

HALF YEARLY
REPORT
DECEMBER 31,
2015



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
Condensed Interim Financial Statements
For the Half Year Ended December 31, 2015

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CORPORATE INFORMATION

Board of Directors	Mr. Wajahat A. Baqai Mr. Khawaja Muhammad Amin-ul-Azam Mr. Khawaja Waheed Raza Syed Mustafa Kamal Mr. Jamal Nasim Mr. Muhammad Iqbal Hussain Mr. Khaqan Hasnain Ibrahim	Chairman Director Director Director Director Director Chief Executive Officer
Shari'ah Advisor	Mufti Ehsan Waquar Ahmed	
Chief Financial Officer/ Company Secretary	Mr. Abbas Azam	
Audit Committee	Mr Jamal Nasim Mr. Khawaja Muhammad Amin-ul-Azam 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	

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 half yearly report, together with financial statements of FNBM along with Review Report by the Auditors, for the six months ended December 31, 2015.

During the period under review, business operations yielded an operating profit of Rs.7.9 million. Following a strategic shift, business was restricted to small ticket financing with new Ijarahs amounting to Rs.68 Million while Rs. 14 Million was disbursed under Diminishing Musharikas. The balance sheet size shrank from Rs. 1.35 billion to Rs. 1.02 billion compared to the corresponding period such that it remained within appropriate proportion to the level of equity. As a corollary, Income declined by Rs.76 million over the comparative Half-Years.

The decline in Income, however, was more than offset by reduction achieved in total Expenses. Operating expenses were kept under strict control despite general inflation, resulting in reduction by 21.2% as compared to the corresponding period. Finance cost also declined substantially by 49% due to reduction in the level of borrowings, repayments of high cost financing through operating cash flows resulting in reduction in weighted average cost of financing. Cumulatively, the Modaraba was able to eke out operating profit of Rs.7.9 Million compared to Rs.3.7 Million in the corresponding period.

The salutary effect of operating results could not reach the bottom line as we had to charge additional provisioning of Rs.57 Million as per prudential regulations against the receivables of old classified accounts. The accumulated loss, net of statutory reserves, stood at Rupees 158.112 million exceeding 50% of the total amount subscribed by the holders of Modaraba Certificates. The EPC figured at (Rs. 1.99) this period compared to (Rs.4.06) in the corresponding period last year.

National Bank of Pakistan (NBP), being the parent company of the Modaraba management company remains committed to support the Modaraba and has recently sanctioned a long term finance of Rupees 200 million out of which Rupees 100 million has been availed by the Modaraba up to 31 December 2015 while a short term line of Rs.250 Million was renewed. Furthermore, besides fresh funding, the Modaraba is also engaged with NBP to secure help in recoveries from those non-performing accounts which are common with NBP as this would optimize synergies for the consolidated entity at group level in the form of savings in management costs and accelerating recoveries for the Modaraba.

Going forward, the management plans to focus on pursuing its major non-performing clients because of the significance of their regularization/recovery on the financial health of the modaraba. During the period we initiated several legal suits against defaulting clients, and parallel negotiations for settlement/restructuring of the non-performing portfolio are also under way. Recoveries of around Rs.85 Million and reversals of around Rs.35 Million from those classified accounts against which full or partial provision has been made are expected during the next half of the current financial year.

The Board would like to take this opportunity to thank its valued certificate holders and clients for their patronage and consistent support. 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



Khaqan Hasnain Ibrahim
Chief Executive Officer

Dated: 27/02/2016

Half Yearly Report - December 31, 2015

RIAZ AHMAD & COMPANY

Chartered Accountants



AUDITORS' REPORT TO THE MEMBERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of First National Bank Modaraba ("the modaraba") as at 31 December 2015 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (herein after referred to as "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 31 December 2015 and 31 December 2014 have not been reviewed and we do not express a conclusion on them as we are required to review only the cumulative figures for the half year ended 31 December 2015.

Scope of Review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended 31 December 2015 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 1.1 to the condensed interim financial information which indicates that the modaraba has incurred a loss after taxation of Rupees 49.637 million during the half year ended 31 December 2015, while the accumulated loss, as at 31 December 2015 amounts to Rupees 202.067 million which exceeds fifty percent of the total amount subscribed by the holders of the modaraba certificates and as of that date the modaraba's current liabilities exceeded its current assets by Rupees 154.449 million. These conditions, along with other matters as explained in Note 1.1, indicate the existence of material uncertainty which may cast significant doubts about the modaraba's ability to continue as going concern. Our conclusion is not qualified in respect of this matter.

RIAZ AHMAD & COMPANY
Chartered Accountants

Name of Engagement partner:
Syed Mustafa Ali

Date: 27/02/16

LAHORE

Riaz Ahmad & Company is a member of Nexia International,
a worldwide network of independent accounting and consulting firms.

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First National Bank Modaraba

CONDENSED INTERIM BALANCE SHEET (UNAUDITED)

AS AT DECEMBER 31, 2015

ASSETS	NOTE	Un-audited 31 December 2015 Rupees	Audited 30 June 2015 Rupees
CURRENT ASSETS			
Cash and bank balances		48,311,977	89,487,848
Short term murabaha investments - secured	3	119,158,118	142,205,887
Accrued profit		2,308,878	3,621,217
Ijarah rentals receivable		68,918,278	58,284,350
Advances, prepayments and other receivables		4,388,466	27,418,946
Current portion of non-current assets	4	<u>81,339,482</u>	<u>82,289,108</u>
		324,425,199	403,307,356
NON-CURRENT ASSETS			
Net investment in ijarah finance	5	14,242,934	20,895,185
Diminishing musharaka financing - secured	6	26,693,715	17,340,724
Long term murabaha investments - secured	7	58,390,117	92,676,970
Long term loans and deposits		3,141,522	4,585,119
Intangible asset		74,357	146,016
Ijarah assets	8	593,617,568	709,030,283
Fixed assets - own use	9	159,163	367,358
Deferred income tax asset	10	-	-
		<u>696,319,376</u>	<u>845,041,655</u>
TOTAL ASSETS		<u>1,020,744,575</u>	<u>1,248,349,011</u>
LIABILITIES			
CURRENT LIABILITIES			
Accrued profit		9,271,224	17,385,139
Deferred murabaha income		2,897,736	2,419,020
Short term finances - secured	11	53,198,100	134,685,179
Short term certificates of musharaka - unsecured		18,620,000	295,597,365
Creditors, accrued and other liabilities		17,506,150	20,799,768
Current portion of non-current liabilities	12	<u>377,380,504</u>	<u>384,235,624</u>
		478,873,714	855,122,095
NON-CURRENT LIABILITIES			
Security deposits against ijarah assets		113,031,333	152,958,007
Long term certificates of musharaka - unsecured		241,855,000	-
Long term finances - secured	13	66,666,666	68,333,333
Deferred murabaha income		<u>28,430,092</u>	<u>30,410,322</u>
		449,983,091	251,701,662
TOTAL LIABILITIES		<u>928,856,805</u>	<u>1,106,823,757</u>
NET ASSETS		<u>91,887,770</u>	<u>141,525,254</u>
FINANCED BY			
Certificate capital	14	250,000,000	250,000,000
Reserves		(158,112,230)	(108,474,746)
TOTAL EQUITY AND RESERVES		<u>91,887,770</u>	<u>141,525,254</u>
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The annexed notes form an integral part of this condensed interim financial information.


Chief Executive Officer
National Bank Modaraba
Management Company Limited


Director
National Bank Modaraba
Management Company Limited


Director
National Bank Modaraba
Management Company Limited

Lahore: February 27, 2016

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CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2015

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	Rupees	Rupees	Rupees	Rupees
INCOME				
Ijarah rentals earned / income from ijarah finance	174,645,920	237,288,040	82,817,232	110,498,426
Profit on diminishing musharaka	1,385,781	1,899,945	707,395	912,411
Profit on murabaha investments	2,243,773	9,203,176	769,883	5,062,183
Profit on bank deposits	511,459	10,185	511,459	10,185
Gain / (loss) on disposal of ijarah assets	(74,481)	5,726,045	(1,341,574)	3,795,459
Other income	1,704,901	2,662,700	1,514,983	2,529,402
	180,417,353	256,790,091	84,979,378	122,808,066
EXPENSES				
Depreciation on ijarah assets	(136,887,133)	(189,772,041)	(63,938,366)	(90,046,406)
Operating expenses	(10,015,500)	(12,703,462)	(4,995,173)	(5,505,749)
Finance cost	(25,551,301)	(50,592,999)	(11,105,534)	(24,455,818)
	(172,453,934)	(253,068,502)	(80,039,073)	(120,007,973)
OPERATING PROFIT BEFORE PROVISION AND TAXATION	7,963,419	3,721,589	4,940,305	2,800,093
Provision charged for doubtful receivables - net	(57,600,903)	(105,114,943)	(45,618,346)	(90,841,943)
	(49,637,484)	(101,393,354)	(40,678,041)	(88,041,850)
Modaraba management company fee	-	-	-	-
LOSS BEFORE TAXATION	(49,637,484)	(101,393,354)	(40,678,041)	(88,041,850)
Taxation	-	-	-	-
LOSS AFTER TAXATION	(49,637,484)	(101,393,354)	(40,678,041)	(88,041,850)
LOSS PER CERTIFICATE - BASIC AND DILUTED	(1.99)	(4.06)	(1.63)	(3.52)

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

Lahore: February 27, 2016


Chief Executive Officer
National Bank Modaraba
Management Company Limited


Director
National Bank Modaraba
Management Company Limited


Director
National Bank Modaraba
Management Company Limited

First National Bank Modaraba

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2015

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2015	31 December 2014	31 December 2015	31 December 2014
	Rupees	Rupees	Rupees	Rupees
LOSS AFTER TAXATION	(49,637,484)	(101,393,354)	(40,678,041)	(88,041,850)
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(49,637,484)</u>	<u>(101,393,354)</u>	<u>(40,678,041)</u>	<u>(88,041,850)</u>

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



Chief Executive Officer
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited

Lahore: February 27, 2016

Half Yearly Report - December 31, 2015

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2015



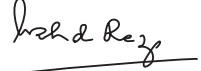
	HALF YEAR ENDED	
	31 December 2015	31 December 2014
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(49,637,484)	(101,393,354)
Adjustments for non-cash charges and other items:		
Depreciation / amortization	137,120,183	190,108,766
Provision charged for non-performing receivables	57,600,903	105,114,943
Gain on disposal of owned assets	(1,503,510)	-
Loss / (gain) on disposal of ijarah assets	74,481	(5,726,045)
Finance cost	25,551,301	50,592,999
Profit on bank deposits	(511,459)	(10,185)
	168,694,415	238,687,124
Working capital changes		
(Increase) / decrease in operating assets		
Accrued profit	608,072	1,226,385
Ijarah rentals receivable	(11,638,661)	(27,003,192)
Advances, prepayments and other receivables	23,430,359	6,192,194
Short term murabaha investments	5,289,342	82,952,498
Net investment in ijarah finance	2,190,000	2,913,608
Diminishing musharaka financing	(14,034,849)	53,655
Long term murabaha investments	6,353,959	(19,218,502)
Decrease in operating liabilities		
Creditors, accrued and other liabilities	(3,293,618)	(11,810,693)
Security deposits against ijarah assets - net	(18,437,050)	(20,272,937)
	(9,532,446)	15,033,016
Cash generated from operations	159,161,969	253,720,140
Finance cost paid	(33,665,216)	(53,369,515)
Income taxes paid	(399,878)	(15,756)
Profit received on bank deposits	747,613	272,032
Long term loans and deposits - net	1,579,312	(181,752)
	1,579,312	(181,752)
Net cash generated from operating activities	127,423,800	200,425,149
CASH FLOW FROM INVESTING ACTIVITIES		
Ijarah assets acquired	(68,761,058)	(82,383,894)
Fixed assets - own use acquired	-	(22,900)
Proceeds from disposal of fixed assets - own use	1,550,314	-
Proceeds from disposal of ijarah assets	47,212,159	67,241,031
	47,212,159	67,241,031
Net cash used in investing activities	(19,998,585)	(15,165,763)

First National Bank Modaraba

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2015

	HALF YEAR ENDED	
	31 December 2015	31 December 2014
	Rupees	Rupees
CASH FLOW FROM FINANCING ACTIVITIES		
Short term finances - net	(81,487,079)	(40,105,763)
Short term certificates of musharaka - net	(276,977,365)	(15,659,008)
Long term certificates of musharaka - net	241,855,000	(1,000,000)
Long term finances - obtained	100,000,000	-
Long term finances - repaid	(131,991,642)	(155,833,331)
Net cash used in financing activities	(148,601,086)	(212,598,102)
Net decrease in cash and cash equivalents	(41,175,871)	(27,338,716)
Cash and cash equivalents at the beginning of the period	89,487,848	42,800,533
Cash and cash equivalents at the end of the period	48,311,977	15,461,817

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

 Chief Executive Officer National Bank Modaraba Management Company Limited	 Director National Bank Modaraba Management Company Limited	 Director National Bank Modaraba Management Company Limited
Lahore: February 27, 2016		

Half Yearly Report - December 31, 2015

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2015

	RESERVES				TOTAL EQUITY	
	CERTIFICATE CAPITAL	CAPITAL	REVENUE			TOTAL
		STATUTORY RESERVE	ACCUMULATED LOSS			
.....Rupees.....						
Balance as at 30 June 2014 - (Audited)	250,000,000	43,955,189	(30,253,865)	13,701,324	263,701,324	
Loss for the half year ended 31 December 2014	-	-	(101,393,354)	(101,393,354)	(101,393,354)	
Other comprehensive income for the half year ended 31 December 2014	-	-	-	-	-	
Total comprehensive loss for the half year ended 31 December 2014	-	-	(101,393,354)	(101,393,354)	(101,393,354)	
Balance as at 31 December 2014 - (Un-audited)	250,000,000	43,955,189	(131,647,219)	(87,692,030)	162,307,970	
Loss for the half year ended 30 June 2015	-	-	(20,782,716)	(20,782,716)	(20,782,716)	
Other comprehensive income for the half year ended 30 June 2015	-	-	-	-	-	
Total comprehensive loss for the half year ended 30 June 2015	-	-	(20,782,716)	(20,782,716)	(20,782,716)	
Balance as at 30 June 2015 - (Audited)	250,000,000	43,955,189	(152,429,935)	(108,474,746)	141,525,254	
Loss for the half year ended 31 December 2015	-	-	(49,637,484)	(49,637,484)	(49,637,484)	
Other comprehensive income for the half year ended 31 December 2015	-	-	-	-	-	
Total comprehensive loss for the half year ended 31 December 2015	-	-	(49,637,484)	(49,637,484)	(49,637,484)	
Balance as at 31 December 2015 - (Un-audited)	250,000,000	43,955,189	(202,067,419)	(158,112,230)	91,887,770	

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



Chief Executive Officer
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited

Lahore: February 27, 2016

First National Bank Modaraba

SELECTED EXPLANATORY NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED DECEMBER 31, 2015

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 and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at 5th Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore.

The Modaraba is listed on Pakistan stock exchange. 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.

JCR-VIS has assigned long term rating of A and short term rating of A-1 to the Modaraba.

1.1 Going concern assumption

During the half year ended 31 December 2015, the Modaraba made an operating profit of Rupees 7.963 million, however, due to provision charged against old classified assets, the Modaraba incurred loss after taxation of Rupees 49.637 million taking the accumulated loss to Rupees 202.067 million which exceeds 50% of the total amount subscribed by the holders of modaraba certificates. The Statutory reserves amounted to Rs. 43.9 million while the total net accumulated losses stood at Rs. 158 million. At the balance sheet date, the Modaraba's current liabilities exceeded its current assets by Rupees 154.449 million, however in addition the Ijarah rentals due from the unclassified parties within next twelve months amounts to Rupees 217 million, hence the modaraba has surplus resources to meet its current liabilities.

In order to address the going concern issue in terms of Section 23 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, National Bank of Pakistan (NBP), being the parent company of the modaraba management company remains committed to support the Modaraba and has recently sanctioned a long term finance of Rupees 200 million out of which Rupees 100 million has been availed by the Modaraba up to 31 December 2015 which is repayable in three years. Further, as at the reporting date, the Modaraba has around Rupees 240 million of unutilized short term credit line available from NBP. Furthermore, besides fresh funding, the Modaraba is also engaged with NBP to secure their help in recoveries from non-performing parties which are common with NBP and the Modaraba, as this would optimize synergies for the consolidated entity at group level both in form of saving management costs and accelerating recoveries. By the end of financial year 30 June 2016, the Modaraba is also expecting to recover around Rupees 35 million from those classified parties against which full or partial provision has been made in the books of account.

The management of the Modaraba is confident that these steps will bring the Modaraba out of financial losses and the Modaraba would have adequate surplus resources to continue its business in foreseeable future. This condensed interim financial information therefore, does not include any adjustment relating to realization of its assets and liquidation of any liabilities that might be necessary should the Madaraba be unable to continue as a going concern.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding audited annual published financial statements of the Modaraba for the year ended 30 June 2015.

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2.1 Basis of Preparation

a) Statement of compliance

This condensed interim financial information is un-audited but subject to limited scope review by the statutory auditors and is being submitted to the certificate holders as required under Rule 10 of the Modaraba Companies and Modaraba Rules, 1981. This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the 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.

This condensed interim financial information has been prepared in accordance with the International Accounting Standard (IAS 34) "Interim Financial Reporting" as applicable in Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP). This condensed interim financial information does not include all information and disclosures made in the annual published financial statements and therefore should be read in conjunction with the audited annual published financial statements of the Modaraba for the year ended 30 June 2015.

b) Accounting convention

This condensed interim financial information has been prepared under the historical cost convention.

c) Critical accounting estimates and judgments

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Modaraba's 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. During the preparation of this condensed interim financial information, the significant judgments made by the management in applying the Modaraba's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in preceding audited annual published financial statements of the Modaraba for the year ended 30 June 2015.

	Un-audited	Audited
	31 December	30 June
	2015	2015
	Rupees	Rupees
3 SHORT TERM MURABAHA INVESTMENTS - SECURED		
Considered good	44,891,983	76,400,769
Considered doubtful	259,733,042	233,513,598
	304,625,025	309,914,367
Deferred murabaha income	2,897,736	2,419,020
	307,522,761	312,333,387
Less: Provision for non-performing murabaha investments	(188,364,643)	(170,127,500)
	119,158,118	142,205,887
4 CURRENT PORTION OF NON-CURRENT ASSETS		
Net investment in ijarah finance (Note 5)	21,230,628	34,017,229
Diminishing musharaka financing (Note 6)	14,487,855	9,805,997
Long term murabaha investments - secured (Note 7)	44,067,164	36,776,332
Long term loans and deposits	1,553,835	1,689,550
	81,339,482	82,289,108

First National Bank Modaraba

5 NET INVESTMENT IN IJARAH FINANCE

	Un-audited 31 December 2015			Audited 30 June 2015		
	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	50,879,071	35,185,554	86,064,625	47,549,062	42,109,457	89,658,519
Residual value of ijarah assets	5,088,181	46,700	5,134,881	4,154,607	980,274	5,134,881
Gross investment in ijarah finance	55,967,252	35,232,254	91,199,506	51,703,669	43,089,731	94,793,400
Less: Unearned finance income	(11,829,772)	(20,989,320)	(32,819,092)	(12,028,440)	(22,194,546)	(34,222,986)
Net investment in ijarah finance	44,137,480	14,242,934	58,380,414	39,675,229	20,895,185	60,570,414
Less: Provision for doubtful net investment in ijarah finance	(22,906,852)	-	(22,906,852)	(5,658,000)	-	(5,658,000)
	<u>21,230,628</u>	<u>14,242,934</u>	<u>35,473,562</u>	<u>34,017,229</u>	<u>20,895,185</u>	<u>54,912,414</u>

	Un-audited 31 December 2015 Rupees	Audited 30 June 2015 Rupees
6 DIMINISHING MUSHARAKA FINANCING - SECURED		
Diminishing musharaka financing	41,181,570	27,146,721
Less: Current portion	(14,487,855)	(9,805,997)
	<u>26,693,715</u>	<u>17,340,724</u>
7 LONG TERM MURABAHA INVESTMENTS - SECURED		
Considered good	30,543,693	86,803,065
Considered doubtful	69,602,515	19,697,102
	100,146,208	106,500,167
Deferred murabaha income	31,913,555	31,913,555
	132,059,763	138,413,722
Less: Provision for non-performing murabaha investments	(29,602,482)	(8,960,420)
Less: Current portion	(44,067,164)	(36,776,332)
	<u>58,390,117</u>	<u>92,676,970</u>
8 IJARAH ASSETS		
Opening book value	709,030,283	978,597,812
Cost of additions during the period / year (Note 8.1)	68,761,058	179,201,494
	777,791,341	1,157,799,306
Book value of deletions during the period / year (Note 8.2)	(47,286,640)	(101,641,819)
	730,504,701	1,056,157,487
Depreciation charged during the period / year	(136,887,133)	(347,127,204)
	<u>593,617,568</u>	<u>709,030,283</u>

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	Un-audited 31 December 2015 Rupees	Audited 30 June 2015 Rupees
8.1 Cost of additions		
Plant and machinery	-	45,980,194
Vehicles	68,761,058	133,221,300
	68,761,058	179,201,494
8.2 Book value of deletions		
Plant and machinery	1,962,372	38,969,976
Vehicles	45,324,268	62,671,843
	47,286,640	101,641,819
9 FIXED ASSETS - OWN USE		
Opening book value	367,358	803,386
Cost of additions during the period / year (Note 9.1)	-	53,950
	367,358	857,336
Book value of deletions during the period / year (Note 9.2)	(46,804)	-
	320,554	857,336
Depreciation charged during the period / year	(161,391)	(489,978)
	159,163	367,358
9.1 Cost of additions		
Computers and accessories	-	31,050
Electric equipment	-	22,900
	-	53,950
9.2 Book value of deletions		
Vehicles	46,804	-
10 DEFERRED INCOME TAX ASSET		
The deferred income tax assets amounting to Rupees 112.448 million (30 June 2015: Rupees 61.713 million) has not been recognized in this condensed interim financial information 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.		
11 SHORT TERM FINANCES - SECURED		
From banking companies		
Running finance		
Associated undertaking - National Bank of Pakistan	9,447,745	115,575,700
Other	-	187,731
	9,447,745	115,763,431
Murabaha finance	43,750,355	18,921,748
	53,198,100	134,685,179

First National Bank Modaraba

	Un-audited 31 December 2015 Rupees	Audited 30 June 2015 Rupees
12 CURRENT PORTION OF NON-CURRENT LIABILITIES		
Security deposits against ijarah assets	170,563,707	149,074,083
Long term finances (Note 13)	203,333,334	233,658,309
Deferred murabaha income	3,483,463	1,503,232
	<u>377,380,504</u>	<u>384,235,624</u>
13 LONG TERM FINANCES - SECURED		
From banking companies and financial institution		
National Bank of Pakistan - associated undertaking	100,000,000	30,324,975
Others	170,000,000	271,666,667
	<u>270,000,000</u>	<u>301,991,642</u>
Less: Current portion	(203,333,334)	(233,658,309)
	<u>66,666,666</u>	<u>68,333,333</u>
14 CERTIFICATE CAPITAL		
Authorised certificate capital		
60,000,000 (30 June 2015: 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 (30 June 2015: 25,000,000) modaraba certificates of Rupees 10 each	<u>250,000,000</u>	<u>250,000,000</u>
14.1 7,500,000 (30 June 2015: 7,500,000) certificates of the Modaraba are held by National Bank Modaraba Management Company Limited, the Management Company.		
15 CONTINGENCIES AND COMMITMENTS		
There were no known contingencies as at reporting date.		
Commitments - Facilities approved but not disbursed	<u>16,034,000</u>	<u>-</u>
16 BALANCES AND TRANSACTIONS WITH RELATED PARTIES		
Related parties comprise associated companies, modaraba management company, directors of the modaraba management company and key management personnel. The Modaraba in the normal course of business carries out transactions with various related parties. Detail of transactions with related parties and balances outstanding with them at the period / year end are as follows:		
16.1 Balances outstanding at the period / year end		
Bank accounts with National Bank of Pakistan	3,111,622	3,582,560
Finances from National Bank of Pakistan	109,447,747	145,900,675
Ijarah rental receivables from National Bank of Pakistan	4,867,081	3,244,575

Half Yearly Report - December 31, 2015

	Un-audited 31 December 2015 Rupees	Un-audited 31 December 2014 Rupees
16.2 Transactions during the period		
Related party	Relationship	Nature of Transaction
National Bank of Pakistan	Modaraba management company's holding company	Long term finance obtained Long term repaid Ijarah disbursed Ijarah rentals received Profit paid
		100,000,000 136,452,926 18,450,000 11,107,294 2,508,168
		386,748,358 417,243,993 - 2,619,124 8,693,207
Remuneration to key management personnel		3,893,692 3,071,277

17 FINANCIAL RISK MANAGEMENT

The Modaraba's financial risk management objectives and policies are consistent with those disclosed in preceding audited annual published financial statements of the Modaraba for the year ended 30 June 2015.

18 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 Chief Executive Officer of the modaraba management company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer 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 Chief Executive Officer 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

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

The Modaraba also has a diversified certificate holder population. As at reporting date, there was only one (30 June 2015: one) certificate holder who held more than 10% of the Modaraba's certificate capital. Its holding was 30% (30 June 2015:

19 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information (un-audited) has been approved by the Board of Directors of National Bank Modaraba Management Company Limited and authorized for issue on February 27, 2016.

20 CORRESPONDING FIGURES

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

21 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: February 27, 2016

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