



**FIRST
PUNJAB
MODARABA**

CORPORATE PROFILE

BOARD OF DIRECTORS

Punjab Modaraba Services (Pvt.) Ltd.

Hamesh Khan	Chairman/Director
Fawzi Khawaja	Chief Executive/Director
Azizul Hameed	Director
Nadeem Amir	Director
Shehryar A. Buksh	Director

CORPORATE SECRETARY/CFO (Officiating)

Ch. Muhammad Asghar

AUDIT COMMITTEE

Azizul Hameed	Chairman
Nadeem Amir	Member
Shehryar A. Buksh	Member
Ch. Muhammad Asghar	Secretary (Officiating)

AUDITORS OF THE MODARABA

KPMG Taseer Hadi & Co.
Chartered Accountants

AUDITORS OF THE MANAGEMENT COMPANY

Hameed Chaudhri & Co.
Chartered Accountants

BANKERS

The Bank of Punjab
Faysal Bank Limited
Bank Alfalah Limited
Emirates Global Bank Limited

REGISTRAR

Hameed Majeed Associates (Pvt.) Ltd.
H. M. House, 7-Bank Square,
The Mall, Lahore.
Tel: (042) 7235081-2

REGISTERED OFFICE

National Tower, 3rd Floor,
28-Egerton Road, Lahore.
Tel: (042) 6308702, 6315917 Fax: (042) 6308703
E-mail: info@punjabmodaraba.com.pk
Web: www.punjabmodaraba.com.pk



**FIRST
PUNJAB
MODARABA**

DIRECTORS' REPORT

On behalf of the Board of Directors of Punjab Modaraba Services (Pvt) Limited, (The Management Company of First Punjab Modaraba (FPM), we feel pleasure in presenting Half Yearly results of First Punjab Modaraba together with auditors Review Report, for the half year ending December 31, 2007, in accordance with the requirements of the Code of Corporate Governance issued by Securities & Exchange Commission of Pakistan.

The period under review has been very productive for the Modaraba, positive growth was witnessed in the Profitability and Balance Sheet. There was induction of new Quality Customers as well as expansion of facilities with existing relationship. The comparison below provides the progress of the Modaraba.

	Dec 31, 2007	June 30, 2007	Dec 31, 2006	%age increase over June 2007	(Rs. In Million) %age increase over Dec 06
Assets	2.747	1.798	1.691	52.78	62.45
Deposits	1.177	1.070	0.173	10.00	580.85
Profitability	51.115	26.210	28.673	95.02	78.27
EPS	1.50	0.77	0.84		

The above results show impressive increase in the Asset level, Profitability, Deposits and EPS over December 06 and June 07 periods.

The Board of Directors are grateful to the Registrar Modaraba, Securities & Exchange Commission of Pakistan for their valuable guidance and support as well as to the certificate holders for the confidence reposed in the management of the Modaraba. We would also like to thank the Management and staff of the Modaraba for their dedication, commitment and the good results achieved.

For & on behalf of the
Board of Directors

Lahore: February 23, 2008

Chief Executive



**FIRST
PUNJAB
MODARABA**

Independent Report on Review of Condensed Interim Financial Information to the certificate holders of First Punjab Modaraba

Introduction

We have reviewed the accompanying condensed interim balance sheet of First Punjab Modaraba ("the Modaraba") as at 31 December 2007 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity for the half year then ended (condensed interim financial information). Management Company of the Modaraba is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan relating to interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at 31 December 2007 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

We draw attention to note 2.2 and 2.3 to the condensed interim financial information regarding accounting for morabaha transactions and use of annuity method of depreciation respectively.

The figures for the quarter ended 31 December 2007 in the condensed interim profit and loss account have not been reviewed and we do not express an opinion on them.

Lahore: February 23, 2008

KPMG Taseer Hadi & Co.
(Chartered Accountants)



**FIRST
PUNJAB
MODARABA**

**CONDENSED INTERIM BALANCE SHEET (Un-audited)
AS AT DECEMBER 31, 2007**

		(Unaudited)	(Audited)
		31 December 2007 Rupees	30 June 2007 Rupees
ASSETS	<i>Notes</i>		
Non current assets			
Tangible fixed assets			
Assets leased out	5	1,359,416,258	792,315,250
Assets in own use		6,390,220	5,915,983
Long term morabaha finances - secured, considered good		33,000,000	-
Long term deposits		71,000	71,000
		<u>1,398,877,478</u>	<u>798,302,233</u>
Current assets			
Investments - available for sale	6	101,773,567	106,756,876
Short term morabaha finances- secured		1,015,085,717	662,972,414
Current maturity of long term morabaha finances - secured, considered good		33,538,285	83,538,285
Advances, deposits, prepayments and other receivables		143,921,617	97,127,364
Tax refundable		1,250,626	1,230,460
Cash and bank balances		52,433,681	48,221,783
		<u>1,348,003,493</u>	<u>999,847,182</u>
		<u>2,746,880,971</u>	<u>1,798,149,415</u>
EQUITY AND LIABILITIES			
Capital and reserves			
Authorised certificate capital: 50,000,000 (30 June 2007: 50,000,000) certificates of Rs. 10/-each		500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital		340,200,000	340,200,000
Reserve		141,928,754	123,777,841
		<u>482,128,754</u>	<u>463,977,841</u>
Non current liabilities			
Long term musharika finances - secured		533,486,850	27,739,425
Security deposits against leases		162,647,220	107,360,012
		<u>696,134,070</u>	<u>135,099,437</u>
Current liabilities			
Current maturity of security deposits against leases		34,099,836	36,208,430
Short term finances secured		289,612,750	185,852,000
Redeemable capital - participatory, unsecured		1,177,220,000	937,880,000
Accrued and other liabilities		67,685,561	39,131,707
		<u>1,568,618,147</u>	<u>1,199,072,137</u>
		<u>2,264,752,217</u>	<u>1,334,171,574</u>
Contingencies and commitments	7		
		<u>2,746,880,971</u>	<u>1,798,149,415</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Chief Executive

Director

Director



**FIRST
PUNJAB
MODARABA**

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

	Quarter Ended		Half Year Ended	
	December 31, 2007	December 31, 2006	December 31, 2007	December 31, 2006
	(Rupees)	(Rupees)	(Rupees)	(Rupees)
INCOME				
Lease rentals	124,803,717	89,428,460	220,348,126	175,303,608
Profit on morabaha finances	30,240,875	21,920,043	53,929,184	43,639,542
Profit on musharika finances	-	1,865,042	-	3,772,668
Return on investments	110,616	35,113	13,105,944	13,341,875
Other income	6,089,222	738,576	19,899,691	1,180,787
	<u>161,244,430</u>	<u>113,987,234</u>	<u>307,282,945</u>	<u>237,238,480</u>
EXPENSES				
Amortization of assets leased out	(71,970,413)	(70,467,797)	(140,004,757)	(139,166,854)
Administrative and general expenses	(6,184,167)	(3,304,893)	(8,091,248)	(5,898,734)
Financial and other charges	(54,561,714)	(29,847,480)	(87,705,168)	(60,314,521)
	<u>(132,716,294)</u>	<u>(103,620,170)</u>	<u>(235,801,173)</u>	<u>(205,380,109)</u>
	30,421,039	10,367,064	71,481,772	31,858,371
Bad debts written off	(23,542,609)	-	(23,542,609)	-
Provision for morabaha finances	(3,035,625)	-	(3,035,625)	-
Reversal of impairment provision on assets leased out	11,891,026	-	11,891,026	-
	<u>(14,687,208)</u>	<u>-</u>	<u>(14,687,208)</u>	<u>-</u>
	43,215,344	10,367,064	56,794,564	31,858,371
Modaraba Company's management fee	(4,321,534)	(1,036,706)	(5,679,456)	(3,185,837)
Profit for the period	<u>38,893,810</u>	<u>9,330,357</u>	<u>51,115,108</u>	<u>28,672,534</u>
Earnings per certificate - basic	<u>1.14</u>	<u>0.27</u>	<u>1.50</u>	<u>0.84</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Chief Executive

Director

Director



**FIRST
PUNJAB
MODARABA**

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

	(Un-audited) December 31, 2007 (Rupees)	(Un-audited) December 31, 2006 (Rupees)
Cash flow from operating activities		
Profit for the period before taxation	51,115,108	28,672,534
Adjustments for:		
Amortization of assets leased out	140,004,757	139,166,854
Depreciation of assets in own use	571,421	547,463
Gain on disposal of tangible fixed assets in own use	(2,697)	(21,100)
Gain on sale of investments - available for sale	(1,537,888)	-
Reversal of impairment loss on assets leased out	(11,891,026)	-
Gain on sale of assets leased out	(22,367,192)	-
Provision against doubtful morabaha finances	3,035,625	-
Bad debts expense	23,542,609	-
Diminution in the value of investments - available for sale	-	147,600
Profit on musharika finances	13,975,884	38,554,511
Profit on morabaha finances	13,011,588	7,667,588
Profit on certificates of musharika	60,690,584	14,092,422
Dividend income	(12,580,944)	(13,341,875)
	206,452,721	186,813,463
Operating profit before working capital changes	257,567,829	215,485,997
Working capital changes		
(Increase) in current assets:		
Morabaha finances	(302,113,303)	(82,019,370)
Prepayments and other receivables	(48,923,290)	(30,114,224)
	(351,036,593)	(112,133,594)
Increase/(decrease) in current liabilities:		
Musharika finances	150,000,000	22,832,959
Morabaha finances	(46,239,250)	-
Certificates of musharika	239,340,000	(42,810,000)
Accrued and other liabilities	1,407,966	366,200
	344,508,716	(19,610,841)
	(6,527,877)	(131,744,435)
Cash generated from operations	251,039,952	83,741,562
Purchase of assets leased out	(737,617,309)	(91,761,716)
Proceeds from transfer of assets leased out	21,068,018	1,108,728
Lease security deposits received	53,178,614	3,075,316
Lease security deposits refunded/adjusted	17,086,761	5,327,600
Long term		
Morabaha finances	(33,000,000)	80,000,000
Musharika finances	-	10,125,000
Profit paid on certificates of musharika	(40,370,617)	(14,002,529)
Profit paid on musharika finances	(14,949,336)	(43,886,837)
Profit paid on morabaha finances	(10,227,977)	(4,045,479)
Taxes adjusted	(489,918)	18,183
	(745,321,764)	(54,041,734)
Net cash (inused) generated from operating activities	(494,281,812)	29,699,828
Cash Flow from investing activities		
Purchase of fixed assets in own use	(1,048,655)	(439,300)
Purchase of investments available for sale	(59,785,933)	-
Proceeds from sale of assets in own use	5,694	354,119
Proceeds from sale of investments- available for sale	53,754,936	-
Dividend received	14,709,981	13,796,604
Net cash generated from investing activities	7,636,023	13,711,423
Cash Flow from financing activities		
Musharika finances	505,747,425	(13,446,327)
Profit distributed among the certificate holders	(14,889,738)	(30,130,915)
Net cash generated from/(used in) financing activities	490,857,687	(43,577,242)
Net decrease in cash and cash equivalents	4,211,898	(165,991)
Cash and cash equivalents at the beginning of the period	48,221,783	11,817,423
Cash and cash equivalents at the end of the period	52,433,681	11,651,432

Chief Executive

Director

Director



**FIRST
PUNJAB
MODARABA**

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

	Certificate Capital	Statutory Reserve	Fair Value Reserve	Unappropriated Profit	Total
	(Rupees)	(Rupees)	(Rupees)	(Rupees)	(Rupees)
Balance as at 1 July 2006	340,200,000	100,335,849	(3,176,901)	52,390,700	489,749,648
Profit the half year ended 31 December 2006				28,672,534	28,672,534
Transferred to statutory reserve @ 20%		5,734,507		(5,734,507)	-
Profit distribution for the year 2006 @					
Rs 1.5 per certificate				(51,030,000)	(51,030,000)
Net unrealized loss of investment- available for sale			(14,234,775)	-	(14,234,775)
Balance as at 31 December 2006	<u>340,200,000</u>	<u>106,070,356</u>	<u>(17,411,676)</u>	<u>24,298,727</u>	<u>453,157,407</u>
Balance as at 1 July 2007	<u>340,200,000</u>	<u>105,578,017</u>	<u>(4,129,547)</u>	<u>22,329,371</u>	<u>463,977,841</u>
Profit distribution for the year 2007 @					
Rs 0.6 per certificate				(20,412,000)	(20,412,000)
Profit for the half year ended					
31 December 2007				51,115,108	51,115,108
Transfer to statutory reserve		10,223,022		(10,223,022)	-
Net unrealized loss on investments -available for sale			(12,552,195)		(12,552,195)
Balance as at 31 December 2007	<u>340,200,000</u>	<u>115,801,039</u>	<u>(16,681,742)</u>	<u>42,809,457</u>	<u>482,128,754</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

Chief Executive

Director

Director



**FIRST
PUNJAB
MODARABA**

**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2007**

1 Status and nature of business

First Punjab Modaraba ("the Modaraba") was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (wholly owned subsidiary of the Bank of Punjab), a Company incorporated in Pakistan. The Registered Office of the Modaraba is situated at 3rd floor, National Tower, 28 Egerton Road, Lahore. The Modaraba commenced its business operations from 23 December 1992. The Modaraba is listed on all the stock exchanges in Pakistan.

The Modaraba is a perpetual modaraba and is primarily engaged in the business of leasing, musharika & morabaha financing, equity investment and other related businesses in accordance with the injunctions of Islam.

2 Basis of preparation

- 2.1 This condensed interim financial information is unaudited but subject to limited scope review by the external auditor as required by the Code of Corporate Governance and being submitted to the certificate holders as required under Rule 10 of Modaraba Companies and Modaraba Rules, 1981 and have been prepared in accordance with the requirements of the approved International Accounting Standards as applicable in Pakistan relating to Interim Financial Reporting. This condensed interim financial information does not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Modaraba for the year ended 30 June 2007.
- 2.2 During 2005, the Securities and Exchange Commission of Pakistan notified the Islamic Financial Accounting Standard-1. As per requirements of IFAS-1, the purchase and sale under morabaha financing and resultant profit is accounted for on culmination of morabaha transaction. The profit on sale revenue not due for payment is deferred and shown in balance sheet as liability with corresponding debit to unearned morabaha income. The standard has not been adopted by the Modaraba pending resolution of certain issues e.g., invoicing of goods, recording of inventories concurrent application with other approved accounting standards in place, etc. Further the adoption of IFAS-1 has no impact on the results of the Modaraba for current period.
- 2.3 The Modaraba has consistently followed annuity method of depreciation for assets given on lease. In view of the peculiar nature of the lease, the management considers that for a leased asset, the future economic benefit can be regarded as future lease rental and expected residual value at the end of the lease term. The annuity method produces depreciation profile broadly equalling the present value of future rentals receivable and hence the asset's fair value.
- 2.4 The SECP vide Circular No. 10 of 2004 dated 13 February 2004 has deferred, till further orders, the applicability of the IAS 17 "Leases" with effect from 01 July 2003. Accordingly, this IAS has not been taken into consideration for the purposes of preparation of this condensed interim financial information.



**FIRST
PUNJAB
MODARABA**

3 Accounting policies

The accounting policies and methods of computation applied for the preparation of this condensed interim financial information are same as those applied in preparation of the annual audited financial statements of the Modaraba for the year ended 30 June 2007.

4 Estimates

The preparation of condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the financial statements for year ended 30 June 2007.

	Assets leased out Rupees	Assets is own used Rupees	Total Rupees
5 Tangible fixed assets			
Book value as at 30 June 2007	792,315,250	5,915,983	798,231,233
Additions during the period:			
Plant and machinery	596,547,029	-	596,547,029
Vehicles	101,291,300	607,207	101,898,507
Office equipment	-	386,085	386,085
Furniture and fixtures	-	55,363	55,363
Consumer products	39,126,480	-	39,126,480
Staff finance	652,500	-	652,500
	737,617,309	1,048,655	738,665,964
Disposal during the period:			
Plant an machinery	(171,157,338)	-	(171,157,338)
Computers and accessories	-	-	-
Vehicle	(6,577,500)	-	(6,577,500)
Office equipment	-	(200,500)	(200,500)
Consumer products	(212,001)	-	(212,001)
Staff finance	(113,000)	-	(113,000)
	(178,059,839)	(200,500)	(178,260,339)
Net amortization/depreciation	(4,347,488)	(373,918)	(4,721,406)
Reversal of Impairment of provision	11,891,026	-	11,891,026
	-	-	-
Book value as at 31 December 2007	<u>1,359,416,258</u>	<u>6,390,220</u>	<u>1,365,806,478</u>



**FIRST
PUNJAB
MODARABA**

6 Short term investments - available for sale

All shares/certificates/units have face value of Rs.10 each except as otherwise stated .

No. of shares/certificate/units		Name of entity	December 2007		June 2007	
31 December 2007	30 June 2007		Cost	Carrying value at market price	Cost	Carrying value at market price
Number	Number		Rupees	Rupees	Rupees	Rupees
Quoted securities						
Mutual Funds						
146,799	146,799	PICIC Investment Fund	2,699,376	1,937,747	2,699,376	2,238,685
63,580	63,580	UTP Growth Fund	1,101,375	813,824	1,101,375	890,120
1,500,000	1,500,000	UTP Large Capital Fund	15,000,000	12,150,000	15,000,000	12,675,000
Investment & Commercial Banks						
33,952	33,952	Crescent Commercial Bank Limited	1,311,626	711,294	1,311,626	762,222
387	387	KASB Bank Limited	4,564	7,817	4,565	8,901
47	1,099	Standard Chartered Bank Pakistan Ltd.	233	2,256	13,636	145,454
5,000	-	National Bank of Pakistan	1,194,064	1,160,750	-	-
Textile Spinning						
10,000	10,000	Kohinoor Spinning Mills Ltd	80,100	52,500	80,100	51,000
Transport and Communication						
-	4,000	Pakistan Telecommunication Company Limited	-	-	235,726	228,000
Chemical and Pharmaceutical						
1,627	13,742	Searle Pakistan Limited	4,129	73,947	538,058	578,187
Cement						
50,000	-	Pakistan Cement Company Ltd.	621,873	570,000	-	-
Oil & Gas						
10,000	-	Pakistan Petroleum Ltd.	2,536,007	2,450,500	-	-
UNQUOTED SECURITIES						
Open-ended mutual funds						
30,290	25,169	UTP Islamic Fund (Par value per unit Rs. 500)	22,901,962	16,955,736	19,901,962	18,299,625
178,884	142,860	Pakistan Stock Market Fund	18,000,000	15,666,661	15,000,000	15,583,169
1,646,344	1,384,990	Pakistan Capital Market Fund	23,000,000	20,101,860	20,000,000	20,207,004
-	87,131	United Composite Fund.	-	-	10,000,000	10,010,481
45,106	38,808	United Stock Advantage Fund.	5,000,000	4,954,443	5,000,000	5,034,562
81,862	160,126	AKD Opportunity Fund.	5,000,000	4,936,279	10,000,000	10,039,900
-	7,158	Atlas Stock Market Fund.	-	-	5,000,000	4,980,894
81,699	81,699	UTP A-30 fund	5,000,000	4,446,877	5,000,000	5,023,672
370,568	-	Nafa Stock Fund	5,000,000	5,044,876	-	-
1,000,000	-	Nafa Islamic Multi Asset Fund	10,000,000	9,736,200	-	-
Total			118,455,309	101,773,567	110,886,424	106,756,876



**FIRST
PUNJAB
MODARABA**

7 Contingencies and commitments

7.1 Contingencies

There are no significant changes in the contingent liabilities since the last audited published financial statements except stated below:

The Bank of Punjab has marked lien on bank account of First Punjab Modaraba amounting to Rs. 16.820 million at the balance sheet date against letters of guarantee and letters of credit issued by The Bank of Punjab on behalf of First Punjab Modaraba for its customers.

7.2 Commitments

7.2.1 Lease commitments approved but not disbursed on balance sheet date amounting to Rs 303.951 million (June 2007 : Rs 15 million).

7.2.2 Morabaha finance commitments approved but not disbursed on balance sheet date amounting to Rs 85 million (June 2007 : Rs 140 million).

8 Taxation

Income of non trading modaraba is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders. The modaraba intends to continue availing the tax exemption and hence no provision have been made in these financial statements for tax liability for the period ended 31 December 2007.

	31 December 2007 Rupees	31 December 2006 Rupees
9 Transactions with related parties		
9.1 Punjab Modaraba Services (Private) Limited (Modarba's Management Company)		
Profit distribution paid	3,139,316	18,971,988
Management fee	5,679,456	2,303,901
9.2 The Bank of Punjab (Holding company of the Modarba's Management Company)		
Lease rental income	4,709,811	4,290,292
Lease contracts entered into during the period	15,627,100	4,728,500
Net book value of assets leased out	40,345,474	27,801,709
Lease security deposits	5,424,000	7,448,661



**FIRST
PUNJAB
MODARABA**

10 Date of authorization

This condensed interim financial information was authorized for issue on 23.02.2008 by the Board of Directors of the Management company.

11 General

Figures have been rounded off to the nearest rupee.

Chief Executive

Director

Director