

**QUARTERLY
REPORT
SEPTEMBER 30,**

2014



FIRST NATIONAL BANK MODARABA

Managed By:

National Bank Modaraba Management Company Limited
(A wholly owned subsidiary of National Bank of Pakistan)

First National Bank Modaraba
Quarterly Report
September 30, 2014

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CORPORATE INFORMATION

Board of Directors	Mr. Wajahat A. Baqai Mr. Khawaja Waheed Raza Syed Mustafa Kamal Mr. Jamal Nasim Mr. Muhammad Iqbal Hussain Mr. Javaid Sadiq	Director Director Director Director Director Chief Executive Officer
Shari'ah Advisor	Mufti Abdul Sattar Laghari	
Chief Financial Officer/ Company Secretary	Mr. Abbas Azam	
Audit Committee	Mr Jamal Nasim Mr. Wajahat A. Baqai Mr. Khawaja Waheed Raza	Chairman Member Member
Head of Internal Audit	Mr. Ali Abbass	
HR & Remuneration Committee	Mr. Khawaja Waheed Raza Mr. Wajahat A. Baqai Syed Mustafa Kamal Mr. Muhammad Iqbal Hussain	Chairman Member Member Member
Auditors	Riaz Ahmad & Company* Chartered Accountants	
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	
Legal Advisor	Cornelius Lane & Mufti Advocates and Solicitors Nawa-i-Waqt House 4 – Shahrah-e-Fatima Jinnah, Lahore Tel.: 36360824, Fax: 36303301	
Shares Registrar	Hameed Majeed Associates (Pvt.) Limited H. M. House, 7 – Bank Square, Lahore Tel: 37235081-2, Fax: 37358817	
Registered Office	5th Floor, NBP RHQs Building, 26 – McLagon Road, Lahore Tel: 042-99211200, Fax: 042-99213247 URL: http://www.nbmodaraba.com E-mail: info@nbmodaraba.com	

*Subject to approval of Registrar Modaraba SECP

Directors' Report

On behalf of the Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the Management Company of First National Bank Modaraba (FNBM), I am pleased to present the quarterly report, together with unaudited financial statements of FNBM for the quarter ended September 30, 2014.

Following figures highlight the operational happenings of the Modaraba in the first quarter of the financial year 2014-15.

	<i>Rupees</i>
Operating revenue	133,982,025
Operating expenses	147,333,529
Net Profit / (LOSS)	(13,351,504)
Earnings per certificate	(0.53)

During the quarter under review FNBM booked new leases amounting to Rs.47 million, resulting in the balance sheet footing of Rs 1.53 billion.

The Modaraba generated total income of Rs.133.9 million in the quarter under review as compared to Rs.154 Million in the corresponding period last year. The significant decrease of profit on Murabaha portfolio is a major contributor to the decrease in overall income. Further, decrease in ijarah investment portfolio from Rs.970 million last year to Rs 890 million this year resulted in a slight decrease of income from Ijarah rentals. Financial charges stood at Rs.26 Millions compared to Rs.31 Million mainly due to reduction in overall borrowings from banks and deposits from COMs. Provisioning of Rs.14.2 million was charged against stressful cases. The net loss for the quarter remained at Rs.13.3 Millions with LPC of 0.53. In the corresponding quarter last year it was Rs.1.058 million with ECP of 0.04.

The Board would like to take this opportunity to thank its valued certificate holders and clients for their patronage, patience and consistent support in the time of fragile economic and law and order situation of the Country. Besides, the Board extends its sincere gratitude to Registrar Modarabas, SECP and Modaraba Association of Pakistan for their continued guidance and support.

For and on behalf of the Board



Javaid Sadiq
Chief Executive Officer


Lahore: October 24, 2014

Quarterly Report - September 30, 2014

CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT SEPTEMBER 30, 2014

	NOTE	September 30,2014 RUPEES	June 30, 2014 RUPEES
ASSETS			
CURRENT ASSETS			
Cash and bank balances		32,180,472	42,800,533
Ijara rental receivable		45,683,414	55,297,418
Accrued profit		17,530,582	17,142,419
Advances, prepayments and other receivables		71,581,571	46,438,560
Diminishing musharaka rental receivable		336,334	343,490
Short term morabaha finances - secured		363,120,895	412,736,882
Short term musharaka finances - unsecured		-	-
Current portion of non-current assets		52,734,383	52,418,273
		583,167,650	627,177,575
NON - CURRENT ASSETS			
Net investment in lease / ijarah finance	4	29,233,858	34,534,366
Long term morabaha finances - secured		22,129,023	33,317,981
Long term diminishing musharaka finances - secured		18,987,500	21,437,500
Long term loans and deposits		4,118,240	4,411,843
Fixed asset under ijarah	5	890,712,795	978,597,812
Fixed assets - owned		602,411	803,386
Fixed assets - intangible		253,504	289,333
		966,037,331	1,073,392,221
		1,549,204,981	1,700,569,796
LIABILITIES			
Creditors, advances, accrued and other liabilities		46,686,844	43,281,047
Accrued profit payable		29,130,452	16,870,807
Short term finances - secured		54,064,903	186,961,688
Certificates of Musharika		248,706,402	254,918,809
Current portion of long term liabilities		406,642,380	403,215,784
		785,230,982	905,248,135
Deferred Morabaha Income		13,875,368	11,360,897
Long term security deposits		214,310,063	215,434,755
Long term Certificates of Musharika		2,658,017	2,658,017
Long term finances- secured		282,780,731	302,166,668
		1,298,855,161	1,436,868,472
NET ASSETS		250,349,820	263,701,324
REPRESENTED BY			
CAPITAL AND RESERVES			
Authorized certificate capital		600,000,000	600,000,000
Issued, subscribed and paid up certificate capital		250,000,000	250,000,000
Reserves		349,820	13,701,324
		250,349,820	263,701,324
CONTINGENCIES AND COMMITMENTS			
	6		

The annexed notes form an integral part of these financial statements


CHIEF EXECUTIVE OFFICER
Lahore: October 24, 2014


DIRECTOR


DIRECTOR



CHIEF FINANCIAL OFFICER

First National Bank Modaraba

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2014

	NOTE	Quarter ended	
		September 30 2014 Rupees	September 30 2013 Rupees
OPERATING REVENUE			
Income from lease/ ijarah		126,789,614	131,340,593
Profit on morabaha investment		4,140,993	20,263,132
Profit on diminishing musharaka investment		987,534	-
Profit on bank deposits		-	8,619
Profit on Musharika/Modaraba finances		-	744,863
Gain on sale of shares		-	-
Gain on sale fixed asset		1,930,586	1,781,354
Other income		133,298	231,137
		133,982,025	154,369,698
OPERATING EXPENSES			
Operating expenses	7	7,197,713	6,744,390
Financial charges		26,137,181	31,051,413
Depreciation - Leased Assets		99,725,635	104,397,657
Allowance for potential loss in Ijarah & Morabaha		14,273,000	11,000,000
		147,333,529	153,193,460
PROFIT/(LOSS) BEFORE MODARABA COMPANY'S MANAGEMENT FEE		(13,351,504)	1,176,238
Modaraba Company's Management Fee		-	117,624
PROFIT/(LOSS) BEFORE TAX FOR THE PERIOD		(13,351,504)	1,058,614
Provision for taxation		-	-
PROFIT/(LOSS) AFTER TAX FOR THE PERIOD		(13,351,504)	1,058,614
PROFIT/(LOSS) AVAILABLE FOR APPROPRIATION		(43,605,369)	5,016,826
Appropriation :			
Transfer to statutory reserve		-	211,723
		-	211,723
UNAPPROPRIATED PROFIT CARRIED FORWARD		(43,605,369)	4,805,103
EARNINGS/(LOSS) PER MODARABA CERTIFICATE - BASIC AND DILUTED		(0.53)	0.04

The annexed notes form an integral part of these financial statements


CHIEF EXECUTIVE OFFICER
Lahore: October 24, 2014


DIRECTOR



DIRECTOR


CHIEF FINANCIAL OFFICER

Quarterly Report - September 30, 2014

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2014

	Quarter ended	
	September 30 2014	September 30 2013
	Rupees	Rupees
Profit after taxation for the period	(13,351,504)	1,058,614
Other comprehensive income		
Net unrealised gain / (loss) in value of available for sale investments	-	-
Total Comprehensive Income/(loss) for the Period	(13,351,504)	1,058,614


CHIEF EXECUTIVE OFFICER
Lahore: October 24, 2014


DIRECTOR


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First National Bank Modaraba

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

FOR THE PERIOD ENDED SEPTEMBER 30, 2014

	Quarter ended	
	September 30 2014	September 30 2013
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the Year	(13,351,504)	1,058,614
Adjustment for:		
Depreciation / amortization	99,985,339	104,608,083
Impairment on available for sale investments		
Allowance for potential losses in ijarah and short term murabaha certificates	14,273,000	11,000,000
Gain on termination of ijarah arrangements	(1,930,586)	(1,781,353)
Finance cost	26,137,181	31,051,413
Profit on bank deposits		(8,619)
	138,464,934	144,869,524
	125,113,430	145,928,138
Working capital changes		
Ijarah rentals receivable	9,614,004	(3,980,872)
Advances, prepayments and other receivables	(25,143,011)	(45,792,915)
Accrued profit	(388,163)	116,079
Short term musharaka/morabaha investment		105,000,000
Short term murabaha investments	42,962,686	(29,651,268)
Investment in ijarah	4,550,508	(2,642,894)
Long term security deposits - ijarah	(1,124,692)	8,383,793
Long term murabaha investment	9,623,227	2,311,174
Long term DM	2,457,156	-
Increase/ (Decrease) in operating liabilities		
Creditors, accrued and other liabilities	3,405,797	(347,932)
	45,957,512	33,395,165
Cash generated from operations	171,070,942	179,323,303
Finance cost paid	(13,877,535)	(23,990,812)
Profit received on bank deposits		8,619
	157,193,407	155,341,110
Net Cash from Operating Activities	157,193,407	155,341,110
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets under ijarah arrangements	(47,943,670)	(87,505,034)
Proceeds from disposal of Fixed assets	37,347,338	33,666,714
Long term loans and deposits	277,992	361,035
Net Cash Used in Investing Activities	(10,318,340)	(53,477,285)
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances - net	(17,385,936)	(104,704,296)
Short term finances	(132,896,785)	-
Short term certificates of musharakah	(6,212,407)	(3,647,456)
Long term certificates of musharakah	(1,000,000)	-
Net Cash from / (Used in) Financing Activities	(157,495,128)	(108,351,752)
Net Increase / (Decrease) in Cash and Cash Equivalents	(10,620,061)	(6,487,927)
Cash and cash equivalents at the beginning of the Period	42,800,533	20,491,454
Cash and Cash Equivalents at the End of the Period	32,180,472	14,003,527

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


CHIEF EXECUTIVE OFFICER
 Lahore: October 24, 2014


DIRECTOR



DIRECTOR


CHIEF FINANCIAL OFFICER

Quarterly Report - September 30, 2014

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2014

Particulars	Certificate Capital	Reserves			Total Equity
		Statutory reserve	Unappropriated profit / Accumulated loss	Total	
Balance as at June 30, 2013	250,000,000	43,955,189	3,958,212	47,913,401	297,913,401
Profit for the period			1,058,614	1,058,614	1,058,614
Transfer to Statutory reserves	-	211,723	(211,723)	-	-
				-	-
Balance as at September 30, 2013	250,000,000	44,166,912	4,805,103	48,972,015	298,972,015
Loss for the period	-		(35,270,691)	(35,270,691)	(35,270,691)
Transfer to Statutory reserves		(211,723)	211,723	-	-
				-	-
Balance as at June 30, 2014	250,000,000	43,955,189	(30,253,865)	13,701,324	263,701,324
Loss for the period	-	-	(13,351,504)	(13,351,504)	(13,351,504)
Transfer to statutory reserve	-	-	-	-	-
				-	-
Balance as at September 30, 2014	250,000,000	43,955,189	(43,605,369)	349,820	250,349,820


CHIEF EXECUTIVE OFFICER
 Lahore: October 24, 2014


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

First National Bank Modaraba

SELECTED EXPLANATORY NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED SEPTEMBER 30, 2014

1 LEGAL STATUS AND OPERATIONS

First National Bank Modaraba (" the Modaraba") is a multi purpose, perpetual and multi dimensional modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed there under and is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the Companies Ordinance, 1984 and registered with registrar of Modaraba Companies. The registered office of the Modaraba is situated at 5th floor, National Bank of Pakistan, Regional Headquarters Building, 26 - McLagon Road , Lahore. The Modaraba is listed on Karachi and Lahore stock exchanges. The Modaraba commenced its business operations on December 04, 2003 and is currently engaged in various islamic modes of financing and operations including Ijarah, Musharaka and Morabaha arrangements.

The Modaraba is currently engaged in various Islamic modes of financing and business including ijarah, musharaka and morabaha arrangements.

2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan and are in compliance with the International Accounting Standard 34 "Interim Financial Reporting" and being submitted to certificate holders as required by Section 245 of the Companies Ordinance, 1984.

These financial statements are unaudited. The accounting policies adopted for preparation of these interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Modaraba for the year ended June 30, 2014.

3 TAXATION

The income of non-trading modarabas is exempt from income tax, provided not less than 90% of its profits are distributed to the certificate holders. The Modaraba intends to continue availing the tax exemption and hence no provision for tax liability for the quarter ended September 30, 2014 is made in the financial statements.

		September 30, 2014 Rupees	June 30, 2014 Rupees
4 NET INVESTMENT IN LEASE / IJARAH FINANCE			
Minimum lease / ijarah payments receivable		93,660,161	97,358,519
Residual value of leased assets		4,758,204	5,134,881
Gross investment in lease / ijarah finance		<u>98,418,365</u>	<u>102,493,400</u>
Less: Unearned finance income		<u>(36,879,991)</u>	<u>(36,404,518)</u>
Net investment in lease / ijarah finance		61,538,374	66,088,882
Less: allowance for potential ijarah losses		(5,658,000)	(5,658,000)
Less: Current portion of net investment in lease / ijarah finance		<u>(26,646,516)</u>	<u>(25,896,516)</u>
		<u><u>29,233,858</u></u>	<u><u>34,534,366</u></u>
5 FIXED ASSETS			
Leased out	5.1	890,712,795	978,597,808
Owned	5.2	855,915	1,092,719
		<u>891,568,710</u>	<u>979,690,527</u>
5.1 FIXED ASSETS - LEASED OUT			
Opening written down value		978,597,812	1,019,001,825
Additions during the period			
Tangible			
Plant and machinery		23,305,074	242,060,446
Vehicles		23,952,296	248,782,877
		-	
		47,257,370	490,843,323
Disposal during the period		(35,416,752)	(116,183,266)
Less:			
Depreciation / amortization charged during the period		(99,725,635)	(415,064,070)
		<u>890,712,795</u>	<u>978,597,812</u>

Quarterly Report - September 30, 2014

	September 30, 2014	June 30, 2014
	Rupees	Rupees
5.2 FIXED ASSETS - OWNED		
Opening written down value	803,386	1,462,405
Additions during the period		
Tangible		
Vehicles	-	216,697
Computers and accessories	-	36,000
Office equipment	22,900	-
	22,900	252,697
Less:		
Disposal	-	-
Depreciation / amortization charged during the period	(223,875)	(911,716)
	<u>602,411</u>	<u>803,386</u>

6 CONTINGENCIES AND COMMITMENTS

Contingencies

There were no known material contingencies as at September 30, 2014. (June 2014 : Nil)

Commitments

Ijarah/morahaba contracts approved but not disbursed.

<u>5,868,113</u>	<u>37,799,500</u>
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Quarter ended

	September 30 2014	September 30 2013
	Rupees	Rupees

7 OPERATING EXPENSES

Salaries, allowances and other benefits	6,035,192	5,373,288
Communication expenses	91,903	69,339
Traveling and conveyance	75,808	212,293
Vehicle running expenses	80,193	136,360
Postage and stamps	9,992	7,596
Advertisement	3,950	40,000
Legal and professional charges	221,130	194,848
Fee and subscription	185,058	-
Repairs and maintenance	117,717	227,845
Insurance	-	116,839
Stationery, printing and other expenses	65,212	26,745
Depreciation / amortization	259,704	210,426
Entertainment	36,519	39,395
Other expenses	15,335	89,416
	<u>7,197,713</u>	<u>6,744,390</u>

8 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Modaraba management fee at the rate of 10% of the profit before tax has been recorded as payable to National Bank Modaraba Management Company Ltd U/s 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980

			September 30, 2014	September 30, 2013
Transactions with related parties				
Related Party	Relationship	Nature of Transactions	Rupees	Rupees
National Bank of Pakistan	Holding company	musharaka obtained	-	17,691,929
National Bank of Pakistan	Holding company	musharaka repaid	73,028,028	25,000,000
National Bank of Pakistan	Holding company	Profit paid	5,266,458	6,764,731
National Bank of Pakistan	Holding company	Ijarah disbursed	-	-
National Bank of Pakistan	Holding company	Ijarah repaid	-	8,684,369
National Bank of Pakistan	Holding company	Profit on Ijarah	3,254,243	1,329,775
National Bank Modaraba Management Company Limited	Management Company	Management fee	-	-

First National Bank Modaraba

Balances outstanding at the period end	September 30, 2014	June 30, 2014
	Rupees	Rupees
NIDA/current accounts with National Bank of Pakistan (running balances)	30,474,388	18,573,021
Finances under musharaka arrangement from National Bank of Pakistan	116,411,056	189,439,102
Net investment in lease / Ijarah finance to National Bank Limited	21,468,465	21,468,465
Current accounts with National Bank of Pakistan	688,849	697,038
Balance payable to Modaraba Management company	348,724	348,724

9 OTHERS


There were no other significant activities since September 30, 2014 affecting the financial statements.

10 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 24th 2014 by the Board of Directors of the National Bank Modaraba Management Company Limited.

11 GENERAL

Corresponding figures have been rearranged and reclassified wherever necessary for the purpose of comparison.
Figures have been rounded off to the nearest rupee.


CHIEF EXECUTIVE OFFICER
Lahore: October 24, 2014

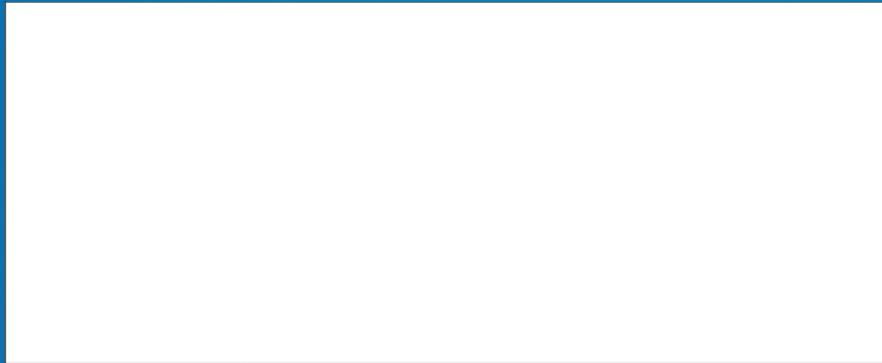

DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

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