EY
Building a better
working world

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2014

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Mall View Building, 4- Bank Square
P.O. Box No. 104, Lahore 54000
Pakistan

Tel: +9242 3721 1531-38
Fax: +9242 3721 1530 & 39
eyfrsh.lhr@pk.ey.com
ey.com/pk

Building a better working world

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants
Mall View Building, 4-Bank Square
P.O. Box No. 104, Lahore 54000
Pakistan

Tel: +9242 3721 1531-38
Fax: +9242 3721 1530 & 39
eyfrsh.lhr@pk.ey.com
ey.com/pk

AUDITORS' REPORT TO THE MEMBERS

We have audited the annexed balance sheet of National Bank Modaraba Management Company Limited (the Company) as at 31 December 2014 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof, for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

It is the responsibility of the Company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by management, as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the Company as required by the Companies Ordinance, 1984;

(b) in our opinion

   i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied except for the changes as stated in note 2.1 and 5.1, with which we concur;

   ii) the expenditure incurred during the year was for the purpose of the Company's business; and

   iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the Company;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and give the information required by the Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 31 December 2014 and of the loss, total comprehensive loss, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Audit Engagement Partner: Mohammed Junaid

Lahore: 29 April 2015

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2014

	Note	2014	Restated 2013	Restated As at 01 January 2013
		Rupees	Rupees	Rupees
ASSETS				
Non-current				
Property and equipment	7	**1,019,353**	1,943,886	2,759,263
Long term investment	8	**28,500,000**	35,250,000	42,000,000
Loans to employees	9	-	305,359	572,800
		29,519,353	37,499,245	45,332,063
Current				
Investment - held to maturity	10	**100,000,000**	98,000,000	-
Advances, deposits, prepayments and other receivables	11	**9,238,103**	8,306,346	9,833,247
Current portion of loans to employees	9	-	249,876	171,245
Bank balances	12	**4,067,397**	6,484,542	104,963,077
		113,305,500	113,040,764	114,967,569
TOTAL ASSETS		**142,824,853**	150,540,009	160,299,632
SHARE CAPITAL AND RESERVES				
Share capital	13	**105,000,000**	105,000,000	105,000,000
Unappropriated profit		**7,022,195**	29,846,579	34,283,668
Fair value reserves		**(46,500,000)**	(39,750,000)	(33,000,000)
		65,522,195	95,096,579	106,283,668
LIABILITIES				
Current				
Trade and other payables	14	**1,230,900**	150,000	336,850
Payable to National Bank of Pakistan	15	**76,071,758**	55,293,430	52,870,439
Provision for taxation	16	-	-	808,675
		77,302,658	55,443,430	54,015,964
Contingencies and commitments	17	-	-	-
TOTAL EQUITY AND LIABILITIES		**142,824,853**	150,540,009	160,299,632

The annexed notes from 1 to 27 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2014

	Note	2014 Rupees	Restated 2013 Rupees
Revenue	18	-	-
Administrative expenses	19	(32,633,344)	(21,713,504)
Bank charges		(1,541)	(2,348)
Other operating income	20	9,810,501	17,268,594
Loss before taxation		(22,824,384)	(4,447,258)
Provision for taxation	21	-	10,169
Loss after taxation		(22,824,384)	(4,437,089)
Loss per share - basic and diluted	22	(2.174)	(0.423)

The annexed notes from 1 to 27 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014 Rupees	Restated 2013 Rupees
Loss after taxation	**(22,824,384)**	(4,437,089)
Other comprehensive income for the year		
Other comprehensive income to be reclassified to profit and loss in subsequent periods:		
-Fair value loss arising on re-measurement of available for sale investment	**(6,750,000)**	(6,750,000)
Total comprehensive loss for the year	**(29,574,384)**	(11,187,089)

The annexed notes from 1 to 27 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
CASH FLOW STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2014

	2014	Restated 2013
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(22,824,384)	(4,447,258)
Adjustment for non-cash items:		
Depreciation	933,186	1,076,877
Profit on bank deposits	(9,778,718)	(9,316,279)
Due from First National Bank Modaraba reversed	-	1,555,098
Creditors write off	-	(74,900)
Profit received on Income tax refund	-	(7,856,900)
Loss on disposal of fixed asset	35,847	-
	(8,809,685)	(14,616,104)
	(31,634,069)	(19,063,362)
Working capital adjustment:		
(Increase) / decrease in current assets		
Advances, deposits, prepayments and other receivables	(930,153)	(39,988)
Loan to employee	555,235	188,810
	(374,918)	148,822
Increase / (decrease) in current liabilities		
Trade and other payables	1,080,900	(111,950)
Payable to National Bank of Pakistan	20,778,328	2,422,991
	21,859,228	2,311,041
	21,484,310	2,459,863
Income taxes paid	-	(832,690)
Tax refund received	-	7,856,900
Net cash used in operating activities	(10,149,759)	(9,579,289)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(44,500)	(261,500)
Profit on bank deposits received	9,777,114	9,362,254
Investment made	(2,000,000)	(98,000,000)
Net cash generated from/ (used in) investing activities	7,732,614	(88,899,246)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net decrease in cash and cash equivalents	(2,417,145)	(98,478,535)
Cash and cash equivalents at the beginning of the year	6,484,542	104,963,077
Cash and cash equivalents at the end of the year	4,067,397	6,484,542

The annexed notes from 1 to 27 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2014

	Paid-up capital	Fair value reserve	Share of statutory reserves of managed modaraba	Unappropriated profit/(loss)	Total equity
	(Rupees)				
Balance as at 01 January 2013	105,000,000	-	13,780,610	42,906,107	161,686,717
Effect of change in accounting policy as stated in note 5.1	-	(33,000,000)	(13,780,610)	(8,622,439)	(55,403,049)
Balance as at 01 January 2013-restated	105,000,000	(33,000,000)	-	34,283,668	106,283,668
Loss after taxation for the year	-	-	-	(4,437,089)	(4,437,089)
Other comprehensive loss for the year	-	(6,750,000)	-	-	(6,750,000)
Total comprehensive loss for the year	-	(6,750,000)	-	(4,437,089)	(11,187,089)
Balance as at 31 December 2013	105,000,000	(39,750,000)	-	29,846,579	95,096,579
Balance as at 01 January 2014	105,000,000	-	13,780,610	20,419,976	139,200,586
Effect of change in accounting policy as stated in note 5.1	-	(39,750,000)	(13,780,610)	9,426,603	(44,104,007)
Balance as at 01 January 2014-restated	**105,000,000**	**(39,750,000)**	-	**29,846,579**	**95,096,579**
Loss after taxation for the year	-	-	-	**(22,824,384)**	**(22,824,384)**
Other comprehensive loss for the year	-	**(6,750,000)**	-	-	**(6,750,000)**
Total comprehensive loss for the year	-	**(6,750,000)**	-	**(22,824,384)**	**(29,574,384)**
Balance as at 31 December 2014	**105,000,000**	**(46,500,000)**	-	**7,022,195**	**65,522,195**

The annexed notes from 1 to 27 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

1 CORPORATE INFORMATION

National Bank Modaraba Management Company Limited (the Company) was incorporated on August 06, 1992 in Pakistan as a public limited company under the Companies Ordinance, 1984. The Company is a wholly-owned subsidiary of National Bank of Pakistan (the Holding Company). The purpose of the Company is to float and manage Modaraba funds. The Company floated First National Bank Modaraba in December 2003. The registered office of the Company is situated at 5th Floor, NBP Regional Head Quarter Building, 26 - McLagon Road, Lahore.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. 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, provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, shall prevail.

2.1 Standards, interpretations and amendments to published approved accounting standards effective in 2014

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as described below and in note 5.1:

New and amended standards and interpretations

The Company has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFAS 3 – Profit and Loss Sharing on Deposits
IAS 32 – Financial Instruments : Presentation – (Amendment)
- Offsetting Financial Assets and Financial Liabilities
IAS 36 – Impairment of Assets – (Amendment)
- Recoverable Amount Disclosures for Non-Financial Assets
IAS 39 – Financial Instruments: Recognition and Measurement – (Amendment)
- Novation of Derivatives and Continuation of Hedge Accounting
IFRIC 21 – Levies

The adoption of the above amendments, revisions, improvements to accounting standards and interpretations did not have any material effect on the financial statements.

3 BASIS OF PREPARATION

3.1 Basis of measurement

These financial statements have been prepared under historical cost convention.

3.2 Functional and presentation currency

These financial statements are presented in Pak Rupee, which is the Company's functional currency. Figures have been rounded off to the nearest rupee, unless otherwise stated.

4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of financial statements are in conformity with approved accounting standards, as applicable in Pakistan, requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods. The areas involving a higher degree of judgments or complexity or areas where assumptions and estimates are significant to the financial statements are as follows:

a) **Useful life and residual values of property and equipment**

The Company reviews appropriateness of the rate of depreciation, useful life and residual value used in the calculation of depreciation. Further, where applicable, an estimate of the recoverable amount of assets is made for possible impairment on an annual basis. In making these estimates, the Company uses the technical resources available with the Company. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment, with corresponding effects on the depreciation charge and impairment.

b) **Impairment of company assets**

The carrying amounts of the Company's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are charged to profit and loss.

c) **Taxation**

In making the estimate for income tax payable by the Company, the Company takes into account the applicable tax laws and the decisions by appellate authorities on certain issues in the past.

5 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of previous financial year. These policies have been consistently applied to all the years presented, unless otherwise stated.

5.1 Investments

Investment in managed Modaraba

During the year, the Company has changed its accounting policy for investment in managed Modaraba keeping in view the exemption available under IAS 27 'Consolidated and Separate Financial Statements' from equity method of accounting. The investment in associates is now carried as available-for-sale investments at fair value in accordance with the provisions of IAS 39 'Financial Instruments: Recognition and Measurement'. Previously, investment in associates was carried at equity method of accounting less any impairment. The effect of change in accounting policy has been applied retrospectively in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' by adjusting each financial statement line item affected for the current period and prior period presented.

The effect of the change in accounting policy is as follows:

	31 December 2013	01 January 2013
	Rupees	Rupees
Impact on Profit and Loss Account		
Decrease in loss before taxation	18,049,042	
Decrease in loss per share	1.719	
Impact on Other Comprehensive Income		
Deficit arising on re-measurement of available for sale investment to fair value	6,750,000	
Impact on Balance Sheet		
Decrease in long term investment	44,104,007	55,403,049
Decrease in reserves	39,750,000	33,000,000
Decrease in statutory reserve	13,780,610	13,780,610
(Increase) / Decrease in accumulated loss	(9,426,603)	8,622,439
Impact on Statement of Changes in Equity		
Cumulative effect on accumulated loss (opening balance)		55,403,049

Efl

Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the Company has the positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the Effective Interest Rate (EIR), less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss as finance costs.

5.2 Property and equipment

Property and equipment is stated at cost less accumulated depreciation and impairment losses. Cost of property and equipment consists of historical cost and directly attributable cost of bringing the assets to their present location and condition.

Subsequent costs are included in the asset's carrying amount or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to income during the period in which they are incurred.When a major inspection is performed, cost of replacement is recognized in the carrying amount of the plant and equipment as a replacement cost if the recognition criteria is satisfied.

Depreciation is calculated on a straight line basis over the useful life of the asset on the rates as disclosed in note 7. Full month's depreciation is charged in the month of addition while no depreciation is charged in the month of disposal.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognizing of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period the asset is derecognized.

The assets' residual values, useful lives and methods of depreciation are reviewed, and adjusted if appropriate, at each financial period end.

5.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cheques in hand, cash at bank in current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amount of cash and which are subject to an insignificant risk of changes in value.

5.4 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instruments. The Company derecognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is derecognized from the balance sheet when, and only when, it is extinguished, i.e.; when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets are investments, deposits, trade debts, other receivables, cash and bank balances. These are stated at their nominal values as reduced by the appropriate allowances for estimated irrecoverable amount.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are short term running finance utilized under mark-up arrangements, creditors, accrued and other liabilities. Mark-up bearing finances are recorded at the gross proceeds received. Other liabilities are stated at their nominal value.

5.5 Impairment

The carrying amount of the Company's asset is reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such assets is estimated. An impairment loss is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment losses are recognized in profit and loss account. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit and loss account.

5.6 Offsetting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the balance sheet if the Company has a legally enforceable right to set off the recognized amounts and intends either to settle on net basis or to realize the assets and settle the liabilities simultaneously.

5.7 Taxation

Current

Provision for current taxation is based on taxable income at the current rate of tax after taking into account applicable tax credits, rebates and exemptions available, if any. The charge for the current tax includes adjustments to charge for prior years, if any

Deferred

Deferred tax is provided in full using the balance sheet liability method on all temporary differences arising at the balance sheet date, between the tax bases of the assets and liabilities and their carrying values. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized.

The carrying amounts of all deferred tax assets are reviewed at each balance sheet date and reduced to the extent, if it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized.

The tax rates enacted at the balance sheet date are used to determine deferred tax.

5.8 Provisions

Provisions are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. The expense relating to any provision is presented in profit or loss net of any reversals.

5.9 Revenue recognition

Interest on bank accounts/ deposits is recognized on time proportion basis.

Management fee is recognized when the right to receive has been established based on the profit after tax of managed Modaraba.

5.10 Related party transactions

Transactions with related parties are made at arm's length price determined in accordance with the comparable uncontrolled price method except for the allocation of expenses relating to combined offices shared with the Holding Company, which are allocated on the actual basis.

6 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS THAT ARE NOT YET EFFECTIVE

The following amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation.

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 10 – Consolidated Financial Statements	1-Jan-15
IFRS 11 – Joint Arrangements	1-Jan-15
IFRS 12 – Disclosure of Interests in Other Entities	1-Jan-15
IFRS 13 – Fair Value Measurement	1-Jan-15
IAS 1 – Presentation of Financial Statements – (Amendment) - Disclosure Initiative	1-Jan-16
IAS 16 & 38 – Property, Plant and Equipment & intangible assets - (Amendment) - Clarification of Acceptable Method of Depreciation and Amortization	1-Jan-16
IAS 16 & 41 – Property, Plant and Equipment & Agriculture - (Amendment) - Agriculture: Bearer Plants	1-Jan-16
IAS 19 – Employee Benefits – (Amendment) - Defined Benefit Plans: Employee Contributions	1-Jul-14

Syful

The Company expects that the adoption of the above amendments and interpretation of the standards will not significantly affect the Company's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB. Such improvements are generally effective for accounting periods beginning on or after 01 July 2014 and 01 January 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standard	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	1-Jan-15
IFRS 10 – Consolidated Financial Statements	1-Jan-13
IFRS 11 – Joint Arrangements	1-Jan-13
IFRS 12 – Disclosure of Interests in Other Entities	1-Jan-13
IFRS 13 – Fair Value Measurement	1-Jan-13

7 PROPERTY AND EQUIPMENT

DESCRIPTION	2014									
	COST				ACCUMULATED DEPRECIATION				NBV	
	As at 01 January	Additions	Deletion	As at 31 December	As at 01 January	For the year	Disposal during the year	As at 31 December	As at 31 December	Depreciation Rate
	(Rupees)									%
Office equipment	743,071	-	-	743,071	611,840	35,200	-	647,040	96,031	10
Vehicles	4,905,970	-	-	4,905,970	3,312,533	820,156	-	4,132,689	773,281	20
Computer and accessories	810,350	44,500	44,500	810,350	810,350	8,653	8,653	810,350	-	33
Furniture and fittings	1,102,333	-	-	1,102,333	883,115	69,177	-	952,292	150,041	10
	7,561,724	44,500	44,500	7,561,724	5,617,838	933,186	8,653	6,542,371	1,019,353	

DESCRIPTION	2013									
	COST				ACCUMULATED DEPRECIATION				NBV	
	As at 01 January	Additions	Deletion	As at 31 December	As at 01 January	For the year	Disposal during the year	As at 31 December	As at 31 December	Depreciation Rate
	(Rupees)									%
Office equipment	743,071	-	-	743,071	557,401	54,439	-	611,840	131,231	10
Vehicles	4,905,970	-	-	4,905,970	2,402,341	910,192	-	3,312,533	1,593,437	20
Computer and accessories	810,350	-	-	810,350	808,337	2,013	-	810,350	-	33
Furniture and fittings	840,833	261,500	-	1,102,333	772,882	110,233	-	883,115	219,218	10
	7,300,224	261,500	-	7,561,724	4,540,961	1,076,877	-	5,617,838	1,943,886	

7.1 Company owned vehicle having cost of Rs.1,350,540 is in possession of ex - CEO.

7.2 Assets having cost of Rs. 3,762,842 (2013: Rs. 1,614,689) appearing in books of account are fully depreciated.

8 LONG TERM INVESTMENT

	Note	2014 Rupees	2013 Rupees
In associated company:			
Managed modaraba - First National Bank Modaraba			
7,500,000 (2013: 7,500,000) certificates of Rs. 10 each-Cost		75,000,000	75,000,000
Adjustment on re-measurement to fair value	8.1	(46,500,000)	(39,750,000)
		28,500,000	35,250,000

8.1 The Company holds 30% (2013: 30%) of voting power in First National Bank Modaraba.

8.2 Investment in FNBM is stated at fair value based on public quotations of Karachi Stock Exchange.

8.3 Break-up value of investments in FNBM, based on its condensed interim financial information for the period ended 31 December 2014 amounted to Rs. 6.49 per certificate (2013: Rs. 10.58 per certificate).

8.4 Summarized interim financial information for the period ended 31 December 2014 of FNBM is as follows:

	2014 Rupees	2013 Rupees
Total assets	1,349,489,832	1,925,031,461
Total liabilities	1,187,181,862	1,660,518,110
Loss after taxation	(101,393,354)	(33,400,050)

9 LOANS TO EMPLOYEES

	2014	2013
Loan to executive	-	555,235
Less: Current portion shown under current assets	-	(249,876)
	-	305,359

10 INVESTMENT - HELD TO MATURITY

This represents investment in term deposits certificates having maturity of 6 months (2013: 6 months) maintained with First Women Bank and carries interest rate of 9.75% per annum (2013: 9.75% per annum).

11 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2014 Rupees	2013 Rupees
Advance against expenses	11.1	-	47,488
Due from First National Bank Modaraba	11.2	348,724	348,724
Profit on bank deposits receivable		54,148	52,544
Advance tax	11.3	8,835,231	7,857,590
		9,238,103	8,306,346

11.1 This includes advance given to Chief Executive Officer amounts to Rs. Nil (2013: Rs. 25,270) for travelling expenses.

11.2 The movement is as follows:

	2014 Rupees	2013 Rupees
Opening balance	348,724	1,903,822
Add: Management fee charged during the year	-	-
Less: Reversal made during the year	-	(1,555,098)
	348,724	348,724

11.3 This represents the withholding tax deducted at source on profit on deposits with banks and dividend received from First National Bank Modaraba in prior years.

12 BANK BALANCES

	Note	2014 Rupees	2013 Rupees
Current account		14,146	13,251
National Income Daily Account (NIDA)	12.1	2,875,820	3,385,440
Saving and deposit accounts	12.2	1,177,431	3,085,851
		4,067,397	6,484,542

12.1 This account is maintained with the Holding Company and carries markup at the rate of 4 % to 7.10% (2013: 6% to 7%) per annum.

12.2 Rate of profit on deposits and savings accounts ranges from 4.30 % to 5% (2013: 4.75% to 9.25%) per annum.

	2014	2013
	Rupees	Rupees
13 SHARE CAPITAL		
Authorized		
15,000,000 (2013: 15,000,000) ordinary shares of Rs. 10 each	**150,000,000**	150,000,000
Issued, subscribed and paid-up		
10,500,000 (2013: 10,500,000) ordinary shares of Rs. 10 each fully paid in cash	**105,000,000**	105,000,000

The holding company National Bank of Pakistan holds 10,497,500 (2013: 10,497,500) ordinary shares of Rs.100/-each (2013: Rs.100/-each) representing approximately 99.98% (2013: 99.98%) of issued and paid up capital of the Company. The remaining shares are held by the nominees of the holding company.

	Note	2014	2013
		Rupees	Rupees
14 TRADE AND OTHER PAYABLES			
Accrued expenses		**1,230,900**	150,000

	Note	2014	2013
15 PAYABLE TO NATIONAL BANK OF PAKISTAN			
Opening balance		**55,293,430**	52,870,439
Salaries and benefits		**14,127,261**	2,539,266
Utilities		**4,002,822**	285,264
Communication		**31,090**	6,607
Rent		-	969,000
Books and newspapers		**55,956**	17,375
Insurance- vehicles		**63,626**	-
Repair & Maintenance		**1,770,856**	27,514
Miscellaneous expenses		**726,717**	77,965
	15.1	**20,778,328**	3,922,991
		76,071,758	56,793,430
Payments during the year		-	(1,500,000)
	15.2	**76,071,758**	55,293,430

15.1 This includes expenses amounting to Rs. 9,058,486 relating to nine months of prior year which were not charged by National Bank of Pakistan (the Parent) as mutually agreed between the Company and the Parent, however, in current year the Parent has revoked this decision.

15.2 This balance has arisen due to payments made by the Parent on behalf of the Company in respect of the above mentioned items.

	2014	2013
16 PROVISION FOR TAXATION	**Rupees**	Rupees
Opening balance	-	808,675
Prior period reversal	-	(10,169)
Adjusted/ paid during the year	-	(798,506)
Closing balance	-	-

16.1 Deferred tax asset of Rs. 32.14 million (2013: Rs. 23.1 million) arising on account of temporary differences mainly on property and equipment, investment in managed Modaraba and unused tax losses and tax credits has not been accounted for due to uncertainty regarding its recoverability in the foreseeable future.

17 CONTINGENCIES AND COMMITMENTS

There were no known contingencies and commitments to report at the end of reporting period.

18 REVENUE

The Company has not recognized any management fee due to losses incurred by the managed Modaraba during the year.

19 ADMINISTRATIVE EXPENSES

	2014 Rupees	2013 Rupees
Salaries and benefits	21,981,604	11,444,968
Directors' meeting fee	645,000	855,000
Travelling and conveyance	770,095	913,147
Utilities	4,002,822	285,264
Communication	66,735	34,421
Advertising expense	115,500	-
Rent expenses	1,065,900	969,000
Books and newspapers	70,120	31,764
Legal and professional charges	93,825	3,950,950
Auditors' remuneration	165,000	150,000
Fee and subscription	-	175,804
Entertainment	54,585	66,123
Insurance vehicles	105,907	96,841
Depreciation	933,186	1,076,877
Repairs and maintenance	1,770,856	42,784
Miscellaneous	756,362	1,620,561
Loss on disposal of fixed asset	35,847	-
	32,633,344	21,713,504

20 OTHER OPERATING INCOME

	2014 Rupees	2013 Rupees
Income from financial assets		
Profit on bank deposits	9,778,718	9,316,279
Other income	31,783	20,515
	9,810,501	9,336,794
Income from other than financial assets		
Profit received on income tax refund	-	7,856,900
Creditors written back	-	74,900
	-	7,931,800
	9,810,501	17,268,594

21 TAXATION

	2014 Rupees	2013 Rupees
For the year:		
Current		-
Prior period		(10,169)
	-	(10,169)

22 EARNINGS PER SHARE- BASIC AND DILUTED

		2014 Rupees	Restated 2013 Rupees
Loss after taxation attributable to ordinary shareholders	Rupees	(22,824,384)	(4,437,089)
Weighted average number of ordinary shares	Numbers	10,500,000	10,500,000
Loss per share	Rupees	(2.174)	(0.423)

22.1 There is no dilutive effect on the basic earnings per share of the Company.

23 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND OTHER EXECUTIVES

Particulars	2014 Chief Executive	2014 Executives	2013 Chief Executive	2013 Executives
	(Rupees)			
Managerial remuneration	**5,003,121**	**4,106,242**	4,529,436	487,945
House rent allowance	**1,895,276**	**1,294,640**	2,004,180	268,368
Conveyance	**633,286**	**862,007**	630,810	159,972
Utilities	**465,799**	**465,784**	480,996	82,951
Security guard	**245,440**	**286,991**	283,200	-
Others	**700,589**	**595,224**	964,578	1,431,292
	8,943,511	**7,610,888**	8,893,200	2,430,528
No. of persons	**2**	**2**	1	2

23.1 In addition to the above, Chief Executive Officer is also provided with a Company maintained car.
23.2 Directors of the company are not drawing any salary.
23.3 Rs.15,000 per meeting was paid to each director.

24 RELATED PARTY TRANSACTIONS

The related parties comprise the Holding Company, the associate - managed Modaraba, directors and key management personnel. Aggregate transactions during the year with the related parties, except for remuneration of key management personnel as disclosed in note 23; are as follows:

Relationship	Nature and description of related party transactions and balances	2014 Rupees	2013 Rupees
Year end balances			
Associate	Management fee receivable from First National Bank Modaraba	**348,724**	348,724
Holding company	Due to National Bank of Pakistan	**76,071,758**	55,293,430
Transaction during the year			
Holding company	Expenses incurred by NBP on behalf of the Company during the year	**20,778,330**	3,922,991

25 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial liabilities comprise of payable to National Bank of Pakistan and other payables. The main purpose of these financial liabilities is to raise finance for the Company's operations. The Company has various financial assets such as receivables and cash and short-term deposits, which arise directly from its operations. The main risks arising from the Company's financial instruments are credit risk, liquidity risk, foreign currency risk and interest rate risk. The Board of Directors reviews and agrees policies for managing each of these risks which are summarized below:

25.1 CREDIT RISK

Credit risk is the risk which arises with the possibility that one party to a financial instrument will fail to discharge its obligation and cause the other party to incur a financial loss. The Company attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties and continually assessing the creditworthiness of counterparties.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Company's performance to developments affecting a particular industry.

The Company is exposed to credit risk on loan to employee, other receivables, short term investment and bank balances. The carrying amounts of the financial assets represent the maximum credit exposure before any credit enhancements. The Company has placed funds with financial institutions with high credit rating. The Company assesses the credit quality of counterparties as satisfactory. The maximum exposure to credit risk at the reporting date is.

	Carrying Values 2014 (Rupees)	2013 (Rupees)
Loan to employees	-	555,235
Due from First National Bank Modaraba	**348,724**	348,724
Profit on bank deposit	**54,148**	52,544
Short term investment	**100,000,000**	98,000,000
Bank balances	**4,067,397**	6,484,542
	104,470,269	105,441,045

Quality of Financial Assets

The loan to employee and due from First National Bank Modaraba are neither past due nor impaired.
The credit quality of balances with banks can be assessed by reference to external credit ratings as shown below:

Investment	Rating Short term	Rating Agency	2014 (Rupees)	2013 (Rupees)
First Women Bank	A2	PACRA	**100,000,000**	98,000,000
Bank Balances				
Bank Alfalah Limited	A1+	PACRA	**15,368**	14,656
Al Baraka Islamic Bank	A1	PACRA	**1,144,651**	3,054,439
National Bank of Pakistan	A1+	PACRA	**2,875,820**	3,385,440
Faysal Bank Limited	A1+	PACRA	**26**	26
The Bank of Punjab	A1+	PACRA	**14,146**	13,251
Meezan Bank Limited	A1+	PACRA	**17,386**	16,730
			4,067,397	6,484,542

25.2 LIQUIDITY RISK

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations, if any. When required, the Holding Company can also make payments on behalf of the Company (refer note 15). The table below summarizes the maturity profile of the Company's financial liabilities at the following reporting dates:

2014	On Demand	Less than 3 months	3 months to 12 months	Total
	(Rupees)			
Trade and other payable	**1,065,900**	**165,000**	-	**1,230,900**
Due to National Bank of Pakistan	**76,071,758**	-	-	**76,071,758**
	76,071,758	**165,000**	-	**77,302,658**
2013				
Trade and other payable	-	150,000	-	150,000
Due to National Bank of Pakistan	55,293,430	-	-	55,293,430
	55,293,430	150,000	-	55,443,430

25.3 FOREIGN CURRENCY RISK

Foreign currency risk is the risk that the value of a financial asset or a financial liability will fluctuate due to change in foreign exchange rates. It arises mainly where receivables and payables exist due to transactions in foreign currency. The Company's has no receivables and payable in foreign currency, hence not exposed to foreign currency risk.

25.4 INTEREST RATE RISK

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rate. The Company has no borrowing however, term deposit receipt and saving accounts with commercial banks are on interest rate renegotiable after 1 to 6 month.

Sensitivity Analysis:

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's loss / profit before tax (through the impact on floating rate) and the Company's equity. The sensitivity analysis is based on the assumption that deposit remains constant in the period.

Increase/decrease in basis points	Effect on (loss) before tax 2014 (Rupees)	2013 (Rupees)
+10	977,872	931,628
-10	(977,872)	(931,628)

25.5 CAPITAL RISK MANAGEMENT

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2014 and 31 December 2013. Capital includes ordinary shares and reserves.

25.6 FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying values of the financial assets and financial liabilities approximate their fair values. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

26 NUMBER OF EMPLOYEES

	2014	2013
Average number of employees	3	3
Closing number of employees	2	3

27 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 29 APR 2015 by the Board of Directors of the Company.

CHIEF EXECUTIVE

DIRECTOR