



HALF YEARLY  
REPORT  
DECEMBER 31, 2017

**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

## *Half Yearly Report* *December 31, 2017*

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### CORPORATE INFORMATION

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

## **Directors' Review Report**

On behalf of the Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the Management Company of First National Bank Modaraba (FNBM), I am pleased to present the quarterly report, together with un-audited financial statements of FNBM for the quarter and half year ended December 31, 2017.

During the period under review the focus of management remained on recovery and various means were employed for this purpose and that included filing legal suits, negotiation for settlement etc. Consequently there was a net cash recovery of around Rs.25 Million from classified non-performing accounts during the half year.

On the operations side the Modaraba generated total income of Rs.49.6 Millions in the half year under review as compared to Rs.108.8 Million in the corresponding period last year. This reduction was in line with the reduction in the portfolio size due to realization of receivables and settlements of liabilities. On the expenses side the financial charges stood at Rs.8.1 Million compared to Rs.14.4 Million in the corresponding quarter last year because of repayments of bank borrowings. The operating expenses were kept under control and they stood at Rs.7.5 Million as against Rs.7.2 Million in the corresponding period. There was a net charge of impairment/provisioning against old classified accounts amounting to Rs.5.1 Million. As a result of aforesaid the half year was closed with Rs.1 Million in positive. The earnings per certificate stood at Rs.0.04 as compared to loss per certificate of (Rs.1.20) in the corresponding quarter.

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



**Chief Executive Officer**

Lahore: February 23, 2018

## ڈائریکٹرز جائزہ رپورٹ

مجھے بورڈ آف ڈائریکٹرز، نیشنل بینک مضاربہ مینجمنٹ کمپنی، منتظم، فرسٹ نیشنل بینک مضاربہ کی جانب سے ششماہی 31 دسمبر 2017 کی رپورٹ، اس کے غیر احتساب شدہ مالیاتی گوشورائے کے ساتھ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

زیر جائزہ ششماہی کے دوران انتظامیہ کی بنیادی توجہ وصولی پر مرکوز رہی۔ اس مقصد کے حصول کے لیے مختلف حربے بشمول گفت و شنید، تشکیل نو / تصفیہ و قانونی و عدالتی کارروائی وغیرہ بروئے کار لائے گئے۔ جس کے نتیجے میں اس ششماہی کے دوران کلاسیفائیڈ پورٹ فولیو سے خالص نقد 25 ملین وصول پائے۔

مضاربہ کو گزشتہ سال اسی مدت کے دوران 108 ملین کے مقابلے میں زیر جائزہ ششماہی میں 49.6 ملین کی آمدنی ہوئی۔ اس کی وجہ پورٹ فولیو کے سائز میں کمی تھی۔ خرچہ جات مالی اخراجات کی مد میں گزشتہ ششماہی کے 14.4 ملین کے مقابلے میں دوران ششماہی 4.4 ملین رہے۔ جس کی وجہ بینک قرضہ جات میں کمی ہے۔

انتظامی خرچہ جات گزشتہ سال ششماہی کے 7.2 ملین کے مقابلے میں 7.5 ملین رہے۔ اس ششماہی کے دوران پرانے کلاسیفائیڈ اکاؤنٹس کی مد میں 5.1 ملین کی نیٹ پروویژنگ / ایسپیر مینٹ ڈالی گئی، نتیجہً یہ ششماہی ایک ملین کے منافع کے ساتھ ختم ہوئی۔ گزشتہ سال کی ششماہی خصارہ فی سرٹیفیکٹ 1.2 روپے کے مقابلے میں اس ششماہی 0.04 روپے فی سرٹیفیکٹ کا منافع رہا۔

بورڈ اس موقع پر اپنے معزز سرٹیفیکٹ ہولڈرز کا، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا، پاکستان اسٹاک ایکسچینج لیمیٹڈ کا اور مضاربہ ایسوسی ایشن آف پاکستان کا ان کی مسلسل حمایت، رہنمائی اور سرپرستی کے لیے شکریہ ادا کرنا چاہتا ہے۔ ہمارے سرٹیفیکٹ ہولڈرز کا ان کے اعتماد اور بھروسے کے لیے خصوصی شکریہ۔

برائے اور بجانب بورڈ



لاہور: 23 فروری، 2018

سی۔ای۔او

## 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 2017 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 2017 and 31 December 2016 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 2017.

### **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 2017 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 states that the Modaraba is no longer a going concern, therefore, this condensed interim financial information has been prepared on the basis of estimated realisable / settlement values of assets and liabilities respectively. Estimated realisable / settlement values are based on the management's best estimate. Estimation involves judgements based on the latest available, reliable information, historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In future, these estimates may need revision if changes occur in the circumstances on which the estimates are based or as a result of new information. Hence, the ultimate values at which assets will be realized and liabilities will be settled may be different from those carried in this condensed interim financial information. Our conclusion is not qualified in respect of this matter.

  
**RIAZ AHMAD & COMPANY**  
Chartered Accountants

Name of Engagement partner:  
Syed Mustafa Ali

Date: 23 February 2018

LAHORE

# Half Yearly Report-December 31, 2017

## CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT 31 DECEMBER 2017

	NOTE	Un-audited 31 December 2017 Rupees	Audited 30 June 2017 Rupees
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Bank balances		18,959,751	49,707,521
Short term murabaha investments - secured	3	19,216,842	19,216,842
Accrued profit		1,000,850	388,493
Ijarah rentals receivable		74,133,615	69,947,032
Advances, prepayments and other receivables		4,364,086	3,843,324
Investment in musharaka certificates		50,000,000	-
Current portion of non-current assets	4	56,388,874	69,782,240
		<u>224,064,018</u>	<u>212,885,452</u>
<b>NON-CURRENT ASSETS</b>			
Net investment in ijarah finance	5	46,700	1,651,514
Diminishing musharaka financing - secured	6	4,731,173	10,497,347
Long term murabaha investments - secured	7	29,356,103	34,991,892
Long term loans and deposits		774,713	1,000,882
Intangible asset		-	-
Ijarah assets	8	169,106,535	247,443,653
Fixed assets - own use	9	49,767	7,732
Deferred income tax asset	10	-	-
		<u>204,064,991</u>	<u>295,593,020</u>
		<u>428,129,009</u>	<u>508,478,472</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued profit		1,602,087	2,094,045
Deferred murabaha income		2,654,776	2,654,776
Short term finances - secured	11	183,105,393	201,634,754
Creditors, accrued and other liabilities		23,775,339	27,265,399
Current portion of non-current liabilities	12	166,290,393	195,897,100
Provision for taxation		208,630	-
		<u>377,636,618</u>	<u>429,546,074</u>
<b>NON-CURRENT LIABILITIES</b>			
Security deposits against ijarah assets		11,360,280	21,500,787
Long term finances - secured	13	-	16,666,670
Deferred murabaha income		21,780,451	24,431,871
		<u>33,140,731</u>	<u>62,599,328</u>
		<u>410,777,349</u>	<u>492,145,402</u>
<b>TOTAL LIABILITIES</b>			
<b>NET ASSETS</b>			
		<u>17,351,660</u>	<u>16,333,070</u>
<b>FINANCED BY</b>			
Certificate capital	14	250,000,000	250,000,000
Reserves		(232,648,340)	(233,666,930)
		<u>17,351,660</u>	<u>16,333,070</u>
<b>TOTAL EQUITY AND RESERVES</b>			
<b>CONTINGENCIES AND COMMITMENTS</b>			
	15		

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, 2018

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>				
Ijarah rentals earned / income from ijarah finance	42,632,437	101,678,323	21,106,337	51,976,949
Profit on diminishing musharaka	1,123,216	2,529,150	434,655	1,172,768
Profit on murabaha investments	199,100	601,000	199,100	(622,490)
Profit on bank deposits	631,275	448,227	212,654	295,278
Gain on disposal of ijarah assets	4,193,145	2,867,771	3,931,154	1,544,474
Other income	818,548	733,231	765,492	701,621
	49,597,721	108,857,702	26,649,392	55,068,600
<b>EXPENSES</b>				
Depreciation on ijarah assets	(27,548,402)	(78,191,720)	(13,387,635)	(38,454,914)
Operating expenses	(7,457,893)	(7,181,260)	(3,342,465)	(3,422,734)
Finance cost	(8,094,052)	(14,404,411)	(3,607,197)	(5,967,641)
	(43,100,347)	(99,777,391)	(20,337,297)	(47,845,289)
<b>OPERATING PROFIT BEFORE PROVISION AND TAXATION</b>	6,497,374	9,080,311	6,312,095	7,223,311
Provision reversed / (charged) for doubtful receivables - net	3,234,441	(35,910,096)	(3,158,116)	(20,760,064)
Impairment loss on ijarah assets	(8,368,237)	(3,199,383)	(8,368,237)	(3,199,383)
	1,363,578	(30,029,168)	(5,214,258)	(16,736,136)
Modaraba management company fee	(136,358)	-	521,426	-
<b>PROFIT / (LOSS) BEFORE TAXATION</b>	1,227,220	(30,029,168)	(4,692,832)	(16,736,136)
Taxation	(208,630)	-	(208,630)	-
<b>PROFIT / (LOSS) AFTER TAXATION</b>	1,018,590	(30,029,168)	(4,901,462)	(16,736,136)
<b>EARNING / (LOSS) PER CERTIFICATE - BASIC AND DILUTED</b>	0.04	(1.20)	(0.20)	(0.67)

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, 2018



# Half Yearly Report-December 31, 2017

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2017	31 December 2016	31 December 2017	31 December 2016
	Rupees	Rupees	Rupees	Rupees
PROFIT / (LOSS) AFTER TAXATION	1,018,590	(30,029,168)	(4,901,462)	(16,736,136)
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	<u>1,018,590</u>	<u>(30,029,168)</u>	<u>(4,901,462)</u>	<u>(16,736,136)</u>

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



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Management Company Limited



Director  
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Management Company Limited



Director  
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Management Company Limited

Lahore: February 23, 2018

## CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	HALF YEAR ENDED	
	31 December 2017	31 December 2016
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	1,227,220	(30,029,168)
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	27,561,867	78,244,391
Provision charged for doubtful receivables - net	(3,234,441)	35,910,096
Impairment loss on ijarah assets	8,368,237	3,199,383
(Gain) / loss on disposal of ijarah assets	(4,193,145)	(2,867,771)
Finance cost	8,094,052	14,404,411
Profit on bank deposits	(631,275)	(448,227)
	37,192,515	98,413,115
<b>Working capital changes</b>		
<b>(Increase) / decrease in operating assets</b>		
Accrued profit	(612,357)	(2,105,975)
Ijarah rentals receivable	(6,836,539)	(5,537,361)
Advances, prepayments and other receivables	(158,576)	(665,347)
Short term murabaha investments	-	28,099,997
Net investment in ijarah finance	20,985,746	601,181
Diminishing musharaka financing	8,598,989	10,526,440
Long term murabaha investments	2,433,255	5,019,074
<b>Increase / (decrease) in operating liabilities</b>		
Creditors, accrued and other liabilities	(3,490,060)	7,394,104
Security deposits against ijarah assets - net	(42,398,638)	(21,359,724)
	(21,478,180)	21,972,389
<b>Cash generated from operations</b>	15,714,335	120,385,504
Finance cost paid	(8,586,010)	(19,271,457)
Income taxes paid	(72,768)	(55,049)
Profit received on bank deposits	631,275	448,227
Long term loans and deposits - net	203,301	533,817
<b>Net cash generated from operating activities</b>	7,890,133	102,041,042
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment in musharaka certificates	(50,000,000)	-
Fixed assets - (own use) acquired	(55,500)	-
Proceeds from disposal of ijarah assets	46,613,624	28,863,669
<b>Net cash from / (used in) investing activities</b>	(3,441,876)	28,863,669
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term finance - net	(18,529,361)	(25,304,000)
Long term finance - repaid	(16,666,666)	(85,000,000)
<b>Net cash used in financing activities</b>	(35,196,027)	(110,304,000)
<b>Net increase / (decrease) in cash and cash equivalents</b>	(30,747,770)	20,600,711
Cash and cash equivalents at the beginning of the period	49,707,521	14,743,528
<b>Cash and cash equivalents at the end of the period</b>	18,959,751	35,344,239

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, 2018

## Half Yearly Report-December 31, 2017

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

	CERTIFICATE CAPITAL	RESERVES			TOTAL EQUITY
		CAPITAL	REVENUE	TOTAL	
		STATUTORY RESERVE	ACCUMULATED LOSS		
.....Rupees.....					
<b>Balance as at 30 June 2016 - (Audited)</b>	250,000,000	43,955,189	(206,262,437)	(162,307,248)	87,692,752
Loss for the half year ended 31 December 2016	-	-	(30,029,168)	(30,029,168)	(30,029,168)
Other comprehensive income for the half year ended 31 December 2016	-	-	-	-	-
Total comprehensive loss for the half year ended 31 December 2016	-	-	(30,029,168)	(30,029,168)	(30,029,168)
<b>Balance as at 31 December 2016 - (Un-audited)</b>	250,000,000	43,955,189	(236,291,605)	(192,336,416)	57,663,584
Loss for the half year ended 30 June 2017	-	-	(41,330,514)	(41,330,514)	(41,330,514)
Other comprehensive income for the half year ended 30 June 2017	-	-	-	-	-
Total comprehensive loss for the half year ended 30 June 2017	-	-	(41,330,514)	(41,330,514)	(41,330,514)
<b>Balance as at 30 June 2017 - (Audited)</b>	250,000,000	43,955,189	(277,622,119)	(233,666,930)	16,333,070
Profit for the half year ended 31 December 2017	-	-	1,018,590	1,018,590	1,018,590
Other comprehensive income for the half year ended 31 December 2017	-	-	-	-	-
Total comprehensive income for the half year ended 31 December 2017	-	-	1,018,590	1,018,590	1,018,590
<b>Balance as at 31 December 2017 - (Un-audited)</b>	250,000,000	43,955,189	(276,603,529)	(232,648,340)	17,351,660

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, 2018



**Director**  
National Bank Modaraba  
Management Company Limited



**Director**  
National Bank Modaraba  
Management Company Limited

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2017

### 1 LEGAL STATUS AND NATURE OF BUSINESS

First National Bank Modaraba ("the Modaraba") is a multi-purpose, perpetual and multi-dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed thereunder. The Modaraba is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the Companies Ordinance, 1984 (now Companies Act, 2017) and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore.

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

#### 1.1 Going concern assumption

As at 31 December 2017 the Modaraba's accumulated loss amounts to Rupees 276.604 million which exceeds the total amount subscribed by the holders of modaraba certificates. This may attract the provisions of section 23 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. As on the reporting date, the Modaraba's accumulated loss net of statutory reserve is amounting to Rupees 232.648 million and its current liabilities exceeded its current assets by Rupees 153.573 million. However, current liabilities include current portion of security deposits against Ijarah facilities amounting to Rupees 122.824 million which will be adjusted against residual value of Ijarah assets on maturity / termination of Ijarah facilities.

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

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

### 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 2017.

#### 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 repealed Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), the Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), the Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP shall prevail.

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 2017.

##### b) Accounting convention

These financial statements have been prepared using the non-going concern basis of accounting on the basis of estimated realizable / settlement values of the assets and liabilities respectively. In realizable / settlement value basis, assets are carried at amount of cash and cash equivalents that could currently be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values, that is the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.

## Half Yearly Report-December 31, 2017

### 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 2017.

### Estimated realizable / settlement values of assets and liabilities respectively

Based on the management's best estimate, as on the reporting date, carrying values of assets and liabilities reflect estimated realizable / settlement values respectively. The Modaraba has recognized provision for doubtful short term murabaha investments of Rupees 7.436 million and provision for ijarah rental receivables of Rupees 3.100 million on the basis of subjective evaluation of non-performing receivables / assets after considering the current situation, that the Modaraba may not be able to continue as a going concern. These provisions are made in addition to the time based criteria given in the regulation of classification and provisioning for non-performing assets in Prudential Regulations for Modarabas.

Cumulative effect of upside not recognized in the profit and loss account of the Modaraba for the period ended 31 December 2017 is amounting to Rupees 31.837 million.

The Modaraba has no items that it plans to sell that the Modaraba has not previously recognized in this condensed interim financial information.

	Un-audited 31 December 2017 Rupees	Audited 30 June 2017 Rupees
<b>3 SHORT TERM MURABAHA INVESTMENTS - SECURED</b>		
Considered good	-	-
Considered doubtful	244,025,025	244,025,025
	<u>244,025,025</u>	<u>244,025,025</u>
Add: Deferred murabaha income	2,654,776	2,654,776
	<u>246,679,801</u>	<u>246,679,801</u>
Less: Provision for non-performing murabaha investments	<u>(227,462,959)</u>	<u>(227,462,959)</u>
	<u>19,216,842</u>	<u>19,216,842</u>
<b>4 CURRENT PORTION OF NON-CURRENT ASSETS</b>		
Net investment in ijarah finance (Note 5)	17,184,014	31,270,867
Diminishing musharaka financing - secured (Note 6)	23,266,112	26,098,927
Long term murabaha investments - secured (Note 7)	15,320,381	11,816,947
Long term loans and deposits	618,367	595,499
	<u>56,388,874</u>	<u>69,782,240</u>
<b>5 NET INVESTMENT IN IJARAH FINANCE</b>		

	Un-audited 31 December 2017			Audited 30 June 2017		
	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	50,840,981	-	50,840,981	62,161,137	17,185,554	79,346,691
Residual value of ijarah assets	2,221,514	46,700	2,268,214	5,088,181	46,700	5,134,881
Gross investment in ijarah finance	53,062,495	46,700	53,109,195	67,249,318	17,232,254	84,481,572
Less: Unearned finance income	<u>(24,164,747)</u>	-	<u>(24,164,747)</u>	<u>(13,071,599)</u>	<u>(15,580,740)</u>	<u>(28,652,339)</u>
Net investment in ijarah finance	28,897,748	46,700	28,944,448	54,177,719	1,651,514	55,829,233
Less: Provision for doubtful net investment in ijarah finance	<u>(11,713,734)</u>	-	<u>(11,713,734)</u>	<u>(22,906,852)</u>	-	<u>(22,906,852)</u>
	<u>17,184,014</u>	<u>46,700</u>	<u>17,230,714</u>	<u>31,270,867</u>	<u>1,651,514</u>	<u>32,922,381</u>
Less: Current portion (Note 4)			<u>(17,184,014)</u>			<u>(31,270,867)</u>
			<u>46,700</u>			<u>1,651,514</u>

# First National Bank Modaraba

	Un-audited 31 December 2017 Rupees	Audited 30 June 2017 Rupees
<b>6 DIMINISHING MUSHARAKA FINANCING - SECURED</b>		
Considered good	16,142,043	32,258,640
Considered doubtful	11,855,242	4,337,634
Provision against doubtful diminishing musharaka (Note 6.1)	-	-
	11,855,242	4,337,634
Less: Current portion (Note 4)	(23,266,112)	(26,098,927)
	<u>4,731,173</u>	<u>10,497,347</u>
<b>6.1</b> The provision against doubtful diminishing musharaka financing is not required under Prudential Regulations for Modarabas due to forced sale value of collaterally held assets.		
<b>7 LONG TERM MURABAHA INVESTMENTS - SECURED</b>		
Considered good	12,762,930	14,895,252
Considered doubtful	69,301,582	69,602,515
	82,064,512	84,497,767
Add: Deferred murabaha income	31,913,554	31,913,554
	113,978,066	116,411,321
Less: Provision for non-performing murabaha investments	(69,301,582)	(69,602,482)
Less: Current portion (Note 4)	(15,320,381)	(11,816,947)
	<u>29,356,103</u>	<u>34,991,892</u>
<b>8 IJARAH ASSETS</b>		
Opening net book value	247,443,653	466,193,676
Less: Book value of deletions during the period / year (Note 8.1)	(42,420,479)	(92,497,810)
	205,023,174	373,695,866
Less: Impairment loss	(8,368,237)	(1,896,166)
Less: Depreciation charged during the period / year	(27,548,402)	(124,356,047)
Closing net book value	<u>169,106,535</u>	<u>247,443,653</u>
<b>8.1 Book value of deletions</b>		
Plant and machinery	1,193,127	41,013,627
Vehicles	41,227,352	51,484,183
	<u>42,420,479</u>	<u>92,497,810</u>
<b>9 FIXED ASSETS - OWN USE</b>		
Opening net book value	7,732	91,831
Add: Cost of additions during the period / year (Note 9.1)	55,500	-
	63,232	91,831
Less: Depreciation charged during the period / year	(13,465)	(84,099)
Closing net book value	<u>49,767</u>	<u>7,732</u>
<b>9.1 Cost of additions</b>		
Vehicles	39,000	-
Computers and accessories	16,500	-
	<u>55,500</u>	<u>-</u>
<b>10 DEFERRED INCOME TAX ASSET</b>		

The deferred income tax assets amounting to Rupees 123.677 million (30 June 2017: Rupees 107.692 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.

## Half Yearly Report-December 31, 2017

	Un-audited 31 December 2017 Rupees	Audited 30 June 2017 Rupees
<b>11 SHORT TERM FINANCES - SECURED</b>		
<b>From banking company</b>		
<b>Running finance</b>		
Associated undertaking - National Bank of Pakistan	<u>183,105,393</u>	<u>201,634,754</u>
<b>12 CURRENT PORTION OF NON-CURRENT LIABILITIES</b>		
Security deposits against ijarah assets	122,823,954	155,082,085
Long term finance - secured (Note 13)	33,333,336	33,333,332
Deferred murabaha income	10,133,103	7,481,683
	<u>166,290,393</u>	<u>195,897,100</u>
<b>13 LONG TERM FINANCE - SECURED</b>		
<b>From banking company</b>		
National Bank of Pakistan - associated undertaking	33,333,336	50,000,002
Less: Current portion (Note 12)	<u>(33,333,336)</u>	<u>(33,333,332)</u>
	<u>-</u>	<u>16,666,670</u>
<b>14 CERTIFICATE CAPITAL</b>		
<b>Authorised certificate capital</b>		
60,000,000 (30 June 2017: 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 2017: 25,000,000) modaraba certificates of Rupees 10 each	<u>250,000,000</u>	<u>250,000,000</u>
<b>14.1</b> 7,500,000 (30 June 2017: 7,500,000) certificates of the Modaraba are held by National Bank Modaraba Management Company Limited, the management company.		
<b>15 CONTINGENCIES AND COMMITMENTS</b>		
Contingencies	<u>Nil</u>	<u>Nil</u>
Commitments - facilities approved but not disbursed	<u>Nil</u>	<u>Nil</u>
<b>16 BALANCES AND TRANSACTIONS WITH RELATED PARTIES</b>		
Related parties comprise associated companies, modaraba management company and its holding undertaking, 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:		
	<b>Un-audited</b>	<b>Audited</b>
	<b>31 December</b>	<b>30 June</b>
	<b>2017</b>	<b>2017</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>16.1 Balances outstanding at the period / year end</b>		
Bank accounts with National Bank of Pakistan	760,364	295,938
Finances from National Bank of Pakistan	216,438,729	251,634,756

			Un-audited 31 December 2017 Rupees	Un-audited 31 December 2016 Rupees
<b>16.2 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	Long term finance repaid	16,666,666	16,666,666
		Short term finance repaid - net	18,529,361	25,304,000
		Ijarah rentals received	6,292,268	6,297,137
		Profit paid	8,556,766	13,602,839
National Bank Modaraba Management Company Limited	Modaraba management company	Modaraba management company fee	136,358	-
Remuneration to key management personnel			2,408,838	2,305,280

## 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 2017.

## 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 applicable in Pakistan.

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

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

## 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 23, 2018.

## 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 23, 2018



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