



ANNUAL REPORT | 2017

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CORPORATE INFORMATION

Board of Directors*	Syed Irtiza Kazmi Khawaja Muhammad Amin-ul-Azam Khawaja Waheed Raza Mr. Jamal Nasim Mr. Muhammad Iqbal Hussain Mr. A Amir Amin Mr. Abbas Azam	Chairman Director Director Director Director Director Chief Executive Officer
Shari'ah Advisor	Mufti Ehsan Waquar Ahmed	
Chief Financial Officer/ Company Secretary	Mr. Ali Abbass	
Audit Committee	Mr Jamal Nasim Khawaja Muhammad Amin-ul-Azam Khawaja Waheed Raza Mr. A Amir Amin	Chairman Member Member Member
HR & Remuneration Committee	Khawaja Waheed Raza Khawaja Muhammad Amin-ul-Azam Mr. Muhammad Iqbal Hussain	Chairman Member Member
Shares Registrar	Hameed Majeed Associates (Pvt.) Limited H. M. House, 7 - Bank Square, Lahore Tel: 37235081-2, Fax: 37358817	
Auditors	Riaz Ahmad & Company Chartered Accountants	
Legal Advisor	Cornelius Lane & Mufti Advocates and Solicitors Nawa-i-Waqt House, 4-Shahrah-e-Fatima Jinnah, Lahore Tel.: 36360824, Fax: 36303301	
Bankers	National Bank of Pakistan Bank Alfalah Limited Al Baraka Islamic Bank Habib Bank Limited Allied Bank Limited MCB Bank Limited First Women Bank Limited Bank Islami Pakistan Limited United Bank Limited	
Registered Office	Ground Floor, NBP RHOs Building, 26-McLagon Road, Lahore Tel: 042-99211200, Fax: 042-99213247 URL: http://www.nbmodaraba.com E-mail: info@nbmodaraba.com	

* Subsequent to year end Mr. Irtiza Kazmi and Mr. Khawaja Muhammad Amin-ul-Azam were replaced by Mr. Rehmat Ali Hasnie and Mr. Jamal Baqar as NBP nominee director.

NOTICE OF 14TH ANNUAL REVIEW MEETING & BOOK CLOSURE

Notice is hereby given that the 14th Annual Review Meeting of certificate holders of First National Bank Modaraba will be held on Tuesday, October 31, 2017 at 11:00 a.m. at 4th Floor, NBP RHQs Building, 26 – McLagon Road, Lahore to review the performance of the Modaraba for the year ended June 30, 2017.

The Certificate Transfer Book will remain closed from October 21, 2017 to October 31, 2017 (both days inclusive) for the purpose of eligibility to attend the Annual Review Meeting.

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 20, 2017 will be eligible to attend the Annual Review Meeting. All transfers received in order, up to the close of business on October 20, 2017 at our Registrar's Office, Hameed Majeed Associates (Pvt.) Limited, H.M House, 7 – Bank Square, Lahore will be considered in time.

By order of the Board



Ali Abbass

Company Secretary

National Bank Modaraba Management Company Limited

Managers of First National Bank Modaraba

Lahore: October 05, 2017

Vision:

To offer Shariah compliant Islamic Financial Products in the financial market so as to achieve optimum customer satisfaction and develop sustainable business relationships.

Mission:

Promote an Islamic Financial Institution where values of management excellence, professionalism, human resource development are promoted such that interests of all stakeholders are safeguarded.



Annual Shari'ah Advisor's Report

I have conducted the *Shari'ah* review of First National Bank Modaraba managed by National Bank Modaraba Management Company Limited (NBMMCL), a wholly owned subsidiary of National Bank of Pakistan for the financial year ended June 30, 2017 in accordance with the requirements of the **Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas** and report that except the observations as reported hereunder, in my opinion:

- i. The Modaraba has introduced a mechanism for *Shari'ah* compliance and the systems, procedures and policies adopted by the Modaraba are in line with the *Shari'ah* principles;
- ii. No significant developments took place during the year.
- iii. the financing agreement(s) entered into by the Modaraba are *Shari'ah* compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met;
- iv. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the *Shari'ah* requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the *Shari'ah* Compliance and *Shari'ah* Audit Regulations for Modarabas
- v. Profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising product conform to the basis and principles of *Shari'ah*.
- vi. The earnings that have been realized from the sources or by means prohibited by *Shari'ah* have been credited to charity accounts.

Observation(s)

During my review, it has been observed that:

- i. FNBM is maintaining bank accounts with conventional Bank.
- ii. Financing from conventional Bank(s) have been secured.
- iii. No training was conducted for the staff

Recommendation(s)

Following are some recommendation:

- i. FNBM must maintain account in Islamic Banks/Islamic Windows of Conventional Banks only.
- ii. All credit lines with conventional banks must be replaced with Islamic Banking facilities. This must be done by December 31, 2017.

Conclusion

Based on the above-mentioned fact, I am of the view that the business operations of First National Bank Modaraba are Shariah compliant up to the best of my knowledge.

E.W. 

Mufti Ehsan Waqar Ahmad
Shariah Advisor

Signature

Mufti Ehsan Waqar

Shari'ah Advisor

Dated: October 3, 2017

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 14th annual accounts of FNBM for the period ended June 30, 2017. These accounts have been audited by the statutory auditors of the Modaraba and are accompanied by their audit report.

1. Sector Outlook:

	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2012
Balance Sheet Size	508,478,472	841,306,270	1,248,349,011	1,692,658,474	2,003,442,328	1,962,968,244
Total Equity	16,333,070	87,692,752	141,525,254	263,701,324	297,913,401	339,775,945
Total Operating & Other Income	179,801,462	314,368,924	451,401,503	558,123,884	567,094,855	605,820,667
Operating & Financial Exp.	(163,231,481)	302,048,194	460,444,217	592,335,961	583,957,399	575,113,425
Profit for the period	(71,359,682)	(53,832,502)	(122,176,070)	(34,212,077)	(16,862,544)	30,707,724
Modaraba Co.'s Management Fee	Nil	Nil	Nil	Nil	Nil	3,070,724
Net profit after tax	(71,359,682)	(53,832,502)	(122,176,070)	(34,212,077)	(16,862,544)	27,636,518
Earning per certificate (Rs.)	(2.85)	(2.15)	(4.89)	(1.37)	(0.67)	1.11
Return on Assets (%)	(13.9)	(6.39)	(9.76)	(2.01)	(0.83)	1.38
Return on Equity (%)	(436.9)	(21.52)	(87.14)	(12.92)	(5.65)	8
Dividend Paid (%)	Nil	Nil	Nil	Nil	Nil	10
Breakup value per certificate (Rs.)	0.64	3.50	5.64	10.52	11.88	13.56

2. Sector Outlook:

The economy during 2016-2017 more or less continued at the pace as it did in the last fiscal year; however the revival of the real sector of the economy did not come about as was anticipated considering the positives signal being given by rising stock market indices. Perhaps it was primarily because of investors' expectations about economy and political stability did not materialize, that the stock market shed almost 20% of its value by the end of the fiscal year. The energy shortage appears to have mitigated to some extent, however its impact on inducing investments in long term industrial projects was not visible. On the other hand the ongoing public sector investments in infrastructure and energy projects, once completed, will carry potential for inducing private and foreign investment in the real sector of the economy.

Financial sector in Pakistan also remained more or less steady. The sustainable performance of financial sector would, however, again depend on the growth of real sector. Under the circumstances the NBF and modaraba sectors have shown moderate returns during the period. Islamic financing carries good potential for the future and hence Modarabas can also prosper by developing their own niche markets through innovation and product development.

Going Concern Assumption

As a serious policy guideline, the Board ensured under all circumstances, that the charge of provisioning on non-performing portfolio is in line with existing regulations. The deterioration of the quality of assets booked long ago attracted substantial provisions. In order to keep provisions at the stipulated level the Modaraba has therefore been incurring losses.

Within its existing constraints and looking to the interest of all stakeholders, the Board of Directors of the parent bank, National Bank of Pakistan (NBP) in their board meeting held on 21 April 2017 authorized the Management Company to explore various appropriate options including the cessation of the operations of the Modaraba and management company. Consequently, the board of directors of the Management Company in their meeting held on the same date also passed a resolution to explore various options in order to achieve cessation of operations of the Modaraba. In this respect an appropriate decision will be taken in the best interest of the stakeholders, especially the certificate holders, with the approval & guidance of SECP.

Under the circumstances the going concern assumption was no longer valid. Accordingly these financial statements have been prepared using the non-going concern basis of accounting on estimated realizable / settlement values of the assets and liabilities respectively.

The external auditors have included an “emphasis of matter paragraph” in their audit report on going concern ability of FNBM and on the estimate of current realizable values of assets.

Review of Operations:

During the period under review, the management remained focused only on recovery from non-performing portfolio. Several recovery suits were initiated against defaulter parties, and some cash settlements were also made. Resultantly the overall classified portfolio declined notably from its last year amount. The regular portfolio performed well and generated income consistently.

The balance sheet size shrunk from Rs.841 million in the corresponding year to Rs.508 million this year. The Income from credit portfolio as well as the finance cost got proportionately lower. Despite general inflation the operating expenses were kept under control and were reduced by 6.2% from Rs.16 Million last year to Rs.15 Million this year. Furthermore mainly due to gain on sale of assets under Ijarah arrangements there has been an increase in operating profit by 25% from Rs.12 Million last year to Rs.16 Million this year. However due to charge of provisioning on account of valuation of some old NPLs to estimated current realizable values the net loss after tax for the year figured Rs.71 Million as against loss of Rs.54 Million last year. The loss per certificate accordingly remained at Rs.2.85 as against Rs.2.15 in the corresponding year. Had the accounts been prepared under going concern basis the EPC would have figured Rs.1.56.

Despite losses we were able to manage our liquidity such that FNBM did not default on any of the financial obligation to any of its financial institutions. During the period we completely paid off the outstanding balances all banks except for the parent bank NBP.

FNBM ensures conformity with the Shariah compliance and Shariah audit mechanism for Modarabas. In this respect Sharia'h Advisor's report is attached. The amounts advised by the Sharia'h advisor to be paid as charity, has been credited to the charity account. During the year, an amount of Rs.0.4 Million was paid as charity to approved charitable institutions as per policy approved by the board of directors.

Profit Distribution

Board in its meeting held on October 05, 2017 did not declare any dividends due to the aforementioned reasons.

3. Future Outlook:

Some major industrial sectors like textile sector have been in recession for last few years, consequently affecting their ability to honor obligations towards financial institutions. Since FNBM's classified portfolio is substantially exposed to textile sector, the challenge before FNBM remains the recovery of this exposure. In the meantime options are being explored in the best interest of the certificate holders.

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, unless otherwise stated in financial statements, 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.
- 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 of the view that Modaraba may not be able to confirm to the regulation concerning its going concern ability.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations except for those specifically mentioned in the statement of compliance with the CCG.
- There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding as on June 30, 2017 except those disclosed in the financial statements.
- During the year ended June 30, 2017 eight (07), meetings of the Board of Directors were held. Besides (04) four Audit committee and (03) one HR Committee meetings were also held. Attendance by each directors is as follows:

Name	No. of Attendance		
	Board	Audit Committee	HR Committee
i. Syed Hasan Irtiza Kazmi	6	N/A	N/A
ii. Khawaja Muhammad Amin-ul-Azam	7	4	2
iii. Khawaja Waheed Raza	5	2	3
iv. Syed Mustafa Kamal	1	N/A	N/A
v. Mr. Jamal Nasim	6	3	N/A
vi. Mr. Muhammad Iqbal Hussain	7	N/A	3
vii. Mr. Aamir Amin	5	2	N/A
viii. Mr. Khaqan Hasnain Ibrahim	1	N/A	N/A
ix. Mr. Abbas Azam	6	N/A	N/A

Subsequent to the financial year end NBP nominated its Executive, Mr.Rehmat Ali Hasnie and Syed Jamal Baquar as its nominee directors on the board in place of Syed Hasan Irtiza Kazmi and Khawaja Muhammad Amin-ul-Azam. Leave of absence was granted to directors who could not attend some of the Board meetings.

The remuneration of the CEO and meeting fee of the non-executive members of the board of directors are paid by the management company, NBMMCL.

The pattern of certificate holders is annexed.

5. **Auditors:**

The present auditors, M/s. Riaz Ahmed & Co Chartered Accountants, Chartered Accountants, retired during the year. The new auditors M/s. Riaz Ahmed & Co Chartered Accountants have given their consent to act as auditors for the year ending June 30, 2018. Their appointment is subject to approval by the Registrar, Modaraba Companies and Modarabas, after confirmation by the board.

6. **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, Pakistan Stock Exchange, and NBF1 & Modaraba Association of Pakistan for their continued support and guidance.

For and on Behalf of the Board



Chief Executive Officer

ڈائریکٹرز رپورٹ

فرسٹ نیشنل بینک موزار بہ (FNBM) کی انتظامی کمپنی نیشنل بینک موزار بہ مینجمنٹ کمپنی لمیٹڈ (NBMMCL) کے بورڈ آف ڈائریکٹرز 30 جون 2017ء اختتام پذیر مدت کے لئے FNBM کے چودھویں سالانہ اکاؤنٹس پر ڈائریکٹرز کی رپورٹ پیش کرنے میں فخر محسوس کرتے ہیں۔ یہ کھاتے مزار بہ کے قانونی آڈیٹرز کی جانب سے آڈٹ کئے گئے ہیں اور ان کی آڈٹ رپورٹ ساتھ منسلک ہے۔

1. مالیاتی نتائج

30 جون 2017ء کو	30 جون 2016ء کو	30 جون 2015ء کو	30 جون 2014ء کو	30 جون 2013ء کو	30 جون 2012ء کو
افٹا مہینے بر سال	افٹا مہینے بر سال	افٹا مہینے بر سال	افٹا مہینے بر سال	افٹا مہینے بر سال	افٹا مہینے بر سال
508,478,472	841,306,270	1,248,349,011	1,692,658,474	2,003,442,328	1,962,968,244
16,333,070	87,692,752	141,525,254	263,701,324	297,913,401	339,775,945
179,801,462	314,368,924	451,401,503	558,123,884	567,094,855	605,820,667
(163,231,481)	302,048,194	460,444,217	592,335,961	583,957,399	575,113,425
(71,359,682)	(53,832,502)	(122,176,070)	(34,212,077)	(16,862,544)	30,707,724
nil	nil	nil	nil	nil	3,707,724
(71,359,682)	(53,832,502)	(122,176,070)	(34,212,077)	(16,862,544)	27,636,518
(2.85)	(2.15)	(4.89)	(1.37)	(0.67)	1.11
(13.9)	(6.39)	(9.76)	(2.01)	(0.83)	1.38
(436.9)	(21.52)	(87.14)	(12.92)	(5.65)	8
nil	nil	nil	nil	nil	nil
0.64	3.50	5.64	10.52	11.88	13.56

2. شعبہ پر نظر

سال 2016-17 کے دوران معیشت گذشتہ مالی سال کے مقابلہ میں مسلسل رفتار کے ساتھ رواں رہی۔ تاہم معیشت کے حقیقی سیکٹر کا احیاء سناک مارکیٹ انڈیکس کی سطح کے مثبت اشاروں کو مد نظر رکھتے ہوئے اس طرح سے نہ ہوا جس طرح توقع کی جا رہی تھی۔ یہ ابتدائی طور پر معیشت اور سیاسی استحکام سے متعلق سرمایہ داروں کی توقعات کی وجہ سے تھا لیکن اس سے خاطر خواہ افادہ نہ حاصل ہو سکا۔ یہ کہ مالی سال کے اختتام پر سناک مارکیٹ میں تقریباً 20 فی صد کا خسارہ دیکھنے میں آیا۔ تو انائی کے بحران پر کافی حد تک قابو پایا جا چکا ہے تاہم لیکن طویل مدت کے لئے انڈسٹریل منصوبوں میں سرمایہ داری کی طرف راغب کرنے پر اس کا اثر سامنے نظر نہیں آ رہا تھا۔ دوسری طرف بنیادی ڈھانچے اور توانائی کے منصوبوں میں پبلک سیکٹر کی جاری سرمایہ داری جیسے ہی مکمل ہو جائے گی اسی وقت معیشت کے حقیقی سیکٹر میں ملکی اور غیر ملکی سرمایہ دار مائل ہوں گے۔

پاکستان میں مالیاتی شعبہ تقریباً مستحکم رہا۔ تاہم مالیاتی شعبہ کی قابل تائید کارکردگی نے حقیقی سیکٹر میں پیداوار پر انحصار کیا۔ ان حالات میں NBF I اور مزار بہ سیکٹر نے اس مدت کے دوران معتدل ریٹرنز ظاہر کئے۔ اسلامی سرمایہ داری کا مستقبل بہت روشن ہے اور مزار بہ بھی جدت اور مصنوعات کی بہتری کے ذریعے اپنی متعلقہ مارکیٹ میں ترقی کر سکتا ہے۔

کاروبار جاری رکھنے کی توقعات

بورڈ نے ہر حال میں یہ یقینی بنایا کہ غیر فعال پورٹ فولیو پر پرویزن موجودہ ضوابط کے مطابق رہیں۔ کافی عرصہ پہلے دیے گئے اثاثوں کے معیار میں کمی میں بڑی پرویزن اٹریکٹ کیں۔ پرویزن کو سٹیپولیٹڈ لیول رکھنے کی وجہ سے مضاربہ کو نقصان بڑھ رہا ہے۔

ان موجودہ رکاوٹوں میں رہتے ہوئے اور تمام سٹیک ہولڈرز کے مفادات کو دیکھتے ہوئے پیرنٹ بینک، نیشنل بینک آف پاکستان (NBP) کے بورڈ آف ڈائریکٹرز نے 21 اپریل 2017ء منعقدہ بورڈ کے اجلاس میں انتظامی کمپنی کو اختیار دیا کہ وہ موزوں طریقہ کار اخذ کریں جس میں مضاربہ اور انتظامی کمپنی کے آپریشنز کا شیشیشن وغیرہ شامل ہیں۔ نتیجتاً اسی دن انتظامی کمپنی کے بورڈ آف ڈائریکٹرز کے منعقدہ اجلاس مضاربہ کے آپریشنز کے شیشیشن کے لئے موزوں طریقہ کار کو اخذ کرنے کی غرض سے ایک قرارداد پاس کی۔ اس تناظر میں SECP کی ہدایت اور منظوری سے سٹیک ہولڈرز خاص طور پر سٹیک ہولڈرز کے بہترین مفاد میں فیصلے کئے جائیں گے۔

ان حالات میں کاروبار جاری رکھنے کے مفروضات زیادہ دیر تک قائم نہ ہیں۔ اسی طرح سے یہ مالیاتی اسٹیٹمنٹس نان گوئینگ کنسرن کی بنیاد پر تیاری گئیں ہیں۔ جو کہ اثاثوں اور واجبات کی قابل قبول/سیٹلمنٹ اقدار کے تخمینہ پر مبنی ہے۔

بیرونی آڈیٹرز نے اپنے FNBم کی کاروبار جاری رکھنے کی صلاحیت اور اثاثوں کی حالیہ قابل قبول قدر پر آڈٹ رپورٹ میں ’معاملہ کے پیرا پر زور‘ کا پیرا گراف شامل کیا ہے۔

آپریشنز کا جائزہ

زیر جائزہ مدت کے دوران انتظامیہ غیر فعال پورٹ فولیو سے وصولی پر متوجہ رہی۔ نادہندگان کے خلاف وصولی کے متعدد و مقدمات دائر کئے گئے اور کئی نقد وصولیاں بھی ہوئیں۔ نتیجتاً مجموعی کلاسیفائیڈ پورٹ فولیو گذشتہ سال کی رقم کے مقابلہ میں نمایاں طور پر کم ہوا۔ باضابطہ پورٹ فولیو نے اچھی کارکردگی دکھائی اور مستقل آمدنی پیدا کرتی رہی۔

بیلنس شیٹ کا ساڑھے بھی گذشتہ سال میں 841 ملین روپے کے مقابلہ میں 508 ملین روپے سکڑ گیا۔ کریڈٹ پورٹ فولیو سے آمدنی بشمول قرضوں کی لاگت نسبتاً کم رہی۔ عمومی افراط زر کے باوجود آپریٹنگ اخراجات قابو میں رکھے گئے اور گذشتہ سال کے 16 ملین روپے کے مقابلہ میں اس 15 ملین روپے جو کہ 6.2 فی صد بنتا ہے کم رہے۔ مزید برآں، اجارہ انتظامات کے تحت بنیادی طور پر اثاثوں کی فروخت میں منافع کی وجہ سے آپریٹنگ منافع میں 25 فی صد منافع ہوا جو گذشتہ سال کے 12 ملین روپے کے مقابلہ میں اس سال 16 ملین روپے رہا۔ تاہم چند پرانے NPL کے تخمینہ کی رقم پر منافع کی وجہ سے 54 ملین روپے کے گذشتہ سال کے خسارہ کی نسبت اس سال 71 ملین کا خسارہ ماسوائے ٹیکس دیکھنے میں آیا۔ نقصان فی سرٹیفکیٹ گذشتہ سال کی اسی مدت میں 2.15 روپے کے مقابلہ میں 2.85 رہا۔ جاری کاروبار کی بنیاد پر کیا اکاؤنٹس مرتب کئے گئے ہیں ای پی سی کی قیمت 1.56 روپے درج کی گئی۔

خساروں کے باوجود ہم اپنی ایصالیت کو برقرار رکھنے کے قابل رہے۔ اور ہم کسی مالیاتی ادارے کو مطلوب مالیاتی فراہمی کی انجام دہی میں ناکام نہیں رہے۔ اس عرصہ کے دوران ہم نے تمام بینکوں کو واجب الادا رقم مکمل طور پر ادا کر دی ہیں ماسوائے بنیادی بینک NBP کے۔ FNBم شریعہ کمپلائنس اور مضاربہ کے لئے شریعہ آڈٹ میکانزم کی تعمیل کو یقینی بناتا ہے۔ اس تناظر میں شریعہ آڈیٹرز کی رپورٹ ساتھ منسلک ہے۔ صدقہ کے طور پر شریعہ آڈیٹرز کی جانب سے مجوزہ رقم چیریٹی اکاؤنٹ میں جمع کرا دی گئی ہے۔ سال کے دوران، بورڈ آف ڈائریکٹرز کی جانب سے منظور شدہ پالیسی کے تحت 0.4 ملین روپے کی رقم منظور شدہ رفاہی اداروں کو صدقہ کے طور پر ادا کی گئی۔

منافع کی تقسیم

30 ستمبر 2017ء کو منعقدہ اجلاس میں بورڈ نے مندرجہ بالا وجوہات کی بنا پر کسی بھی قسم کا منافع منقسمہ کا اعلان نہ کیا ہے۔

3 . مستقبل کا پس منظر

کچھ بڑے انڈسٹریل سیکٹرز جیسا کہ ٹیکسٹائل سیکٹر کئی سالوں سے خسارے میں جا رہے ہیں اور نتیجتاً مالی اداروں کی طرف ان کی ادائیگیوں کی انجام دہی متاثر ہو رہی ہے۔ چونکہ FNBم کا کلاسیفائیڈ پورٹ فولیو ٹیکسٹائل سیکٹر کے سامنے عیاں ہے، FNBم کا بنیادی مقصد اس کی وصولی ہے۔ دوسری طرف مختلف صورتوں کا جائزہ لیا جا رہا ہے جو کہ سرٹیفکیٹ کے حاملین کے بہترین مفاد میں ہو۔

4 . کارپوریٹ اور مالی رپورٹنگ فریم ورک

1 . یہ مالی اسٹیٹمنٹ مضاربہ کی انتظامیہ نے مرتب کی ہیں جس میں کمپنی کے امور، عمل درآمد کے نتائج، کیش فلو اور ایکویٹی میں تبدیلی کو بہتر انداز میں پیش کیا گیا ہے۔

2 . کمپنی کی باقاعدہ اکاؤنٹ بکس مرتب کی گئی ہیں۔

3 . مالی اسٹیٹمنٹ کی تیار میں مناسب اکاؤنٹنگ پالیسیوں کا تسلسل سے اطلاق کیا جاتا ہے اور اکاؤنٹنگ تخمینے مناسب اور قابل فیصلے کی بنیاد پر لگائے جاتے ہیں۔

4 . مالیاتی اسٹیٹمنٹ کی تیاری میں بین الاقوامی اکاؤنٹنگ سٹینڈرڈ، جو پاکستان میں قابل عمل ہیں، کا نفاذ کیا جاتا ہے اور میں سے کسی بھی قسم کی منتقلی کو مناسب طریقہ سے ظاہر کیا جاتا ہے۔

5 . انٹرنل کنٹرول کا نظام بہت اعلیٰ ہے اور اس پر موثر انداز میں عمل درآمد اور نگرانی کی جاتی ہے۔ اور انٹرنل آڈٹ اس کا متواتر جائزہ لے رہا ہے۔ جائزہ کا عمل جاری رہے گا اور کنٹرول میں کوتاہیوں کو ختم کیا جائے گا۔

6 . بورڈ یہ سمجھتا ہے کہ مضاربہ اپنے کاروبار کو جاری رکھنے کی صلاحیت کی کسوٹی پر پورا نہیں اترتا۔

7 . لسٹنگ ریگولیشن میں بیان کردہ کارپوریٹ گورننس کی بہترین عمل داری کی مدد میں کوئی ابہام نہیں ہے۔

8. لسٹنگ ریگولیشنز میں بیان کئے گئے کوڈ آف کارپوریٹ گورننس کے عمل درآمد میں کوئی ابہام موجود نہیں ماسوائے ان کے جن کو CCG کی تعمیل میں بیان میں درج کیا گیا ہے۔

9. ٹیکس، ڈیویڈنڈ، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگی قابل ادا نہیں ہے جو 30 جون 2017 تک واجب الادا ہوں۔ ماسوائے ان کے جنہیں مالیاتی اسٹیٹمنٹس میں بیان کیا گیا ہے۔

30 جون 2017 کو اختتام پذیر سال کے دوران آڈٹ کمیٹی کے چار اور HR کمیٹی کے تین اجلاس کے علاوہ بورڈ آف ڈائریکٹرز کے چار اجلاس منعقد ہوئے۔ ڈائریکٹرز کی حاضری مندرجہ ذیل ہے:

تعداد حاضری			نام
بورڈ	آڈٹ کمیٹی	ایچ آر کمیٹی	
6	N/A	N/A	سید حسن ارتضیٰ کاکھی
7	4	2	خولید محمد امین الاعظم
5	2	3	خولید وحید رضا
1	N/A	N/A	سید مصطفیٰ کمال
6	3	N/A	جناب جمال نسیم
7	N/A	3	جناب محمد اقبال حسین
5	2	N/A	جناب عامر امین
1	N/A	N/A	جناب خاقان حسین ابراہیم
6	N/A	N/A	جناب عباس اعظم

مالیاتی سال کے اختتام پر NBP نے ایگزیکٹو، جناب رحمت علی حسنی اور سید جمال باقر کو سید حسین ارتضیٰ کاکھی اور خولید محمد امین الاعظم کی جگہ نامزد کیا۔ جو ڈائریکٹرز بورڈ کے اجلاس میں شرکت نہ کر سکے ان کو بورڈ کی جانب سے رخصت عنایت کی گئی۔

CEO اور بورڈ آف ڈائریکٹرز کے غیر انتظامی اراکین کے اجلاس کی فیس انتظامی کمپنی NBMMCL نے ادا کی۔
سرٹیفکیٹ کے حامل اراکین کی وضع ساتھ منسلک ہے۔

5. آڈیٹرز

حالیہ آڈیٹرز میسرز ریاض احمد اینڈ کو، چارٹرڈ اکاؤنٹنٹس سال کے دوران ریٹائر ہو چکے ہیں۔ میسرز ریاض احمد اینڈ کو چارٹرڈ اکاؤنٹنٹس کو 30 جون 2018ء کو اختتام پذیر سال کے لئے تقرری کے لیے رضامندی ظاہر کی ہے۔ جو کہ بورڈ کی توسیک کے بعد جو کہ رجسٹرار، مضاربہ کمپنیز اور مضاربہ کی منظوری سے مشروط ہے۔

6. اعتراف

بورڈ اس موقع پر اپنے معزز صارفین کا، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا، پاکستان اسٹاک ایکسچینج لمیٹڈ کا اور مضاربہ ایسوسی ایشن آف پاکستان کا ان کی مسلسل حمایت، رہنمائی اور سرپرستی کے لیے شکریہ ادا کرنا چاہتا ہے۔

منجانب بورڈ (کے لئے)



چیف ایگزیکٹو آفیسر

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance ("the Code") contained in the Regulation 5.19 of Pakistan Stock Exchange Limited for the purpose of establishing a frame work of good governance, where by a listed Modaraba is managed in compliance with the best practices of corporate governance.

Regard less of the fact that National Bank Modaraba Management Company Limited, the Management Company of First National Bank Modaraba ("the Modaraba"), is a public unlisted company, the Board of Directors of the management company are pleased to confirm that the Code is being complied with in all material respects (pertaining to the operations of the Modaraba).

The Modaraba Management Company ("the Company") has applied the principles contained in the Code in the following manner:

1. The company encourages representation of independent non-executive directors and directors representing minority interests on its Board of Directors ("the Board"). At present the Board includes:

Category	Name
Executive Director	Mr. Abbas Azam
Non-Executive Directors	Mr. Syed Hasan Irtaza Kazmi Mr. Khawaja Muhammad Amin-ul-Azam
Independent Directors	Mr. Khawaja Waheed Raza Mr. Jamal Nasim Mr. Muhammad Iqbal Hussain Mr Aamir Amin

The independent directors meet the criteria under clause 5.19.1(b) of the Code

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
- All the resident directors of the 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 broker of a stock exchange, has been declared as a defaulter by that stock exchange.
- Casual vacancies occurred on the Board of directors during the year were filled up by the directors within 90 days.
- The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- The board has developed a vision/mission statement, over all 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.
- 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 of the Company, other executive and non-executive directors, have been taken by the board.
- 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.
- No directors' training programme was arranged during the year. However, the management is committed to arrange directors' training programme of at least half of its directors by 30 June 2018.

10. The board has approved the 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 Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the board.
13. The Directors, CEO and Executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.
14. Except for those which have been specifically mentioned in this statement, the Modaraba has complied with all the corporate and financial reporting requirements of the Code.
15. The board has formed an audit committee. It comprises off our members all of whom 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 Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration committee. It comprises of three members. All of them are non-executive directors including the Chairman of the committee.
18. The board has set up an effective internal audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Modaraba.
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 the International Federation of Accountants (IFAC) guidelines on the 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 the Modaraba's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Modaraba has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
24. We confirm that all other material principles enshrined in the Code have been complied with except for the following, toward which reasonable progress is being made to seek compliance by June 30, 2018.
 - a. Chief Financial Officer (CFO) of the Modaraba does not meet the qualification criteria as required by the clause 5.19.9(a) of the Code. CFO is CA finalist having over eight years' experience in the Modaraba at senior posts. Moreover, subsequent to the year end, he has confirmed that in order to obtain the required qualification, he has applied for exemptions and will submit the credentials as soon as issued by the respective institutions.
 - b. Annual evaluation of the Board of Directors' own performance is not carried out during the year ended 30 June 2017. However, the Board has intention to comply with this requirement.



Chief Executive Officer



Director

Riaz Ahmad & Company
Chartered Accountants

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**REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF
COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance ("the Code") 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") for the year ended 30 June 2017 to comply the Code contained in the Regulations of Pakistan Stock Exchange Limited, where the Modaraba is listed.

The responsibility for compliance with the Code 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 Management Company's compliance with the provisions of the Code and report if it does not and to highlight any non compliance with the requirements of the code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the audit committee, and upon recommendation of the audit committee, place before the Board of Directors for their review 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 alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors upon the recommendation of 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.

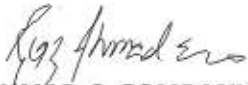
Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Management Company for the year ended 30 June 2017.

Riaz Ahmad & Company

Chartered Accountants

Further, we highlight below instances of non-compliance with the requirements of the Code as reflected in the paragraph 24 in the Statement of Compliance:

- (i) Annual evaluation of the Board of Directors' own performance is not carried out during the year ended 30 June 2017.
- (ii) Chief Financial Officer of the Modaraba does not meet the qualification criteria given in clause 5.19.9(a) of the Code.



RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: October 05, 2017

LAHORE

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AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **FIRST NATIONAL BANK MODARABA** ("the Modaraba") as at 30 June 2017 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 agreement with accounting policies consistently applied except for change as stated in note 2.1(b) to the financial statements with which we concur;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and

Riaz Ahmad & Company

Chartered Accountants

- (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 30 June 2017 and of the loss, its comprehensive loss, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to note 1.1 to the financial statements, which states that the Modaraba is no longer a going concern, therefore, these financial statements have been prepared on the basis of estimated realisable / settlement values of assets and liabilities respectively. This resulted in recognition of additional provision of Rupees 39.074 million based on the subjective evaluation of non-performing receivables. Estimated realisable / settlement values are based on the management's best estimate. Estimation involves judgements based on the latest available, reliable information, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In future, these estimates may need revision if changes occur in the circumstances on which the estimates are based or as a result of new information. Hence, the ultimate values at which assets will be realized and liabilities will be settled may be different from those carried in these financial statements. Our report is not qualified in respect of this matter.



RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Syed Mustafa Ali

Date: October 05, 2017

LAHORE

BALANCE SHEET AS AT JUNE 30, 2017

	NOTE	2017 Rupees	2016 Rupees
ASSETS			
CURRENT ASSETS			
Bank balances	3	49,707,521	14,743,528
Short term murabaha investments - secured	4	19,216,842	98,334,293
Accrued profit	5	388,493	487,183
Ijarah rentals receivable	6	69,947,032	81,817,794
Advances, prepayments and other receivables	7	3,843,324	2,604,790
Current portion of non-current assets	8	103,049,027	94,413,807
		<u>246,152,239</u>	<u>292,401,395</u>
NON-CURRENT ASSETS			
Net investment in ijarah finance	9	1,651,514	9,442,934
Diminishing musharaka financing - secured	10	10,497,347	35,303,315
Long term murabaha investments - secured	11	1,725,105	36,149,675
Long term loans and deposits	12	1,000,882	1,723,444
Intangible asset	13	-	-
Ijarah assets	14	247,443,653	466,193,676
Fixed assets - own use	15	7,732	91,831
Deferred income tax	30	-	-
		<u>262,326,233</u>	<u>548,904,875</u>
TOTAL ASSETS		508,478,472	841,306,270
LIABILITIES			
CURRENT LIABILITIES			
Accrued profit		2,094,045	6,438,136
Deferred murabaha income	4	2,654,776	3,255,776
Short term finances - secured	16	201,634,754	274,918,586
Creditors, accrued and other liabilities	17	27,265,399	23,696,977
Current portion of non-current liabilities	18	195,897,100	295,738,705
		<u>429,546,074</u>	<u>604,048,180</u>
NON-CURRENT LIABILITIES			
Security deposits against ijarah assets	19	21,500,787	71,620,702
Long term finances - secured	20	16,666,670	50,000,000
Deferred murabaha income	21	24,431,871	27,944,636
		<u>62,599,328</u>	<u>149,565,338</u>
TOTAL LIABILITIES		492,145,402	753,613,518
NET ASSETS		16,333,070	87,692,752
FINANCED BY			
Certificate capital	22	250,000,000	250,000,000
Reserves	23	(233,666,930)	(162,307,248)
TOTAL EQUITY AND RESERVES		16,333,070	87,692,752
CONTINGENCIES AND COMMITMENTS	24		

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

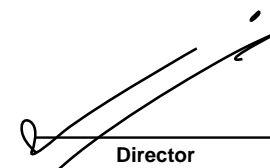


Chief Executive Officer
National Bank Modaraba
Management Company Limited

Lahore: October 05, 2017



Director
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2017

	NOTE	2017 Rupees	2016 Rupees
INCOME			
Ijarah rentals earned / income from ijarah finance		169,679,959	305,749,520
Profit on diminishing musharaka financing		4,269,226	3,804,355
Profit on murabaha investments		255,086	1,979,454
Profit on bank deposits		974,792	1,002,006
Gain on disposal of ijarah assets		4,525,381	-
Other income	25	97,018	1,833,589
		179,801,462	314,368,924
EXPENSES			
Depreciation on ijarah assets	14	(124,356,047)	(237,061,840)
Loss on disposal of ijarah assets		-	(3,939,655)
Operating expenses	26	(15,175,035)	(16,130,081)
Finance cost	27	(23,700,399)	(44,916,618)
		(163,231,481)	(302,048,194)
Operating profit before provision and taxation		16,569,981	12,320,730
Provision charged for doubtful receivables - net	28	(86,033,497)	(61,179,143)
Impairment loss on ijarah assets - net	14	(1,896,166)	(4,974,089)
		(71,359,682)	(53,832,502)
Modaraba management company fee	29	-	-
LOSS BEFORE TAXATION		(71,359,682)	(53,832,502)
Taxation	30	-	-
LOSS AFTER TAXATION		(71,359,682)	(53,832,502)
LOSS PER CERTIFICATE - BASIC AND DILUTED	31	(2.85)	(2.15)

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

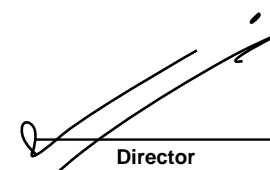


Chief Executive Officer
National Bank Modaraba
Management Company Limited

Lahore: October 05, 2017



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STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	Rupees	Rupees
LOSS AFTER TAXATION	(71,359,682)	(53,832,502)
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	<u>(71,359,682)</u>	<u>(53,832,502)</u>

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

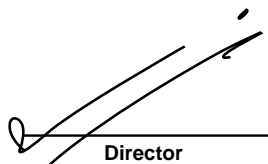
Lahore: October 05, 2017



Chief Executive Officer
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CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	NOTE	2017 Rupees	2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before taxation		(71,359,682)	(53,832,502)
Adjustments for non cash charges and other items:			
Depreciation and amortization		124,440,146	237,446,781
Provision charged for doubtful receivables - net		86,033,497	61,179,143
Gain on disposal of fixed assets - own use		-	(1,503,510)
Impairment loss on ijarah assets		1,896,166	4,974,089
Loss / (gain) on disposal of ijarah assets		(4,525,381)	3,939,655
Finance cost		23,700,399	44,916,618
Profit on bank deposits		(974,792)	(1,002,006)
Working capital changes		230,570,035	349,950,770
(Increase) / decrease in assets			
Accrued profit		98,690	2,897,880
Ijarah rentals receivable		5,129,329	(24,522,278)
Advances, prepayments and other receivables		(982,823)	21,891,975
Short term murabaha investments		28,100,003	37,789,339
Net investment in ijarah finance		601,181	4,140,000
Diminishing musharaka financing		20,074,614	(29,524,167)
Long term murabaha investments		9,389,069	12,613,331
(Decrease) / increase in liabilities			
Short term certificates of musharaka - net		-	(295,597,365)
Creditors, accrued and other liabilities		3,569,862	3,143,629
Security deposits against ijarah assets - net		(85,140,949)	4,083,500
		(19,161,024)	(263,084,156)
Cash generated from operations		140,049,329	33,034,112
Finance cost paid		(28,044,489)	(55,863,620)
Income taxes paid		(1,131,327)	(458,203)
Profit received on bank deposits		974,792	1,238,160
Long term loans and deposits - net		1,044,436	3,633,852
Net cash generated from / (used in) operating activities		112,892,741	(18,415,699)
CASH FLOWS FROM INVESTING ACTIVITIES			
Ijarah assets acquired		-	(76,361,058)
Fixed assets - own use acquired		-	(10,200)
Proceeds from disposal of fixed assets - own use		-	1,550,312
Proceeds from disposal of ijarah assets		97,023,191	28,830,312
Net cash from / (used in) investing activities		97,023,191	(45,990,634)
CASH FLOWS FROM FINANCING ACTIVITIES			
Short term finances - net		(73,283,832)	140,233,407
Profit paid to certificate holders		(1,440)	(246,420)
Long term finances - obtained		-	100,000,000
Long term finances - repaid		(101,666,667)	(250,324,974)
Net cash used in financing activities		(174,951,939)	(10,337,987)
Net increase / (decrease) in cash and cash equivalents		34,963,993	(74,744,320)
Cash and cash equivalents at the beginning of the year		14,743,528	89,487,848
Cash and cash equivalents at the end of the year	3	49,707,521	14,743,528

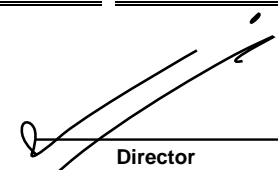
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Lahore: October 05, 2017

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2017

	RESERVES				TOTAL EQUITY
	CAPITAL	REVENUE	TOTAL		
	STATUTORY RESERVE	ACCUMULATED LOSS			
Rupees.....				
Balance as at 30 June 2015	250,000,000	43,955,189	(152,429,935)	(108,474,746)	141,525,254
Loss for the year ended 30 June 2016	-	-	(53,832,502)	(53,832,502)	(53,832,502)
Other comprehensive income for the year ended 30 June 2016	-	-	-	-	-
Total comprehensive loss for the year ended 30 June 2016	-	-	(53,832,502)	(53,832,502)	(53,832,502)
Balance as at 30 June 2016	250,000,000	43,955,189	(206,262,437)	(162,307,248)	87,692,752
Loss for the year ended 30 June 2017	-	-	(71,359,682)	(71,359,682)	(71,359,682)
Other comprehensive income for the year ended 30 June 2017	-	-	-	-	-
Total comprehensive loss for the year ended 30 June 2017	-	-	(71,359,682)	(71,359,682)	(71,359,682)
Balance as at 30 June 2017	250,000,000	43,955,189	(277,622,119)	(233,666,930)	16,333,070

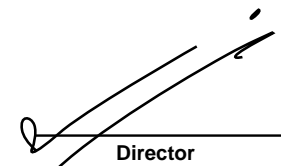
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Management Company Limited

Lahore: October 05, 2017

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

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 (Now Companies Act, 2017) and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore.

The Modaraba is listed on Pakistan Stock Exchange Limited. It commenced its operations on 04 December 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharaka and murabaha arrangements.

1.1 Going concern assumption

During the year, the Modaraba made an operating profit of Rupees 16.569 million, however, due to provision and impairment charged against classified assets, the Modaraba incurred loss after taxation of Rupees 71.359 million taking the accumulated loss to Rupees 277.622 million which exceeds the total amount subscribed by the holders of modaraba certificates. This may attract the provisions of section 23 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. As on the reporting date, the Modaraba's accumulated loss net of statutory reserve is amounting to Rupees 233.666 million and its current liabilities exceeded its current assets by Rupees 183.394 million. However, current liabilities include current portion of security deposits against ijarah facilities amounting to Rupees 155.082 million which will be adjusted against residual value of ijarah assets on maturity / termination of ijarah facilities.

On the recommendation of the board of directors of National Bank of Pakistan (parent bank of National Bank Modaraba Management Company), the board of directors of National Bank Modaraba Management Company resolved in its meeting held on 21 April 2017 to explore various appropriate options for cessation of operations of the Modaraba, which may include, but not necessarily be limited to, winding up of the Modaraba in accordance with the prevailing laws or merger of the Modaraba.

These factors have raised uncertainties that the Modaraba may not be able to continue as a going concern. Therefore, these financial statements have been prepared on the basis of estimated realisable / settlement values of assets and liabilities respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented, unless otherwise stated:

2.1 BASIS OF PREPARATION

a) Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the repealed Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), the Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), the Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP shall prevail.

b) Accounting convention

These financial statements have been prepared using the non-going concern basis of accounting on the basis of estimated realizable / settlement values of the assets and liabilities respectively. In realizable / settlement value basis, assets are carried at amount of cash and cash equivalents that could currently be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values, that is the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business. Previously, these financial statements were prepared under the historical cost convention, except for certain financial instruments which were carried at their fair value.. Had there been no change in this accounting policy, the amounts recognized in the financial statements would have been different as follows:

	2017 Rupees
Impact on balance sheet	
Ijarah rentals receivable would have been higher by Rupees	3,100,000
Long term murabaha investments would have been higher by Rupees	17,500,000
Short term murabaha investments would have been higher by Rupees	18,473,740
Impact on profit and loss account	
Loss before taxation would have been lower by Rupees	39,073,740
Loss per certificate would have been lower by Rupees	1.56

c) Use of Estimate and Judgements

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modarabas accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and measurement estimates are significant to the Modarabas financial statements or where judgments were exercised in application of accounting policies are as follows:

Ijarah assets and fixed assets in own use

The Modaraba reviews the useful lives of ijarah assets and fixed assets in own use 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.

Ijarah rentals, diminishing musharaka financing and murabaha investments

Ijarah rentals, diminishing musharaka financing and murabaha investments are stated net of provision against doubtful receivables. Provision is recognized for ijarah rentals receivable, diminishing musharaka financing and murabaha investment in accordance with the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP) and on subjective evaluation by the management. Bad debts are written-off when identified.

Estimated realizable / settlement values of assets and liabilities respectively

Based on the management's best estimate, as on the reporting date, carrying values of assets and liabilities reflect estimated realizable / settlement values respectively. During the year ended 30 June 2017, the Modaraba has recognized provision for doubtful short term murabaha investments of Rupees 18.474 million (Note 4.3), provision for Ijarah rental receivables of Rupees 3.100 million (Note 6.2.1) and provision for long term murabaha investments of Rupees 17.500 million (Note 11.2.1) on the basis of subjective evaluation of non-performing receivables / assets after considering the current situation, that the Modaraba may not be able to continue as a going concern. These provisions are made in addition to the time based criteria given in the regulation of classification and provisioning for non-performing assets in Prudential Regulations for Modarabas.

As per Circular No. 03 of 2017 guideline on the basis of preparation of financial statements that are not considered going concern issued by the Institute of Chartered Accountants of Pakistan, analysis of the upside not recognized in the profit and loss account of the Modaraba on assets is disclosed in Note 4.4, Note 6.1, Note 7.1.1 Note 9.1 and Note 15.2 in these financial statements. Cumulative effect of upside not recognized in the profit and loss account of the Modaraba for the year ended 30 June 2017 is amounting to Rupees 50.120 million.

The Modaraba has no items that it plans to sell that the Modaraba has not previously recognized in these financial statements.

d) Amendments to published approved accounting standards that are effective in current year and are relevant to the Modaraba

The following standard is mandatory for the Modarabas accounting periods beginning on or after 01 July 2016:

IAS 16 (Amendments) Property, Plant and Equipment (effective for annual periods beginning on or after 01 January 2016). The amendments clarify that a depreciation method which is based on revenue, generated by an activity by using of an asset is not appropriate for property, plant and equipment; and add guidance that expected future reductions in the selling price of an item that was produced using an asset could indicate the expectation of technological or commercial obsolescence of the asset, which, in turn, might reflect a reduction of the future economic benefits embodied in the asset.

IAS 1 (Amendments) 'Presentation of Financial Statements' (effective for annual periods beginning on or after 01 January 2016). Amendments have been made to address perceived impediments to preparers exercising their judgement in presenting their financial reports by making the following changes: clarification that information should not be obscured by aggregating or by providing immaterial information, materiality consideration apply to the all parts of the financial statements, and even when a standard requires a specific disclosure, materiality consideration do apply; clarification that the list of the line items to be presented in these statements can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements and clarification that an entity's share of other comprehensive income of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss; and additional examples of possible ways of ordering the notes to clarify that understandability and comparability should be considered when determining the order of the notes and to demonstrate that the notes need not be presented in the order so far listed in IAS 1.

IAS 34 (Amendments) 'Interim Financial Reporting' (effective for annual periods beginning on or after 01 January 2016). This amendment clarifies what is meant by the reference in the standard to „information disclosed elsewhere in the interim financial report. The amendment also amends IAS 34 to require a cross-reference from the interim financial statements to the location of that information.

The application of the above amendments does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

e) Amendments to published approved accounting standards that are effective in current year but not relevant to the Modaraba

There are other amendments to published approved accounting standards that are mandatory for accounting periods beginning on or after 01 July 2016 but are considered not to be relevant or do not have any significant impact on the Modarabas financial statements and are therefore not detailed in these financial statements.

f) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Modaraba

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Modarabas accounting periods beginning on or after 01 July 2017 or later periods:

IFRS 9 'Financial Instruments' (effective for annual periods beginning on or after 01 January 2018). A finalized version of IFRS 9 which contains accounting requirements for financial instruments, replacing IAS 39 Financial Instruments: Recognition and Measurement. Financial assets are classified by reference to the business model within which they are held and their contractual cash flow characteristics. The 2014 version of IFRS 9 introduces a fair value through other comprehensive income category for certain debt instruments. Financial liabilities are classified in a similar manner to under IAS 39, however there are differences in the requirements applying to the measurement of an entity's own credit risk. The 2014 version of IFRS 9 introduces an expected credit loss model for the measurement of the impairment of financial assets, so it is no longer necessary for a credit event to have occurred before a credit loss is recognized. It introduces a new hedge accounting model that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. The requirements for the derecognition of financial assets and liabilities are carried forward from IAS 39. The management of the Modaraba is in the process of evaluating the impacts of the aforesaid standard on the Modarabas financial statements.

IFRS 15 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). IFRS 15 provides a single, principles based five-step model to be applied to all contracts with customers. The five steps in the model are: identify the contract with the customer; identify the performance obligations in the contract; determine the transaction price; allocate the transaction price to the performance obligations in the contracts; and recognize revenue when (or as) the entity satisfies a performance obligation. Guidance is provided on topics such as the point in which revenue is recognized, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. IFRS 15 replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC 31 Revenue-Barter Transactions Involving Advertising Services. The aforesaid standard is not expected to have a material impact on the Modarabas financial statements.

IFRS 16 'Lease' (effective for annual periods beginning on or after 01 January 2019). IFRS 16 specifies how an entity will recognize, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognize assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with IFRS 16 approach to lessor accounting substantially unchanged from its predecessor, IAS 17 Leases. IFRS 16 replaces IAS 17 Leases, IFRIC 4 Determining Whether an Arrangement Contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The management of the Modaraba is in the process of evaluating the impacts of the aforesaid standard on the Modarabas financial statements.

IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 01 January 2018). IFRIC 22 clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The interpretation is not expected to have a material impact on the Modarabas financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 Income Taxes. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Modarabas financial statements.

IFRS 15 (Amendments), 'Revenue from Contracts with Customers' (effective for annual periods beginning on or after 01 January 2018). Amendments clarify three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and to provide some transition relief for modified contracts and completed contracts. The aforesaid amendments are not expected to have a material impact on the Modarabas financial statements.

IAS 7 (Amendments), Statement of Cash Flows (effective for annual periods beginning on or after 01 January 2017). Amendments have been made to clarify that entities shall provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The aforesaid amendments will result in certain additional disclosures in the Modarabas financial statements.

IAS 12 (Amendments), 'Income Taxes' (effective for annual periods beginning on or after 01 January 2017). The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset. The amendments further clarify that when calculating deferred tax asset in respect of insufficient taxable temporary differences, the future taxable profit excludes tax deductions resulting from the reversal of those deductible temporary differences. The amendments are not likely to have significant impact on Modarabas financial statements.

g) Standards and amendments to approved published standards that are not yet and not considered relevant to the Modaraba

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2017 but are considered not to be relevant or do not have any significant impact on the Modarabas financial statements and are therefore not detailed in these financial statements.

2.2 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

2.3 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.

2.4 Murabaha investments

Murabaha investments are stated net of provision. Provision is recognized for Murabaha investments in accordance with the time based criteria of the Prudential Regulations for Modarabas issued by the SECP and subjective evaluation of management. Outstanding balances are written off when there is no realistic prospect of recovery.

Murabaha receivable 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.

The profit on that portion of sales revenue not due for payment are deferred by accounting for a debit to "Unearned Murabaha Income" account with the corresponding credit to "Deferred Murabaha Income" account and shown in the balance sheet as a liability.

2.5 Financial instruments

Financial instruments carried on the balance sheet include long term loans and deposits, ijarah rentals receivable, net investment in ijarah finance, murabaha investments, diminishing musharaka financing, advances and other receivables, bank balances, short term finances, long term finances, accrued profit and creditors accrued and other liabilities. Financial assets and liabilities are recognized when the Modaraba becomes a party to the contractual provisions of instrument. Initial recognition is made at fair value plus transaction costs directly attributable to acquisition, except for "financial instrument at fair value through profit or loss" which is measured initially at fair value.

Financial assets are de-recognized when the Modaraba loses control of the contractual rights that comprise the financial asset. The Modaraba loses such control if it realizes the rights to benefits specified in contract, the rights expire or the Modaraba surrenders those rights. Financial liabilities are de-recognized when the obligation specified in the contract is discharged, cancelled or expired. Any gain or loss on subsequent measurement (except available for sale investments) and de-recognition is charged to the profit or loss currently. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

2.6 Payables

Liabilities for other amounts payable are initially recognized at fair value, which is normally the transaction cost.

2.7 Offsetting of financial assets and financial liabilities

A financial asset and a financial liability is offset and the net amount is reported in the balance sheet if the Modaraba has legally enforceable right to set off the recognized amount and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

2.8 Diminishing musharaka financing

Diminishing musharaka financing is 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.

2.9 Lease (ijarah) accounting

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

Under the ijarah arrangements up to 30 June 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.

2.10 Fixed assets

Assets given to customers under ijarah arrangements

Assets given to customers under ijarah arrangements on or after 01 July 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 assets 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 15 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 asset is amortized on straight line basis over a period of three years.

2.11 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.

2.12 Revenue recognition

For lease (ijarah) agreements executed on or before 30 June 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 01 July 2008 lease rentals are recognized as income on accrual basis, as and when the rental becomes due over the ijarah period.

The deferred murabaha income i.e. the excess of aggregate murabaha instalments over the cost of the asset under murabaha investment is deferred and then amortized over the term of the murabaha, so as to produce a constant rate of return on murabaha investment. Documentation charges, front-end fee and other murabaha income are recognized as income on receipt basis.

Return on deposits with banks is recognized on time proportionate basis.

Profit on diminishing musharaka financing is recognized under the effective mark-up rate method based on the amount outstanding.

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

2.13 Borrowing costs

Borrowing costs on long-term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long-term finances. All other borrowing costs are recognized in profit and loss account.

2.14 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits available, rebates and exemptions, if any. Under clause 100 of Part – I of Second Schedule to the Income Tax Ordinance 2001, the income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders.

Deferred

Deferred tax is provided, using the balance sheet method, on all temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized.

2.15 Profit distribution

Profit distribution to certificate holders is recognized as a liability in the period in which such distribution is announced.

2.16 Segment reporting

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Managing Director has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Managing Director is responsible for the Modarabas entire product portfolio and considers the business to have a single operating segment. The Modarabas asset allocation decisions are based on a single integrated investment and the Modarabas performance is evaluated on overall basis.

First National Bank Modaraba

	2017 Rupees	2016 Rupees	
3	BANK BALANCES		
	Current accounts		
	Associated undertaking - National Bank of Pakistan	270,647	750,329
	Others	48,041	1,506,724
		<u>318,688</u>	<u>2,257,053</u>
	Saving accounts (Note 3.1)		
	Associated undertaking - National Bank of Pakistan	25,291	1,762,619
	Others	49,363,542	10,723,856
		<u>49,388,833</u>	<u>12,486,475</u>
		<u>49,707,521</u>	<u>14,743,528</u>
3.1	These carry mark-up at the rate of 2.70% to 3.50% (2016: 3.50% to 6.50%) per annum.		
4	SHORT TERM MURABAHA INVESTMENTS - SECURED		
	Considered good	-	25,000,000
	Considered doubtful (Note 4.4)	244,025,025	247,125,028
		<u>244,025,025</u>	<u>272,125,028</u>
	Add: Deferred murabaha income	2,654,776	3,255,776
		<u>246,679,801</u>	<u>275,380,804</u>
	Less: Provision for non-performing murabaha investments (Note 4.1)	(227,462,959)	(177,046,511)
		<u>19,216,842</u>	<u>98,334,293</u>
4.1	Provision for non-performing murabaha investments		
	Opening balance	177,046,511	170,127,500
	Charged during the year (Note 4.3)	50,416,448	43,027,951
	Reversed during the year	-	(36,108,940)
	Net charged during the year	50,416,448	6,919,011
	Closing balance	<u>227,462,959</u>	<u>177,046,511</u>
4.2	These represent investments under murabaha arrangements on deferred payment basis at specified profit margins. These investments carry profit at the rate of 10.36% to 15.54% (2016: 9.61% to 15.54%) per annum and are secured against charge over fixed and current assets, personal guarantees of directors of customer companies, registered and equitable mortgage of properties, demand promissory notes and post dated cheques varying from case to case.		
4.3	This includes provision of Rupees 18.474 million (2016: Rupees Nil) recognized during the year on the basis of subjective evaluation of non-performing short term murabaha investments.		
4.4	This includes doubtful short term murabaha investments of Rupees 16.562 million whose realizable value estimated by the management as on the reporting date is Rupees 23.546 million. Hence, there is an upside of Rupees 6.984 million not recognized in the profit and loss account of the Modaraba.		
	2017 Rupees	2016 Rupees	
5	ACCRUED PROFIT		
	Murabaha investments	-	345,915
	Diminishing musharaka financing	388,493	141,268
		<u>388,493</u>	<u>487,183</u>

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	2017 Rupees	2016 Rupees
6 IJARAH RENTALS RECEIVABLE		
Considered good - secured	12,028,297	24,220,234
Considered doubtful (Note 6.1)	99,593,682	88,327,883
Less: Provision for doubtful ijarah rentals receivable (Note 6.2)	(20,363,489)	(13,622,056)
Less: Profit held in suspense (Note 6.3)	(21,311,458)	(17,108,267)
	<u>57,918,735</u>	<u>57,597,560</u>
	<u>69,947,032</u>	<u>81,817,794</u>
6.1 This includes doubtful ijarah rentals receivable of Rupees 75.895 million whose realisable value estimated by the management as on the reporting date is Rupees 89.907 million. Hence, there is an upside of Rupees 14.012 million not recognized in the profit and loss account of the Modaraba.		
	2017 Rupees	2016 Rupees
6.2 Provision for doubtful ijarah rentals receivable		
Opening balance	13,622,056	12,633,222
Charged during the year (Note 6.2.1)	7,318,597	1,239,496
Reversed during the year	(577,164)	(250,662)
Closing balance	<u>20,363,489</u>	<u>13,622,056</u>
6.2.1 This includes provision of Rupees 3.100 million (2016: Rupees Nil) recognized during the year on the basis of subjective evaluation of non-performing ijarah rentals receivable.		
	2017 Rupees	2016 Rupees
6.3 Profit held in suspense		
Opening balance	17,108,267	8,424,135
Income suspended during the year	7,207,092	8,684,132
Suspended income received	(3,003,901)	-
Closing balance	<u>21,311,458</u>	<u>17,108,267</u>
7 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Advances to employees for expenses (unsecured - considered good)	12,530	21,491
Income tax deducted at source	2,299,126	1,167,799
Prepayments	27,880	249,157
Other receivables (Note 7.1)	1,503,788	1,166,343
	<u>3,843,324</u>	<u>2,604,790</u>
7.1 Other receivables		
Considered good	1,503,788	1,166,343
Considered doubtful (Note 7.1.1)	29,244,256	28,368,640
Provision against doubtful other receivables (Note 7.2)	(29,244,256)	(28,368,640)
	<u>1,503,788</u>	<u>1,166,343</u>
7.1.1 Doubtful other receivables of Rupees 29.244 million have been fully provided in these financial statements, however, these include receivables of Rupees 1.816 million whose realizable value estimated by the management as on the reporting date is Rupees 0.487 million. Hence, there is an upside of Rupees 0.487 million not recognized in the profit and loss account of the Modaraba.		

7.2 Provision against doubtful other receivables

Opening balance	28,368,640	24,988,256
Charged during the year	875,616	3,380,384
Closing balance	<u>29,244,256</u>	<u>28,368,640</u>

8 CURRENT PORTION OF NON-CURRENT ASSETS

Net investment in ijarah finance (Note 9)	31,270,867	24,080,628
Diminishing musharaka financing (Note 10)	26,098,927	21,367,573
Long term murabaha investments (Note 11.3)	45,083,734	48,048,233
Long term loans and deposits (Note 12)	595,499	917,373
	<u>103,049,027</u>	<u>94,413,807</u>

9 NET INVESTMENT IN IJARAH FINANCE	2017			2016		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	-----Rupees-----					
Minimum ijarah rentals receivable	62,161,137	17,185,554	79,346,691	54,929,071	29,185,554	84,114,625
Residual value of ijarah assets	5,088,181	46,700	5,134,881	5,088,181	46,700	5,134,881
Gross investment in ijarah finance	67,249,318	17,232,254	84,481,572	60,017,252	29,232,254	89,249,506
Less: Unearned finance income	(13,071,599)	(15,580,740)	(28,652,339)	(13,029,772)	(19,789,320)	(32,819,092)
Net investment in lease ijarah finance	54,177,719	1,651,514	55,829,233	46,987,480	9,442,934	56,430,414
Less: Provision for doubtful net investment in ijarah finance (Note 9.2)	(22,906,852)	-	(22,906,852)	(22,906,852)	-	(22,906,852)
	<u>31,270,867</u>	<u>1,651,514</u>	<u>32,922,381</u>	<u>24,080,628</u>	<u>9,442,934</u>	<u>33,523,562</u>
Less: Current portion (Note 8)			<u>(31,270,867)</u>			<u>(24,080,628)</u>
			<u>1,651,514</u>			<u>9,442,934</u>

The Modaraba has entered into various ijarah agreement for periods ranging from 8 to 14 years (2016: 8 to 14 years). Security deposits ranging from 0.1% to 10% (2016: 0.1% to 10%) are obtained at the time of disbursement. The rate of profit implicit in ijarah ranges from 9.76% to 11.97% (2016: 7.86% to 11.19%) per annum.

- 9.1 This includes doubtful ijarah rentals receivable of Rupees 27.788 million whose realizable value estimated by the management as on the reporting date is Rupees 55.575 million. Hence, there is an upside against net investment in ijarah finance and unearned finance income estimated to Rupees 22.907 million and Rupees 4.880 million respectively, which is not recognized in the profit and loss account of the Modaraba.

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	2017 Rupees	2016 Rupees
9.2 Provision for doubtful net investment in ijarah finance		
Opening balance	22,906,852	5,658,000
Charged during the year	-	17,248,852
Closing balance	<u>22,906,852</u>	<u>22,906,852</u>
10 DIMINISHING MUSHARAKA FINANCING - SECURED		
Considered good	32,258,640	52,007,931
Considered doubtful	4,337,634	4,662,957
Provision against doubtful diminishing musharaka (Note 10.2)	-	-
	<u>4,337,634</u>	<u>4,662,957</u>
	36,596,274	56,670,888
Less: Current portion (Note 8)	<u>(26,098,927)</u>	<u>(21,367,573)</u>
	<u>10,497,347</u>	<u>35,303,315</u>

10.1 This represents diminishing musharaka financing arrangement entered for a term of three to four years. The Modaraba has provided financing to the extent of 23.69% to 90% of the value of the musharaka assets. This financing is secured by first charge on all present and future fixed assets of the client, personal guarantee of directors, registered and equitable mortgage on properties, post dated cheques and joint ownership of musharaka assets. These carry profit at rates ranging between 9.35% to 14.02% (2016: 9.35% to 13.65%) per annum and are repayable on monthly basis.

10.2 The provision against doubtful diminishing musharaka financing is not required under Prudential Regulations for Modarabas due to forced sale value of collaterally held assets.

	2017 Rupees	2016 Rupees
11 LONG TERM MURABAHA INVESTMENTS - SECURED		
Considered good	14,895,252	24,284,321
Considered doubtful	69,602,515	69,602,515
	<u>84,497,767</u>	<u>93,886,836</u>
Add: Deferred murabaha income (Note 21)	31,913,554	31,913,554
	<u>116,411,321</u>	<u>125,800,390</u>
Less: Provision for doubtful murabaha investments (Note 11.2)	<u>(69,602,482)</u>	<u>(41,602,482)</u>
	46,808,839	84,197,908
Less: Current portion (Note 11.3)	<u>(45,083,734)</u>	<u>(48,048,233)</u>
	<u>1,725,105</u>	<u>36,149,675</u>

11.1 These represent investments under murabaha arrangements on deferred payment basis at a profit margin ranging from 9.38% to 15.50% (2016: 9.38% to 15.50%) per annum. These investments are secured against charge over fixed and current assets, registered and equitable mortgage of properties, personal guarantees of the directors of customer companies, demand promissory notes and post-dated cheques varying from case to case.

	2017 Rupees	2016 Rupees
11.2 Provision for doubtful murabaha investments		
Opening balance	41,602,482	8,960,420
Charged during the year (Note 11.2.1)	28,000,000	32,736,682
Reversed during the year	-	(94,620)
Net charged during the year	28,000,000	32,642,062
Closing balance	69,602,482	41,602,482

11.2.1 This includes provision of Rupees 17.500 million (2016: Rupees Nil) recognized during the year on the basis of subjective evaluation of non-performing long term murabaha investments.

11.3 Current portion of long term murabaha investments		
Murabaha investments	37,602,051	44,079,315
Deferred murabaha income (Note 21)	7,481,683	3,968,918
	45,083,734	48,048,233

12 LONG TERM LOANS AND DEPOSITS

Long term loans to employees (Note 12.1)	1,556,881	2,601,317
Security deposits	39,500	39,500
	1,596,381	2,640,817
Less: Current portion (Note 8)	(595,499)	(917,373)
	1,000,882	1,723,444

12.1 These loans are given to employees of the Modaraba for purchase of vehicles and carry profit at the rate of 5% (2016: 5%) per annum. Maximum aggregate balance due from employees at the end of any month during the year was Rupees 2,513,652 (2016: Rupees 6,098,247). As a security, vehicles are registered in the name of the Modaraba.

13 INTANGIBLE ASSET

Cost	1,131,300	1,131,300
Accumulated amortization	(1,131,300)	(1,131,300)
Net book value	-	-

13.1 As at reporting date, the intangible asset is fully amortized but still in use of the Modaraba.

14 IJARAH ASSETS

	Plant and machinery	Vehicles	Total
	-----Rupees-----		
At 30 June 2015			
Cost	646,151,210	842,240,781	1,488,391,991
Accumulated depreciation	(373,524,792)	(405,836,916)	(779,361,708)
Net book value	<u>272,626,418</u>	<u>436,403,865</u>	<u>709,030,283</u>
Year ended 30 June 2016			
Opening net book value	272,626,418	436,403,865	709,030,283
Additions	-	76,361,058	76,361,058
Disposals:			
Cost	(130,723,700)	(188,181,400)	(318,905,100)
Accumulated depreciation	116,303,933	125,439,431	241,743,364
	(14,419,767)	(62,741,969)	(77,161,736)
Reclassification adjustment:			
Cost	73,500,000	(73,500,000)	-
Accumulated depreciation	(49,739,417)	49,739,417	-
	23,760,583	(23,760,583)	
Impairment loss	(1,502,302)	(3,471,787)	(4,974,089)
Depreciation charge	(103,743,825)	(133,318,015)	(237,061,840)
Closing net book value	<u>176,721,107</u>	<u>289,472,569</u>	<u>466,193,676</u>
At 30 June 2016			
Cost	588,927,510	656,920,439	1,245,847,949
Accumulated depreciation	(410,704,101)	(363,976,083)	(774,680,184)
Accumulated impairment loss	(1,502,302)	(3,471,787)	(4,974,089)
Net book value	<u>176,721,107</u>	<u>289,472,569</u>	<u>466,193,676</u>
Year ended 30 June 2017			
Opening net book value	176,721,107	289,472,569	466,193,676
Disposals:			
Cost	(178,983,837)	(202,495,620)	(381,479,457)
Accumulated depreciation	137,970,210	151,011,437	288,981,647
	(41,013,627)	(51,484,183)	(92,497,810)
Impairment loss:			
Impairment loss recognized	(3,203,211)	-	(3,203,211)
Impairment loss reversed	-	1,307,045	1,307,045
	(3,203,211)	1,307,045	(1,896,166)
Depreciation charge	(53,618,261)	(70,737,786)	(124,356,047)
Closing net book value	<u>78,886,008</u>	<u>168,557,645</u>	<u>247,443,653</u>
At 30 June 2017			
Cost	409,943,673	454,424,819	864,368,492
Accumulated depreciation	(326,352,152)	(283,702,432)	(610,054,584)
Accumulated impairment loss	(4,705,513)	(2,164,742)	(6,870,255)
Net book value	<u>78,886,008</u>	<u>168,557,645</u>	<u>247,443,653</u>
Annual rate of depreciation (%)	<u>17 - 33</u>	<u>14 - 50</u>	

15 FIXED ASSETS - OWN USE

	Vehicles	Computers and accessories	Electric equipment	Total
----- Rupees -----				
At 30 June 2015				
Cost	3,287,905	1,793,858	434,664	5,516,427
Accumulated depreciation	(3,192,231)	(1,538,451)	(418,387)	(5,149,069)
Net book value	<u>95,674</u>	<u>255,407</u>	<u>16,277</u>	<u>367,358</u>
Year ended 30 June 2016				
Opening net book value	95,674	255,407	16,277	367,358
Additions	-	10,200	-	10,200
Disposals:				
Cost	(1,936,723)	-	-	(1,936,723)
Accumulated depreciation	1,889,921	-	-	1,889,921
	(46,802)	-	-	(46,802)
Depreciation charge	(40,652)	(183,693)	(14,580)	(238,925)
Closing net book value	<u>8,220</u>	<u>81,914</u>	<u>1,697</u>	<u>91,831</u>
At 30 June 2016				
Cost	1,351,182	1,804,058	434,664	3,589,904
Accumulated depreciation	(1,342,962)	(1,722,144)	(432,967)	(3,498,073)
Net book value	<u>8,220</u>	<u>81,914</u>	<u>1,697</u>	<u>91,831</u>
Year ended 30 June 2017				
Opening net book value	8,220	81,914	1,697	91,831
Depreciation charge	(8,220)	(74,182)	(1,697)	(84,099)
Closing net book value	<u>-</u>	<u>7,732</u>	<u>-</u>	<u>7,732</u>
At 30 June 2017				
Cost	1,351,182	1,804,058	434,664	3,589,904
Accumulated depreciation	(1,351,182)	(1,796,326)	(434,664)	(3,582,172)
Net book value	<u>-</u>	<u>7,732</u>	<u>-</u>	<u>7,732</u>
Annual rate of depreciation (%)	<u>20</u>	<u>33.33</u>	<u>20-33.33</u>	

15.1 The cost of fixed assets includes fully depreciated assets of Rupees 3,241,823 (2016: Rupees 2,668,758) which are still in use of the Modaraba.

15.2 Upside against fixed asset in own use estimated by the management as on the reporting date is Rupees 0.850 million.

16 SHORT TERM FINANCE - SECURED

	2017 Rupees	2016 Rupees
From banking companies		
Running finance:		
Associated undertaking - National Bank of Pakistan (Note 16.1)	201,634,754	249,918,586
Murabaha finance (Note 16.2)	-	25,000,000
	<u>201,634,754</u>	<u>274,918,586</u>

16.1 The Modaraba has total working capital finance facility of Rupees 250 million (2016: Rupees 350 million) available from National Bank of Pakistan out of which Rupees 48.365 million (2016: Rupees 75 million) remained unutilized at year end. This carry mark-up / profit at rate for 1 month KIBOR plus 1% (2016: 1 month to 6 months KIBOR plus 0.5% to 2%) per annum payable monthly. The effective mark-up / profit rate charged during the year range from 6.22% to 6.29% (2016: 7.26% to 9.83%) per annum. This facility is secured by way of first joint pari passu hypothecation charge on all present and future receivables, leased assets and related lease receivables and present and future assets of the Modaraba to the extent of Rupees 277.778 million (2016: Rupees 611.778 million).

16.2 This facility of Rupees 100 million obtained from Al-Baraka Bank (Pakistan) Limited to finance murabaha operations of the Modaraba has been fully repaid during the year. This carried mark-up at the rate of 6 months KIBOR plus 2% per annum payable semi annually. The effective mark-up rate charged during the year ranged from 8.36% to 8.37% (2016: 8.36% to 9.83%) per annum. This was secured by way of joint pari passu charge on leased assets and receivables of the Modaraba to the extent of Rupees 334 million.

	2017 Rupees	2016 Rupees
17 CREDITORS, ACCRUED AND OTHER LIABILITIES		
Advances from customers	25,725,887	22,503,209
Accrued expenses	433,780	559,000
Withholding tax payable	-	12,414
Unclaimed profit distribution	437,624	439,064
Charity and other payable	668,108	183,290
	<u>27,265,399</u>	<u>23,696,977</u>
18 CURRENT PORTION OF NON-CURRENT LIABILITIES		
Security deposits against ijarah assets (Note 19)	155,082,085	190,103,119
Long term finances - secured (Note 20)	33,333,332	101,666,668
Deferred murabaha income (Note 21)	7,481,683	3,968,918
	<u>195,897,100</u>	<u>295,738,705</u>
19 SECURITY DEPOSITS AGAINST IJARAH ASSETS		
Security deposits against ijarah assets	176,582,872	261,723,821
Less: Current portion (Note 18)	<u>(155,082,085)</u>	<u>(190,103,119)</u>
	<u>21,500,787</u>	<u>71,620,702</u>
20 LONG TERM FINANCES - SECURED		
From banking companies and financial institution - secured		
National Bank of Pakistan - associated undertaking (Note 20.1)	50,000,002	83,333,334
Pak China Investment Company Limited (Note 20.2)	-	35,000,000
First Women Bank Limited (Note 20.3)	-	33,333,334
	<u>50,000,002</u>	<u>151,666,668</u>
Less: Current portion (Note 18)	<u>(33,333,332)</u>	<u>(101,666,668)</u>
	<u>16,666,670</u>	<u>50,000,000</u>

20.1 This demand finance facility of Rupees 200 million is obtained to finance operations of the Modaraba. This is repayable in 12 equal quarterly instalments. This carries mark-up at the rate of 3 months KIBOR plus 2.00% per annum payable quarterly. The effective mark-up rate charged during the year ranged from 7.54% to 7.85% (2016: 7.85% to 8.51%) per annum. This is secured by way of first joint pari passu hypothecation charge on all present and future leased assets and related lease receivables of the Modaraba to the extent of Rupees 222.222 million.

20.2 This term finance facility of Rupees 200 million obtained to finance Ijarah operations of the Modaraba has been fully repaid during the year. This carried mark-up at the rate of 6 months KIBOR plus 1.75% per annum payable semi annually. The effective mark-up rate charged during the year was 7.99% (2016: ranged from 8.38% to 8.63%) per annum. This was secured by way of hypothecation charge on all present and future leased assets and other Islamic products receivable of the Modaraba with 25% margin.

20.3 This demand finance facility of Rupees 200 million obtained to finance operations of the Modaraba has been fully repaid during the year. This carried mark-up at the rate of 6 months KIBOR plus 1.75% per annum payable semi annually. The effective mark-up rate charged during the year was 7.81% (2016: ranged from 8.26% to 8.79%) per annum. This was secured by way of joint pari passu charge on leased assets and other Islamic products' receivable of the Modaraba to the extent of Rupees 367 million.

	2017 Rupees	2016 Rupees
21 DEFERRED MURABAHA INCOME		
Long term deferred murabaha income (Note 11)	31,913,554	31,913,554
Less: Current portion (Note 18)	<u>(7,481,683)</u>	<u>(3,968,918)</u>
	<u>24,431,871</u>	<u>27,944,636</u>
22 CERTIFICATE CAPITAL		
Authorised certificate capital		
60,000,000 (2016: 60,000,000) modaraba certificates of Rupees 10 each	<u>600,000,000</u>	<u>600,000,000</u>
Issued, subscribed and paid-up certificate capital		
25,000,000 (2016: 25,000,000) modaraba certificates of Rupees 10 each	<u>250,000,000</u>	<u>250,000,000</u>
22.1 7,500,000 (2016: 7,500,000) certificates of the Modaraba are held by National Bank Modaraba Management Company Limited, the management company.		
	2017 Rupees	2016 Rupees
23 RESERVES		
Capital reserves		
Statutory reserve (Note 23.1)	43,955,189	43,955,189
Revenue reserve		
Accumulated loss	<u>(277,622,119)</u>	<u>(206,262,437)</u>
	<u>(233,666,930)</u>	<u>(162,307,248)</u>
23.1 This represents special reserve created in compliance with the Prudential Regulations for Modarabas issued by SECP.		
24 CONTINGENCIES AND COMMITMENTS		
Contingencies	<u>NIL</u>	<u>NIL</u>
Commitments - facilities approved but not disbursed	<u>NIL</u>	<u>NIL</u>

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	2017 Rupees	2016 Rupees
25 OTHER INCOME		
Documentation charges	-	203,251
Service charges	97,018	126,828
Gain on disposal of fixed assets - own use	-	1,503,510
	<u>97,018</u>	<u>1,833,589</u>
26 OPERATING EXPENSES		
Salaries, allowances and other benefits (Note 26.3)	10,968,204	10,974,978
Communication	275,695	282,535
Travelling and conveyance	313,264	176,620
Vehicles' running	129,469	181,754
Postage and stamps	39,928	64,672
Advertisement	104,670	135,191
Legal and professional	947,941	1,231,190
Auditors' remuneration (Note 26.1)	546,830	539,480
Fees and subscription	681,903	943,115
Repairs and maintenance	280,552	266,607
Insurance	99,307	186,186
Stationery and printing	348,183	393,708
Entertainment	249,886	285,673
Depreciation on fixed assets - own use (Note 15)	84,099	238,925
Amortization	-	146,016
Other sundry expenses	105,104	83,431
	<u>15,175,035</u>	<u>16,130,081</u>
26.1 Auditors' remuneration		
Audit fee	302,500	302,500
Half yearly review fee	96,800	96,800
Certifications	97,600	97,600
Out of pocket expenses	49,930	42,580
	<u>546,830</u>	<u>539,480</u>

26.2 Office space, utilities and related expenditure are borne by National Bank Modaraba Management Company Limited, Modaraba management company.

26.3 Salaries, allowances and other benefits

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

First National Bank Modaraba

	2017			2016		
	Officers	Employees	Total	Officers	Employees	Total
	-----Rupees-----					
Salary	2,380,131	2,557,252	4,937,383	2,044,792	2,678,888	4,723,680
House rent allowance	1,045,837	1,132,620	2,178,457	1,022,400	1,290,835	2,313,235
Utilities	251,001	271,813	522,814	245,376	310,158	555,534
Bonus	482,319	520,389	1,002,708	434,518	548,330	982,848
Others	770,350	1,556,492	2,326,842	669,485	1,730,196	2,399,681
	<u>4,929,638</u>	<u>6,038,566</u>	<u>10,968,204</u>	<u>4,416,571</u>	<u>6,558,407</u>	<u>10,974,978</u>
Number of persons	<u>3</u>	<u>8</u>	<u>11</u>	<u>3</u>	<u>9</u>	<u>12</u>

26.3.1 Average number of employees during the year was 12 (2016: 14). All employees are on contract.

	2017 Rupees	2016 Rupees
27 FINANCE COST		
Short term finances	15,879,672	7,426,922
Short term certificates of musharaka	-	16,089,320
Long term finances	7,684,799	21,246,751
Bank and other charges	135,928	153,625
	<u>23,700,399</u>	<u>44,916,618</u>

27.1 This includes finance cost of Rupees 21,133,746 (2016: Rupees 8,651,373) on various facilities obtained from National Bank of Pakistan - associated undertaking.

	2017 Rupees	2016 Rupees
28 PROVISION FOR DOUBTFUL RECEIVABLES		
Opening balance	290,333,399	229,154,256
Add: Charged during the year (Note 28.1)	86,610,661	97,633,365
Less: Reversed during the year	(577,164)	(36,454,222)
Net provision charged during the year	86,033,497	61,179,143
Closing balance (Note 28.2)	<u>376,366,896</u>	<u>290,333,399</u>

28.1 This includes provision of Rupees 39.074 million (2016: Rupees Nil) recognized during the year on the basis of subjective evaluation of non-performing short term murabaha investments, ijarah rentals receivable and long term murabaha investments. The break-up is as under:

	2017 Rupees	2016 Rupees
Short term murabaha investments	18,473,740	-
Ijarah rentals receivable	3,100,000	-
Long term murabaha investments	17,500,000	-
	<u>39,073,740</u>	<u>-</u>

28.2 Break up of closing balance

Provision against doubtful murabaha investments (Note 4.1 and Note 11.2)	297,065,441	218,648,993
Provision against accrued profit	6,786,858	6,786,858
Provision for doubtful ijarah rentals receivable (Note 6.2)	20,363,489	13,622,056
Provision against doubtful other receivables (Note 7.2)	29,244,256	28,368,640
Provision for doubtful net investment in ijarah finance (Note 9.2)	22,906,852	22,906,852
	376,366,896	290,333,399

29 MODARABA MANAGEMENT COMPANY 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. Owing to the loss during the year, the modaraba management company's fee has not been provided for.

	2017 Rupees	2016 Rupees
30 TAXATION		
Current:		
For the year (Note 30.1)	-	-
Deferred income tax (Note 30.2)	-	-
	-	-

30.1 No provision for current tax is recognized as the Modaraba has estimated carry forwardable tax losses of Rupees 256.973 million (2016: Rupees 195.890 million). Further, provision of minimum tax is not applicable to the Modaraba as per sub clause (xiii) of clause 11A of part IV of second schedule to the Income Tax Ordinance, 2001.

30.2 Deferred income tax

The asset for deferred income tax originated due to temporary differences relating to:

Accelerated tax depreciation	43,448,578	67,217,395
Carry forward tax losses	64,243,310	48,972,569
	107,691,888	116,189,964
Less: Deferred income tax asset not recognized	(107,691,888)	(116,189,964)
	-	-

30.2.1 The deferred income tax asset of Rupees 107.692 million (2016: Rupees 116.190 million) has not been recognized in these financial statements as the temporary differences are not expected to reverse in foreseeable future because taxable profits may not be available against which the temporary differences can be utilized.

31 LOSS PER CERTIFICATE - BASIC AND DILUTED

Loss attributable to ordinary certificates holders	Rupees	(71,359,682)	(53,832,502)
Weighted average number of ordinary certificates outstanding during the year	Numbers	25,000,000	25,000,000
Loss per certificate	Rupees	(2.85)	(2.15)

There is no dilution in loss per certificate as the Modaraba has not issued any instrument which would have an impact on its loss per certificate.

32 FUTURE IJARAH RENTALS RECEIVABLE

Aggregate amount of future ijarah rentals receivable on the basis of agreements executed upto 30 June 2017 approximate to Rupees 197,917,339 (2016: Rupees 316,254,111). The amount of future ijarah rentals receivable and period during which they fall due are:

Not later than one year	160,949,631	193,619,780
Later than one year but not later than five years	36,967,708	122,634,331
Later than five years	-	-
	<u>197,917,339</u>	<u>316,254,111</u>

The Modaraba has entered into various ijarah agreement for periods ranging from 3 to 11 years (2016: 3 to 11 years). Security deposits ranging from 0% to 71% (2016: 5% to 73%) are obtained at the time of disbursement. The rate of profit implicit in ijarah ranges from 9.46% to 14.46% (2016: 9.15% to 10.98%) per annum.

33 FINANCIAL RISK MANAGEMENT

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 the management company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

33.1 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Modaraba by failing to discharge an obligation. The risk is generally limited to principal amounts and accrued profit thereon, if any. The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Prudential Regulations. The carrying amount of the following financial assets represents the maximum credit exposure at the reporting date:

	2017 Rupees	2016 Rupees
Bank balances	49,707,521	14,743,528
Ijarah rentals receivable	69,947,032	81,817,794
Other receivables	1,503,788	1,166,343
Accrued profit	388,493	487,183
Murabaha investments	31,457,351	147,362,871
Net investment in ijarah finance	32,922,381	33,523,562
Diminishing musharaka financing	36,596,274	56,670,888
Long term loans and deposits	1,596,381	2,640,817
	<u>224,119,221</u>	<u>338,412,986</u>

33.1.1 Credit quality of banks

The credit quality of the Modaraba's bank balances can be assessed with reference to external credit ratings as follows:

	Rating			2017	2016
	Short term	Long term	Agency	Rupees	
National Bank of Pakistan	A1+	AAA	PACRA	295,939	2,512,948
Al Baraka Bank (Pakistan) Limited	A1	A	PACRA	252,945	10,723,856
Bank Alfalah Limited	A1+	AA	PACRA	4,964	140,696
First Women Bank Limited	A2	A-	PACRA	4,760	4,810
Allied Bank Limited	A1+	AA+	PACRA	-	4,733
Habib Bank Limited	A-1+	AAA	JCR-VIS	-	18,829
The Bank of Punjab	A1+	AA	PACRA	38,052	38,226
Bank Islami Pakistan Limited	A1	A+	PACRA	49,110,860	73,377
MCB Bank Limited (formerly NIB Bank Limited)	A1+	AA-	PACRA	-	54,591
United Bank Limited	A-1+	AAA	JCR-VIS	-	2,828
Bank Al-Habib Limited	A1+	AA+	PACRA	-	22
MCB Bank Limited	A1+	AAA	PACRA	1	1,168,612
				49,707,521	14,743,528

33.1.2 Description of collateral held

The Modaraba's ijarah arrangements (leases) are secured against ijarah assets, demand promissory notes, post dated cheques and personal guarantees varying from case to case. In a few arrangements additional collateral is also obtained in form of charge on fixed assets.

Murabaha investments are secured against charge over fixed and current assets, registered and equitable mortgage of properties, personal guarantees of directors of customer companies, demand promissory notes and post dated cheques varying from case to case.

Diminishing musharaka financings are secured by first charge on all present and future fixed assets of the client, registered and equitable mortgage on properties, personal guarantee of directors, post dated cheques and joint ownership of musharaka assets varying from case to case.

33.1.3 Age analysis of profit accrued on murabaha investments

Past due	30 June 2017				Carrying amount
	Gross amount	Amount on which no suspension is required	Amount on which suspension is required	Suspension made under Prudential Regulations	
	-----Rupees-----				
0 days	-	-	-	-	-
1 day - 89 days	-	-	-	-	-
90 days - 179 days	-	-	-	-	-
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	2,068,453	-	2,068,453	2,068,453	-
2 year - less than 3 year	2,732,411	-	2,732,411	2,732,411	-
3 year or more	8,019,086	-	8,019,086	8,019,086	-
Total	12,819,950	-	12,819,950	12,819,950	-

30 June 2016					
Past due	Gross amount	Amount on which no suspension is required	Amount on which suspension is required	Suspension made under Prudential Regulations	Carrying amount
-----Rupees-----					
0 days	345,915	345,915	-	-	345,915
1 day -89 days	-	-	-	-	-
90 days - 179 days	770,916	-	770,916	770,916	-
180 days - 364 days	1,297,537	-	1,297,537	1,297,537	-
1 year - less than 2 year	1,891,603	-	1,891,603	1,891,603	-
2 year - less than 3 year	2,667,547	-	2,667,547	2,667,547	-
3 year or more	5,520,853	-	5,520,853	5,520,853	-
Total	12,494,371	345,915	12,148,456	12,148,456	345,915

33.1.4 Age analysis of murabaha investments

30 June 2017					
Past due	Gross amount	Amount on which no provision is required	Amount on which provision is required	Provision recognized under Prudential Regulations	Carrying amount
-----Rupees-----					
0 days	14,895,252	14,895,252	-	-	14,895,252
1 day -179 days	-	-	-	-	-
180 days- 364 days	-	-	-	-	-
1 year - less than 2 year	36,947,483	-	36,947,483	36,947,483	-
2 year - less than 3 year	93,500,000	-	93,500,000	88,867,801	4,632,199
3 year or more	183,180,057	-	183,180,057	171,250,157	11,929,900
Total	328,522,792	14,895,252	313,627,540	297,065,441	31,457,351

30 June 2016					
Past due	Gross amount	Amount on which no provision is required	Amount on which provision is required	Provision recognized under Prudential Regulations	Carrying amount
-----Rupees-----					
0 days	49,284,321	49,284,321	-	-	49,284,321
1 day-179 days	14,872,637	-	14,872,637	-	14,872,637
180 days - 364 days	22,074,849	-	22,074,849	4,414,970	17,659,879
1 year - less than 2 year	76,600,000	-	76,600,000	27,800,000	48,800,000
2 year - less than 3 year	90,018,933	-	90,018,933	73,272,899	16,746,034
3 year and above	113,161,124	-	113,161,124	113,161,124	-
Total	366,011,864	49,284,321	316,727,543	218,648,993	147,362,871

Provisions are recognized by the Modaraba on the basis of time based criteria given under Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.

33.1.5 Age analysis of ijarah rentals receivable

30 June 2017					
Past due	Gross amount	Amount on which no provision / suspension is required	Amount on which provision / suspension is required	Provision / suspension made under Prudential Regulations	Carrying amount
-----Rupees-----					
0 days	940,414	940,414	-	-	940,414
1 day -89 days	10,564,673	10,564,673	-	-	10,564,673
90 days -179 days	523,210	523,210	-	-	523,210
180 days - 364 days	27,914	-	27,914	4,746	23,168
1 year - less than 2 year	3,270,553	-	3,270,553	180,386	3,090,167
2 year - less than 3 years	83,296,711	-	83,296,711	28,491,311	54,805,400
3 year or more	12,998,504	-	12,998,504	12,998,504	-
Total	111,621,979	12,028,297	99,593,682	41,674,947	69,947,032

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30 June 2016					
Past due	Gross amount	Amount on which no provision / suspension is required	Amount on which provision / suspension is required	Provision / suspension made under Prudential Regulations	Carrying amount
-----Rupees-----					
0 days	760,046	760,046	-	-	760,046
1 day -89 days	14,615,824	14,615,824	-	-	14,615,824
90 days -179 days	15,019,546	8,844,364	6,175,182	211,755	14,807,791
180 days - 364 days	244,628	-	244,628	6,173	238,455
1 year - less than 2 year	68,973,556	-	68,973,556	19,123,336	49,850,220
2 year - less than 3 years	2,732,141	-	2,732,141	1,186,683	1,545,458
3 year or more	10,202,376	-	10,202,376	10,202,376	-
Total	112,548,117	24,220,234	88,327,883	30,730,323	81,817,794

33.1.6 Age analysis of diminishing musharaka financing

30 June 2017					
Past due	Gross amount	Amount on which no provision is required	Amount on which provision is required	Provision made under Prudential Regulations	Carrying amount
-----Rupees-----					
0 days	16,364,820	16,364,820	-	-	16,364,820
1 day -179 days	15,893,820	15,893,820	-	-	15,893,820
180 days- 364 days	-	-	-	-	-
1 year - less than 2 year	4,337,634	-	4,337,634	(Note 10.2)	4,337,634
2 year - less than 3 years	-	-	-	-	-
3 year or more	-	-	-	-	-
Total	36,596,274	32,258,640	4,337,634	-	36,596,274

30 June 2016					
Past due	Gross amount	Amount on which no provision is required	Amount on which provision is required	Provision made under Prudential Regulations	Carrying amount
-----Rupees-----					
0 days	31,831,521	31,831,521	-	-	31,831,521
1 day-179 days	20,176,410	20,176,410	-	-	20,176,410
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	4,662,957	-	4,662,957	(Note 10.2)	4,662,957
2 year - less than 3 years	-	-	-	-	-
3 year or more	-	-	-	-	-
Total	56,670,888	52,007,931	4,662,957	-	56,670,888

33.1.7 Age analysis of profit accrued on diminishing musharaka financing

30 June 2017					
Past due	Gross amount	Amount on which no suspension is required	Amount on which suspension is required	Suspension made under Prudential Regulations	Carrying amount
-----Rupees-----					
0 days	-	-	-	-	-
90 days - 179 days	388,493	388,493	-	-	388,493
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	705,646	-	705,646	705,646	-
2 year - less than 3 years	-	-	-	-	-
3 year or more	-	-	-	-	-
Total	1,094,139	388,493	705,646	705,646	388,493

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Past due	30 June 2016				
	Gross amount	Amount on which no suspension is required	Amount on which suspension is required	Suspension made under Prudential Regulations	Carrying amount
	-----Rupees-----				
0 days	12,411	12,411	-	-	12,411
90 days - 179 days	128,857	128,857	-	-	128,857
180 days - 364 days	-	-	-	-	-
1 year - less than 2 year	593,321	-	593,321	593,321	-
2 year - less than 3 years	-	-	-	-	-
3 year or more	-	-	-	-	-
Total	734,589	141,268	593,321	593,321	141,268

Provisions are recognized by the Modaraba on the basis of time based criteria given under Prudential Regulations for Modarabas and subjective evaluation carried out on an ongoing basis.

33.1.8 Concentration of credit risk

The Modaraba manages credit risk and its concentration through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for individuals and industrial sectors. Break-up of credit risk exposure by class of business is as follows:

	30 June 2017					
	Ijarah receivables and assets	Net Investment in Ijarah finance	Murabaha investments	Diminishing musharaka	Total	% age
	-----Rupees-----					
Transport and communications	19,623,592	-	300,933	6,957,805	26,882,330	3.45
Education	1,723,981	-	-	-	1,723,981	0.23
Power	1,675,769	-	15,000,000	-	16,675,769	2.14
Textiles	63,462,792	55,829,233	266,967,065	2,772,744	389,031,834	49.88
Construction	9,297,000	-	-	-	9,297,000	1.20
Engineering	2,491,992	-	23,859,542	4,337,634	30,689,168	3.94
Food	94,545,613	-	22,395,252	-	116,940,865	15.00
Individuals	93,230,188	-	-	9,788,688	103,018,876	13.21
Financial institutions	19,491,880	-	-	-	19,491,880	2.50
Manufacturing industries	30,625,849	-	-	-	30,625,849	3.93
Miscellaneous	22,896,976	-	-	12,739,403	35,636,379	4.57
Total	359,065,632	55,829,233	328,522,792	36,596,274	780,013,931	100

	30 June 2016					
	Ijarah receivables and assets	Net Investment in Ijarah finance	Murabaha investments	Diminishing musharaka	Total	% age
	-----Rupees-----					
Transport and communications	44,763,637	-	300,933	8,036,469	45,064,570	4.26
Education	5,608,198	-	-	-	5,608,198	0.53
Power	6,041,857	-	40,000,000	-	46,041,857	4.35
Textiles	97,511,998	56,430,414	275,648,420	4,384,617	429,590,832	40.61
Construction	14,181,566	-	-	-	14,181,566	1.34
Engineering	8,632,542	-	23,859,542	4,662,957	32,492,084	3.07
Food	133,031,148	-	26,202,969	-	159,234,117	15.05
Individuals	140,838,938	-	-	13,733,396	170,363,105	16.10
Financial institutions	30,420,554	-	-	-	30,420,554	2.88
Manufacturing industries	45,689,223	-	-	-	72,835,944	6.89
Miscellaneous	52,022,132	-	-	25,853,449	52,022,132	4.92
Total	578,741,793	56,430,414	366,011,864	56,670,888	1,057,854,959	100

33.2 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. 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 damage to the Modaraba's reputation. The following are the contractual maturities of financial liabilities, including interest / profit payments:

30 June 2017						
Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years	
-----Rupees-----						
Non-derivative financial liabilities						
Accrued profit	2,094,045	2,094,045	2,094,045	-	-	-
Short term finances	201,634,754	202,794,126	202,794,126	-	-	-
Creditors, accrued and other liabilities	1,539,512	1,539,512	1,539,512	-	-	-
Long term finances	50,000,002	59,120,516	19,867,762	19,815,570	19,437,184	-
Total	255,268,313	265,548,199	226,295,445	19,815,570	19,437,184	-

30 June 2016						
Carrying amount	Contractual cash flows	6 months or less	6 to 12 months	1 year to 2 years	2 years to 5 years	
-----Rupees-----						
Non-derivative financial liabilities						
Accrued profit	6,438,136	6,438,136	6,438,136	-	-	-
Short term finances	274,918,586	275,143,202	275,143,202	-	-	-
Creditors, accrued and other liabilities	1,181,354	1,181,354	1,181,354	-	-	-
Long term finances	151,666,668	168,990,166	90,166,793	19,786,644	59,036,729	-
Total	434,204,744	451,752,858	372,929,485	19,786,644	59,036,729	-

33.2.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up / profit rates effective as at year end (and includes both principal and profit payable thereon).

33.3 Market risk

Market risk is the risk that changes in market price such as foreign exchange rates, interest / profit rates and equity prices will effect the Modaraba's income or the value of its holdings of financial instruments.

33.3.1 Currency risk

Currency risk is the risk that the fair value or future cash flow of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables exist due to transactions in foreign currencies. Currently, the Modaraba do not have any receivables or payables that exist due to transactions in foreign currencies which expose it to currency risk.

33.3.2 Interest / profit rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest / profit rates.

The Modaraba's interest /profit rate risk arises from long term finances, short term finances, bank balances in saving accounts, net investment in ijarah finance, diminishing musharaka, murabaha investments and loans to employees. Long term finances and short term finances obtained, murabaha investments, diminishing musharaka and balances in saving accounts at variable rates expose the Modaraba to cash flow interest / profit rate risk. Long term loans to employees made at fixed rate expose the Modaraba to fair value interest / profit rate risk.

At the balance sheet date the interest / profit rate profile of the Modaraba's interest bearing financial instruments was:

	2017 Rupees	2016 Rupees
Fixed rate instruments		
Financial assets		
Loans to employees	1,556,881	2,601,317
Floating rate instruments		
Financial assets		
Murabaha investments	31,457,351	147,362,871
Ijarah rentals receivable	69,947,032	81,817,794
Bank balances	49,388,833	12,486,475
Diminishing musharaka financing	36,596,274	56,670,888
Net investment in ijarah finance	32,922,381	33,523,562
Financial liabilities		
Long term finances	(50,000,002)	(151,666,668)
Short term finances	(201,634,754)	(274,918,586)

Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest / profit rate at the balance sheet date would not affect profit or loss of the Modaraba.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest / profit rates at the reporting date would have increased / (decreased) the loss for the year by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis for the year 2016. Following will be impact on the profit and loss account and the equity of the Modaraba:

	30 June 2017		30 June 2016	
	100 bps		100 bps	
	Increase Rupees	Decrease Rupees	Increase Rupees	Decrease Rupees
Floating rate financial assets	2,203,119	(2,203,119)	3,318,616	(3,318,616)
Floating rate financial liabilities	(2,516,349)	2,516,349	(4,265,854)	4,265,854
Net effect	<u>(313,230)</u>	<u>313,230</u>	<u>(947,238)</u>	<u>947,238</u>

The sensitivity analysis prepared is not necessarily indicative of the effects on loss for the year and assets / liabilities of the Modaraba. This analysis is prepared assuming the amounts of liabilities and assets outstanding at balance sheet dates were outstanding for the whole year.

33.3.3 Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest / profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Modaraba is not exposed to commodity price risk and equity price risk.

33.4 Financial instruments by categories

	Loans and receivables	
	2017	2016
	Rupees	Rupees
Financial assets as per balance sheet		
Bank balances	49,707,521	14,743,528
Ijarah rentals receivable	69,947,032	81,817,794
Other receivables	1,503,788	1,166,343
Accrued profit	388,493	487,183
Murabaha investments	31,457,351	147,362,871
Net investment in ijarah finance	32,922,381	33,523,562
Diminishing musharaka financing	36,596,274	56,670,888
Long term loans and deposits	1,596,381	2,640,817
	<u>224,119,221</u>	<u>338,412,986</u>
	Liabilities at amortized cost	
	2017	2016
	Rupees	Rupees
Accrued profit payable	2,094,045	6,438,136
Short term finances	201,634,754	274,918,586
Creditors, accrued and other liabilities	1,539,512	1,181,354
Long term finances	50,000,002	151,666,668
	<u>255,268,313</u>	<u>434,204,744</u>

34 RECOGNIZED FAIR VALUE MEASUREMENTS - FINANCIAL INSTRUMENTS

Fair value hierarchy

Certain financial assets and financial liabilities are not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value. For the majority of the non-current receivables, the fair values are also not significantly different to their carrying amounts. Judgements and estimates are made in determining the fair values of the financial instruments that are recognised and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Modaraba classify its financial instruments into the following three levels. However, as at the reporting date, the Modaraba has no such type of financial instruments which are required to be grouped into these levels. These levels are explained as under.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the modaraba is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

35 INFORMATION FOR ALL SHARES ISLAMIC INDEX SCREENING

Description	Note	2017		2016	
		Carried under		Carried under	
		Non-Shariah arrangements	Shariah arrangements	Non-Shariah arrangements	Shariah arrangements

----- (Rupees) -----

35.1 Assets

Loans and advances

Short term murabaha investments - secured	4	-	19,216,842	-	98,334,293
Ijarah rentals receivable	6	-	69,947,032	-	81,817,794
Net investment in ijarah finance	9	-	32,922,381	-	33,523,562
Diminishing musharaka financing - secured	10	-	36,596,274	-	56,670,888
Long term murabaha investments - secured	11	-	46,808,839	-	84,197,908
Loans to employees	12	-	1,556,881	2,601,317	-

35.2 Deposits

Long term deposits	12	-	39,500	-	39,500
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35.3 Bank balances	3	286,814	49,420,707	1,751,658	12,991,870
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35.4 Liabilities

Loan and advances

Security deposits against ijarah assets	19	-	176,582,872	-	261,723,821
Long term financing	20	50,000,002	-	151,666,668	-
Short term borrowings	16	201,634,754	-	249,918,586	25,000,000

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	2017 Rupees	2016 Rupees
35.5 Sources of other income		
Documentation charges	-	203,251
Service charges	97,018	126,828
Gain on disposal of fixed assets - own use	-	1,503,510
	<u>97,018</u>	<u>1,833,589</u>

35.6 The whole revenue of the Modaraba is earned from dealing islamic mode of financing.

35.7 Relationship with banks

Name	Relationship	
	Non Islamic window operations	With Islamic windows operations
Al-Baraka Bank (Pakistan) Limited	-	✓
Allied Bank Limited	✓	-
Bank Al Habib Limited	✓	-
Bank Alfalah Limited	✓	-
Bank Islami Pakistan Limited	-	✓
First Women Bank Limited	✓	-
Habib Bank Limited	✓	-
MCB Bank Limited	✓	-
National Bank of Pakistan	✓	✓
MCB Bank Limited (fomerly NIB Bank Limited)	✓	-
The Bank of Punjab	✓	-
United Bank Limited	✓	-

36 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties comprise of associated companies, modaraba management company and its holding undertaking, directors of the Modaraba management company and key management personnel. Detail of transactions with related parties and balances outstanding with them at the year end are as follows:

	2017 Rupees	2016 Rupees		
36.1 Balances outstanding at the year end				
Accounts with National Bank of Pakistan	295,938	2,512,948		
Finances from National Bank of Pakistan	251,634,756	333,251,920		
Ijarah rental receivables from National Bank of Pakistan	-	-		
36.2 Transactions during the year				
Related party	Relationship	Nature of Transaction		
National Bank of Pakistan	Modaraba Management Company's holding company	Long term finance obtained	-	100,000,000
		Long term finance repaid	33,333,332	46,991,637
		Short term finance - net	48,283,832	134,342,887
		Ijarah disbursed	-	18,450,000
		Ijarah rentals received	12,586,443	20,639,112
		Mark up paid	22,348,749	7,386,467
		Remuneration to key management personnel	4,929,638	4,416,571

37 SEGMENT INFORMATION

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Managing director of the Modaraba has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Managing director is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

The internal reporting provided to the Managing director for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investment in entities incorporated in Pakistan.

The Modaraba also has a diversified certificate holder population. As at 30 June 2017, there was only one (30 June 2016: one) certificate holder (National bank of Pakistan - the holding company of the Modaraba Management Company) who held more than 10% of the Modaraba's certificate capital. Its holding was 30% (30 June 2016: 30%).

38 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of National Bank Modaraba Management Company Limited and authorized for issue on October 05, 2017.

39 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant reclassification has been made in these financial statements.

40 GENERAL

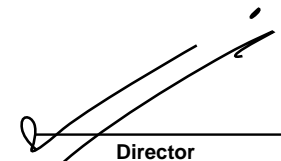
Figures have been rounded off to the nearest rupee.



Chief Executive Officer
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited

Lahore: October 05, 2017



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PATTERN OF CERTIFICATE HOLDING
AS ON JUNE 30, 2017

Number of ShareHolders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
77	1 -	100	2,746	0.01
346	101 -	500	165,022	0.66
207	501 -	1000	193,581	0.77
219	1001 -	5000	648,449	2.59
92	5001 -	10000	751,296	3.01
25	10001 -	15000	339,500	1.36
16	15001 -	20000	295,391	1.18
25	20001 -	25000	578,990	2.32
13	25001 -	30000	380,000	1.52
3	30001 -	35000	93,400	0.37
7	35001 -	40000	272,000	1.09
3	40001 -	45000	129,500	0.52
7	45001 -	50000	338,990	1.36
3	50001 -	55000	158,772	0.64
1	55001 -	60000	56,000	0.22
1	60001 -	65000	61,500	0.25
1	65001 -	70000	66,500	0.27
1	75001 -	80000	75,995	0.30
2	85001 -	90000	178,500	0.71
1	90001 -	95000	93,000	0.37
8	95001 -	100000	800,000	3.20
1	105001 -	110000	108,500	0.43
1	115001 -	120000	115,500	0.46
1	120001 -	125000	122,002	0.49
1	130001 -	135000	132,500	0.53
1	145001 -	150000	150,000	0.60
1	155001 -	160000	159,800	0.64
1	160001 -	165000	162,500	0.65
1	165001 -	170000	168,000	0.67
1	180001 -	185000	181,500	0.73
2	195001 -	200000	400,000	1.60
2	205001 -	210000	416,966	1.67
1	240001 -	245000	242,002	0.97
1	250001 -	255000	255,000	1.02
1	265001 -	270000	266,600	1.07
1	270001 -	275000	273,998	1.10
2	295001 -	300000	600,000	2.40
2	405001 -	410000	819,500	3.28
1	590001 -	595000	590,500	2.36
1	1280001 -	1285000	1,281,500	5.13
1	1495001 -	1500000	1,500,000	6.00
1	1870001 -	1875000	1,874,500	7.50
1	1995001 -	2000000	2,000,000	8.00
1	7495001 -	7500000	7,500,000	30.00
1,085			25,000,000	100.00

**CATEGORIES OF CERTIFICATE HOLDERS
AS ON JUNE 30, 2017**

First National Bank Modaraba

Page #:1 of 1

Categories of Share Holders
As on: June 30, 2017

P Date:18-Sep-2017
S Type:Complete

Ser #	Code	Category	No. of Shareholder	Shares Held	Percentage of Total Capital
1	1	Individuals	1,074	16,674,001	66.6960
2	4	Joint Stock Companies	7	202,101	0.8084
3	9	Modaraba Management Cos	1	7,500,000	30.0000
4	10	Funds	1	300,000	1.2000
5	24	Others	2	323,898	1.2956
TOTAL:			1,085	25,000,000	100.0000

**CATEGORIES DETAILS
AS ON JUNE 30, 2017**

Category		Numbers of Certificates
Individuals		
Joint Stock Companies		
1	MAPLE LEAF CAPITAL LIMITED	1
2	MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	100
3	DOSSLANI'S SECURITIES (PVT) LIMITED	500
4	AL-HAQ SECURITIES (PVT) LTD.	500
5	AMZ SECURITIES (PVT) LIMITED	500
6	FIKREE'S (SMC-PVT) LTD.	500
7	SALIM SOZER SECURITIES (PVT.) LTD.	200,000
Modaraba Management Cos		
1	NATIONAL BANK MODARBA MANAGEMENT COMPANY LIMITED	7,500,000
Funds		
1	TRUSTEES D.G. KHAN CEMENT CO. LTD. EMP. P.F	300,000
Others		
1	TRUSTEES ALOO & MINOCHER DINSHAW	49,900
2	TEACHERS RESOURCE CENTRE	273,998
Certificate Holding of 5% and above		
	NATIONAL BANK MODARABA, MANAGEMENT COMPANY LIMITED	7,500,000
	SHAKEEL ARSHAD	1,874,500
	DURAIN CASSIM	1,500,000
	DINAZ CASSIM	2,000,000
	FIROZUDDIN CASSIM	1,281,500