

**HALF YEARLY  
REPORT  
DECEMBER 31,  
2016**



**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, 2016*

### CONTENTS

Corporate Information	2
Directors' Report	3
Review of Interim Financial Statements	5
Condensed Interim Balance Sheet	6
Condensed Interim Profit and Loss Account	7
Condensed Interim Statement of Comprehensive Income	8
Condensed Interim Cash Flow Statement	9
Condensed Interim Statement of Changes in Equity	10
Notes to the Condensed Interim un-audited Financial Statements	11

### CORPORATE INFORMATION

<b>Board of Directors</b>	<b>Syed Hasan Irtiza Kazmi Khawaja Muhammad Amin-ul-Azam Khawaja Waheed Raza Mr. Jamal Nasim Mr. Muhammad Iqbal Hussain Mr. Aamir Amin Mr. Abbas Azam</b>	<b>Chairman Director Director Director Director Director CEO*</b>
<b>Shari'ah Advisor</b>	<b>Mufti Ehsan Waquar Ahmed</b>	
<b>Chief Financial Officer/ Company Secretary</b>	<b>Mr. Ali Abbass</b>	
<b>Audit Committee</b>	<b>Mr Jamal Nasim Khawaja Muhammad Amin-ul-Azam Khawaja Waheed Raza Mr. Aamir Amin</b>	<b>Chairman Member Member Member</b>
<b>HR &amp; Remuneration Committee</b>	<b>Khawaja Waheed Raza Khawaja Muhammad Amin-ul-Azam Mr. Muhammad Iqbal Hussain</b>	<b>Chairman Member Member</b>
<b>Auditors</b>	<b>Riaz Ahmad &amp; Company Chartered Accountants</b>	
<b>Bankers</b>	<b>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</b>	
<b>Legal Advisor</b>	<b>Cornelius Lane &amp; Mufti Advocates and Solicitors Nawa-i-Waqt House 4 – Shahrah-e-Fatima Jinnah, Lahore Tel.: 36360824, Fax: 36303301</b>	
<b>Shares Registrar</b>	<b>Hameed Majeed Associates (Pvt.) Limited H. M. House, 7 – Bank Square, Lahore Tel: 37235081-2, Fax: 37358817</b>	
<b>Registered Office</b>	<b>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></b>	

\*- Mr. Abbas Azam has been appointed as CEO, subject to approval of the Registrar Modarabas.

## **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 half yearly report, together with financial statements of FNBM along with Review Report by the Auditors, for the six months ended December 31, 2016.

During the period under review, the management's focus remained primarily on recovery. The classified portfolio was secured through filing of recovery suits and some significant cash recoveries amounting to Rs.26.8 million were also realized from the classified portfolio during the period. However in compliance with SECP's prudential regulations for modarabas a further provisioning/impairment amounting to Rs.39.1 million was charged against the old classified accounts during the period.

The Modaraba earned an operating profit of Rs.9.08 million in the period under review as against Rs.7.9 million in the corresponding period last year. The operating expenses were kept under strict control despite general inflation resulting in reduction in the expenses by 29% as compared to the corresponding period. The EPC was recorded at Rs.(1.20) in this period as compared to Rs.(1.99) in the corresponding period last year.

Regarding the emphasis of matter paragraph by external auditors, the board's stance is same as explained in the note 1.1 to the financial statements.

Going forward, the management plans to focus on small ticket financing under diminishing musharaka and Ijarah modes of financing. 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 NBF1 & Modaraba Association of Pakistan for their continued guidance and support.

**For and on behalf of the Board**



**Chief Executive Officer**

**Dated: 22/02/2017**

## ڈائریکٹرز جائزہ رپورٹ

مجھے بورڈ آف ڈائریکٹرز، نیشنل بینک مضاہرہ مینجمنٹ کمپنی، منتظم، فرسٹ نیشنل بینک مضاہرہ کی جانب سے ششماہی دسمبر 2016 کی رپورٹ اس، اس کے مالیاتی گوشورائے اور آڈیٹرز کے ریویو رپورٹ کے ساتھ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

زیر جائزہ مدت کے دوران انتظامیہ کی بنیادی توجہ وصولی پر مرکوز رہی۔ غیر فعال شدہ اثاثہ جات کیلئے مقدمہ جات کئے گئے۔ اس مدت میں کچھ بڑی وصولی کی مد میں 26.8 ملین کی رقم وصول کی گئی، اگرچہ SECP کی پروڈنشل ریگولیشن کی تعمیل کرتے ہوئے 39.1 ملین کی پروویژنگ اور ایمپنر منٹ چارج کی گئی۔ مضاہرہ نے گزشتہ سال کی اسی مدت کے 7.9 ملین کے مقابلے میں 9.08 ملین کا فعال منافع کمایا۔ فعال اخراجات کو سخت کنٹرول میں رکھتے ہوئے جنرل افراط زر کے باوجود پچھلی دفعہ کے مقابلے میں 29.1 فیصد سے کم کیا گیا۔ فی حصص آمدنی پچھلے سال کے اسی مدت کے (1.99) نقصان کے مقابلے میں (1.2) رہی۔ خارجی آڈیٹرز کے ایگزیسیو آف میٹریجر اگراف پر بورڈ کا موقف مالیاتی گوشورائے کے نوٹ 1.1 میں واضح کیا گیا ہے۔

مینجمنٹ آگے بڑھتے ہوئے اب اجارہ اور دیمینٹنگ مشارکہ کے طریقوں پر چھوٹی چھوٹی فائینڈنگ کا ارادہ رکھتی ہے۔ ہم امید رکھتے ہیں کہ انشاء اللہ بہت جلد FNBم معمول کے مطابق منافع بنانا شروع کر دے گا

بورڈ اس موقع پر اپنے معزز صارفین کا، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کا، پاکستان اسٹاک ایکسچینج لیمیٹڈ کا اور مضاہرہ 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 اور مضاہرہ عملے کا ان کی پر عزم اور دلجوئی سے کی جانے والی خدمات کے لیے خصوصی شکریہ۔

برائے اور بجانب بورڈ



سی۔ای۔او

لاہور: 22 فروری، 2017

## 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 2016 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 2016 and 31 December 2015 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 2016.

### *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 2016 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

### *Emphasis of Matter*

We draw attention to note 1.1 to the condensed interim financial information which indicates that the modaraba has incurred a loss after taxation of Rupees 30.029 million during the half year ended 31 December 2016, while the accumulated loss, as at 31 December 2016 amounts to Rupees 236.292 million which exceeds fifty percent of the total amount subscribed by the holders of the modaraba certificates and as of that date the modaraba's current liabilities exceeded its current assets by Rupees 239.135 million. These conditions, along with other matters as explained in note 1.1, indicate the existence of material uncertainty which may cast significant doubts about the modaraba's ability to continue as going concern. Our conclusion is not qualified in respect of this matter.



**RIAZ AHMAD & COMPANY**  
Chartered Accountants

Name of Engagement partner:  
Syed Mustafa Ali

Date: February 22, 2017

LAHORE

# Half Yearly Report-December 31, 2016

## CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT 31 DECEMBER 2016

	NOTE	Un-audited 31 December 2016 Rupees	Audited 30 June 2016 Rupees
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances		35,344,239	14,743,528
Short term murabaha investments - secured	3	46,802,411	98,334,293
Accrued profit		542,326	487,183
Ijarah rentals receivable		86,826,806	81,817,794
Advances, prepayments and other receivables		3,325,186	2,604,790
Current portion of non-current assets	4	103,987,502	94,413,807
		<u>276,828,470</u>	<u>292,401,395</u>
<b>NON-CURRENT ASSETS</b>			
Net investment in ijara finance	5	4,642,934	9,442,934
Diminishing musharaka financing - secured	6	22,059,535	35,303,315
Long term murabaha investments - secured	7	17,828,015	36,149,675
Long term loans and deposits		1,334,645	1,723,444
Ijarah assets	8	358,806,675	466,193,676
Fixed assets - own use	9	39,160	91,831
Deferred income tax asset	10	-	-
		<u>404,710,964</u>	<u>548,904,875</u>
<b>TOTAL ASSETS</b>		<u>681,539,434</u>	<u>841,306,270</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued profit		1,571,090	6,438,136
Deferred murabaha income		2,654,773	3,255,776
Short term finances - secured	11	249,614,586	274,918,586
Creditors, accrued and other liabilities		31,091,081	23,696,977
Current portion of non-current liabilities	12	231,031,535	295,738,705
		<u>515,963,065</u>	<u>604,048,180</u>
<b>NON-CURRENT LIABILITIES</b>			
Security deposits against ijara assets		47,459,343	71,620,702
Long term finances - secured	13	33,333,335	50,000,000
Deferred murabaha income		27,120,107	27,944,636
		<u>107,912,785</u>	<u>149,565,338</u>
<b>TOTAL LIABILITIES</b>		<u>623,875,850</u>	<u>753,613,518</u>
<b>NET ASSETS</b>		<u>57,663,584</u>	<u>87,692,752</u>
<b>FINANCED BY</b>			
Certificate capital	14	250,000,000	250,000,000
Reserves		(192,336,416)	(162,307,248)
<b>TOTAL EQUITY AND RESERVES</b>		<u>57,663,584</u>	<u>87,692,752</u>
<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

Lahore: February 22, 2017

  
Director  
National Bank Modaraba  
Management Company Limited

  
Director  
National Bank Modaraba  
Management Company Limited

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	Rupees	Rupees	Rupees	Rupees
<b>INCOME</b>				
Ijarah rentals earned / income from ijarah finance	101,678,323	174,645,920	51,976,949	82,817,232
Profit on diminishing musharaka	2,529,150	1,385,781	1,172,768	707,395
Profit on murabaha investments	601,000	2,243,773	(622,490)	769,883
Profit on bank deposits	448,227	511,459	295,278	511,459
Gain / (loss) on disposal of ijarah assets	2,867,771	(74,481)	1,544,474	(1,341,574)
Other income	733,231	1,704,901	701,621	1,514,983
	108,857,702	180,417,353	55,068,600	84,979,378
<b>EXPENSES</b>				
Depreciation on ijarah assets	(78,191,720)	(136,887,133)	(38,454,914)	(63,938,366)
Operating expenses	(7,181,260)	(10,015,500)	(3,422,734)	(4,995,173)
Finance cost	(14,404,411)	(25,551,301)	(5,967,641)	(11,105,534)
	(99,777,391)	(172,453,934)	(47,845,289)	(80,039,073)
<b>OPERATING PROFIT BEFORE PROVISION AND TAXATION</b>	9,080,311	7,963,419	7,223,311	4,940,305
Provision charged for doubtful receivables - net	(35,910,096)	(57,600,903)	(20,760,064)	(45,618,346)
Impairment loss on ijarah assets	(3,199,383)	-	(3,199,383)	-
	(30,029,168)	(49,637,484)	(16,736,136)	(40,678,041)
Modaraba management company fee	-	-	-	-
<b>LOSS BEFORE TAXATION</b>	(30,029,168)	(49,637,484)	(16,736,136)	(40,678,041)
Taxation	-	-	-	-
<b>LOSS AFTER TAXATION</b>	(30,029,168)	(49,637,484)	(16,736,136)	(40,678,041)
<b>LOSS PER CERTIFICATE - BASIC AND DILUTED</b>	(1.20)	(1.99)	(0.67)	(1.63)

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

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

Lahore: February 22, 2017

  
**Director**  
National Bank Modaraba  
Management Company Limited

  
**Director**  
National Bank Modaraba  
Management Company Limited



## Half Yearly Report-December 31, 2016

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	HALF YEAR ENDED		QUARTER ENDED	
	31 December 2016	31 December 2015	31 December 2016	31 December 2015
	Rupees	Rupees	Rupees	Rupees
LOSS AFTER TAXATION	(30,029,168)	(49,637,484)	(16,736,136)	(40,678,041)
OTHER COMPREHENSIVE INCOME	-	-	-	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	<u>(30,029,168)</u>	<u>(49,637,484)</u>	<u>(16,736,136)</u>	<u>(40,678,041)</u>

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

Lahore: February 22, 2017

  
 Chief Executive Officer  
 National Bank Modaraba  
 Management Company Limited

  
 Director  
 National Bank Modaraba  
 Management Company Limited

  
 Director  
 National Bank Modaraba  
 Management Company Limited

## CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2016

	HALF YEAR ENDED	
	31 December 2016	31 December 2015
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Loss before taxation	(30,029,168)	(49,637,484)
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation / amortization	78,244,391	137,120,183
Provision charged for doubtful receivables - net	35,910,096	57,600,903
Gain on disposal of owned assets	-	(1,503,510)
Impairment loss on ijarah assets	3,199,383	-
(Gain) / loss on disposal of ijarah assets	(2,867,771)	74,481
Finance cost	14,404,411	25,551,301
Profit on bank deposits	(448,227)	(511,459)
	98,413,115	168,694,415
<b>Working capital changes</b>		
<b>(Increase) / decrease in operating assets</b>		
Accrued profit	(2,105,975)	608,072
Ijarah rentals receivable	(5,537,361)	(11,638,661)
Advances, prepayments and other receivables	(665,347)	23,430,359
Short term murabaha investments	28,099,997	5,289,342
Net investment in ijarah finance	601,181	2,190,000
Diminishing musharaka financing	10,526,440	(14,034,849)
Long term murabaha investments	5,019,074	6,353,959
<b>Increase / (decrease) in operating liabilities</b>		
Creditors, accrued and other liabilities	7,394,104	(3,293,618)
Security deposits against ijarah assets - net	(21,359,724)	(18,437,050)
	21,972,389	(9,532,446)
<b>Cash generated from operations</b>	120,385,504	159,161,969
Finance cost paid	(19,271,457)	(33,665,216)
Income taxes paid	(55,049)	(399,878)
Profit received on bank deposits	448,227	747,613
Long term loans and deposits - net	533,817	1,579,312
<b>Net cash generated from operating activities</b>	102,041,042	127,423,800
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Ijarah assets acquired	-	(68,761,058)
Proceeds from disposal of fixed assets - own use	-	1,550,314
Proceeds from disposal of ijarah assets	28,863,669	47,212,159
<b>Net cash from / (used in) investing activities</b>	28,863,669	(19,998,585)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term finances - net	(25,304,000)	(81,487,079)
Short term certificates of musharaka - net	-	(276,977,365)
Long term certificates of musharaka - net	-	241,855,000
Long term finances - obtained	-	100,000,000
Long term finances - repaid	(85,000,000)	(131,991,642)
<b>Net cash used in financing activities</b>	(110,304,000)	(148,601,086)
<b>Net increase / (decrease) in cash and cash equivalents</b>	20,600,711	(41,175,871)
Cash and cash equivalents at the beginning of the period	14,743,528	89,487,848
<b>Cash and cash equivalents at the end of the period</b>	35,344,239	48,311,977

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

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

Lahore: February 22, 2017

  
**Director**  
National Bank Modaraba  
Management Company Limited

  
**Director**  
National Bank Modaraba  
Management Company Limited

## Half Yearly Report-December 31, 2016

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR ENDED 31 DECEMBER 2016

CERTIFICATE CAPITAL	RESERVES			TOTAL EQUITY	
	CAPITAL	REVENUE			
	STATUTORY RESERVE	ACCUMULATED LOSS	TOTAL		
.....Rupees.....					
<b>Balance as at 30 June 2015 - (Audited)</b>	250,000,000	43,955,189	(152,429,935)	(108,474,746)	141,525,254
Loss for the half year ended 31 December 2015	-	-	(49,637,484)	(49,637,484)	(49,637,484)
Other comprehensive income for the half year ended 31 December 2015	-	-	-	-	-
<b>Total comprehensive loss for the half year ended 31 December 2015</b>	-	-	(49,637,484)	(49,637,484)	(49,637,484)
<b>Balance as at 31 December 2015 - (Un-audited)</b>	250,000,000	43,955,189	(202,067,419)	(158,112,230)	91,887,770
Loss for the half year ended 30 June 2016	-	-	(4,195,018)	(4,195,018)	(4,195,018)
Other comprehensive income for the half year ended 30 June 2016	-	-	-	-	-
<b>Total comprehensive loss for the half year ended 30 June 2016</b>	-	-	(4,195,018)	(4,195,018)	(4,195,018)
<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	-	-	-	-	-
<b>Total comprehensive loss for the half year ended 31 December 2016</b>	-	-	(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

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

  
 Chief Executive Officer  
 National Bank Modaraba  
 Management Company Limited

Lahore: February 22, 2017

  
 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 2016

### 1 LEGAL STATUS AND NATURE OF BUSINESS

First National Bank Modaraba ("the Modaraba") is a multi-purpose, perpetual and multi-dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed thereunder. The Modaraba is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the Companies Ordinance, 1984 and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at 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.

JCR-VIS has assigned long term rating of BBB+ and short term rating of A-3 to the Modaraba.

#### 1.1 Going concern assumption

During the half year ended 31 December 2016, the Modaraba made an operating profit of Rupees 9.080 million, however, due to provision and impairment charged against old classified assets, the Modaraba incurred loss after taxation of Rupees 30.029 million taking the accumulated loss to Rupees 236.292 million which exceeds 50% of the total amount subscribed by the holders of modaraba certificates. The Statutory reserves amounted to Rupees 43.955 million while the total net accumulated losses stood at Rupees 192.336 million. At the balance sheet date, the Modaraba's current liabilities exceeded its current assets by Rupees 239.135 million.

In order to address the going concern issue in terms of Section 23 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, National Bank of Pakistan (NBP), being the parent company of the modaraba management company remains committed to support the Modaraba and has sanctioned a long term finance of Rupees 100 million which is repayable in three years, and has also renewed a short term borrowing facility of Rupees 250.000 million. Furthermore, besides fresh funding, the Modaraba is also engaged with NBP to secure its help in recoveries from non-performing parties which are common with NBP and the Modaraba, as this would optimize synergies for the consolidated entity at group level both in form of saving management costs and accelerating recoveries. Moreover, approximate amount of ijarah rentals due from the unclassified parties within next twelve months is Rupees 83.251 million.

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

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding audited annual published financial statements of the Modaraba for the year ended 30 June 2016.

#### 2.1 Basis of Preparation

##### a) Statement of compliance

This condensed interim financial information is un-audited but subject to limited scope review by the statutory auditors and is being submitted to the certificate holders as required under Rule 10 of the Modaraba Companies and Modaraba Rules, 1981. This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), the Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), the Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP shall prevail.

## Half Yearly Report-December 31, 2016

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 2016.

### b) Accounting convention

This condensed interim financial information has been prepared under the historical cost convention, except for certain financial instruments carried at fair value.

### c) Critical accounting estimates and judgments

The preparation of this condensed interim financial information in conformity with the approved accounting standards which 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 2016.

	<b>Un-audited 31 December 2016 Rupees</b>	<b>Audited 30 June 2016 Rupees</b>
<b>3 SHORT TERM MURABAHA INVESTMENTS - SECURED</b>		
Considered good	-	25,000,000
Considered doubtful	244,025,031	247,125,028
	<u>244,025,031</u>	<u>272,125,028</u>
Add: Deferred murabaha income	2,654,773	3,255,776
	<u>246,679,804</u>	<u>275,380,804</u>
Less: Provision for non-performing murabaha investments	(199,877,393)	(177,046,511)
	<u>46,802,411</u>	<u>98,334,293</u>
<b>4 CURRENT PORTION OF NON-CURRENT ASSETS</b>		
Net investment in ijarah finance (Note 5)	28,279,447	24,080,628
Diminishing musharaka financing - secured (Note 6)	24,084,913	21,367,573
Long term murabaha investments - secured (Note 7)	50,850,787	48,048,233
Long term loans and deposits	772,355	917,373
	<u>103,987,502</u>	<u>94,413,807</u>
<b>5 NET INVESTMENT IN IJARAH FINANCE</b>		

	Un-audited 31 December 2016			Audited 30 June 2016		
	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	57,729,071	23,185,554	80,914,625	54,929,071	29,185,554	84,114,625
Residual value of ijarah assets	5,088,181	46,700	5,134,881	5,088,181	46,700	5,134,881
Gross investment in ijarah finance	62,817,252	23,232,254	86,049,506	60,017,252	29,232,254	89,249,506
Less: Unearned finance income	(11,630,953)	(18,589,320)	(30,220,273)	(13,029,772)	(19,789,320)	(32,819,092)
Net investment in ijarah finance	51,186,299	4,642,934	55,829,233	46,987,480	9,442,934	56,430,414
Less: Provision for doubtful net investment in ijarah finance	(22,906,852)	-	(22,906,852)	(22,906,852)	-	(22,906,852)
	<u>28,279,447</u>	<u>4,642,934</u>	<u>32,922,381</u>	<u>24,080,628</u>	<u>9,442,934</u>	<u>33,523,562</u>
Less: Current portion (Note 4)			(28,279,447)			(24,080,628)
			<u>4,642,934</u>			<u>9,442,934</u>

# First National Bank Modaraba

	Un-audited 31 December 2016 Rupees	Audited 30 June 2016 Rupees
<b>6 DIMINISHING MUSHARAKA FINANCING - SECURED</b>		
Considered good	41,807,868	52,007,931
Considered doubtful	4,336,580	4,662,957
Provision against doubtful diminishing musharaka (Note 6.1)	-	-
	4,336,580	4,662,957
Less: Current portion (Note 4)	(24,084,913)	(21,367,573)
	<u>22,059,535</u>	<u>35,303,315</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	19,265,247	24,284,321
Considered doubtful	69,602,515	69,602,515
	88,867,762	93,886,836
Add: Deferred murabaha income	31,913,555	31,913,554
	120,781,317	125,800,390
Less: Provision for non-performing murabaha investments	(52,102,515)	(41,602,482)
Less: Current portion (Note 4)	(50,850,787)	(48,048,233)
	<u>17,828,015</u>	<u>36,149,675</u>
<b>8 IJARAH ASSETS</b>		
Opening net book value	466,193,676	709,030,283
Add: Cost of additions during the period / year (Note 8.1)	-	76,361,058
	466,193,676	785,391,341
Less: Book value of deletions during the period / year (Note 8.2)	(25,995,898)	(77,161,736)
	440,197,778	708,229,605
Less: Impairment loss	(3,199,383)	(4,974,089)
Less: Depreciation charged during the period / year	(78,191,720)	(237,061,840)
Closing net book value	<u>358,806,675</u>	<u>466,193,676</u>
<b>8.1 Cost of additions</b>		
Vehicles	-	76,361,058
<b>8.2 Book value of deletions</b>		
Plant and machinery	2,056,603	14,419,767
Vehicles	23,939,295	62,741,969
	<u>25,995,898</u>	<u>77,161,736</u>
<b>9 FIXED ASSETS - OWN USE</b>		
Opening net book value	91,831	367,358
Add: Cost of additions during the period / year (Note 9.1)	-	10,200
	91,831	377,558
Less: Book value of deletions during the period / year (Note 9.2)	-	(46,802)
	91,831	330,756
Less: Depreciation charged during the period / year	(52,671)	(238,925)
Closing net book value	<u>39,160</u>	<u>91,831</u>

## Half Yearly Report-December 31, 2016

	Un-audited 31 December 2016 Rupees	Audited 30 June 2016 Rupees
<b>9.1 Cost of additions</b>		
Computers and accessories	-	10,200
<b>9.2 Book value of deletions</b>		
Vehicles	-	46,802
<b>10 DEFERRED INCOME TAX ASSET</b>		
The deferred income tax assets amounting to Rupees 126.022 million (30 June 2016: Rupees 116.190 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.		
	<b>Un-audited</b>	<b>Audited</b>
	<b>31 December</b>	<b>30 June</b>
	<b>2016</b>	<b>2016</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>11 SHORT TERM FINANCES - SECURED</b>		
<b>From banking companies</b>		
<b>Running finance</b>		
Associated undertaking - National Bank of Pakistan	249,614,586	249,918,586
	249,614,586	249,918,586
<b>Murabaha finance</b>	-	25,000,000
	249,614,586	274,918,586
<b>12 CURRENT PORTION OF NON-CURRENT LIABILITIES</b>		
Security deposits against ijarah assets	192,904,754	190,103,119
Long term finances - secured (Note 13)	33,333,333	101,666,668
Deferred murabaha income	4,793,448	3,968,918
	231,031,535	295,738,705
<b>13 LONG TERM FINANCES - SECURED</b>		
<b>From banking companies and financial institution - secured</b>		
National Bank of Pakistan - associated undertaking	66,666,668	83,333,334
Others	-	68,333,334
	66,666,668	151,666,668
Less: Current portion (Note 12)	(33,333,333)	(101,666,668)
	33,333,335	50,000,000
<b>14 CERTIFICATE CAPITAL</b>		
<b>Authorised certificate capital</b>		
60,000,000 (30 June 2016: 60,000,000) modaraba certificates of Rupees 10 each	600,000,000	600,000,000
<b>Issued, subscribed and paid-up certificate capital</b>		
25,000,000 (30 June 2016: 25,000,000) modaraba certificates of Rupees 10 each	250,000,000	250,000,000

# First National Bank Modaraba

14.1 7,500,000 (30 June 2016: 7,500,000) certificates of the Modaraba are held by National Bank Modaraba Management Company Limited, the management company.

## 15 CONTINGENCIES AND COMMITMENTS

15.1 Assistant Commissioner Inland Revenue (ACIR) has raised demand of Rupees 64.707 million including default surcharge relating to tax year 2009 under section 161 and 205 of the Income Tax Ordinance, 2001. The Modaraba is in appeal before Commissioner Inland Revenue Appeals and expects the favourable outcome of the appeal based on the advices of the tax counsel.

15.2 Commitments - facilities approved but not disbursed

Nil

Nil

## 16 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

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:

### 16.1 Balances outstanding at the period / year end

Bank accounts with National Bank of Pakistan	2,102,452	2,512,948
Finances from National Bank of Pakistan	316,281,254	333,251,920

<b>Un-audited</b>	<b>Un-audited</b>
<b>31 December</b>	<b>31 December</b>
<b>2016</b>	<b>2015</b>
<b>Rupees</b>	<b>Rupees</b>

### 16.2 Transactions during the period

Related party	Relationship	Nature of Transaction		
National Bank of Pakistan	Modaraba	Long term finance obtained	-	100,000,000
	management	Long term finance repaid	16,666,666	136,452,926
	company's	ljarah disbursed	-	18,450,000
	holding	ljarah rentals received	6,297,137	11,107,294
	company	Profit paid	13,602,839	2,508,168
Remuneration to key management personnel			2,305,280	3,893,692

## 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 2016.

## 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 2016: 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 2016: 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 22, 2017.

## 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

Lahore: February 22, 2017



Director  
National Bank Modaraba  
Management Company Limited



Director  
National Bank Modaraba  
Management Company Limited



www.jamapunji.pk



## Be aware, Be alert, Be safe

Learn about investing at  
[www.jamapunji.pk](http://www.jamapunji.pk)

### Key features:

- 📄 Licensed Entities Verification
- 🔍 Scam meter\*
- 🎮 Jamapunji games\*
- 📊 Tax credit calculator\*
- 🏢 Company Verification
- 📋 Insurance & Investment Checklist
- ?? FAQs Answered
- 📈 Stock trading simulator (based on live feed from KSE)
- 📖 Knowledge center
- 📊 Risk profiler\*
- 📊 Financial calculator
- 📧 Subscription to Alerts (event notifications, corporate and regulatory actions)
- 📱 Jamapunji application for mobile device
- 🖥️ Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

[jamapunji.pk](http://jamapunji.pk)

[@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

\*Mobile apps are also available for download for android and ios devices

**BOOK POST**  
**UNDER POSTAL CERTIFICATE**

**TO:**



*If undelivered please return to :*  
**FIRST NATIONAL BANK MODARABA**  
Ground Floor, NBP RHQs Building,  
26 McLagon Road,  
Lahore.  
Tel : 99211200, Fax: 99213247