,676,184	-	238,363,875
Long term certificates of musharikhah - unsecured	20,340,725	45,235,083	43,113,035	33,949,234	-	142,638,077
Long term finance - secured	9,164,861	30,537,424	205,297,711	181,666,659	-	426,666,655
Deferred morabaha income	8,260,957	8,696,497	12,061,100	2,999,875	-	32,018,429
<b>June 30, 2012</b>	<b>108,442,778</b>	<b>201,520,351</b>	<b>984,357,644</b>	<b>328,871,526</b>	<b>-</b>	<b>1,623,192,299</b>
June 30, 2011	266,650,312	307,674,247	736,864,962	518,981,592	262,150	1,830,433,264
<b>June 30, 2012</b>	<b>263,367,753</b>	<b>91,569,463</b>	<b>(314,659,121)</b>	<b>299,497,850</b>	<b>-</b>	<b>339,775,945</b>
June 30, 2011	174,483,101	154,764,688	(342,407,705)	349,132,376	1,166,967	337,139,427

### Represented by:

Certificate capital  
Reserves

2012	2011
Rupees	Rupees
250,000,000	250,000,000
89,775,945	87,139,427
<b>339,775,945</b>	<b>337,139,427</b>

# FIRST NATIONAL BANK MODARABA

Note 39

## Segment Analysis

### 39.1 Geographical segments

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

### 39.2 Business segments

#### Net investment in ijarah (IAS - 17)

	2012		2011	
	Rupees	%	Rupees	%
Auto and assemblers	-	-	-	-
Chemicals and pharmaceuticals	-	-	12,924,903	5.18
Education	483,130	0.42	6,603,873	2.65
Energy	-	-	-	-
Engineering and construction	-	-	-	-
Fabrics	-	-	5,320,524	2.13
Financial institutions	-	-	-	-
Food and beverages	-	-	766,909	0.31
Glass and ceramics	-	-	-	-
Information technology	-	-	968,964	0.39
Leather and shoe industries	-	-	-	-
Media and advertising	-	-	218,726	0.09
Poultry feed	-	-	3,122,570	1.25
Rubber and tyre	-	-	17,673,544	7.09
Sugar	32,096,764	27.95	61,035,637	24.48
Telecommunication	-	-	-	-
Textile	79,126,172	68.92	127,217,342	51.03
Miscellaneous	3,110,714	2.71	13,450,700	5.40
	<u>114,816,780</u>	<u>100</u>	<u>249,303,692</u>	<u>100</u>

#### Murabaha investment

Allied and engineering	62,499,501	8.35	-	-
Auto and assemblers	10,900,000	1.46	69,900,000	8.58
Cable and electric goods	13,431,745	1.79	26,666,668	3.27
Educational institution	3,006,654	0.40	3,000,000	0.37
Energy	30,855,867	4.12	30,000,000	3.68
Leather and shoe industries	28,113,200	3.76	35,000,000	4.30
Media and advertising	3,183,091	0.43	4,545,455	0.56
Paper and board	57,396,941	7.67	97,500,000	11.97
Rice paddy	16,638	0.00	7,500,000	0.92
Sugar	116,262,192	15.53	145,000,000	17.80
Textile	360,527,603	48.17	338,123,035	41.50
Paints	62,272,884	8.32	57,500,000	7.06
	<u>748,466,316</u>	<u>100</u>	<u>814,735,158</u>	<u>100</u>

#### Musharakah investment

Energy	-	-	4,941,801	4.71
Financial institutions	-	-	100,000,000	95.29
	-	-	<u>104,941,801</u>	<u>100</u>

# ANNUAL REPORT 2012

Note 39 - Segment Analysis ... Contd.

## Investment in ijarah under (IFAS-2)

	2012		2011	
	Rupees	%	Rupees	%
Auto and assemblers	53,350,541	5.99	21,373,707	2.94
Cable and electric goods	-	-	13,173,090	1.81
Chemicals and pharmaceuticals	28,614,886	3.21	8,590,077	1.18
Construction and building products	29,561,277	3.32	3,743,425	1
Education	924,129	0.10	657,000	0.09
Fabrics	19,272,864	2.16	31,682,423	4.36
Fertilizers	-	-	484,120	0.07
Financial institution	60,933,742	6.84	96,838,886	13.34
Food and beverages	35,746,802	4.01	40,927,815	5.64
Glass and ceramics	8,148,651	0.91	15,752,565	2.17
Information technology	16,857,005	1.89	21,421,029	2.95
Leather and shoe industry	22,546,202	2.53	17,760,625	2
Media advertising	704,640	0.08	8,405,736	1.16
Plastic	-	-	2,270,565	0.31
Poultry feed	18,562,202	2.08	34,698,413	4.78
Rubber and tyres	18,242,481	2.05	37,309,104	5.14
Sugar	195,420,786	21.93	91,800,000	13
Textile	245,370,682	27.53	219,734,389	30.27
Transport	-	-	14,200,000	2
Telecommunication	13,950,889	1.57	-	-
Hotel / Shopping Mall	37,099,234	4.16	-	-
Individuals	62,816,637	7.05	-	-
Miscellaneous Services	23,120,642	2.59	45,017,726	6.20
	<u>891,244,292</u>	<u>100</u>	<u>725,840,695</u>	<u>100</u>

Note 40

## Balances and Transactions with Related Parties

Related parties comprise associated companies, directors and key management personnel. The Modaraba in the normal course of business carries out transactions with various related parties. Remuneration of key management personnel is disclosed in note 33.2 to these financial statements.

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

40.1 Balances outstanding at the year end	2012	2011
	Rupees	Rupees
National Income Daily Accounts (NIDA) with National Bank of Pakistan (running balances)	15,835,593	7,129,661
Finances under musharakah arrangement from National Bank of Pakistan	374,078,414	536,684,314
Net investment in ijarah to National Bank of Pakistan	53,292,449	97,459,486
Current accounts with National Bank of Pakistan	581,698	817,856
Balance payable to Modaraba Management company	1,348,724	7,429,797

# FIRST NATIONAL BANK MODARABA

Note 40 - Balances and Transactions with Related Parties ... Contd.

## 40.2 Transactions with related parties

Related party	Relationship	Nature of transaction		
National Bank of Pakistan	Management Company's holding company	Musharakah obtained - net	10,000,000	300,000,000
		Musharakah repaid - net	232,530,299	222,550,559
		Ijarah disbursed	1,875,000	74,433,370
		Ijarah repaid	46,042,037	44,808,054
		Profit paid	62,135,723	47,120,133
		Profit on ijarah earned	13,009,652	14,468,553
National Bank Modaraba management Company Limited	Management Company	Management fee	3,070,724	3,399,957

Transactions with related parties, except the management fee payable to the management company, are carried at an arm's length in the normal course of business.

Note 41

## Capital Risk Management

While managing capital, the objectives of the Modaraba are to ensure that it continues to meet the going concern assumption, enhance certificate holders' wealth and meets stakeholders' expectations. The Modaraba ensures its sustainable growth viz. maintaining optimal capital structure and keeping its profits payable low thus maintaining smooth capital management.

In line with others in the industry, the Modaraba monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated by adding equity, as shown in the balance sheet, into net debt.

As on the balance sheet date, the gearing ratio of the Modaraba was as under:

	<b>2012</b>	<b>2011</b>
	Rupees	Rupees
Total borrowings	1,061,564,354	1,314,188,771
Cash and bank balances	(17,414,896)	(8,140,110)
<b>Net Debt</b>	<b>1,044,149,458</b>	<b>1,306,048,661</b>
<b>Equity</b>	<b>339,775,945</b>	<b>337,139,427</b>
<b>Total Capital</b>	<b>1,383,925,403</b>	<b>1,643,188,088</b>
<b>Gearing Ratio</b>	<b>75.45%</b>	<b>79.48%</b>



Note 42

## Financial Risk Management

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**42.1** The Modaraba has exposure to the following risks from its use of financial instruments:

Credit risk  
Liquidity risk  
Market risk

The Board of Directors of Modaraba Management Company "the Board" has overall responsibility for the establishment and oversight of the Modaraba's risk management framework. The Board is responsible for developing and monitoring the Modaraba's risk management policies.

The Modaraba's risk management policies are established to identify and analyze the risks faced by the Modaraba, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Modaraba's activities. The Modaraba, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Modaraba's Audit Committee oversees how the management monitors compliance with the Modaraba's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Modaraba. The Audit Committee is assisted in its oversight role by the Internal Audit Department.

### **42.2 Credit Risk:**

#### **42.2.1 Credit risk and concentration of credit risk**

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties to the financial instruments fail to perform as contracted. The Modaraba is exposed to credit risk from its operating activities (primarily from investments in ijarah, murabaha and musharakah contracts), deposits with banks and financial institutions and other financial instruments.

#### **42.2.2 Credit risk related to receivables**

The Modaraba has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Modaraba only transacts with those counter parties that are rated the equivalent of investment grade and above. The Modaraba has internally developed rating criteria to rate its customers which is supplemented by ratings supplied by independent rating agencies, where available. The Modaraba also uses other publicly available financial information and its own trading records to rate its customers. The Modaraba's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The management monitors and limits the 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.

#### **42.2.3 Credit risk related to financial instruments and cash deposits**

The Modaraba limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a track record. Given these high credit ratings, the management does not expect any counterparty to fail to meet its obligations, except to the extent of impairment loss recognized.

# FIRST NATIONAL BANK MODARABA

Note 42 - Financial Risk Management ... Contd.

## 42.2.4 Exposure to credit risk

Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Financial assets	Note	2012 Rupees	2011 Rupees
Bank balances	6	17,414,896	8,140,110
Ijarah rentals receivable		61,138,915	41,042,491
Advances, prepayments and other receivables	7	82,811,222	173,468,757
Accrued profit	8	15,484,215	26,048,514
Short term investments	9	1,734,024	1,825,507
Short term murabaha investment - secured	10	721,286,394	761,251,646
Short term musharakah investment - unsecured	11	-	100,000,000
Net investment in ijarah	13	114,816,780	249,303,692
Long term murabaha investment - secured	14	59,198,351	89,844,977
Long term sukuk certificate	15	-	4,941,801
Long term loans and deposits	16	3,430,690	1,526,640
		<u>1,077,315,487</u>	<u>1,457,394,135</u>

Geographically all credit exposure is concentrated in Pakistan.

The maximum exposure to credit risk for receivables at the reporting date by type of customer was:

	2012 Rupees	2011 Rupees
Auto and assemblers	64,250,541	91,273,707
Allied and engineering	62,499,501	-
Cable and electric goods	13,431,745	39,839,758
Chemicals and pharmaceuticals	28,614,886	21,514,980
Construction & Building Products	29,561,277	3,743,425
Education	4,413,913	10,260,873
Energy	30,855,867	30,000,000
Fabrics	19,272,864	37,002,947
Fertilizer	-	484,120
Financial institutions	60,933,742	196,838,886
Food and beverages	35,746,802	41,694,724
Paper and board	57,396,941	97,500,000
Glass and ceramics	8,148,651	15,752,565
Information technology	16,857,005	22,389,993
Leather and shoe industries	50,659,402	52,760,625
Media and advertising	3,887,731	13,169,917
Poultry feed	18,562,202	37,820,983
Rubber and tyre	18,242,481	54,982,648
Sugar	343,779,742	297,835,637
Telecommunication and media	13,950,889	-
Textile	685,024,457	685,074,765
Transport	-	14,200,000
Rice paddy	16,638	7,500,000
Paints	62,272,884	57,500,000
Plastic	-	2,270,565
Hotel / Shopping Mall	37,099,234	-
Individuals	62,816,637	-
Miscellaneous	26,231,356	63,410,227
	<u>1,754,527,388</u>	<u>1,894,821,345</u>

# ANNUAL REPORT 2012

Note 42 - Financial Risk Management ... Contd.

The maximum exposure to credit risk for financial assets at the reporting date by mode of financing was:

	<b>2012</b>	<b>2011</b>
	Rupees	Rupees
Net investment in ijarah	114,816,780	249,303,692
Murabaha investments	780,484,745	851,096,623
Musharakah investments	-	104,941,801
	<u>895,301,525</u>	<u>1,205,342,116</u>

## Impairment losses

The aging of financial assets at the reporting date was:

	Gross	Impairment	Gross	Impairment
	2012	2012	2011	2011
	Rupees	Rupees	Rupees	Rupees
Not past due	728,352,055	37,920,743	973,847,351	18,420,743
Past due 0-90 days	131,509,672	-	180,456,379	-
Past due 90-180 days	35,439,798	-	51,038,386	-
	<u>895,301,525</u>	<u>37,920,743</u>	<u>1,205,342,116</u>	<u>18,420,743</u>

## 42.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

The maturity profile of the Modaraba's financial liabilities based on contractual amounts is disclosed in Note 38 to the financial statements.

### 42.3.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Modaraba's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

### 42.3.2 Exposure to currency risk

The Modaraba has no exposure to foreign currency risk at balance sheet date.

### 42.3.3 Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial asset and liability at fair value through profit or loss and does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would affect the profit or loss. A change of 100 basis points in interest rates would have increased or decreased equity by Rs. 3.4 (2011: 3.3) million.

Note 42 - Financial Risk Management ... Contd.

#### **42.3.4 Other market price risk**

The Modaraba is following a policy to set aside funds, to comply with the requirements of the registrar Modarabas for the issuance of certificate of musharakah at minimum of 5.00% of the certificate of musharakah outstanding at any month end, keeping the fund invested in specified equity investments. The primary goal of the Modaraba's equity investment strategy is to maximise investment returns on funds. The Modaraba adopts a policy to minimize its price risk by investing in liquid securities. In accordance with this strategy certain investments are designated at fair value through profit or loss because their performance is actively monitored and they are managed on a fair value basis. Equity price risk arises from measurement of investments at fair value through profit or loss.

#### **42.3.5 Sensitivity analysis - equity price risk**

A change of Rs. 5 in value of investments at fair value through profit or loss would have increased or decreased equity by Rs. 199,091 (2011: Rs. 181,030).

#### **42.3.6 Fair value of financial assets and liabilities**

The carrying value of financial assets and liabilities approximate their fair values.

Note 43

#### **Date of Authorization for Issue**

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These financial statements were authorized for issue on September 25, 2012 by the Board of Directors of First National Bank Modaraba Management Company.

Note 44

#### **Profit Distribution**

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The Board of Directors of Modaraba Management Company in their meeting held on September 25, 2012 have declared a final profit distribution of Rs. 1 (2011: Rs. 1) per Modaraba certificate which in total amounts to Rs. 25,000,000 (2011: Rs. 25,000,000).

Note 45

#### **General**

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Corresponding figures have been re-arranged / reorganised, wherever necessary, for better presentation of the financial statements. No material rearrangements / reclassifications have been made in these financial statements.

CHIEF EXECUTIVE OFFICER  
Lahore: September 25, 2012

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

# ANNUAL REPORT 2012

## PATTERN OF CERTIFICATE HOLDING AS ON JUNE 30, 2012

Number of ShareHolders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
81	1 -	100	4,152	0.02
413	101 -	500	193,650	0.77
220	501 -	1000	206,378	0.83
219	1001 -	5000	620,861	2.48
81	5001 -	10000	660,151	2.64
19	10001 -	15000	241,890	0.97
14	15001 -	20000	270,072	1.08
15	20001 -	25000	347,990	1.39
11	25001 -	30000	309,873	1.24
6	30001 -	35000	196,749	0.79
4	35001 -	40000	160,000	0.64
2	40001 -	45000	87,500	0.35
1	45001 -	50000	49,900	0.20
3	50001 -	55000	158,772	0.64
2	55001 -	60000	117,500	0.47
1	60001 -	65000	61,000	0.24
1	65001 -	70000	65,500	0.26
1	70001 -	75000	72,333	0.29
3	75001 -	80000	229,995	0.92
1	80001 -	85000	81,935	0.33
1	85001 -	90000	86,500	0.35
4	95001 -	100000	400,000	1.60
1	110001 -	115000	115,000	0.46
2	115001 -	120000	236,840	0.95
1	120001 -	125000	122,504	0.49
1	130001 -	135000	132,500	0.53
1	140001 -	145000	145,000	0.58
1	145001 -	150000	150,000	0.60
2	155001 -	160000	316,900	1.27
1	175001 -	180000	178,500	0.71
1	185001 -	190000	185,200	0.74
1	195001 -	200000	200,000	0.80
1	260001 -	265000	262,410	1.05
1	270001 -	275000	273,998	1.10
1	290001 -	295000	291,600	1.17
1	305001 -	310000	308,487	1.23
1	350001 -	355000	355,000	1.42
1	415001 -	420000	416,895	1.67
1	445001 -	450000	446,030	1.78
1	515001 -	520000	517,747	2.07
1	580001 -	585000	584,500	2.34
1	665001 -	670000	670,000	2.68
1	975001 -	980000	978,000	3.91
2	995001 -	1000000	2,000,000	8.00
1	1660001 -	1665000	1,663,000	6.65
1	2325001 -	2330000	2,327,188	9.31
1	7495001 -	7500000	7,500,000	30.00
<b>1,131</b>			<b>25,000,000</b>	<b>100.00</b>

# FIRST NATIONAL BANK MODARABA

## CATEGORIES OF CERTIFICATE HOLDERS AS ON JUNE 30, 2012

Sr. #	Category	No. of Certificate Holders	Certificates held	Percentage of Total Capital
1	Individuals	1,105	12,197,987	48.7919
2	Insurance Companies	1	65,500	0.2620
3	Joint Stock Companies	15	3,490,882	13.9635
4	Financial Institutions	1	978,000	3.9120
5	Modarabas	1	20,000	0.0800
6	Modarabas Management Cos	1	7,500,000	30.0000
7	Funds	5	423,733	1.6949
8	Others	2	323,898	1.2956
TOTAL:		1,131	25,000,000	100.0000

**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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## CATEGORIES DETAILS AS ON JUNE 30, 2012

Category	Numbers of Certificates
<b>Insurance Companies</b>	
THE CRESCENT STAR INSURANCE CO. LTD.	65,500
<b>Joint Stock Companies</b>	
FAIR EDGE SECURITIES (PRIVATE) LIMITED	100
MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	100
INVEST CAPITAL MARKETS LIMITED	300
SHAFI SECURITIES (PVT) LIMITED	400
AMZ SECURITIES (PVT) LIMITED	500
DOSSLANI'S SECURITIES (PVT) LIMITED	500
AL-HAQ SECURITIES (PVT) LTD.	500
TREET CORPORATION LIMITED	5,102
IRFAN MAZHAR SECURITIES (PRIVATE) LTD.	9,500
STOCK MASTER SECURITIES (PRIVATE) LTD.	1,800
HAJI ABDUL SATTAR SECURITIES (PVT.) LIMITED	157,100
TREET CORPORATION LIMITED	262,410
TREET CORPORATION LIMITED	308,487
ASIAN SECURITIES LIMITED	416,895
1673 TREET CORPORATION LIMITED	2,327,188
<b>Financial Institutions</b>	
THE BANK OF PUNJAB, TREASURY DIVISION.	978,000
<b>Modarabas</b>	
FIRST ALNOOR MODARABA	20,000
<b>Modarabas Management Cos</b>	
NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED	7,500,000
<b>Funds</b>	
TRUSTEES-ABBASI & CO. PVT. LTD. EMPS.P.FUND	12,500
TRUSTEES-TREET CORPORATION LIMITED GROUP EMPLOYEES SUPERANNUATION FUND	26,033
TRUSTEES-TREET CORPORATION LIMITED GROUP E. SUPERANNVAT FUND	185,200
TRUSTEES-TREET CORPORATION LIMITED G.E.GRATUITY	100,000
TRUSTEE-TREET CORPORATION LTD. GROUP EMPLOYEES SERVICE FUND	100,000
<b>Others</b>	
TRUSTEES, ALOO & MINOCHER DINSHAW CHARITABLE TRUST	49,900
TRUSTEES OF TEACHERS RESOURCE CENTRE	273,998

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