

QUARTERLY  
REPORT  
SEPTEMBER 30,  
2015



**FIRST NATIONAL BANK MODARABA**

**Managed By:**

National Bank Modaraba Management Company Limited  
(A wholly owned subsidiary of National Bank of Pakistan)

# First National Bank Modaraba

*Quarterly Report*  
*September 30, 2015*

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## CORPORATE INFORMATION

<b>Board of Directors</b>	<p>Mr. Wajahat A. Baqai                  Mr. Khawaja Muhammad Amin-ul-Azam                  Mr. Khawaja Waheed Raza                  Syed Mustafa Kamal                  Mr. Jamal Nasim                  Mr. Muhammad Iqbal Hussain                  Mr. Khaqan Hasnain Ibrahim</p>	<p>Chairman                  Director                  Director                  Director                  Director                  Director                  Chief Executive Officer</p>
<b>Shari'ah Advisor</b>	Mufti Abdul Sattar Laghari	
<b>Chief Financial Officer/ Company Secretary</b>	Mr. Abbas Azam	
<b>Audit Committee</b>	<p>Mr Jamal Nasim                  Mr. Khawaja Muhammad Amin-ul-Azam                  Mr. Khawaja Waheed Raza</p>	<p>Chairman                  Member                  Member</p>
<b>Head of Internal Audit</b>	Mr. Ali Abbass	
<b>HR &amp; Remuneration Committee</b>	<p>Mr. Khawaja Waheed Raza                  Mr. Wajahat A. Baqai                  Syed Mustafa Kamal                  Mr. Muhammad Iqbal Hussain</p>	<p>Chairman                  Member                  Member                  Member</p>
<b>Auditors</b>	Riaz Ahmad & Company Chartered Accountants	
<b>Bankers</b>	<p>National Bank of Pakistan                  Bank Alfalah Limited                  Al Baraka Islamic Bank                  Habib Bank Limited                  Allied Bank Limited                  MCB Bank Limited                  First Women Bank Limited                  Bank Islami Pakistan Limited                  United Bank Limited</p>	
<b>Legal Advisor</b>	<p>Cornelius Lane &amp; Mufti                  Advocates and Solicitors                  Nawa-i-Waqt House                  4 – Shahrah-e-Fatima Jinnah, Lahore                  Tel.: 36360824, Fax: 36303301</p>	
<b>Shares Registrar</b>	<p>Hameed Majeed Associates (Pvt.) Limited                  H. M. House, 7 – Bank Square, Lahore                  Tel: 37235081-2, Fax: 37358817</p>	
<b>Registered Office</b>	<p>5<sup>th</sup> Floor, NBP RHQs Building,                  26 – McLagon Road, Lahore                  Tel: 042-99211200, Fax: 042-99213247                  URL: <a href="http://www.nbmodaraba.com">http://www.nbmodaraba.com</a>                  E-mail: <a href="mailto:info@nbmodaraba.com">info@nbmodaraba.com</a></p>	

## Directors' Report

On behalf of the Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the Management Company of First National Bank Modaraba (FNBM), I am pleased to present the quarterly report, together with unaudited financial statements of FNBM for the quarter ended September 30, 2015.

After entering into a consolidation phase last year, FNBM made an even start in the first quarter of the current financial year, as is evident from the following financial figures:

	<i>Rupees</i>
Operating revenue	95,437,975
Operating expenses	92,414,861
Net Profit	(8,959,443)
Earnings per certificate	(0.36)

During the quarter under review FNBM booked new leases amounting to Rs.8.3 Million, and entered in diminishing musharika transactions amounting to Rs.6.9 Million. The balance sheet footing stood at Rs.1.116 Billion.

The Modaraba generated total income of Rs.95 Million in the quarter under review as compared to Rs.134 Million in the corresponding period last year. The reason being the decrease in rental income as a result of Quarter to Quarter decrease in ijarah investment portfolio from Rs.891 to Rs.637 Million. Financial charges stood at Rs.14 Million compared to Rs.26 Million mainly due to reduction in outstanding balance and in KIBOR rates. Additional provisioning of Rs.11.9 Million was charged against classified cases. As a result the net loss for the quarter figured at Rs.8.9 Million with EPC of (Rs.0.36). In the corresponding quarter last year the loss was Rs.13.3 Million with ECP of (Rs.0.53).

The Board would like to take this opportunity to thank its valued certificate holders and clients for their patronage, patience and consistent. Besides, the Board extends its sincere gratitude to Registrar Modarabas, SECP and NBF1 & Modaraba Association of Pakistan for their continued guidance and support.

**For and on behalf of the Board**



**Khaqan Hasnain Ibrahim**  
Chief Executive Officer



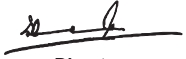
Lahore: October 29, 2015

## Quarterly Report - September 30, 2015

### CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT SEPTEMBER 30, 2015

	NOTE	(Un-audited)	(Audited)
		Sep 30 2015 Rupees	JUNE 30 2015 Rupees
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances		57,946,648	89,487,848
Short term morabaha finances - secured		133,250,826	142,205,887
Accrued profit		1,575,882	3,621,217
Ijarah rental receivable		48,238,005	58,284,350
Advances, prepayments and other receivables		20,027,435	27,418,946
Current portion of non-current assets		84,700,000	82,289,108
		345,738,796	403,307,356
<b>NON - CURRENT ASSETS</b>			
Net investment in lease / ijarah finance	5	16,845,108	20,895,185
Diminishing musharaka financing - secured		23,144,527	17,340,724
Long term morabaha finances - secured		89,251,432	92,676,970
Long term loans and deposits		4,754,812	4,585,119
Intangible Assets		110,186	146,016
Fixed asset under ijarah	6	637,649,737	709,030,283
Fixed assets - owned	6	97,670	367,358
		771,853,472	845,041,655
<b>Total Assets</b>		<b>1,117,592,267</b>	<b>1,248,349,011</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued profit payable		19,671,268	17,385,139
Deferred murabaha income		5,358,106	2,419,020
Short term finances - secured		51,406,756	134,685,179
Short term certificates of musharaka - unsecured	7	278,693,613	295,597,365
Creditors, advances, accrued and other liabilities		17,507,965	20,799,768
Current portion of long term liabilities		331,324,683	384,235,624
		703,962,391	855,122,095
<b>NON - CURRENT LIABILITIES</b>			
Long term security deposits		143,730,440	152,958,007
Long term certificates of musharaka	8	-	-
Long term finances - secured	9	107,833,625	68,333,333
Deferred murabaha income		29,500,000	30,410,322
		281,064,065	251,701,662
<b>Total Liabilities</b>		<b>985,026,456</b>	<b>1,106,823,757</b>
<b>NET ASSETS</b>		<b>132,565,811</b>	<b>141,525,254</b>
<b>FINANCED BY</b>			
<b>CAPITAL AND RESERVES</b>			
Issued, subscribed and paid up certificate capital	10	250,000,000	250,000,000
Reserves		(117,434,189)	(108,474,746)
		132,565,811	141,525,254
<b>CONTINGENCIES AND COMMITMENTS</b>			
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*The annexed notes form an integral part of these financial statements*



 <b>Chief Executive Officer</b> National Bank Modaraba Management Company Limited	 <b>Director</b> National Bank Modaraba Management Company Limited	 <b>Director</b> National Bank Modaraba Management Company Limited
Lahore: October 29, 2015		

## First National Bank Modaraba

### CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2015

	Quarter Ended	
	(Un-audited)	(Un-audited)
	Sep 30	Sep 30
	2015	2014
	Rupees	Rupees
<b>NOTE</b>		
<b>OPERATING REVENUE</b>		
Income from lease/ ijarah	91,828,688	126,789,614
Profit on diminishing musharaka investment	678,386	987,534
Profit on morabaha investment	1,473,890	4,140,993
Gain on sale fixed asset	1,267,093	1,930,586
Other income	189,918	133,298
	<b>95,437,975</b>	<b>133,982,025</b>
<b>OPERATING EXPENSES</b>		
Depreciation on ijarah assets	72,948,767	99,725,635
Operating expenses	5,020,327	7,197,713
Financial charges	14,445,767	26,137,181
	92,414,861	133,060,529
<b>OPERATING PROFIT / (LOSS) BEFORE PROVISION AND TAXATION</b>	<b>3,023,114</b>	<b>921,496</b>
Provision charged for non-performing receivables	11,982,557	14,273,000
	<b>(8,959,443)</b>	<b>(13,351,504)</b>
Modaraba Company's Management Fee	-	-
<b>LOSS BEFORE TAXATION</b>	<b>(8,959,443)</b>	<b>(13,351,504)</b>
Taxation	-	-
<b>LOSS AFTER TAXATION</b>	<b>(8,959,443)</b>	<b>(13,351,504)</b>
<b>EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>	<b>(0.36)</b>	<b>(0.53)</b>

*The annexed notes form an integral part of these financial statements*

 Chief Executive Officer National Bank Modaraba Management Company Limited	 Director National Bank Modaraba Management Company Limited	 Director National Bank Modaraba Management Company Limited
Lahore: October 29, 2015		

## Quarterly Report - September 30, 2015

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2015

	Quarter Ended	
	(Un-audited) September 30 2015 Rupees	(Un-audited) September 30 2014 Rupees
LOSS AFTER TAXATION	(8,959,443)	(13,351,504)
OTHER COMPREHENSIVE INCOME	-	-
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>(8,959,443)</b>	<b>(13,351,504)</b>

*The annexed notes form an integral part of these financial statements*

Lahore: October 29, 2015

  
Chief Executive Officer  
National Bank Modaraba  
Management Company Limited

  
Director  
National Bank Modaraba  
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Director  
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Management Company Limited

## First National Bank Modaraba

### CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2015

	NOTE	Sep 30 2015 (Un-audited) RUPEES	Sep 30 2014 (Un-audited) RUPEES
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>Profit before tax</b>		(8,959,443)	(13,351,504)
<b>Adjustment for:</b>			
Depreciation/ amortization		73,081,602	99,985,339
Allowance of Potential Loss - Ijarah & Morabaha		11,982,557	14,273,000
Gain on Sale of Fixed Assets		(1,267,093)	(1,930,586)
Finance Cost		14,445,767	26,137,181
		98,242,833	138,464,934
<b>(Increase)/ Decrease in operating assets</b>			
Accrued Profit		1,809,181	(388,163)
Ijarah rentals receivable		8,750,500	9,614,004
Advances, prepayments and other receivables		7,383,141	(25,143,011)
Short term morabaha investment		4,566,361	42,962,686
Investment in ijarah		1,436,106	4,550,508
Long term morabaha investment		60,590	9,623,227
		24,005,879	41,219,251
<b>Increase/ (Decrease) in operating liabilities</b>			
Creditors, accrued and other liabilities		(3,291,803)	3,405,797
Security deposits from lessees		(6,301,650)	(1,124,692)
		(9,593,453)	2,281,105
		14,412,427	43,500,356
<b>Cash generated from/ (used in) operations</b>		103,695,816	168,613,786
Finance cost paid		(12,159,638)	(13,877,535)
Income taxes paid		8,370	
Profit received on bank deposits		236,154	
<b>Net cash generated from operating activities</b>		<b>91,780,702</b>	<b>154,736,251</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Ijarah assets aquired		(8,380,400)	(47,943,670)
Fixed assets-own use acquired		-	
Proceeds from disposal of Fixed assets		8,251,956	37,347,338
Diminishing Musharika Financing		(6,997,806)	2,457,156
Long term loans and deposits-net		(180,143)	277,992
<b>Net cash used in investing activities</b>		<b>(7,306,393)</b>	<b>(7,861,184)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Short term finances		(83,278,423)	(132,896,785)
Short term certificates of musharaka		(16,903,752)	(6,212,407)
Long term certificates of musharaka		-	(1,000,000)
Long term finances-net		(15,833,334)	(17,385,936)
<b>Net cash used in financing activities</b>		<b>(116,015,509)</b>	<b>(157,495,128)</b>
<b>Net increase/decrease in cash and cash equivalents</b>		<b>(31,541,200)</b>	<b>(10,620,061)</b>
Cash and cash equivalents at the beginning of the year		89,487,848	42,800,533
<b>Cash and cash equivalents at the end of the year</b>		<b>57,946,648</b>	<b>32,180,472</b>

  
**Chief Executive Officer**  
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Lahore: October 29, 2015



## Quarterly Report - September 30, 2015

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2015

Particulars	Certificate Capital	Reserves			Total Equity
		Statutory reserve	Unappropriated profit / Accumulated loss	Total Reserves	
<b>Balance as at June 30, 2014</b>	250,000,000	43,955,189	(30,253,865)	13,701,324	263,701,324
Profit/(Loss) for the period ended September 30,2014	-	-	(13,351,504)	(13,351,504)	(13,351,504)
Transfer to Statutory reserves					
<b>Balance as at September 30, 2014</b>	<u>250,000,000</u>	<u>43,955,189</u>	<u>(43,605,369)</u>	<u>349,820</u>	<u>250,349,820</u>
Profit/(Loss) for the period ended June 30,2015	-		(108,824,566)	(108,824,566)	(108,824,566)
Transfer to statutory reserve					
<b>Balance as at June 30, 2015</b>	<u>250,000,000</u>	<u>43,955,189</u>	<u>(152,429,935)</u>	<u>(108,474,746)</u>	<u>141,525,254</u>
Loss for the period	-		(8,959,443)	(8,959,443)	(8,959,443)
Transfer to statutory reserve				-	-
<b>Balance as at September 30, 2015</b>	<u>250,000,000</u>	<u>43,955,189</u>	<u>(161,389,378)</u>	<u>(117,434,189)</u>	<u>132,565,811</u>

*The annexed notes form an integral part of these financial statements*

Lahore: October 29, 2015

  
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 National Bank Modaraba  
 Management Company Limited

  
**Director**  
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# First National Bank Modaraba

## SELECTED EXPLANATORY NOTES TO AND FORMING PART OF THE INTERIM FINANCIAL INFORMATION FOR THE PERIOD ENDED SEPTEMBER 30, 2015

### 1 LEGAL STATUS AND OPERATIONS

First National Bank Modaraba (" the Modaraba") is a multi purpose, perpetual and multi dimensional modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed there under and is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the Companies Ordinance, 1984 and registered with registrar of Modaraba Companies. The registered office of the Modaraba is situated at 5th floor, National Bank of Pakistan, Regional Headquarters Building, 26 - McLagon Road , Lahore. The Modaraba is listed on Karachi and Lahore stock exchanges. The Modaraba commenced its business operations on December 04, 2003 and is currently engaged in various islamic modes of financing and operations including Ijarah, Musharaka and Morabaha arrangements.

### 2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan and are in compliance with the International Accounting Standard 34 "Interim Financial Reporting" and being submitted to certificate holders as required by Section 245 of the Companies Ordinance, 1984.

### 3 ACCOUNTING POLICIES

These financial statements are unaudited. The accounting policies adopted for preparation of these interim financial statements are consistent with those applied in the preparation of the preceding annual published financial statements of the Modaraba for the year ended June 30, 2015.

### 4 TAXATION

The income of non-trading modarabas is exempt from income tax, provided not less than 90% of its profits are distributed to the certificate holders. The Modaraba intends to continue availing the tax exemption and hence no provision for tax liability for the quarter ended September 30, 2015 is made in the financial statements.

	Sep 30 2015	JUNE 30 2015
	Rupees	Rupees
<b>5 NET INVESTMENT IN LEASE / IJARAH FINANCE</b>		
Minimum lease / ijarah rentals receivable	87,208,519	89,658,519
Residual value of leased assets	5,134,881	5,134,881
Gross investment in lease / ijarah finance	92,343,400	94,793,400
Less: Unearned finance income	(33,209,092)	(34,222,986)
Net investment in lease / ijarah finance	59,134,308	60,570,414
Less: allowance for potential ijarah losses	7,289,200	5,658,000
Less: Current portion of net investment in lease / ijarah finance	35,000,000	34,017,229
	16,845,108	20,895,185
<b>6 FIXED ASSETS</b>		
<b>Leased out</b>	6.1	637,649,737
<b>Owned</b>	6.2	207,856
		<b>637,857,593</b>
<b>6.1 FIXED ASSETS - LEASED OUT</b>		
Opening written down value	709,030,283	978,597,812
Additions during the period		
<b>Tangible</b>		
Plant and machinery	8,380,400	45,980,194
Vehicles	133,221,300	179,201,494
	8,380,400	179,201,494
Book value of deletions during the period	(6,812,180)	(101,641,819)
Less:		
Depreciation / amortization charged during the period	(72,948,767)	(347,127,204)
	637,649,736	709,030,283

## Quarterly Report - September 30, 2015

	<b>Sep 30 2015</b>	<b>June 30 2015</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>6.2 FIXED ASSETS - OWNED</b>		
Opening written down value	367,358	803,386
Additions during the period		
<b>Tangible</b>		
Vehicles		
Computers and accessories		31,050
Office equipment		22,900
	-	53,950
Less:		
Disposal	(172,683)	-
Depreciation / amortization charged during the period	(97,005)	(489,978)
	97,670	367,358
<b>7 SHORT-TERM CERTIFICATES OF MUSHARAKA</b>		
This represents Certificates of Musharaka through private placements. These certificates have different denominations and are repayable within twelve months. These certificates carry profit on profit and loss sharing basis which ranges from 6.00% to 9.90% (30 June 2015: 6.50% to 9.90%) per annum.		
<b>8 LONG-TERM CERTIFICATES OF MUSHARAKA- UNSECURED</b>		
Certificates of musharaka (Unsecured)	-	-
Less: Current portion	-	-
	-	-
<b>9 LONG-TERM FINANCES</b>		
<b>Finance under musharaka arrangements</b>		
From National Bank of Pakistan	14,491,641	30,324,975
<b>Finance under morabaha arrangements</b>		
From other financial institutions	271,666,667	271,666,667
Less: current proportion	(178,324,683)	(233,658,309)
	107,833,625	68,333,333
<b>10 CERTIFICATE CAPITAL</b>		
<b>Number of Certificate</b>		
2015	2014	
<b>60,000,000</b>	60,000,000	
<b>Authorized:</b>		
		Modaraba certificates of Rs.10 each
		600,000,000
<b>25,000,000</b>	25,000,000	
<b>Issued, subscribed and paid up:</b>		
		Modaraba certificates of Rs.10 each fully paid in cash
		250,000,000
		250,000,000
<b>10.1</b>	7,500,000 (30 JUNE 2015: 7,500,000) certificates are held by National Bank Modaraba Management Company Limited.	
<b>11 CONTINGENCIES AND COMMITMENTS</b>		
Contingencies		
There were no contingencies as at 30 September 2015	NIL	NIL
Commitments - Facilities approved but not disbursed	NIL	37,799,500

## First National Bank Modaraba

### 12 OPERATING EXPENSES

	Quarter Ended	
	Sep 30 2015	Sep 30 2014
	Rupees	Rupees
Salaries, allowances and other benefits	4,067,348	6,035,192
Communication expenses	73,725	91,903
Traveling and conveyance	22,360	75,808
Vehicle running expenses	46,508	80,193
Postage and stamps	17,346	9,992
Advertisement	55,991	3,950
Legal and professional charges	173,793	221,130
Fee and subscription	179,502	185,058
Auditor's remuneration	-	
Repairs and maintenance	62,120	117,717
Insurance	27,899	-
Stationery, printing and other expenses	18,142	65,212
Depreciation / amortization	132,835	259,704
Entertainment	127,345	36,519
Other expenses	15,413	15,335
	<u>5,020,327</u>	<u>7,197,713</u>

### 13 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Modaraba management fee at the rate of 10% of the profit before tax has been recorded as payable to National Bank Modaraba Management Company Ltd U/s 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980

Transactions with related parties			Sep 30 2015	Sep 30 2014
Related Party	Relationship	Nature of Transactions	Rupees	Rupees
National Bank of Pakistan	Holding company	Musharaka obtained		
National Bank of Pakistan	Holding company	Musharaka repaid	126,819,575	73,028,028
National Bank of Pakistan	Holding company	Profit paid	1,325,448	5,266,458
National Bank of Pakistan	Holding company	Ijarah disbursed		
National Bank of Pakistan	Holding company	Ijarah Rentals Received	4,732,739	3,254,243
*Khawaja Muhammad Amin-ul-Azam	Director	Ijarah Rental Paid	138,184	
<b>Balances outstanding at the period end</b>			<b>Sep 30 2015</b>	<b>June 30 2015</b>
			<b>Rupees</b>	<b>Rupees</b>
Accounts balances with National Bank of Pakistan			12,145,979	3,582,560
Finances under musharaka arrangement from National Bank of Pakistan			19,081,098	145,900,675
Ijarah Rental Receivable from National Bank of Pakistan			3,840,314	3,244,575
Balance payable to Modaraba Management company				

\*The Ijarah has been fully settled.

## Quarterly Report - September 30, 2015

### 14 OTHERS

There were no other significant activities since September 30, 2015 affecting the financial statements.

### 15 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on October 29, 2015 by the Board of Directors of the National Bank Modaraba Management Company Limited.

### 16 GENERAL

Corresponding figures have been rearranged and reclassified wherever necessary for the purpose of comparison. Figures have been rounded off to the nearest rupee.



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

Lahore: October 29, 2015



**Director**  
National Bank Modaraba  
Management Company Limited



**Director**  
National Bank Modaraba  
Management Company Limited

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5th Floor, NBP RHQs Building,  
26 McLagon Road,  
Lahore.  
Tel : 99211200, Fax: 99213247