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NATIONAL BANK MODARABA MANANGEMENT COMPANY LIMITED

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2016

EY Ford Rhodes
Chartered Accountants
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INDEPENDENT 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 2016** 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, 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 2016 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).

EY Ford Rhodes

Chartered Accountants
Engagement Partner: Farooq Hameed
Lahore: 22 April 2017

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
BALANCE SHEET
AS AT 31 DECEMBER 2016

	Note	2016 Rupees	2015 Rupees
ASSETS			
Non-current			
Property and equipment	7	166,676	339,711
Long term investment	8	35,100,000	23,475,000
Deposits		25,000	-
Loans and advances		4,926	-
		35,296,602	23,814,711
Current			
Investment - held to maturity	9	98,000,000	100,000,000
Advances, deposits, prepayments and other receivables	10	13,524,948	9,869,236
Bank balances	11	2,379,380	7,124,163
		113,904,328	116,993,399
TOTAL ASSETS		149,200,930	140,808,110
SHARE CAPITAL AND RESERVES			
Share capital	12	105,000,000	105,000,000
Unappropriated profits		(58,599,803)	(48,484,712)
Fair value reserves		11,625,000	-
		58,025,197	56,515,288
LIABILITIES			
Current			
Trade and other payables	13	251,875	165,000
Payable to National Bank of Pakistan	14	90,923,858	84,127,822
		91,175,733	84,292,822
Contingencies and commitments	15		
TOTAL EQUITY AND LIABILITIES		149,200,930	140,808,110

The annexed notes from 1 to 25 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 2016

	Note	2016 Rupees	2015 Rupees
Revenue	16	-	-
Administrative expenses	17	(17,103,129)	(14,787,175)
Impairment on available for sale investment		-	(51,525,000)
Bank charges		(2,743)	(7,024)
Other operating income	18	6,990,781	10,812,292
Loss before tax		(10,115,091)	(55,506,907)
Tax	19	-	-
Loss after tax		(10,115,091)	(55,506,907)
Loss per share - basic and diluted	20	(0.96)	(5.29)

The annexed notes from 1 to 25 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 2016

	2016	2015
	Rupees	Rupees
Loss after taxation	**(10,115,091)**	(55,506,907)
Other comprehensive income for the year		
Item to be reclassified to profit and loss in subsequent periods:		
Gain/ (Loss) arising on available for sale investment	**11,625,000**	(5,025,000)
Total comprehensive income / (loss) for the year	**1,509,909**	(60,531,907)

The annexed notes from 1 to 25 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 2016

	2016 Rupees		2015 Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation		(10,115,091)		(55,506,907)
Adjustment for non-cash items:				
Depreciation	173,035		381,435	
Impairment on available for sale investment	-		51,525,000	
Profit on bank deposits	(6,988,289)		(8,689,479)	
(Gain) / loss on disposal of fixed asset	-		(1,056,913)	
		(6,815,254)		42,160,043
		(16,930,345)		(13,346,864)
Working capital adjustment:				
(Increase) / decrease in current assets				
Advances, deposits, prepayments and other receivables	(8,658)		332,382	
Loan to employees	(44,851)		-	
		(53,509)		332,382
Increase / (decrease) in current liabilities				
Trade and other payables	86,875		(1,065,900)	
Payable to National Bank of Pakistan	6,796,036		8,056,064	
		6,882,911		6,990,164
Cash generated from operations		6,829,402		7,322,546
Income taxes paid		(373,287)		(978,023)
Net cash used in operating activities		(10,474,230)		(7,002,341)
CASH FLOWS FROM INVESTING ACTIVITIES				
Security deposit CDC		(25,000)		-
Sale proceeds from disposal of property, plant and equipment		-		1,355,120
Profit on bank deposits received		3,754,447		8,703,987
Decrease in investments-net		2,000,000		-
Net cash generated from investing activities		5,729,447		10,059,107
CASH FLOWS FROM FINANCING ACTIVITIES		-		-
Net (decrease) / increase in cash and cash equivalents		(4,744,783)		3,056,766
Cash and cash equivalents at the beginning of the year		7,124,163		4,067,397
Cash and cash equivalents at the end of the year		2,379,380		7,124,163

The annexed notes from 1 to 25 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 2016

	Paid-up capital	Available for sale reserve	Unappropriated profits / Accumulated loss	Total equity
	----------	---------- (Rupees)	----------	----------
Balance as at 1 January 2015	105,000,000	(46,500,000)	7,022,195	65,522,195
Loss after taxation for the year	-	-	(55,506,907)	(55,506,907)
Other comprehensive loss for the year	-	(5,025,000)	-	(5,025,000)
Transfer to profit and loss account on impairment of available for sale investment	-	51,525,000		51,525,000
Total comprehensive loss for the year	-	46,500,000	(55,506,907)	(9,006,907)
Balance as at 1 January 2016	105,000,000	-	(48,484,712)	56,515,288
Loss after taxation for the year	-	-	(10,115,091)	(10,115,091)
Other comprehensive income for the year	-	11,625,000	-	11,625,000
Total comprehensive loss for the year	-	11,625,000	(10,115,091)	1,509,909
Balance as at 31 December 2016	**105,000,000**	**11,625,000**	**(58,599,803)**	**58,025,197**

The annexed notes from 1 to 25 form an integral part of these financial statements.

CHIEF EXECUTIVE

DIRECTOR

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016

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

Standard or interpretation

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

IFRS 10, IFRS 12 & IAS 28	-	Consolidated Financial Statements, Disclosure of Interests in Other Entities and Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)
IFRS 11	-	Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)
IAS 1	-	Presentation of Financial Statements - Disclosure Initiative (Amendment)
IAS 16 & IAS 38	-	Property, Plant and Equipment and intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)
IAS 16 & IAS 41	-	Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)
IAS 27	-	Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB in December 2015

IFRS 5	-	Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal
IFRS 7	-	Financial Instruments: Disclosures - Servicing contracts
IFRS 7	-	Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements
IAS 19	-	Employee Benefits - Discount rate: regional market issue
IAS 34	-	Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments, interpretations and improvements 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 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.

5.2 Investments

Investment in managed Modaraba

Investment in managed Modaraba is stated at fair value. Any gain or loss due to re-measurement is charged to other comprehensive income and accumulated in statement of changes in equity.

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.

5.3 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 revised standards, 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 2	Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	01 January 2018
IFRS 10	Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Deferred indefinitely
IAS 7	Statement of Cashflows - Disclosure about changes in liabilities arising from financing activities (Amendments)	01 January 2016
IAS 12	Income Taxes – Recognition of Deferred Tax Assets for Unrealized Losses (Amendments)	01 January 2017
IFRS 4	Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	01 January 2018
IAS 40	Investment Property: Transfers of Investment Property (Amendments)	01 January 2018
IFRS 17	Insurance contracts	01 January 2021
IFRIC 22	Foreign Currency Transactions and Advance Consideration	01 January 2018

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 in December 2016. Such improvements are generally effective for accounting periods beginning on or after 01 January 2017. The Company expects that such improvements to the standards will not have any impact on the Company's financial statements in the period of initial application.

In addition to the above, the 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 or Interpretation		Effective date (annual periods beginning on or after)
IFRS 1	First time adoption of International Financial Reporting Standards	01 January 2009
IFRS 9	Financial Instruments: Classification and Measurement	01 January 2018
IFRS 14	Regulatory Deferral Accounts	01 January 2016
IFRS 15	Revenue from Contracts with Customers	01 January 2018
IFRS 16	Leases	01 January 2019

7 PROPERTY AND EQUIPMENT

DESCRIPTION	2016									
	COST				ACCUMULATED DEPRECIATION				NBV	Depreciation Rate
	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	
	(Rupees)									%
Office equipment	743,071	-	-	743,071	682,240	32,064	-	714,304	28,767	10 - 20
Vehicles	2,295,700	-	-	2,295,700	2,136,039	110,143	-	2,246,182	49,518	20
Computer and accessories	810,350	-	-	810,350	810,350	-	-	810,350	-	33
Furniture and fittings	1,102,333	-	-	1,102,333	983,114	30,828	-	1,013,942	88,391	10
	4,951,454	-	-	4,951,454	4,611,743	173,035	-	4,784,778	166,676	

DESCRIPTION	2015									
	COST				ACCUMULATED DEPRECIATION				NBV	Depreciation Rate
	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	
	(Rupees)									%
Office equipment	743,071	-	-	743,071	647,040	35,200	-	682,240	60,831	10 - 20
Vehicles	4,905,970	-	2,610,270	2,295,700	4,132,689	315,413	2,312,063	2,136,039	159,661	20
Computer and accessories	810,350	-	-	810,350	810,350	-	-	810,350	-	33
Furniture and fittings	1,102,333	-	-	1,102,333	952,292	30,822	-	983,114	119,219	10
	7,561,724	-	2,610,270	4,951,454	6,542,371	381,435	2,312,063	4,611,743	339,711	

7.1 Assets having cost of Rs.4,353,002 (2015: Rs. 3,376,842) appearing in books of account are fully depreciated.

8 LONG TERM INVESTMENT

	Note	2016 Rupees	2015 Rupees
In associated company: Available for sale			
Managed modaraba - First National Bank Modaraba			
7,500,000 (2015: 7,500,000) certificates of Rs.10 each - Cost		75,000,000	75,000,000
Accumulated impairment charged		(51,525,000)	(51,525,000)
		23,475,000	23,475,000
Gain arising on available for sale investment	8.5	11,625,000	-
		35,100,000	23,475,000

8.1 The Company holds 30% (2015: 30%) certificates in First National Bank Modaraba.

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

8.3 Break-up value of investments in FNBM, based on its condensed interim financial information for the period ended 31 December 2016 amounted to Rs. 2.31 per certificate (2015: Rs. 3.68 per certificate).

8.4 Summarized interim financial information for the period ended 31 December 2016 of FNBM is as follows:

	2016 Rupees	2015 Rupees
Total assets	681,539,434	1,020,744,575
Total liabilities	623,875,850	928,856,805
Loss after taxation	(30,029,168)	(49,637,484)

8.5 Gain arising on available for sale investment

	2016	2015
Opening	-	46,500,000
For the year	11,625,000	5,025,000
Transferred to accumulated impairment loss	-	(51,525,000)
Closing	11,625,000	-

9 INVESTMENT - HELD TO MATURITY

This represents investment in term deposits certificates having maturity of 6 months maintained with Dubai Islamic Bank Pakistan Limited and carries interest rate that ranges from **6.5 % to 7.2%** (2015 : 7.2% - 9.75%) per annum.

10 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2016 Rupees	2015 Rupees
Advances - considered good - Unsecured			
- To employees		39,925	-
- To suppliers		25,000	10,000
Due from First National Bank Modaraba	10.1	-	-
Prepayments		-	6,342
Profit on bank deposits receivable		3,273,482	39,640
Advance tax	10.2	10,186,541	9,813,254
		13,524,948	9,869,236

10.1 The movement is as follows:

	2016	2015
Opening balance	-	348,724
Add: Management fee charged during the year	-	-
Less: Received during the year	-	(348,724)
	-	-

10.2 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.

11 BANK BALANCES

	Note	2016 Rupees	2015 Rupees
Current account		1,847,305	3,265,325
National Income Daily Account (NIDA)	11.1	495,467	215,107
Saving and deposit accounts	11.2	36,608	3,643,731
		2,379,380	7,124,163

11.1 This account is maintained with the Holding Company and carries markup at the rate of 3% to 4.5% (2015: 3% to 5.2%) per annum.

11.2 Rate of profit on deposits and savings accounts ranges from 3.0% to 4.0% (2015: 3.02% to 4.00%) per annum.

12 SHARE CAPITAL

	2016 Rupees	2015 Rupees
Authorized		
15,000,000 (2015: 15,000,000) ordinary shares of Rs. 10 each	150,000,000	150,000,000
Issued, subscribed and paid-up		
10,500,000 (2015: 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 (2015: 10,497,500) ordinary shares of Rs.10/-each (2015: Rs.10/- each) representing approximately 99.98% (2015: 99.98%) of issued and paid up capital of the Company. The remaining shares are held by the nominees of the holding company.

13 TRADE AND OTHER PAYABLES

	Note	2016 Rupees	2015 Rupees
Accrued expenses		251,875	165,000

14 PAYABLE TO NATIONAL BANK OF PAKISTAN

	Note	2016 Rupees	2015 Rupees
Opening balance		84,127,822	76,071,758
Salaries and benefits		-	4,917,892
Utilities		2,631,535	2,324,624
Rent		2,907,000	-
Communication		10,932	8,088
Books and newspapers		-	27,458
Repair and maintenance		544,706	304,992
Miscellaneous expenses		495,474	473,010
Director's meeting expenses.		206,389	-
		6,796,036	8,056,064
		90,923,858	84,127,822
Payments during the year		-	-
	14.1	90,923,858	84,127,822

14.1 This balance has arisen due to payments made by National Bank of Pakistan Limited on behalf of the Company in respect of the above mentioned items.

15 CONTINGENCIES AND COMMITMENTS

The Company's income tax return filed on 25 September 2010 was selected by Federal Revenue board through random computer ballot U/S 214C of the Ordinance, accordingly Commissioner Inland Revenue, Audit Unit-01, Zone-II, RTO, Lahore has passed the Amended Assessment Order U/S 122(1)/122(5) of the Income Tax Ordinance, 2001 dated 07 June, 2016 by raising Tax Demand of Rs. 8,050,424 for tax year 2010 which is further rectified U/S 221 of the Ordinance on 21 December, 2016 reducing the Tax Demand amounting to Rs. 7,325,345.The Company expects favorable result in this regard.

16 REVENUE

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

17 ADMINISTRATIVE EXPENSES

	Note	2016 Rupees	2015 Rupees
Salaries and benefits		8,777,586	8,246,956
Directors' meeting fee		729,000	1,080,000
Travelling and conveyance		473,174	1,272,443
Utilities		2,631,535	2,324,624
Communication		10,932	8,088
Rent expenses		2,907,000	-
Books and newspapers		-	27,458
Legal and professional charges		53,600	382,214
Auditors' remuneration		190,575	173,250
Fee and subscription		57,000	-
Entertainment		5,155	6,115
Insurance		6,342	31,710
Depreciation	7	173,035	381,435
Repairs and maintenance		544,706	304,992
Miscellaneous		543,489	547,890
		17,103,129	14,787,175

18 OTHER OPERATING INCOME

	2016 Rupees	2015 Rupees
Income from financial assets		
Profit on bank deposits	6,988,289	8,689,479
Other income	2,492	-
	6,990,781	8,689,479
Income from other than financial assets		
Gain on disposal of property and equipment	-	1,056,913
Reversal of accrued expenses	-	1,065,900
	6,990,781	10,812,292

19 TAX

19.1 There has been no tax expense

20 EARNINGS PER SHARE - BASIC AND DILUTED

		2016	2015
Loss after taxation attributable to ordinary shareholders	Rupees	(10,115,091)	(55,506,907)
Weighted average number of ordinary shares	Numbers	10,500,000	10,500,000
Loss per share	Rupees	(0.963)	(5.29)

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

21 REMUNERATION OF DIRECTORS, CHIEF EXECUTIVE AND OTHER EXECUTIVES

Particulars	2016		2015	
	Chief Executive	Executives	Chief Executive	Executives
	(Rupees)			
Managerial remuneration	1,626,374	1,967,434	1,316,129	1,553,546
House rent allowance	811,612	983,718	658,065	854,452
Conveyance	501,290	-	-	433,208
Utilities	194,787	236,088	157,935	280,274
Others	763,338	846,173	1,196,935	1,796,412
	3,897,401	4,033,413	3,329,064	4,917,892
No. of persons	1	1	1	2

21.1 In addition to the above, Chief Executive Officer is also provided with a Company maintained car.

21.2 Non-executive directors of the Company are not drawing any salary.

21.3 Rs.15,000 per meeting was paid to each director.

22 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	2016 Rupees	2015 Rupees
Year end balances			
Holding company	Due to National Bank of Pakistan	90,923,858	84,127,822
Transaction during the year			
Holding company	Expenses incurred by NBP on behalf of the Company during the year	6,796,036	8,056,064
Associate	Expenses incurred by FNBM on behalf of the Company during the year.	247,625	-
Associate	Piad to FNBM for payment made to Chief Executive.	250,000	-

23 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's financial liabilities comprise of payable to National Bank of Pakistan. 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:

23.1 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 security deposits, profit 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	
	2016	2015
	(Rupees)	(Rupees)
Security deposits	**25,000**	-
Profit on bank deposit	**3,273,482**	39,640
Short term investment	**98,000,000**	100,000,000
Bank balances	**2,379,380**	7,124,163
	103,677,862	107,163,803

Quality of Financial Assets

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	2016	2015
			(Rupees)	(Rupees)
Dubai Islamic Bank Pakistan Limited	A-1	JCR-VIS	**98,000,000**	100,000,000
Bank Balances				
Bank Alfalah Limited	A1+	PACRA	**17,516**	16,980
Al Baraka Bank (Pakistan) Limited	A1	PACRA	**(10,670)**	3,607,782
National Bank of Pakistan	A1+	PACRA	**495,467**	215,107
Faysal Bank Limited	A1+	PACRA	**26**	26
The Bank of Punjab	A1+	PACRA	**15,146**	15,146
Meezan Bank Limited	A-1+	JCR-VIS	**19,066**	18,943
Bank Islami Pakistan Limited	A1	PACRA	**1,842,829**	3,250,179
			2,379,380	7,124,163

23.2 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 14 and 15). The table below summarizes the maturity profile of the Company's financial liabilities at the following reporting dates:

2016	On Demand	Less than 3 months	3 months to 12 months	Total
	----------	---------- (Rupees)	----------	----------
Short term running finance	-	-	-	-
Trade and other payable	251,875	-	-	251,875
Due to National Bank of Pakistan	90,923,858	-	-	90,923,858
	91,175,733	-	-	91,175,733

2015	On Demand	Less than 3 months	3 months to 12 months	Total
	(Rupees)			
Trade and other payable	165,000	-	-	165,000
Due to National Bank of Pakistan	84,127,822	-	-	84,127,822
	84,292,822	-	-	84,292,822

23.3 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 has no receivables and payable in foreign currency, hence not exposed to foreign currency risk.

23.4 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**	
	2016	2015
	(Rupees)	(Rupees)
+10	**698,829**	868,948
-10	**(698,829)**	(868,948)

23.5 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 2016 and 31 December 2015. Capital includes ordinary shares and reserves.

23.6 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.

24 NUMBER OF EMPLOYEES

	2016	2015
Average number of employees	**2**	3
Closing number of employees	**1**	1

25 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 22 APR 2017 by the Board of Directors of the Company.

CHIEF EXECUTIVE

DIRECTOR