

HALF YEARLY REPORT
DECEMBER 31,
2013

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, 2013

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CORPORATE INFORMATION

Board of Directors	Mr. Wajahat A. Baqai Mr. Khawaja Waheed Raza Syed Mustafa Kamal Mr. Jamal Nasim Mr. Sadiq-ul-Huda 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. Sadiq-ul-Huda	Chairman Member Member Member
Auditors	Horwath Hussain Chaudhury & Co. (A member firm of Crowe Horwath International)	
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, 2013.

During the period under review FNBM focused primarily on Ijarah and entered into new Ijarah arrangements amounting to Rs.260 Millions. On the liability side long/medium term bank borrowings remained the main source for generating funds. As a result FNBM has managed to maintain its balance sheet footing at Rs.1.925 Billion as on December 31, 2013.

The total income increased slightly by 6% from Rs.273 Millions to Rs.288 Million as compared to the corresponding six months period. On the other hand the finance costs reduced by 14% because of the low average cost of borrowings during the period under review as compared to the last year. However due to some exogenous factors there were unexpected delays in the planned streamlining of the classified morahaba portfolio. As a result FNBM has to charge provisioning in the first half of the current year amounting to Rs.39.5 Millions in accordance with applicable regulations, which is higher by almost 259% as compared to the corresponding period. This resulted in a booking of a loss of Rs.33.4 Millions for the period. The EPC stood at (1.34) for the period under review as compared to 0.40 for the corresponding period.

The credit rating company JCR-VIS in their recent rating report issued in January 2014 has rated FNBM at 'A' for the long term and 'A-1' for short term with 'Stable' outlook.

The management is confident that the process of rationalization of the stressful morahaba portfolio would materialized in the second half of the current year and in which case a significant portion of the loss booked in the first half would be recovered.

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 NBF1 & Modaraba Association of Pakistan for their continued guidance and support.

For and on behalf of the Board

Javaid Sadiq
Chief Executive Officer

Dated: February 14, 2014



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FIRST NATIONAL BANK MODARABA

REPORT TO MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

Introduction

We have reviewed the accompanying condensed interim balance sheet of **First National Bank Modaraba** ("the Modaraba") as at December 31, 2013 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof for the half year then ended ("the interim financial information"). Management of the Modaraba Management Company (National Bank Modaraba Management Company Limited) is responsible for the preparation and presentation of this interim financial information in accordance with the approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2012 and 2013 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2013.

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 interim financial information consists of making inquiries, primarily of persons responsible for the 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 interim financial information as of and for the half year ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

LAHORE
Dated: February 14, 2014

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

A handwritten signature in blue ink, appearing to read "M. Nasir Muneer".


Half Yearly Report - December 31, 2013

CONDENSED INTERIM BALANCE SHEET (UNAUDITED)

AS AT DECEMBER 31, 2013

		(Un-audited) December 31, 2013 Rupees	(Audited) June 30, 2013 Rupees
ASSETS			
Current Assets			
Cash and bank balances		38,135,729	20,491,454
Ijarah rentals receivable		74,090,101	65,836,987
Advances, prepayments and other receivables		130,924,426	57,202,695
Accrued profit		19,433,702	20,344,013
Short term morabaha investments	5	487,835,323	545,476,571
Short term modaraba investment		-	125,000,000
Current portion of non-current assets		47,758,905	43,070,558
		798,178,186	877,422,278
Non-Current Assets			
Net investment in ijarah	6	53,624,806	57,424,575
Long term morabaha investments		37,655,207	44,778,874
Long term loans and deposits		3,047,419	3,197,153
Fixed assets under ijarah arrangements	7	1,030,933,167	1,019,001,825
Fixed assets - Tangible	8	1,230,335	1,462,405
Intangible assets		362,341	434,000
		1,126,853,275	1,126,298,832
		1,925,031,461	2,003,721,110
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities		54,950,932	36,828,247
Accrued profit payable		17,110,663	18,959,105
Short term finances	9	246,045,913	351,543,440
Short term certificates of musharaka	10	297,149,051	316,705,907
Current portion of non-current liabilities		448,161,065	465,972,978
		1,063,417,624	1,190,009,677
Non-Current Liabilities			
Long term security deposits		244,545,757	231,442,853
Long term certificates of musharaka	11	8,645,439	19,130,000
Long term finances	12	330,499,985	251,333,319
Deferred morabaha income		13,409,305	13,891,860
		597,100,486	515,798,032
		1,660,518,110	1,705,807,709
NET ASSETS			
		264,513,351	297,913,401
REPRESENTED BY:			
Capital and Reserves			
Issued, subscribed and paid up certificate capital	13	250,000,000	250,000,000
Reserves		14,513,351	47,913,401
Contingencies and commitments	14	-	-
		264,513,351	297,913,401

The annexed notes form an integral part of these condensed interim financial information (un-audited).


CHIEF EXECUTIVE OFFICER
 Lahore: February 14, 2014


DIRECTOR


DIRECTOR



CHIEF FINANCIAL OFFICER

First National Bank Modaraba

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2013

	NOTE	Half Year Ended		Quarter Ended	
		December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
		(Un-audited)			
Income		Rupees	Rupees	Rupees	Rupees
Income from leases / ijarahs		262,902,204	231,671,570	131,561,611	113,817,629
Profit on morabaha investments		22,735,692	40,972,053	2,472,560	18,951,472
Profit on modaraba investment		744,863	-	-	-
Profit on bank deposits		32,869	32,113	24,250	(53,567)
Gain on short term investment		-	233,032	-	217,060
Gain / (loss) on disposal of fixed assets		1,781,354	(509,584)	-	(1,323,604)
Other income		551,291	546,542	320,154	417,555
		288,748,273	272,945,726	134,378,575	132,026,545
EXPENDITURES					
Operating expenses	15	(12,814,505)	(11,922,838)	(6,070,115)	(5,285,806)
Depreciation on assets under ijarah		(206,711,022)	(165,653,631)	(102,313,365)	(79,940,161)
Finance cost		(63,016,316)	(73,261,798)	(31,964,903)	(35,436,235)
Other operating expenses	16	(106,480)	(106,480)	(106,480)	(106,480)
Allowance for potential losses in murabaha and ijarah investments - net		(39,500,000)	(11,000,000)	(28,500,000)	(6,000,000)
		(322,148,323)	(261,944,747)	(168,954,863)	(126,768,682)
(Loss) / Profit before Modaraba Company's management fee		(33,400,050)	11,000,979	(34,576,288)	5,257,863
Modaraba Company's management fee		-	(1,100,098)	3,457,629	(525,786)
(Loss) / Profit before Tax		(33,400,050)	9,900,881	(31,118,659)	4,732,077
Taxation		-	-	-	-
Net (Loss) / Profit for the Period		(33,400,050)	9,900,881	(31,118,659)	4,732,077
Unappropriated profit brought forward		3,958,212	45,820,756	4,805,103	24,955,799
(Accumulated Loss) / Profit Available for Appropriation		(29,441,838)	55,721,637	(26,313,556)	29,687,876
Appropriation:					
- Transfer to statutory reserve		-	(1,980,176)	-	(946,415)
- Dividend		-	(25,000,000)	-	-
		-	(26,980,176)	-	(946,415)
(Accumulated Loss) / Unappropriated Profit Carried Forward		(29,441,838)	28,741,461	(26,313,556)	28,741,461
Earnings per Modaraba Certificate - Basic and Diluted		(1.34)	0.40	(1.24)	0.19

The annexed notes form an integral part of these condensed interim financial information (un-audited).


CHIEF EXECUTIVE OFFICER
Lahore: February 14, 2014


DIRECTOR



DIRECTOR


CHIEF FINANCIAL OFFICER

Half Yearly Report - December 31, 2013

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2013

	Half Year Ended		Quarter Ended	
	December 31, 2013	December 31, 2012	December 31, 2013	December 31, 2012
	(Un-audited)			
	Rupees	Rupees	Rupees	Rupees
Net (Loss) / Profit for the Period	(33,400,050)	9,900,881	(31,118,659)	4,732,077
Other comprehensive income	-	-	-	-
Total Comprehensive (Loss) / Income for the Period	<u>(33,400,050)</u>	<u>9,900,881</u>	<u>(31,118,659)</u>	<u>4,732,077</u>


CHIEF EXECUTIVE OFFICER
 Lahore: February 14, 2014


DIRECTOR


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CHIEF FINANCIAL OFFICER

First National Bank Modaraba


CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2013

	Half Year Ended December 31, 2013 (Un-audited)	Half Year Ended December 31, 2012 (Un-audited)
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss) / Profit before tax	(33,400,050)	9,900,881
Adjustments:		
- Depreciation / amortization	207,231,448	166,008,661
- Allowance for potential losses in murabaha and ijarah investments - net	39,500,000	11,000,000
- Appreciation in value of investments through profit or loss	-	(233,032)
- (Gain) / loss on termination of ijarah arrangements	(1,781,354)	509,584
- Finance cost	63,016,316	73,261,798
- Profit on bank deposits	(32,869)	(32,113)
	307,933,541	250,514,898
(Increase) / Decrease in operating assets		
Advances, prepayments and other receivables	(73,706,887)	13,043,440
Ijarah rentals receivable	(8,253,114)	2,629,286
Accrued profit	861,138	5,063,727
Short term morabaha investments - secured	10,686,335	35,861,652
Short term modaraba investment	125,000,000	-
Net investment in leases / ijarah	(1,101,752)	23,063,565
Long term morabaha finances - secured	8,851,856	(8,452,930)
Long term security deposits from ijarah - net	41,345,364	47,595,410
Creditors, accrued and other liabilities	18,303,058	11,656,389
Net changes in working capital	121,985,998	130,460,539
Cash generated from operations	396,519,489	390,876,318
Finance cost paid	(64,864,758)	(74,116,733)
Income taxes paid	(14,844)	(9,547)
Profit received on bank deposits	82,042	(117,829)
Net Cash from Operating Activities	331,721,929	316,632,209
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets under ijarah arrangements	(259,493,140)	(304,090,427)
Purchase of fixed assets under own use	(216,697)	(326,424)
Proceeds from disposal of ijarah assets	42,632,130	50,176,659
Long term loans and deposits	219,371	(584,556)
Net Cash used in Investing Activities	(216,858,336)	(254,824,748)

Half Yearly Report - December 31, 2013

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2013

	Half Year Ended December 31, 2013 (Un-audited)	Half Year Ended December 31, 2012 (Un-audited)
	Rupees	Rupees
CASH FLOW FROM FINANCING ACTIVITIES		
Long term finances - net	99,999,999	62,166,670
Short term certificates of musharaka	(19,556,856)	166,275,673
Long term certificates of musharaka	(71,984,561)	9,030,000
Short term finances	(105,497,527)	(276,663,987)
Dividends paid	(180,373)	(24,479,945)
Net Cash used in Financing Activities	(97,219,318)	(63,671,589)
Net Increase / (Decrease) in Cash and Cash Equivalents	17,644,275	(1,864,128)
Cash and cash equivalents at the beginning of the period	20,491,454	17,414,896
Cash and Cash Equivalents at the End of the Period	38,135,729	15,550,768


CHIEF EXECUTIVE OFFICER
 Lahore: February 14, 2014


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DIRECTOR


CHIEF FINANCIAL OFFICER

First National Bank Modaraba

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED DECEMBER 31, 2013

Particulars	Certificate Capital	Reserves			Total Equity
		Statutory Reserve	Unappropriated Profit / Accumulated Loss	Total Reserves	
Rupees					
Balance as at June 30, 2012	250,000,000	43,955,189	45,820,756	89,775,945	339,775,945
Total comprehensive income for the six months period ended December 31, 2012	-	-	9,900,881	9,900,881	9,900,881
Transfer to statutory reserve	-	1,980,176	(1,980,176)	-	-
Profit distributed for the year ended June 30, 2012	-	-	(25,000,000)	(25,000,000)	(25,000,000)
Balance as at December 31, 2012	250,000,000	45,935,365	28,741,461	74,676,826	324,676,826
Balance as at June 30, 2013	250,000,000	43,955,189	3,958,212	47,913,401	297,913,401
Total comprehensive loss for the six months period ended December 31, 2013	-	-	(33,400,050)	(33,400,050)	(33,400,050)
Balance as at December 31, 2013	250,000,000	43,955,189	(29,441,838)	14,513,351	264,513,351


CHIEF EXECUTIVE OFFICER
 Lahore: February 14, 2014


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

SELECTED EXPLANATORY NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED DECEMBER 31, 2013

Note 1

General Information

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 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 on December 04, 2003.

Note 2

Basis of Preparation

- 2.1 This condensed interim financial information has been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan (SECP) and is 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.
- 2.2 This financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2013. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2013; whereas, comparative profit and loss account, statement of changes in equity and cash flows statement are stated from unaudited interim financial information for the half year ended on December 31, 2012. This financial information has been prepared under the historical cost convention.
- 2.3 This condensed interim financial information is unaudited. However, a limited scope review of this interim financial information has been performed by the external auditors of the Modaraba in accordance with the requirements of the Code of Corporate Governance and they have issued their review report thereon.
- 2.4 This condensed interim financial information is presented in Pak Rupees, which is the Modaraba's functional and presentational currency. All the figures have been rounded off to the nearest Pak Rupees unless stated otherwise.

Note 3

Accounting Policies

The accounting policies adopted for the preparation of this condensed interim financial information is consistent with those applied in the preparation of published financial statements of Modaraba for the year ended June 30, 2013.

Note 4

Taxation

Under the current tax law, the income of non-trading modarabas is exempt from tax provided that they distribute ninety (90) percent of their profits as cash dividend to the certificate holders out of current period's total profit after appropriating statutory reserves. Where such profits are not distributed, provision for tax is made on taxable income at the current tax rates applicable to Modaraba after taking into account the available tax exemptions and tax credits, if any. No provision has been made in condensed interim financial information of the tax liability for six months ended December 31, 2013 due to losses during the period.

First National Bank Modaraba

Note 5	(Un-audited)	(Audited)
Short Term Morabaha Investments	December 31,	June 30,
	2013	2013
	Rupees	Rupees
Short term morabaha investments (Secured)	586,744,869	597,431,204
Unearned morabaha income	8,990,230	14,195,887
	<u>595,735,099</u>	<u>611,627,091</u>
Less: Allowance for potential morabaha losses	<u>(107,899,776)</u>	<u>(66,150,520)</u>
	<u><u>487,835,323</u></u>	<u><u>545,476,571</u></u>
<p>5.1 These represent investments under murabaha arrangements on deferred payment basis at specified profit margins. These investments carry profit at the rate of 10.99% to 15.54% (June 30, 2013: 10.62% 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.</p>		
Note 6	(Un-audited)	(Audited)
Net Investment in Ijarah	December 31,	June 30,
	2013	2013
	Rupees	Rupees
Minimum ijarah rentals receivable	103,118,474	106,690,105
Residual value of ijarah assets	5,771,116	5,771,116
Gross investment in ijarah (secured)	<u>108,889,590</u>	<u>112,461,221</u>
Less: Unearned finance income	<u>(22,666,777)</u>	<u>(27,340,160)</u>
Net investment in lease ijarah finance	86,222,813	85,121,061
Less: Allowance for potential ijarah losses	<u>(2,671,487)</u>	<u>(4,920,743)</u>
Less: Current portion of net investment in ijarah	<u>(29,926,520)</u>	<u>(22,775,743)</u>
	<u><u>53,624,806</u></u>	<u><u>57,424,575</u></u>
Note 7	(Un-audited)	(Audited)
Fixed Assets Under Ijarah Arrangements	December 31,	June 30,
	2013	2013
	Rupees	Rupees
Written down value at the beginning of the period / year	1,019,001,825	891,244,292
Additions at cost	259,493,140	638,422,993
Less: Written down value of assets disposed off	<u>(40,850,776)</u>	<u>(129,648,203)</u>
	1,237,644,189	1,400,019,082
Less: Depreciation charged during the period / year	<u>(206,711,022)</u>	<u>(381,017,257)</u>
	<u><u>1,030,933,167</u></u>	<u><u>1,019,001,825</u></u>
Note 8	(Un-audited)	(Audited)
Fixed Assets - Tangible	December 31,	June 30,
	2013	2013
	Rupees	Rupees
Written down value at the beginning of the period / year	1,462,405	1,662,582
Additions at cost	216,697	554,764
	<u>1,679,102</u>	<u>2,217,346</u>
Less: Depreciation charged during the period / year	<u>(448,767)</u>	<u>(754,941)</u>
	<u><u>1,230,335</u></u>	<u><u>1,462,405</u></u>
Note 9	(Un-audited)	(Audited)
Short Term Finance - Secured	December 31,	June 30,
	2013	2013
	Rupees	Rupees
Finance under musharaka arrangements		
National Bank of Pakistan (NBP)	91,249,016	84,449,484
Finance under morabaha arrangements		
Other financial institutions	<u>154,796,897</u>	<u>267,093,956</u>
	<u><u>246,045,913</u></u>	<u><u>351,543,440</u></u>

Half Yearly Report - December 31, 2013

9.1 The aggregate unavailed short term borrowing facilities amount to Rs. 823.95 million (June 30, 2013: Rs. 718.46 million). These combined facilities of Rs. 1,070 million (June 30, 2013: Rs. 1,070 million) obtained from various financial institutions that are payable within one year and carry profit at the rate of one to six months KIBOR plus 0.75% to 3.00% (June 30, 2013: 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.

Note 10

Short Term Certificates of Musharaka - Unsecured

This represents Certificates of Musharakah through private placement. These certificates have different denominations and are repayable within twelve months. These certificates carry profit on profit and loss sharing basis.

Note 11

Long Term Certificates of Musharaka - Unsecured

	(Un-audited) December 31, 2013	(Audited) June 30, 2013
	Rupees	Rupees
Certificates of Musharakah	56,838,077	128,822,638
Less: Current portion	<u>(48,192,638)</u>	<u>(109,692,638)</u>
	<u>8,645,439</u>	<u>19,130,000</u>

11.1 This represents long term Certificates of Musharakah issued through private placement. These certificates have different denominations and carry profit on profit and loss sharing basis.

Note 12

Long Term Finance - Secured

	(Un-audited) December 31, 2012	(Audited) June 30, 2012
	Rupees	Rupees
Finance under musharaka arrangements - From National Bank of Pakistan	180,499,985	263,833,317
Finance under morabaha arrangements - From other financial institutions	<u>458,333,333</u>	<u>275,000,002</u>
	638,833,318	538,833,319
Less: Current portion	<u>(308,333,333)</u>	<u>(287,500,000)</u>
	<u>330,499,985</u>	<u>251,333,319</u>

Note 13

Certificate Capital

	(Un-audited) December 31, 2013	(Audited) June 30, 2013
	Rupees	Rupees
60,000,000 (June 30, 2013: 60,000,000) authorized Modaraba certificates of Rs. 10 each	<u>600,000,000</u>	<u>600,000,000</u>
25,000,000 (June 30, 2013: 25,000,000) issued, subscribed and paid up Modaraba certificates of Rs. 10 each	<u>250,000,000</u>	<u>250,000,000</u>

13.1 7,500,000 (June 30, 2013: 7,500,000) certificates are held by National Bank Modaraba Management Company Limited, a related party.

Note 14

Contingencies and Commitments

	(Un-audited) December 31, 2013	(Audited) June 30, 2013
	Rupees	Rupees
There were no known contingencies as at December 31, 2013.		
Commitments - ijarah / murabaha facilities approved but not disbursed	<u>163,405,900</u>	<u>228,885,600</u>

First National Bank Modaraba

Note 15 Operating Expenses	Half year ended - Unaudited		Quarter ended - Unaudited	
	December 31,	December 31,	December 31,	December 31,
	2013	2012	2013	2012
	Rupees	Rupees	Rupees	Rupees
Salaries, allowances and benefits	9,731,911	9,828,835	4,358,623	4,058,187
Communication expenses	158,300	146,138	88,961	89,358
Travelling and conveyance	374,250	192,268	136,957	120,104
Vehicle running expenses	194,189	159,851	57,829	46,442
Postage and stamps	39,180	36,499	31,584	29,925
Advertisement	73,210	66,780	33,210	66,780
Legal and professional charges	619,492	238,858	194,644	162,609
Fees and subscription	413,379	2,755	413,379	2,755
Repairs and maintenance	168,480	327,041	90,635	106,299
Insurance	115,770	73,581	23,931	27,789
Stationery, printing and other expenses	263,804	279,106	237,059	260,950
Depreciation / amortization	520,426	355,030	310,000	205,272
Entertainment	103,867	106,740	64,472	55,670
Other sundry expenses	38,247	109,356	28,831	53,666
	<u>12,814,505</u>	<u>11,922,838</u>	<u>6,070,115</u>	<u>5,285,806</u>

Note 16 Other Operating Expenses	Half year ended - Unaudited		Quarter ended - Unaudited	
	December 31,	December 31,	December 31,	December 31,
	2013	2012	2013	2012
	Rupees	Rupees	Rupees	Rupees
Auditors' remuneration	106,480	106,480	106,480	106,480

Note 17
Balances and Transactions with Related Parties

- 17.1 Owing to the loss during the period, 10% Modaraba management fee has not been recorded as payable to National Bank Modaraba Management Company Limited under Section 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

Half Yearly Report - December 31, 2013

17.2 Details of transactions with related parties and balances outstanding with them at the period end are as follows:

	(Un-audited) December 31, 2013	(Un-audited) December 31, 2012
	Rupees	Rupees
Balance outstanding at the period end:		
NIDA with National Bank of Pakistan (running balance)	11,021,330	14,204,834
Finances under musharaka arrangement form National Bank of Pakistan	271,749,001	397,042,547
Net investments in lease / ijarah finance to National Bank of Pakistan	28,359,295	31,356,585
Current accounts with National Bank of Pakistan	6,351,177	1,101,627
Payable to National Bank Modaraba Management Company Limited	348,724	1,448,822

Transactions during the period

Related party	Relationship	Nature of Transaction		
National Bank of Pakistan	Management company's holding company	Musharaka obtained - net	-	190,000,000
National Bank of Pakistan	Management company's holding company	Musharaka repaid - net	76,533,801	167,035,867
National Bank of Pakistan	Management company's holding company	Ijarah repaid	15,777,147	21,935,864
National Bank of Pakistan	Management company's holding company	Profit on NIDA account	-	273,001

Profit / expense during the period

National Bank Modaraba Management Company Limited	Management company	Management fee	-	1,100,098
National Bank of Pakistan	Management company's holding company	Profit on finances obtained	16,146,361	18,431,766
National Bank of Pakistan	Management company's holding company	Profit on Ijarah facility	2,294,307	3,605,785

Transactions with related parties are carried out at arm's length in the normal course of business. The method used for computation of consideration is comparable uncontrolled price method except for the Modaraba Company's management fee as mentioned above.

Note 18


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 14, 2014.

Note 19

General

No significant re-arrangements have been made in comparative condensed interim financial information (un-audited) except for allowance for potential losses in murabaha investments of Rs. 11,000,000 that has been rearranged from other operating expenses (Note 16) to the face of condensed interim profit and loss account (un-audited).


CHIEF EXECUTIVE OFFICER
Lahore: February 14, 2014

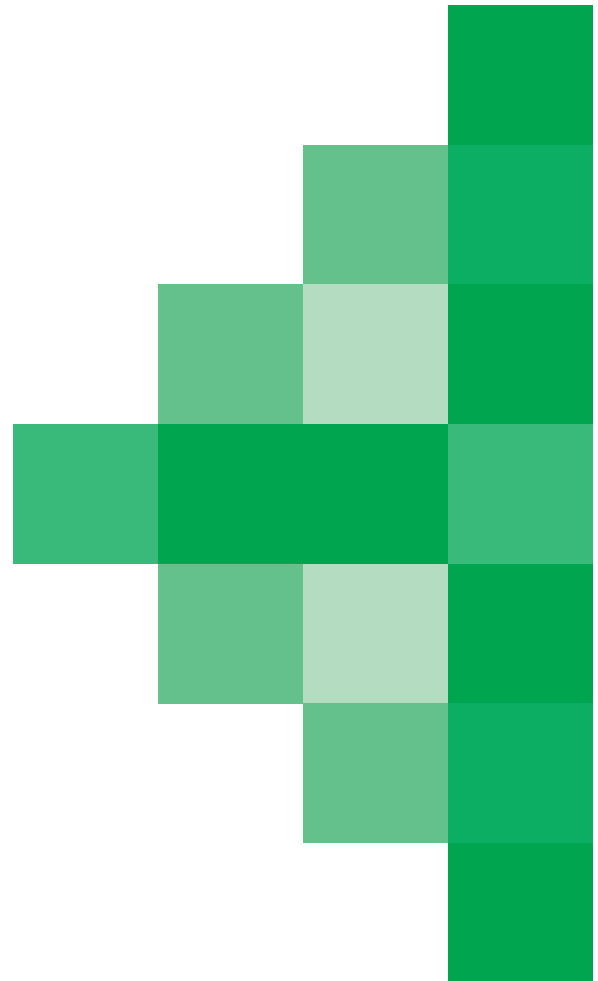

DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

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