

**HALF YEARLY  
REPORT  
DECEMBER 31,**

**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  
*Condensed Interim Financial Statements*  
*For the Half Year Ended December 31, 2014*

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## First National Bank Modaraba

### CORPORATE INFORMATION

<b>Board of Directors</b>	<b>Mr. Wajahat A. Baqai</b> <b>Mr. Khawaja Muhammad Amin-ul-Azam</b> <b>Mr. Khawaja Waheed Raza</b> <b>Syed Mustafa Kamal</b> <b>Mr. Jamal Nasim</b> <b>Mr. Muhammad Iqbal Hussain</b> <b>Haifz Muhammad Fayyaz</b>	Director Director Director Director Director Director Chief Executive Officer
<b>Shari'ah Advisor</b>	<b>Mufti Abdul Sattar Laghari</b>	
<b>Chief Financial Officer/ Company Secretary</b>	<b>Mr. Abbas Azam</b>	
<b>Audit Committee</b>	<b>Mr Jamal Nasim</b> <b>Mr. Wajahat A. Baqai</b> <b>Mr. Khawaja Waheed Raza</b>	Chairman Member Member
<b>Head of Internal Audit</b>	<b>Mr. Ali Abbass</b>	
<b>HR &amp; Remuneration Committee</b>	<b>Mr. Khawaja Waheed Raza</b> <b>Mr. Wajahat A. Baqai</b> <b>Syed Mustafa Kamal</b> <b>Mr. Muhammad Iqbal Hussain</b>	Chairman Member Member Member
<b>Auditors</b>	<b>Riaz Ahmad &amp; Company</b> <b>Chartered Accountants</b>	
<b>Bankers</b>	<b>National Bank of Pakistan</b> <b>Bank Alfalah Limited</b> <b>Al Baraka Islamic Bank</b> <b>Habib Bank Limited</b> <b>Allied Bank Limited</b> <b>MCB Bank Limited</b> <b>First Women Bank Limited</b> <b>Bank Islami Pakistan Limited</b> <b>United Bank Limited</b>	
<b>Legal Advisor</b>	<b>Cornelius Lane &amp; Mufti</b> <b>Advocates and Solicitors</b> <b>Nawa-i-Waqt House</b> <b>4 – Shahrah-e-Fatima Jinnah, Lahore</b> <b>Tel.: 36360824, Fax: 36303301</b>	
<b>Shares Registrar</b>	<b>Hameed Majeed Associates (Pvt.) Limited</b> <b>H. M. House, 7 – Bank Square, Lahore</b> <b>Tel: 37235081-2, Fax: 37358817</b>	
<b>Registered Office</b>	<b>5<sup>th</sup> Floor, NBP RHQs Building,</b> <b>26 – McLagon Road, Lahore</b> <b>Tel: 042-99211200, Fax: 042-99213247</b> <b>URL: <a href="http://www.nbmodaraba.com">http://www.nbmodaraba.com</a></b> <b>E-mail: <a href="mailto:info@nbmodaraba.com">info@nbmodaraba.com</a></b>	

## 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, 2014.

During the period under review, the management's focus remained primarily on pursuing its major non-performing clients because of the significance of their regularization for the future growth of the modaraba. We were to fair extent successful in our efforts; however negotiations for settlement/restructuring of a portion of the non-performing portfolio are still in process. Meanwhile due to unexpected lapse of time in materializing the settlements on favorable terms, the provisioning charged as per applicable policies and regulations against the NPLs totaled momentarily to Rs.105 million by the end of the quarter, which however is expected to shrink for the current year on account of some reversals if the restructured arrangements are fully adhered to.

Regarding business operations the focus remained on Ijarah of vehicles and equipment. During the period new Ijarahs of Rs.82 Million were disbursed while the operating expenses were kept under strict check despite general inflation. The curtailment of morahaba financing and charge of provisioning has reduced the balance sheet size by 21% to Rs.1.35 billion as against Rs.1.7 billion as at the last year end. When compared to the corresponding period there has been reduction in income by 11% from Rs.288 Million to Rs.256 million, and overall expenses reduced by around 9% to Rs.256 Million from Rs.282 Million. Operating profits picked by Rs.2.8 Millions in the quarter totaling Rs.3.7 million for the half year. However due to the impact of provisioning the EPC was recorded at Rs. (4.06) this period as compared to Rs.(1.34) in the corresponding period last year.

Going forward, the management plans to focus on one hand on increasing the business volumes through Ijarah disbursements, and on the other to push the recovery process of non-performing receivables. We believe that if things move as planned then InshAllah we are hopeful about normalizing FNBM's profitability quite soon.

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**



**Hafiz Muhammad Fayyaz**  
Chief Executive Officer

**Dated: 23/02/2015**

# First National Bank Modaraba

RIAZ AHMAD & COMPANY  
Chartered Accountants



## AUDITOR' REPORT TO CERTIFICATE HOLDERS 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 2014 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 2014 and 31 December 2013 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 2014.

### *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 2014 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### *Other matter*

The condensed interim financial information of the Modaraba for the six months ended 31 December 2013 and the financial statements for the year ended 30 June 2014 were reviewed and audited, respectively, by another firm of Chartered Accountants whose review report dated 14 February 2014 and audit report dated 02 October 2014 respectively, expressed an unmodified conclusion and unmodified opinion respectively on the aforementioned financial information and financial statements.

RIAZ AHMAD & COMPANY  
Chartered Accountants

Name of Engagement partner:  
Muhammad Atif Mirza

Date: February 23, 2015

LAHORE

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Main Boulevard, Gulberg-III  
Lahore 54660, Pakistan  
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Riaz Ahmad & Company is a member of Nexia International,  
a worldwide network of independent accounting and consulting firms

## Half Yearly Report - December 31, 2014

### CONDENSED INTERIM BALANCE SHEET (UNAUDITED)

AS AT DECEMBER 31, 2014

ASSETS	NOTE	Un-audited 31 December 2014 Rupees	Audited 30 June 2014 Rupees
<b>CURRENT ASSETS</b>			
Cash and bank balances		15,461,817	42,800,533
Short term murabaha investments	3	279,561,590	412,736,882
Accrued profit		8,378,461	17,142,419
Diminishing musharaka rental receivable		289,835	343,490
Ijarah rentals receivable		69,423,608	55,297,418
Advances, prepayments and other receivables		20,208,303	46,438,560
Current portion of non-current assets	4	67,028,926	52,418,273
		460,352,540	627,177,575
<b>NON-CURRENT ASSETS</b>			
Net investment in ijarah finance	5	28,452,086	34,534,366
Diminishing musharaka financing	6	22,050,000	21,437,500
Long term murabaha investments	7	23,644,853	33,317,981
Long term loans and deposits		4,516,180	4,411,843
Intangible asset		217,674	289,333
Ijarah assets	8	809,694,679	978,597,812
Fixed assets - own use	9	561,820	803,386
		889,137,292	1,073,392,221
<b>TOTAL ASSETS</b>		1,349,489,832	1,700,569,796
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued profit payable		14,094,291	16,870,807
Short term finances	10	146,855,925	186,961,688
Short term certificates of musharaka	11	239,259,801	254,918,809
Creditors, accrued and other liabilities		31,470,354	43,281,047
Current portion of non-current liabilities	12	353,035,491	403,215,784
		784,715,862	905,248,135
<b>NON-CURRENT LIABILITIES</b>			
Long term security deposits		183,582,790	215,434,755
Long term certificates of musharaka	13	1,658,017	2,658,017
Long term finances	14	203,333,333	302,166,668
Deferred murabaha income		13,891,860	11,360,897
		402,466,000	531,620,337
<b>TOTAL LIABILITIES</b>		1,187,181,862	1,436,868,472
<b>NET ASSETS</b>			
		162,307,970	263,701,324
<b>FINANCED BY</b>			
Issued, subscribed and paid up certificate capital	15	250,000,000	250,000,000
Reserves		(87,692,030)	13,701,324
<b>TOTAL EQUITY AND RESERVES</b>		162,307,970	263,701,324
<b>CONTINGENCIES AND COMMITMENTS</b>			
	16		

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

  
**Chief Executive Officer**  
National Bank Modaraba  
Management Company Limited

Lahore: February 23, 2015

  
**Director**  
National Bank Modaraba  
Management Company Limited

  
**Director**  
National Bank Modaraba  
Management Company Limited

# First National Bank Modaraba

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2014

	NOTE	HALF YEAR ENDED		QUARTER ENDED	
		31 December 2014	31 December 2013	31 December 2014	31 December 2013
		Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>					
Ijarah rentals / income from ijarah finance		237,288,040	262,902,204	110,498,426	131,561,611
Profit on diminishing musharaka		1,899,945	-	912,411	-
Profit on murabaha investments		9,203,176	22,735,692	5,062,183	2,472,560
Profit on modaraba investment		-	744,863	-	-
Profit on bank deposits		10,185	32,869	10,185	24,250
Gain on disposal of ijarah assets		5,726,045	1,781,354	3,795,459	-
Other income		2,662,700	551,291	2,529,402	320,154
		256,790,091	288,748,273	122,808,066	134,378,575
<b>EXPENSES</b>					
Depreciation on ijarah assets		(189,772,041)	(206,711,022)	(90,046,406)	(102,313,365)
Operating expenses	17	(12,703,462)	(12,920,985)	(5,505,749)	(6,176,595)
Finance cost		(50,592,999)	(63,016,316)	(24,455,818)	(31,964,903)
		(253,068,502)	(282,648,323)	(120,007,973)	(140,454,863)
<b>OPERATING PROFIT / (LOSS) BEFORE PROVISION AND TAXATION</b>					
		3,721,589	6,099,950	2,800,093	(6,076,288)
Provision charged for non-performing receivables		(105,114,943)	(39,500,000)	(90,841,943)	(28,500,000)
		(101,393,354)	(33,400,050)	(88,041,850)	(34,576,288)
Modaraba management company fee		-	-	-	-
<b>LOSS BEFORE TAXATION</b>					
		(101,393,354)	(33,400,050)	(88,041,850)	(34,576,288)
Taxation		-	-	-	-
<b>LOSS AFTER TAXATION</b>					
		(101,393,354)	(33,400,050)	(88,041,850)	(34,576,288)
<b>EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>					
		(4.06)	(1.34)	(3.52)	(1.38)

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

  
**Chief Executive Officer**  
 National Bank Modaraba  
 Management Company Limited

Lahore: February 23, 2015

  
**Director**  
 National Bank Modaraba  
 Management Company Limited

  
**Director**  
 National Bank Modaraba  
 Management Company Limited

## Half Yearly Report - December 31, 2014

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2014

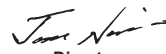
	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
	Rupees	Rupees	Rupees	Rupees
LOSS AFTER TAXATION	(101,393,354)	(33,400,050)	(88,041,850)	(34,576,288)
OTHER COMPREHENSIVE INCOME	-	-	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<u>(101,393,354)</u>	<u>(33,400,050)</u>	<u>(88,041,850)</u>	<u>(34,576,288)</u>

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

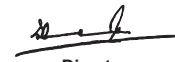


**Chief Executive Officer**  
National Bank Modaraba  
Management Company Limited

Lahore: February 23, 2015



**Director**  
National Bank Modaraba  
Management Company Limited



**Director**  
National Bank Modaraba  
Management Company Limited



## First National Bank Modaraba

### CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2014

	Half Year Ended	
	31 December 2014	31 December 2013
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Loss before taxation</b>	(101,393,354)	(33,400,050)
<b>Adjustments for non cash charges and other items</b>		
Depreciation / amortization	190,108,766	207,231,448
Provision charged for non-performing receivables	105,114,943	39,500,000
Gain on disposal of ijarah assets	(5,726,045)	(1,781,354)
Finance cost	50,592,999	63,016,316
Profit on bank deposits	(10,185)	(32,869)
	340,080,478	307,933,541
<b>Working capital changes</b>		
<b>(Increase) / decrease in operating assets</b>		
Short term modaraba investments	-	125,000,000
Accrued profit	1,226,385	861,138
Diminishing musharaka rental receivable	53,655	-
Ijarah rentals receivable	(27,003,192)	(8,253,114)
Advances, prepayments and other receivables	6,192,194	(73,706,887)
Short term murabaha investments	82,952,498	10,686,335
Net investment in ijarah finance	2,913,608	(1,101,752)
Long term murabaha investments	(19,218,502)	8,851,856
	47,116,646	62,337,576
<b>(Decrease) / increase in operating liabilities</b>		
Creditors, accrued and other liabilities	(11,810,693)	18,303,058
Long term security deposits - net	(20,272,937)	41,345,364
	(32,083,630)	59,648,422
	15,033,016	121,985,998
<b>Cash generated from operations</b>	253,720,140	396,519,489
Finance cost paid	(53,369,515)	(64,864,758)
Income taxes paid	(15,756)	(14,844)
Profit received on bank deposits	272,032	82,042
<b>Net cash generated from operating activities</b>	200,606,901	331,721,929
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Ijarah assets acquired	(82,383,894)	(259,493,140)
Fixed assets - own use acquired	(22,900)	(216,697)
Proceeds from disposal of ijarah assets	67,241,031	42,632,130
Long term loans and deposits - net	(181,752)	219,371
<b>Net cash used in investing activities</b>	(15,347,515)	(216,858,336)

## Half Yearly Report - December 31, 2014

### CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2014

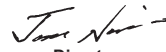
	Half Year Ended	
	31 December 2014	31 December 2013
	Rupees	Rupees
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Short term finances	(40,105,763)	(105,497,527)
Short term certificates of musharaka	(15,659,008)	(19,556,856)
Long term certificates of musharaka	(1,000,000)	(71,984,561)
Long term finances - net	(155,833,331)	99,999,999
Dividends paid	-	(180,373)
<b>Net cash used in financing activities</b>	(212,598,102)	(97,219,318)
<b>Net (decrease) / increase in cash and cash equivalents</b>	(27,338,716)	17,644,275
Cash and cash equivalents at the beginning of the period	42,800,533	20,491,454
<b>Cash and cash equivalents at the end of the period</b>	15,461,817	38,135,729

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

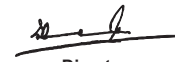


**Chief Executive Officer**  
National Bank Modaraba  
Management Company Limited

Lahore: February 23, 2015



**Director**  
National Bank Modaraba  
Management Company Limited




**Director**  
National Bank Modaraba  
Management Company Limited

## First National Bank Modaraba

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2014

	RESERVES				TOTAL EQUITY	
	CERTIFICATE CAPITAL	CAPITAL	REVENUE			TOTAL
		STATUTORY RESERVE	UNAPPRPRIATED PROFIT / (ACCUMULATED LOSS)			
.....Rupees.....						
<b>Balance as at 30 June 2013 - (Audited)</b>	250,000,000	43,955,189	3,958,212	47,913,401	297,913,401	
Loss for the half year ended 31 December 2013	-	-	(33,400,050)	(33,400,050)	(33,400,050)	
Other comprehensive income for the half year ended 31 December 2013	-	-	-	-	-	
Total comprehensive loss for the half year ended 31 December 2013	-	-	(33,400,050)	(33,400,050)	(33,400,050)	
<b>Balance as at 31 December 2013 - (Un-audited)</b>	250,000,000	43,955,189	(29,441,838)	14,513,351	264,513,351	
Loss for the half year ended 30 June 2014	-	-	(812,027)	(812,027)	(812,027)	
Other comprehensive income for the half year ended 30 June 2014	-	-	-	-	-	
Total comprehensive loss for the half year ended 30 June 2014	-	-	(812,027)	(812,027)	(812,027)	
<b>Balance as at 30 June 2014 - (Audited)</b>	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)	
<b>Balance as at 31 December 2014 - (Un-audited)</b>	250,000,000	43,955,189	(131,647,219)	(87,692,030)	162,307,970	

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 23, 2015

## Half Yearly Report - December 31, 2014

### SELECTED EXPLANATORY NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED DECEMBER 31, 2014

#### 1 LEGAL STATUS AND NATURE OF BUSINESS

First National Bank Modaraba ("the Modaraba") is a multi purpose, perpetual and multidimensional modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed there under. 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 Registrar of Modaraba Companies. The registered office of the Modaraba is situated at 5th Floor, National Bank of Pakistan, Regional Headquarters Building, 26 - Mc Lagon Road, Lahore. The Modaraba is listed on Karachi and Lahore stock exchanges. The Modaraba commenced its business operations from December 04, 2003.

The Modaraba is principally engaged in the business of ijarah (leasing), murabaha, musharaka financing and other related business.

#### 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 2014.

##### 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 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, 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), 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), 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 2014.

###### 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 2014.

## First National Bank Modaraba

	Un-audited 31 December 2014	Audited 30 June 2014
	Rupees	Rupees
<b>3 SHORT TERM MURABAHA INVESTMENTS</b>		
Short term murabaha investments (Secured)	420,852,979	503,805,477
Deferred murabaha income	4,690,707	6,919,069
	<u>425,543,686</u>	<u>510,724,546</u>
Less: Provision for non-performing murabaha investments	<u>(145,982,096)</u>	<u>(97,987,664)</u>
	<u>279,561,590</u>	<u>412,736,882</u>

**3.1** These represent investments under murabaha arrangements on deferred payment basis at specified profit margins. These investments carry profit at the rate of 13.89% to 15.50% (30 June 2014: 12.06% to 15.54%) per annum and are secured against charge over fixed and current assets, personal guarantees of directors of customer companies, demand promissory notes and post dated cheques varying from case to case basis.

	Un-audited 31 December 2014	Audited 30 June 2014
	Rupees	Rupees
<b>4 CURRENT PORTION OF NON-CURRENT ASSETS</b>		
Net investment in ijarah finance	29,065,188	25,896,516
Diminishing musharaka financing	7,350,000	7,962,500
Long term murabaha investments	28,921,908	16,944,842
Long term loans and deposits	1,691,830	1,614,415
	<u>67,028,926</u>	<u>52,418,273</u>

**5 NET INVESTMENT IN IJARAH FINANCE**

Minimum ijarah rentals receivable	93,133,246	97,358,519
Residual value of ijarah assets	5,134,881	5,134,881
Gross investment in ijarah finance	98,268,127	102,493,400
Less: Unearned finance income	<u>(35,092,853)</u>	<u>(36,404,518)</u>
Net investment in lease ijarah finance	63,175,274	66,088,882
Less: Provision for non-performing net investment in ijarah finance	(5,658,000)	(5,658,000)
Less: Current portion of net investment in ijarah finance	<u>(29,065,188)</u>	<u>(25,896,516)</u>
	<u>28,452,086</u>	<u>34,534,366</u>

**6 DIMINISHING MUSHARAKA FINANCING**

Diminishing musharaka financing (Secured)	29,400,000	29,400,000
Less: Current portion	<u>(7,350,000)</u>	<u>(7,962,500)</u>
	<u>22,050,000</u>	<u>21,437,500</u>

**6.1** This represents diminishing musharaka financing arrangement for machinery, entered for a term of four years. The Modaraba has provided financing to the extent of 28% of the value of the machinery. This financing is secured by first charge on all present and future fixed assets of the client including the Musharaka asset for an amount to Rupees 38.906 million.

	Un-audited 31 December 2014	Audited 30 June 2014
	Rupees	Rupees
<b>7 LONG TERM MURABAHA INVESTMENTS</b>		
Long term murabaha investments (Secured)	67,964,701	48,746,199
Deferred murabaha income	13,891,860	13,891,860
	<u>81,856,561</u>	<u>62,638,059</u>
Less: Provision for non-performing murabaha investments	<u>(29,289,800)</u>	<u>(12,375,236)</u>
Less: Current portion	<u>(28,921,908)</u>	<u>(16,944,842)</u>
	<u>23,644,853</u>	<u>33,317,981</u>

**7.1** These represent investments under murabaha arrangements on deferred payment basis at a profit margin ranging from 13.05% to 15.50% (30 June 2014: 14.43% to 15.89%) per annum. These investments are secured against charge over fixed and current assets, personal guarantees of the directors of customer companies, demand promissory notes and post-dated cheques varying from case to case basis.

## Half Yearly Report - December 31, 2014

	Un-audited 31 December 2014	Audited 30 June 2014
	Rupees	Rupees
<b>8 IJARAH ASSETS</b>		
Opening book value	978,597,812	1,019,001,825
Cost of additions during the period / year (Note 8.1)	82,383,894	490,843,323
	<u>1,060,981,706</u>	<u>1,509,845,148</u>
Book value of deletions during the period / year (Note 8.2)	(61,514,986)	(116,183,266)
	<u>999,466,720</u>	<u>1,393,661,882</u>
Depreciation charged during the period / year	(189,772,041)	(415,064,070)
	<u>809,694,679</u>	<u>978,597,812</u>
<b>8.1 Cost of additions</b>		
Plant and machinery	30,064,194	242,060,446
Vehicles	52,319,700	248,782,877
	<u>82,383,894</u>	<u>490,843,323</u>
<b>8.2 Book value of deletions</b>		
Plant and machinery	26,707,253	77,154,668
Vehicles	34,807,733	39,028,598
	<u>61,514,986</u>	<u>116,183,266</u>
<b>9 FIXED ASSETS - OWN USE</b>		
Opening book value	803,386	1,462,405
Cost of additions during the period / year (Note 9.1)	22,900	252,697
	<u>826,286</u>	<u>1,715,102</u>
Book value of deletions during the period / year	-	-
	<u>826,286</u>	<u>1,715,102</u>
Depreciation charged during the period / year	(264,466)	(911,716)
	<u>561,820</u>	<u>803,386</u>
<b>9.1 Cost of additions</b>		
Computers and accessories	-	216,697
Electric equipment	22,900	36,000
	<u>22,900</u>	<u>252,697</u>
<b>10 SHORT TERM FINANCES - SECURED</b>		
Finance under musharaka arrangements - From National Bank of Pakistan (Secured)	95,110,131	92,272,434
Finance under murabaha arrangements - From Other Financial Institutions (Secured)	51,745,794	94,689,254
	<u>146,855,925</u>	<u>186,961,688</u>
<b>10.1</b>	The aggregate unavailed short term borrowing facilities amount to Rupees 305.090 million (30 June 2014: Rupees 683.04 million). These combined facilities of Rupees 450 million (30 June 2014: Rupees 870 million) obtained from various financial institutions are payable within one year and carry profit at the rate of one to six months KIBOR plus 1.00% to 3.00% (30 June 2014: one to six months KIBOR plus 0.75% to 3.00%) per annum. These facilities are secured against first pari passu charge on all the present and future receivables of the Modaraba joint pari passu charge over all leased assets, present and future current and non-current assets of the Modaraba and first pari passu hypothecation charge over present and future current assets of the Modaraba.	
<b>11 SHORT TERM CERTIFICATES OF MUSHARAKA - UNSECURED</b>		
	This represents Certificates of Musharaka through private placements. These certificates have different denominations and are repayable within twelve months. These certificates carry profit on profit and loss sharing basis which ranges from 9% to 10.25% (30 June 2014: 9% to 10.25%) per annum.	

## First National Bank Modaraba

	<b>Un-audited 31 December 2014</b>	<b>Audited 30 June 2014</b>		
	<b>Rupees</b>	<b>Rupees</b>		
<b>12 CURRENT PORTION OF NON-CURRENT LIABILITIES</b>				
Long term security deposits	113,511,448	101,932,420		
Long term certificates of musharaka	1,000,000	1,000,000		
Long term finances	233,833,336	290,833,332		
Deferred murabaha income	4,690,707	9,450,032		
	<u>353,035,491</u>	<u>403,215,784</u>		
<b>13 LONG TERM CERTIFICATES OF MUSHARAKA</b>				
Certificates of musharaka (Unsecured)	2,658,017	3,658,017		
Less: Current portion	(1,000,000)	(1,000,000)		
	<u>1,658,017</u>	<u>2,658,017</u>		
<b>13.1</b> This represents long term Certificates of Musharaka issued through private placements. These certificates have different denominations and carry profit on profit and loss sharing basis which ranges from 9.3% to 9.9% (30 June 2014: 9.3% to 9.9%) per annum.				
	<b>Un-audited 31 December 2014</b>	<b>Audited 30 June 2014</b>		
	<b>Rupees</b>	<b>Rupees</b>		
<b>14 LONG TERM FINANCES</b>				
Finance under musharaka arrangements - From National Bank of Pakistan (Secured)	63,833,336	97,166,668		
Finance under murabaha arrangements - From other financial institutions (Secured)	373,333,333	495,833,332		
	437,166,669	593,000,000		
Less: Current portion	(233,833,336)	(290,833,332)		
	<u>203,333,333</u>	<u>302,166,668</u>		
<b>15 CERTIFICATE CAPITAL</b>				
<b>Authorised certificate capital</b>				
60,000,000 (30 June 2014: 60,000,000) modaraba certificates of Rupees 10 each	<u>600,000,000</u>	<u>600,000,000</u>		
<b>Issued, subscribed and paid-up certificate capital</b>				
25,000,000 (30 June 2014: 25,000,000) modaraba certificates of Rupees 10 each	<u>250,000,000</u>	<u>250,000,000</u>		
<b>15.1</b> 7,500,000 (30 June 2014: 7,500,000) certificates are held by National Bank Modaraba Management Company Limited.				
	<b>Un-audited 31 December 2014</b>	<b>Audited 30 June 2014</b>		
	<b>Rupees</b>	<b>Rupees</b>		
<b>16 Contingencies and Commitments</b>				
There were no known contingencies as at 31 December 2014.	NIL	NIL		
Commitments - Facilities approved but not disbursed	<u>163,405,900</u>	<u>37,799,500</u>		
	<b>Half year ended - Un-audited</b>	<b>Quarter ended - Un-audited</b>		
	<b>31 December 2014</b>	<b>31 December 2014</b>		
	<b>31 December 2013</b>	<b>31 December 2013</b>		
	<b>Rupees</b>	<b>Rupees</b>		
<b>17 OPERATING EXPENSES</b>				
Salaries, allowances and other benefits	9,991,650	9,731,911	3,956,458	4,358,623
Communication expenses	151,206	158,300	59,303	88,961
Travelling and conveyance	97,768	374,250	21,960	136,957
Vehicle running expenses	126,165	194,189	45,972	57,829
Postage and stamps	36,075	39,180	26,083	31,584
Advertisements	45,350	73,210	41,400	33,210
Legal and professional charges	419,091	619,492	197,961	194,644
Auditors' remuneration	106,480	106,480	106,480	106,480
Fees and subscription	589,483	413,379	404,425	413,379
Repairs and maintenance	160,204	168,480	42,487	90,635
Insurance	175,344	115,770	175,344	23,931
Stationery, printing and other expenses	331,347	263,804	266,135	237,059
Entertainment	114,007	103,867	77,488	64,472
Depreciation / amortization	336,725	520,426	77,021	310,000
Other sundry expenses	22,567	38,247	7,232	28,831
	<u>12,703,462</u>	<u>12,920,985</u>	<u>5,505,749</u>	<u>6,176,595</u>

## Half Yearly Report - December 31, 2014

### 18 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:

	Un-audited 31 December 2014	Audited 30 June 2014
	Rupees	Rupees
<b>18.1 Balances outstanding at the period / year end</b>		
National Income Daily Accounts (NIDA) with National Bank of Pakistan	3,492,905	18,573,021
Finances under musharaka arrangements form National Bank of Pakistan	158,943,467	189,439,102
Ijarah rental receivables from National Bank of Pakistan	3,778,580	525,905
Current accounts with National Bank of Pakistan	677,544	697,038
Payable to the Modaraba Management Company	348,724	348,724

	Un-audited HALF YEAR ENDED	
	31 December 2014	31 December 2013
	Rupees	Rupees
<b>18.2 Transactions during the period</b>		
<b>Related party</b>	<b>Relationship</b>	<b>Nature of Transaction</b>
National Bank of Pakistan	Modaraba management company's holding company	Musharaka obtained - net Musharaka repaid - net Ijarah rentals received Profit paid
		386,748,358 417,243,993 2,619,124 8,693,207
Remuneration to key management personnel		-
		76,533,801 15,777,147 16,146,361
		3,071,277 4,391,998

### 19 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 2014.

### 20 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 of the Modaraba Management Company has been identified as the chief operating decision-maker, who is responsible for allocating resources and accessing performance of the operating segments.

The Chief Executive 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.

### 21 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 23, 2015.

### 22 CORRESPONDING FIGURES

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

### 23 General

Figures have been rounded off to the nearest rupee.

  
**Chief Executive Officer**  
National Bank Modaraba  
Management Company Limited

Lahore: February 23, 2015

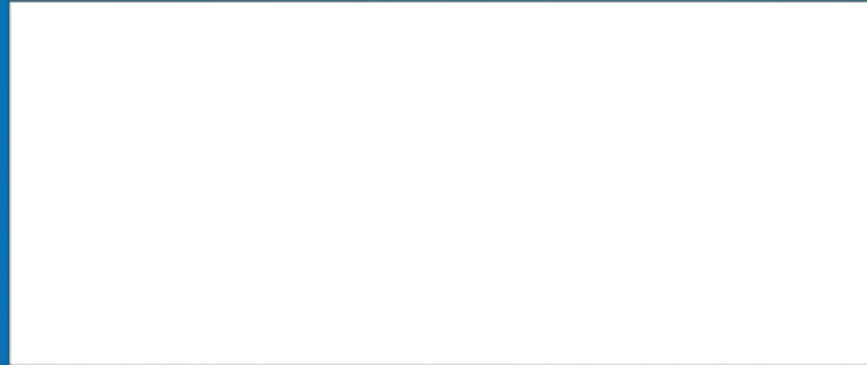
  
**Director**  
National Bank Modaraba  
Management Company Limited

  
**Director**  
National Bank Modaraba  
Management Company Limited



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