



NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED

FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2013

Ernst & Young Ford Rhodes Sidat Hyder
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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 2013 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. The financial statements of the Company for the year ended 31 December 2012 has been audited by another firm of chartered accountants whose report dated 29 April 2013 expressed an unqualified opinion.

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 2013 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).


Chartered Accountants

Audit Engagement Partner: Mohammed Junaid

Lahore: 14 February 2014

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
 BALANCE SHEET
 AS AT 31 DECEMBER 2013

	Note	2013 Rupees	2012 Rupees
Assets			
Non-current			
Property and equipment	5	1,943,886	2,759,263
Long term investment	6	79,354,007	97,403,049
Loan to employee	7	305,359	572,800
Non current assets		81,603,252	100,735,112
Current			
Investment - held for maturity	8	98,000,000	-
Advances, deposits, prepayments and other receivables	7	8,306,346	9,833,247
Current portion of loan to employee	9	249,876	171,245
Bank balances	10	6,484,542	104,963,077
Current assets		113,040,764	114,967,569
Total assets		194,644,016	215,702,681
Share capital and reserves			
Share capital	11	105,000,000	105,000,000
Unappropriated profit		20,419,976	42,906,107
Share of statutory reserves of managed modaraba		13,780,610	13,780,610
Total equity		139,200,586	161,686,717
Liabilities			
Current			
Trade and other payables	12	150,000	336,850
Payable to National Bank of Pakistan	13	55,293,430	52,870,439
Provision for taxation	14	-	808,675
Current liabilities		55,443,430	54,015,964
Contingencies and commitments	15	-	-
Total equity and liabilities		194,644,016	215,702,681



CHIEF EXECUTIVE



DIRECTOR



NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
 PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 31 DECEMBER 2013

	Note	2013 Rupees	2012 Rupees
Revenue	16	-	3,133,908
Administrative expenses	17	(21,713,504)	(22,246,125)
Bank charges		(2,348)	(956)
Other operating income	18	17,268,594	9,957,491
Operating loss		(4,447,258)	(9,155,682)
Share of (loss) /profit of managed modaraba		(18,049,042)	5,089,359
Loss before taxation		(22,496,300)	(4,066,323)
Provision for taxation	19	10,169	(775,839)
Loss after taxation		(22,486,131)	(4,842,162)
Loss per share - basic and diluted	20	(2.142)	(0.461)


 CHIEF EXECUTIVE


 DIRECTOR



NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
 CASH FLOW STATEMENT
 FOR THE YEAR ENDED 31 DECEMBER 2013

	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before taxation	(22,496,300)	(4,066,323)
Adjustment to reconcile profit before tax to net cash flows:		
Depreciation	1,076,877	1,113,335
Profit on bank deposits	(9,316,279)	(9,927,534)
Due from First National Bank Modaraba reversed	1,555,098	-
Share of (loss)/profit of managed modaraba	18,049,042	(5,089,359)
	<u>11,364,738</u>	<u>(13,903,558)</u>
	(11,131,562)	(17,969,881)
Working capital adjustment:		
(Increase) / decrease in current assets		
Advances, deposits, prepayments and other receivables	(39,988)	(411,908)
Loan to employee	188,810	(744,045)
	<u>148,822</u>	<u>(1,155,953)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	(186,850)	124,950
Payable to National Bank of Pakistan	2,422,991	6,139,249
	<u>2,236,141</u>	<u>6,264,199</u>
	2,384,963	5,108,246
Income taxes paid	(832,690)	(2,417,086)
Tax refunds received	-	19,467,310
Net cash (used in)/generated from operating activities	<u>(9,579,289)</u>	<u>4,188,589</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(261,500)	-
Profit on bank deposits received	9,362,254	11,335,598
Investment in held for maturity	(98,000,000)	-
Dividend received	-	7,500,000
Net cash (used in)/generated from investing activities	<u>(88,899,246)</u>	<u>18,835,598</u>
Net increase/(decrease) in cash and cash equivalents	(98,478,535)	23,024,187
Cash and cash equivalents at beginning of year	104,963,077	81,938,890
Cash and cash equivalents at end of year	<u><u>6,484,542</u></u>	<u><u>104,963,077</u></u>


 CHIEF EXECUTIVE


 DIRECTOR



NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2013

	<u>2013</u>	<u>2012</u>
	Rupees	Rupees
Loss after taxation	(22,486,131)	(4,842,162)
Other comprehensive income:		
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	<u>(22,486,131)</u>	<u>(4,842,162)</u>


CHIEF EXECUTIVE


DIRECTOR



NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED 31 DECEMBER 2013

	Paid-up capital	Unappropriated profit	Share of statutory reserves of managed modaraba	Total equity
	Rupees	Rupees	Rupees	Rupees
Balance as at January 01, 2012	105,000,000	47,748,269	12,088,299	164,836,568
Share of statutory reserves of managed modaraba	-	-	1,692,311	1,692,311
Total comprehensive loss for the year	-	(4,842,162)	-	(4,842,162)
Balance as at December 31, 2012	<u>105,000,000</u>	<u>42,906,107</u>	<u>13,780,610</u>	<u>161,686,717</u>
Share of statutory reserves of managed modaraba	-	-	-	-
Total comprehensive loss for the year	-	(22,486,131)	-	(22,486,131)
Balance as at December 31, 2013	<u>105,000,000</u>	<u>20,419,976</u>	<u>13,780,610</u>	<u>139,200,586</u>


 CHIEF EXECUTIVE


 DIRECTOR



NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2013

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 2013

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

New and amended standards and interpretations

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

IAS 1 - Presentation of Financial Statements - Presentation of items of other comprehensive income (Amendment)

IAS 19 - Employee Benefits -(Revised)

IFRS 7 - Financial Instruments : Disclosures - (Amendments)

-Amendments enhancing disclosures about offsetting of financial assets and financial liabilities

IFRIC 20 - Stripping Costs In the Production Phase of a Surface Mine

Improvements to Accounting Standards Issued by the IASB

IAS 1 - Presentation of Financial Statements - Clarification of the requirements for comparative information

IAS 16 -Property, Plant and Equipment - Clarification of Servicing Equipment

IAS 32 - Financial Instruments: Presentation - Tax Effects of Distribution to Holders of Equity Instruments

IAS 34 - Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities

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

National Bank Modaraba Management Company Limited

2.2 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)
IAS 32 - Offsetting Financial Assets and Financial liabilities - (Amendment)	01 January 2014
IAS 36 - Recoverable Amount for Non-Financial Assets - (Amendment)	01 January 2014
IAS 39 - Novation of Derivatives and Continuation of Hedge Accounting - (Amendment)	01 January 2014
IFRIC 21 - Levies	01 January 2014
IFAS 3 - Profit and Loss Sharing on Deposits	12 June 2013

The Company expects that the adoption of the above amendments and interpretation of the standards will not affect 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	01 January 2015
IFRS 10 - Consolidated Financial Statements	01 January 2013
IFRS 11 - Joint Arrangements	01 January 2013
IFRS 12 - Disclosure of Interests in Other Entities	01 January 2013
IFRS 13 - Fair Value Measurement	01 January 2013

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGMENT

The preparation of financial statements requires management to make judgment, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

The areas involving a higher degree of judgment 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

Estimates with respect to residual values and useful life and pattern of flow of economic benefits are based on the analysis of the management of the Company. Any change in the estimates in future might affect the carrying amount of respective item of property and equipment, with a corresponding effect on the depreciation charge.

b) Impairment of non financial 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.

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c) **Taxation**

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

Other areas where estimates and judgments are involved are disclosed in respective notes to the financial statements.

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below:

4.1 The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial year except as mentioned in note 2.1.

4.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

4.3 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency.

4.4 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.

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 are satisfied. All other repair and maintenance costs are recognized in profit or loss as incurred.

Depreciation is calculated on a straight line basis over the useful life of the asset on the rates as disclosed in note 5.1. 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.

4.5 Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. Impairment losses are

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recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

4.6 Investments

Investment in associate - equity method

Entities over which the Company can exercise significant influence but does not have control and which are neither its subsidiaries nor joint ventures are associates of the Company and are accounted for by using the equity method.

Entities over which the Company can exercise significant influence but does not have control and which are neither its subsidiaries nor joint ventures are associates of the Company and are accounted for by using the equity method.

Investment in held for maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held for 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 amortised cost using the Effective Interest Rate (EIR), less impairment.

Amortised 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 amortisation is included as finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss as finance costs.

4.7 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand and with banks.

4.8 Taxation

Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred income tax

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited in the income statement, except in the case of items credited or charged to equity in which case it is included in equity.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities

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and the deferred income taxes relate to the same taxable entity and the same taxation authority.

4.9 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 Company loses control of the contractual rights that comprise the financial asset or portion of financial asset. While a 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 expired.

Financial assets are other receivables and bank balances. These are stated at their nominal values as reduced by the appropriate allowances for estimated irrecoverable amounts.

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are due from National Bank of Pakistan and other liabilities.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the assets (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

4.10 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.

4.11 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.

4.12 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.

4.13 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 on the actual basis.

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5 Property and equipment

Property and equipment

2013

Description	Cost	
	As at January 01, 2013	Additions /(Deletion)
	Rupees	Rupees
Office equipment	743,071	-
Vehicles	4,905,970	-
Computer and accessories	810,350	-
Furniture and fittings	840,833	261,500
	<u>7,300,224</u>	<u>261,500</u>

2012

Description	Cost	
	As at January 01, 2012	Additions
	Rupees	Rupees
Office equipment	743,071	-
Vehicles	4,905,970	-
Computer and accessories	810,350	-
Furniture and fittings	840,833	-
	<u>7,300,224</u>	<u>-</u>

5.1 Assets worth Rs. 1,614,689 (2012: Rs. 1,115,960) appear

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6 Long term investment	Note	2013 Rupees	2012 Rupees
in associated company:			
Managed modaraba - First National Bank Modaraba 7,500,000 (2012: 7,500,000) certificates of Rs. 10 each		75,000,000	75,000,000
Share of post acquisition reserves of associate	6.1	4,354,007	22,403,049
		<u>79,354,007</u>	<u>97,403,049</u>

6.1 Share of post acquisition reserves of associate

Opening balance	22,403,049	23,121,379
Share of statutory reserves	-	1,692,311
Share of (loss)/profit in managed modaraba	(18,049,042)	5,089,359
Dividend received	-	(7,500,000)
	<u>4,354,007</u>	<u>22,403,049</u>

6.2 The Company holds 30% (2012: 30%) of voting power in First National Bank Modaraba.

6.3 Financial results of First National Bank Modaraba up to 31 December 2013 have been used for the purpose of application of equity method.

7 Loan to employee	Note	2013 Rupees	2012 Rupees
Loan to executive	7.1	555,235	744,045
Less: current portion shown under current assets		(249,876)	(171,245)
		<u>305,359</u>	<u>572,800</u>

7.1 The loan is considered good and represents loan at subsidized interest rate for purchase of motor car to the employee as per terms of employment repayable in agreed monthly installments. No loans were due from chief executive and

8 Investment - held for maturity

This represents 6 months term deposit receipt of a commercial bank maturing on 28 June 2014 which carries rate of profit at the rate of 9.75% per annum.

9 Advances, deposits, prepayments and other receivables	Note	2013 Rupees	2012 Rupees
Advance against expenses	9.1	47,488	-
Due from First National Bank Modaraba	9.2	348,724	1,903,822
Prepayments		-	7,500
Profit on bank deposits receivable		52,544	98,519
Advance tax	9.3	7,857,590	7,823,406
		<u>8,306,346</u>	<u>9,833,247</u>

9.1 This includes advance given to Chief Executive Officer amounts to Rs. 25,270 (2012: Nil) for travelling expenses.

9.2 The movement in due from First National Bank Modaraba on account of management fee is as follows:

	Note	2013 Rupees	2012 Rupees
Opening balance		1,903,822	1,491,914
Management fee charged		-	3,133,908
Less: Fee received		-	(2,722,000)
Less: Reversal made	9.2	(1,555,098)	-
		<u>348,724</u>	<u>1,903,822</u>

9.2 This represents the reversal of amount due from First National Bank Modaraba on account of management fee which was over recorded in previous year.

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

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10 Bank balances	Note	2013 Rupees	2012 Rupees
Current account		13,251	13,251
National Income Daily Account (NIDA)	10.1	3,385,440	6,946,790
Saving and deposit accounts	10.2	3,085,851	98,003,036
		<u>6,484,542</u>	<u>104,963,077</u>

10.1 This account is maintained with the Holding Company and carries markup at the rate of 6% to 7% (2012: 5%) per annum.

10.2 Rate of profit on deposits and savings accounts ranges from 4.75% to 9.25% (2012: 4.75% to 8.5%) per annum.

11 Share capital	2013 Rupees	2012 Rupees
Authorized		
15,000,000 (2012: 15,000,000) ordinary shares of Rs. 10 each	<u>150,000,000</u>	<u>150,000,000</u>

Issued, subscribed and paid-up

10,500,000 (2012: 10,500,000) ordinary shares of Rs. 10 each fully paid in cash	<u>105,000,000</u>	<u>105,000,000</u>
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The holding company National Bank of Pakistan holds 10,497,500 (2012: 10,497,500) ordinary shares of Rs. 100/-each (2012: Rs. 100/-each) representing approximately 99.98% (2012: 99.98%) of issued and paid up capital of the Company. The remaining shares are held by the nominees of the holding company.

12 Trade and other payables	Note	2013 Rupees	2012 Rupees
Creditors		150,000	211,900
Withholding tax payable		-	124,950
		<u>150,000</u>	<u>336,850</u>

13 Payable to National Bank of Pakistan		2013 Rupees	2012 Rupees
Opening balance		52,870,439	46,731,190
Salaries and benefits		2,539,266	5,541,439
Utilities		291,871	1,520,394
Miscellaneous expenses		1,091,854	1,477,416
		<u>56,793,430</u>	<u>55,270,439</u>
Payments during the year		(1,500,000)	(2,400,000)
	13.1	<u>55,293,430</u>	<u>52,870,439</u>

13.1 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.

14 Provision for taxation		2013 Rupees	2012 Rupees
Opening balance		808,675	782,836
Provision for the year		-	775,839
Prior period reversal		(10,169)	-
Adjusted/ paid during the year		(798,506)	(750,000)
Closing balance		<u>-</u>	<u>808,675</u>

Deferred tax asset of Rs. 8.1 million (2012: Rs. 2.095 million) arising on account of temporary differences mainly on property and equipment, investment in associate and unused tax losses and tax credits has not been accounted for due to uncertainty regarding its recoverability in the foreseeable future.

15 Contingencies and commitments

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

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National Bank Modaraba Management Company Limited

16 Revenue	Note	2013	2012
		Rupees	Rupees
Management fee	16.1	-	3,133,908

16.1 The Company has not recognised any management fee due to losses incurred by the managed modaraba during the year.

17 Administrative expenses	Note	2013	2012
		Rupees	Rupees
Salaries and benefits		11,444,968	15,667,105
Directors' meeting fee		855,000	465,000
Traveling and conveyance		913,147	904,032
Utilities		285,264	1,632,034
Communication		34,421	44,507
Rent expenses		969,000	969,000
Books and newspapers		31,764	36,624
Legal and professional charges		3,950,960	707,163
Auditors' remuneration		150,000	125,000
Fee and subscription		175,804	129,500
Entertainment		66,123	22,250
Insurance - vehicles		96,841	-
Depreciation		1,076,877	1,113,335
Repairs and maintenance		42,784	410,575
Miscellaneous	17.1	1,620,561	-
		<u>21,713,504</u>	<u>22,246,125</u>

17.1 This includes reversal of amount due from First National Bank Modaraba as explained in note 9.2.

18 Other operating income

Income from financial assets			
Profit on bank deposits		9,316,279	9,927,534
Other income		20,515	29,957
		<u>9,336,794</u>	<u>9,957,491</u>
Income from other than financial assets			
Profit received on income tax refund		7,856,900	-
Creditors written back		74,900	-
		<u>7,931,800</u>	<u>-</u>
		<u>17,268,594</u>	<u>9,957,491</u>

19 Taxation

For the year:			
Current		-	775,839
Prior period		(10,169)	-
		<u>(10,169)</u>	<u>775,839</u>

20 Earnings per share - basic and diluted

Loss after taxation attributable to ordinary shareholders	Rupees	<u>(22,486,131)</u>	<u>(4,842,162)</u>
Weighted average number of ordinary shares	Numbers	<u>10,500,000</u>	<u>10,500,000</u>
Loss per share - Rupees	Rupees	<u>(2.142)</u>	<u>(0.461)</u>

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

21 Remuneration of directors, chief executive and executives

Particulars	2013		2012	
	Chief executive Rupees	Executives Rupees	Chief executive Rupees	Executives Rupees
Managerial remuneration	4,529,436	487,945	3,722,036	1,652,588
House rent allowance	2,004,180	268,368	1,861,020	1,015,743
Conveyance	630,810	159,972	393,375	718,071
Utilities	480,996	82,951	446,644	312,394
Security guard	283,200	-	283,200	-
Others	964,578	1,431,292	2,041,238	2,341,579
	<u>8,893,200</u>	<u>2,430,528</u>	<u>8,747,513</u>	<u>6,240,375</u>
No. of persons	<u>1</u>	<u>2</u>	<u>1</u>	<u>2</u>

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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 19; are as follows:

Relationship	Nature and description of related party transactions and balances	Note	2013	2012
			Rupees	Rupees
Associate	Dividend received from First National Bank Modaraba during the year	6	-	7,500,000
Associate	Management fee charged during the year to First National Bank Modaraba	16	-	3,133,908
Associate	Management fee receivable at year end from First National Bank Modaraba	9	348,724	1,903,822
Holding company	Expenses incurred by National Bank of Pakistan on behalf of the Company during the year	13	3,922,991	8,539,249
Holding company	Due to National Bank of Pakistan at year end	13	55,293,430	52,870,439

23 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:

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 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	
	2013 (Rupees)	2012 (Rupees)
Loan to employees	555,235	744,045
Due from First National Bank Modaraba	348,724	1,903,822
Profit on bank deposit	52,544	98,519
Short term investment	98,000,000	-
Bank balances	6,484,542	104,963,077
	<u>105,441,045</u>	<u>107,709,463</u>

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 short term investment and balances with banks can be assessed by reference to external credit ratings as shown below:

	2013 (Rupees)	2012 (Rupees)
Investment		
A2	98,000,000	-
	<u>98,000,000</u>	
Bank Balances		
A1+	44,663	44,430
A1	3,054,439	97,971,442
A-1+	3,385,440	6,947,205
	<u>6,484,542</u>	<u>104,963,077</u>

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

2013	On Demand	Less than 3 months	3 months to 12 months	Total
	---Amount in Rupees---			
Trade and other payable	-	150,000	-	150,000
Due to National Bank of Pakistan	55,293,430	-	-	55,293,430
	<u>55,293,430</u>	<u>150,000</u>		<u>55,443,430</u>
2012	On Demand	Less than 3 months	3 months to 12 months	Total
	---Amount in Rupees---			
Trade and other payable	-	211,900	-	211,900
Due to National Bank of Pakistan	52,870,439	-	-	52,870,439
	<u>52,870,439</u>	<u>211,900</u>		<u>53,082,339</u>

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's has no receivables and payable in foreign currency, hence no 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 3 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.

Eg

Increase/	Effect on (loss)/profit before tax	
	2013 (Rupees)	2012 (Rupees)
+15	1,397,442	1,489,130
+20	1,863,256	1,985,507
-15	(1,397,442)	(1,489,130)
-20	(1,863,256)	(1,985,507)

23.4 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 December 31, 2013 and December 31, 2012. Capital includes ordinary shares and reserves.

23.5 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

	2013	2012
Average number of employees	3	3
Closing number of employees	3	3

25 General

Figures have been rounded off to the nearest rupee unless otherwise stated.

26 Date of authorization

These financial statements were authorized for issue on 14 FEB 2014 by the Board of Directors of the Company.


CHIEF EXECUTIVE


DIRECTOR

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