

QUARTERLY  
REPORT  
SEPTEMBER 30,

2018



**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, 2018*

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## First National Bank Modaraba

<b>Board of Directors</b>	<b>Mr. Muhammad Imran Malik</b> <b>MR. Rehmat Ali Hasnie</b> <b>Syed Jamal Baquar</b> <b>Khawaja Waheed Raza</b> <b>Mr. Jamal Nasim</b> <b>Mr. Muhammad Iqbal Hussain</b> <b>Mr. Abbas Azam</b>	Chairman Director Director Director Director Director CEO
<b>Shari'ah Advisor</b>	<b>Mufti Ehsan Waquar Ahmed</b>	
<b>Chief Financial Officer/ Company Secretary</b>	<b>Mr. Ali Abbass</b>	
<b>Audit Committee</b>	<b>Mr Jamal Nasim</b> <b>Syed Jamal Baquar</b> <b>Khawaja Waheed Raza</b>	Chairman Member Member
<b>HR &amp; Remuneration Committee</b>	<b>Khawaja Waheed Raza</b> <b>Mr. Rehmat Ali Hasnie</b> <b>Mr. Muhammad Iqbal Hussain</b>	Chairman Member Member
<b>Auditors</b>	<b>HORWATH HUSSAIN CHAUDHURY &amp; CO.</b> Chartered Accountants	
<b>Bankers</b>	<b>National Bank of Pakistan</b> <b>Bank Alfalah Limited</b> <b>Al Baraka Islamic Bank</b> <b>Habib Bank Limited</b> <b>MCB Bank Limited</b> <b>First Women Bank Limited</b> <b>Bank Islami Pakistan Limited</b>	
<b>Legal Advisor</b>	<b>Cornelius Lane &amp; Mufti</b> Advocates and Solicitors Nawa-i-Waqt House 4 - Shahrah-e-Fatima Jinnah, Lahore Tel.: 36360824, Fax: 36303301	
<b>Shares Registrar</b>	<b>Hameed Majeed Associates (Pvt.) Limited</b> H. M. House, 7 - Bank Square, Lahore Tel: 37235081-2, Fax: 37358817	
<b>Registered Office</b>	<b>Ground Floor, NBP RHQs Building,</b> <b>26 - McLagon Road, Lahore</b> Tel: 042-99211200, Fax: 042-99213247	

## Directors' Review Report

On behalf of the Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the Management Company of First National Bank Modaraba (FNBM), I am pleased to present the quarterly report, together with un-audited financial statements of FNBM for the quarter ended September 30, 2018.

During the period under review the focus of management remained on recovery. On the operations side the total income figured to Rs. 5.18 Million in the quarter under review as compared to Rs. 22.95 Million in the corresponding period last year. Financial cost remained almost the same at Rs. 4.2 Million compared to Rs. 4.4 Millions in the corresponding period. The operating expenses declined to Rs. 3.7 Million from Rs. 4.1 Million last year. This resulted in an operating loss of 6.6 million as against a profit of Rs. 0.1 Million in the corresponding quarter last year.

As a result of aforesaid the loss per certificate stood at Rs. (0.27) as compared to a profit per certificate of Rs. 0.24 in the corresponding quarter.

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

**For and on behalf of the Board**



**Chief Executive Officer**

Lahore: October 29, 2018

## ڈائریکٹرز جائزہ رپورٹ

مجھے بورڈ آف ڈائریکٹرز، نیشنل بینک مضاربہ مینجمنٹ کمپنی، منظم، فرسٹ نیشنل بینک مضاربہ کی جانب سے سہ ماہی 30 ستمبر 2018 کی رپورٹ اور رپورٹ اور ساتھ غیر احتسابی گوشوارہ پیش کرتے ہوئے خوشی محسوس ہو رہی ہے۔

زیر جائزہ سہ ماہی کے دوران انتظامیہ کی بنیادی توجہ وصولیابی پر مرکوز رہی۔ اس مقصد کے گزشتہ سال اسی مدت کے 22.95 ملین کے مقابلے میں زیر جائزہ سہ ماہی میں 5.18 ملین کل آمدنی رہی۔

مالیاتی لاگت 4.2 ملین گزشتہ مدت 4.4 ملین کے مقابلے میں تقریباً ایک سی رہی۔ مالی اخراجات گزشتہ سال 4.1 ملین کے مقابلے میں 5.7 ملین سے مقابلے میں کم رہے۔ نتیجے کے طور پر گزشتہ سال سہ ماہی منافع 0.1 ملین کے خلاف مالی خسارہ 6.6 ملین رہا۔

نتیجتاً حالیہ سہ ماہی میں فی حصص خسارہ 0.27 پر رہا مقابلتاً گزشتہ سہ ماہی فی حصص آمدنی 0.24 پر رہا۔

بورڈ اس موقع پر اپنے حالیہ حصص کا، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور مضاربہ ایسوسی ایشن آف پاکستان کا ان کی مسلسل حمایت، رہنمائی اور سرپرستی کا شکریہ ادا کرتا ہے۔

منجانب بورڈ (کے لئے)



چیف ایگزیکٹو آفیسر

لاہور: 30 اکتوبر، 2018

## Quarterly Report-September 30, 2018

### CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT SEPTEMBER 30, 2018

	NOTE	Un-Audited 30 Sep 2018 Rupees	Audited 30 June 2018 Rupees
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Bank balances		50,552,193	51,653,789
Short term murabaha investments - secured	3	16,308,001	16,308,001
Accrued profit		465,593	595,657
Ijarah rentals receivable		74,094,342	74,259,701
Advances, prepayments and other receivables		6,474,472	3,826,738
Investment in Sukuk Bonds		30,895,000	30,895,000
Current portion of non-current assets	4	<u>43,236,157</u>	<u>42,303,266</u>
		222,025,758	219,842,152
<b>NON-CURRENT ASSETS</b>			
Net investment in ijarah finance	5	<u>581,000</u>	<u>1,650,864</u>
Diminishing musharaka financing - secured	6	<u>1,755,819</u>	<u>1,977,113</u>
Long term murabaha investments - secured	7	<u>4,562,611</u>	<u>7,206,979</u>
		<u>332,965</u>	<u>470,143</u>
Intangible asset		-	-
Ijarah assets	8	<u>106,363,918</u>	<u>124,871,458</u>
Fixed assets - own use	9	<u>37,267</u>	<u>47,612</u>
Deferred income tax asset	10	<u>-</u>	<u>-</u>
		<u>113,633,580</u>	<u>136,224,169</u>
<b>TOTAL ASSETS</b>		<u>335,659,338</u>	<u>356,066,321</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued profit		<u>1,518,254</u>	<u>2,564,748</u>
Short term finances - secured	11	<u>217,063,388</u>	<u>217,063,388</u>
Creditors, accrued and other liabilities		<u>18,292,945</u>	<u>19,032,000</u>
Current portion of non-current liabilities	12	<u>93,804,852</u>	<u>104,053,372</u>
		<u>330,679,439</u>	<u>342,713,508</u>
<b>NON-CURRENT LIABILITIES</b>			
Security deposits against ijarah assets		<u>1,094,000</u>	<u>2,802,200</u>
Deferred murabaha income		<u>2,406,131</u>	<u>2,406,131</u>
		<u>3,500,131</u>	<u>5,208,331</u>
<b>TOTAL LIABILITIES</b>		<u>334,179,570</u>	<u>347,921,839</u>
<b>NET ASSETS</b>		<u>1,479,768</u>	<u>8,144,482</u>
<b>FINANCED BY</b>			
Certificate capital		250,000,000	250,000,000
Statutory reserves		43,955,189	43,955,189
Accumulated loss		(292,475,421)	(285,810,707)
<b>TOTAL EQUITY AND RESERVES</b>		<u>1,479,768</u>	<u>8,144,482</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			

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

			
Chief Executive Officer National Bank Modaraba Management Company Limited	Director National Bank Modaraba Management Company Limited	Director National Bank Modaraba Management Company Limited	Chief Financial Officer National Bank Modaraba Management Company Limited

Lahore: October 29, 2018

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	Un-Audited 30 September 2018 Rupees	Un-Audited 30 September 2017 Rupees
<b>INCOME</b>		
Ijarah rentals earned / income from ijarah finance	4,333,832	21,526,100
Profit on diminishing musharaka	252,685	688,561
Profit on musharika investments investments	-	43,056
Profit on bank deposits	332,974	418,621
Gain/ (Loss) on disposal of ijarah assets	248,281	261,991
Other income	20,168	10,000
	5,187,940	22,948,329
<b>EXPENSES</b>		
Depreciation on ijarah assets	(3,915,122)	(14,160,767)
Operating expenses	(3,737,887)	(4,115,428)
Finance cost	(4,199,645)	(4,486,855)
	(11,852,654)	(22,763,050)
<b>OPERATING (LOSS) PROFIT BEFORE PROVISION AND TAXATION</b>	(6,664,714)	185,279
Provision reversed / (charged) for doubtful receivables - net	-	6,392,557
	(6,664,714)	6,577,836
Modaraba management company fee	-	(657,784)
<b>PROFIT / (LOSS) BEFORE TAXATION</b>	(6,664,714)	5,920,052
Taxation		-
<b>PROFIT / (LOSS) AFTER TAXATION</b>	(6,664,714)	5,920,052
<b>EARNING / (LOSS) PER CERTIFICATE - BASIC AND DILUTED</b>	(0.27)	0.24

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

			
Chief Executive Officer National Bank Modaraba Management Company Limited	Director National Bank Modaraba Management Company Limited	Director National Bank Modaraba Management Company Limited	Chief Financial Officer National Bank Modaraba Management Company Limited

Lahore: October 29, 2018



## Quarterly Report-September 30, 2018

### CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	30 September 2018	30 September 2017
	Rupees	Rupees
PROFIT / (LOSS) AFTER TAXATION	(6,664,714)	5,920,052
OTHER COMPREHENSIVE INCOME	-	-
TOTAL COMPREHENSIVE INCOME / (LOSS) FOR THE PERIOD	<u>(6,664,714)</u>	<u>5,920,052</u>

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

  
Chief Executive Officer  
National Bank Modaraba  
Management Company Limited

  
Director  
National Bank Modaraba  
Management Company Limited

  
Director  
National Bank Modaraba  
Management Company Limited

  
Chief Financial Officer  
National Bank Modaraba  
Management Company Limited

Lahore: October 29, 2018

# First National Bank Modaraba

## CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2018

	30 September 2018 Rupees	30 September 2017 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit / (Loss) before taxation	(6,664,714)	5,920,052
<b>Adjustments for non-cash charges and other items:</b>		
Depreciation	3,915,122	14,160,767
Provision charged for doubtful receivables - net	-	(6,392,557)
(Gain) / loss on disposal of ijarah assets	(248,281)	(261,991)
Finance cost	4,199,645	4,486,855
Profit on bank deposits	(332,974)	(418,621)
	868,798	17,494,505
<b>Working capital changes</b>		
<b>(Increase) / decrease in operating assets</b>		
Accrued profit	463,038	(232,320)
Ijarah rentals receivable	165,359	8,069,089
Advances, prepayments and other receivables	(2,647,734)	3,272,970
Profit on Musahrika	-	(43,056)
Musharaka investments	1,495,202	(50,000,000)
Short term murabaha investments	-	-
Net investment in ijarah finance	-	24,144,125
Long term murabaha investments	1,492,000	1,503,680
<b>Increase / (decrease) in operating liabilities</b>		
Creditors, accrued and other liabilities	(739,055)	(1,645,428)
Security deposits against ijarah assets - net	(11,956,720)	(24,524,772)
	(11,727,910)	(39,455,712)
<b>Cash generated from operations</b>	(10,859,112)	(21,961,207)
Finance cost paid	(5,246,139)	(4,480,900)
Income taxes paid	(129,619)	-
Profit received on bank deposits	139,964	186,299
Long term loans and deposits - net	152,611	-
<b>Net cash generated from operating activities</b>	(15,942,295)	(26,255,808)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Proceeds from disposal of ijarah assets	14,840,699	20,314,360
<b>Net cash from / (used in) investing activities</b>	<b>14,840,699</b>	<b>20,314,360</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term finance - net	-	(18,378,000)
Long term finance - repaid	-	(8,333,334)
<b>Net cash used in financing activities</b>	-	(26,711,334)
<b>Net increase / (decrease) in cash and cash equivalents</b>	(1,101,596)	(32,652,782)
Cash and cash equivalents at the beginning of the period	51,653,789	49,707,521
<b>Cash and cash equivalents at the end of the period</b>	<b>50,552,193</b>	<b>17,054,739</b>

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

			
Chief Executive Officer National Bank Modaraba Management Company Limited	Director National Bank Modaraba Management Company Limited	Director National Bank Modaraba Management Company Limited	Chief Financial Officer National Bank Modaraba Management Company Limited

Lahore: October 29, 2018

## Quarterly Report-September 30, 2018

### CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018

CERTIFICATE CAPITAL	RESERVES			TOTAL EQUITY	
	CAPITAL	REVENUE	TOTAL		
	STATUTORY RESERVE	ACCUMULATED LOSS			
.....Rupees.....					
<b>Balance as at 30 June 2017 - (Audited)</b>	250,000,000	43,955,189	(277,622,119)	(233,666,930)	16,333,070
Profit for the period	-	-	5,920,052	5,920,052	5,920,052
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	5,920,052	5,920,052	5,920,052
<b>Balance as at 30 September 2017 - (Un-audited)</b>	250,000,000	43,955,189	(271,702,067)	(227,746,878)	22,253,122
Loss for the period	-	-	(14,108,640)	(14,108,640)	(14,108,640)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	(14,108,640)	(14,108,640)	(14,108,640)
<b>Balance as at 30 June 2018 - (Audited)</b>	250,000,000	43,955,189	(285,810,707)	(241,855,518)	8,144,482
Loss for the period	-	-	(6,664,714)	(6,664,714)	(6,664,714)
Other comprehensive income for the period	-	-	-	-	-
Total comprehensive loss for the period	-	-	(6,664,714)	(6,664,714)	(6,664,714)
<b>Balance as at 30 September 2018 - (Un-audited)</b>	250,000,000	43,955,189	(292,475,421)	(248,520,232)	1,479,768

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

			
Chief Executive Officer National Bank Modaraba Management Company Limited	Director National Bank Modaraba Management Company Limited	Director National Bank Modaraba Management Company Limited	Chief Financial Officer National Bank Modaraba Management Company Limited

Lahore: October 29, 2018

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2018

### 1 LEGAL STATUS AND NATURE OF BUSINESS

First National Bank Modaraba ("the Modaraba") is a multi-purpose, perpetual and multi-dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed thereunder. The Modaraba is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of National Bank of Pakistan), incorporated in Pakistan under the Companies Ordinance, 1984 (now Companies Act, 2017) and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore.

The Modaraba is listed on Pakistan Stock Exchange Limited. It commenced its operations on 04 December 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharaka and murabaha arrangements.

#### 1.1 Going concern assumption

During the year, the Modaraba made loss before 'Modaraba Company's Management Fee' of Rs. 6.664 (June 30, 2018: Rs. 8.179) million. As at the reporting date, its current liabilities exceed its current assets by Rs. 108.654 (June 30, 2018: Rs. 122.862) million and accumulated losses amount to Rs. 292.475 (June 30, 2018: Rs. 285.801) million. In purview of consistent losses the Registrar Modaraba has issued a show cause notice to the Modaraba as to why should the proceedings to wind up the Modaraba not be initiated in terms of Section 23(1)(ii)(b) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. These factors indicate the existence of material uncertainties that cast significant doubts about the Modaraba's ability to continue as a going concern, and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Modaraba's management has carried out an assessment of the going concern status of the Modaraba and believes that the preparation of these financial statements on going concern assumption is appropriate based on the following factors:

National Bank of Pakistan has resolved in its meeting of Board of Directors dated June 22, 2018 to review and reverse its earlier decision of the cessation of the business of the Modaraba and recapitalize the Modaraba by injecting Rs. 300 million against the issuance of 30 million certificates of Rs. 10 each to be issued by the Modaraba as other than 'Right Issue' subject to the approval of concerned regulators (the SECP and PSX). This resolution was made public through corporate announcement on PSX dated July 13, 2018.

Current liabilities of the Modaraba requiring cash outflow primarily relate to its creditors and other accrued liabilities. As the security deposits obtained against ijarah arrangements are likely to be adjusted against the residual values of the ijarah assets and NBP is likely to extend its continued support in terms of renewing the short term borrowing facilities, the Modaraba is not foreseeing any liquidity pressure. It is pertinent to mention that the Modaraba does not have to pay any other banking company / financial institution except for the NBP.

The management of the Modaraba is in correspondence with the SECP regarding the issuance of 30 million certificates to NBP against Rs. 300 million as other than right issue and the Board of Directors of the Modaraba Management Company has resolved to proceed in the same manner and has submitted a formal application with SECP along with the relevant fee.

The management has sufficiently provided against the doubtful portfolios of ijarah, murabaha and musharakah clients of the Modaraba and the remaining portfolio is adequately covered against collaterals held by the management; the management does not foresee any further heavy provision to be incorporated in the financial statements. Moreover, the management has filed suits and is in process of obtaining decretal orders from courts to dispose off the assets held by the Modaraba as collateral against its lendings.

The management has prepared its draft business plan that would cater for modernizing the policies and procedures, revisiting the ijarah business for auto sector, introducing new Islamic financial products, financing SMEs and raising finance from different sources.

### 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computations adopted for the preparation of this condensed interim financial information are the same as applied in the preparation of the preceding audited annual published financial statements of the Modaraba for the year ended 30 June 2018.

#### 2.1 Basis of Preparation

##### a) Statement of compliance

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

## Quarterly Report-September 30, 2018

the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), the Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP shall prevail.

This condensed interim financial information has been prepared in accordance with the International Accounting Standard (IAS 34) "Interim Financial Reporting" as applicable in Pakistan and notified by the Securities and Exchange Commission of Pakistan (SECP). This condensed interim financial information does not include all information and disclosures made in the annual published financial statements and therefore should be read in conjunction with the audited annual published financial statements of the Modaraba for the year ended 30 June 2018.

### b) Accounting convention

This condensed interim financial information has been prepared under the historical cost convention.

### c) Critical accounting estimates and judgments

The preparation of this condensed interim financial information in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Modaraba's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. During the preparation of this condensed interim financial information, the significant judgments made by the management in applying the Modaraba's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in preceding audited annual published financial statements of the Modaraba for the year ended 30 June 2018.

	Un-audited		Audited
	30 September	2018	30 June
	2018	2018	2018
	Rupees		Rupees
<b>3 SHORT TERM MURABAHA INVESTMENTS - SECURED</b>			
Considered good		-	-
Considered doubtful	243,770,960		243,770,960
	<u>243,770,960</u>		<u>243,770,960</u>
Add: Deferred murabaha income	2,654,776		2,654,776
	<u>246,425,736</u>		<u>246,425,736</u>
Less: Provision for non-performing murabaha investments	(227,462,959)		(227,462,959)
Less: Suspended income	(2,654,776)		(2,654,776)
	<u>16,308,001</u>		<u>16,308,001</u>
<b>4 CURRENT PORTION OF NON-CURRENT ASSETS</b>			
Net investment in ijarah finance (Note 5)	16,649,714		15,579,850
Diminishing musharaka financing - secured (Note 6)	19,143,395		20,417,303
Long term murabaha investments - secured (Note 7)	7,030,627		5,878,259
Long term loans and deposits	412,421		427,854
	<u>43,236,157</u>		<u>42,303,266</u>

### 5 NET INVESTMENT IN IJARAH FINANCE

	Un-audited 30 September 2018			Audited 30 June 2018		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	Rupees					
Minimum ijarah rentals receivable	50,306,681	534,300	50,840,981	45,655,427	5,185,554	50,840,981
Residual value of ijarah assets	2,221,514	46,700	2,268,214	2,221,514	46,700	2,268,214
Gross investment in ijarah finance	52,528,195	581,000	53,109,195	47,876,941	5,232,254	53,109,195
Less: Unearned finance income	(24,164,747)	-	(24,164,747)	(20,583,357)	(3,581,390)	(24,164,747)
Net investment in ijarah finance	28,363,448	581,000	28,944,448	27,293,584	1,650,864	28,944,448
Less: Provision for doubtful net investment in ijarah finance	(11,713,734)	-	(11,713,734)	(11,713,734)	-	(11,713,734)
	<u>16,649,714</u>	<u>581,000</u>	<u>17,230,714</u>	<u>15,579,850</u>	<u>1,650,864</u>	<u>17,230,714</u>
Less: Current portion (Note 4)			16,649,714			(15,579,850)
			<u>581,000</u>			<u>1,650,864</u>

# First National Bank Modaraba

	Un-audited 30 September 2018 Rupees	Audited 30 June 2018 Rupees
<b>6 DIMINISHING MUSHARAKA FINANCING - SECURED</b>		
Considered good	16,561,580	18,056,782
Considered doubtful	4,337,634	4,337,634
Provision against doubtful diminishing musharaka (Note 6.1)	-	-
	4,337,634	4,337,634
Less: Current portion (Note 4)	(19,143,395)	(20,417,303)
	<u>1,755,819</u>	<u>1,977,113</u>
<b>6.1</b> The provision against doubtful diminishing musharaka financing has not been incorporated as the forced sale value of collaterally held assets is greater than the amount receivable from the respective parties.		
<b>7 LONG TERM MURABAHA INVESTMENTS - SECURED</b>		
Considered good	9,067,988	10,559,988
Considered doubtful	69,301,582	69,301,582
	78,369,570	79,861,570
Add: Deferred murabaha income	31,913,554	31,913,554
	110,283,124	111,775,124
Less: Provision for non-performing murabaha investments	(69,301,582)	(69,301,582)
Less: Suspension for doubtful murabaha investments	(29,388,304)	(29,388,304)
Less: Current portion (Note 4)	(7,030,627)	(5,878,259)
	<u>4,562,611</u>	<u>7,206,979</u>
<b>8 IJARAH ASSETS</b>		
Opening net book value	124,871,458	247,443,653
Less: Book value of deletions during the period / year (Note 8.1)	(14,592,418)	(69,890,786)
	110,279,040	177,552,867
Less: Impairment loss	-	(12,401,104)
Less: Depreciation charged during the period / year	(3,915,122)	(40,280,305)
Closing net book value	<u>106,363,918</u>	<u>124,871,458</u>
<b>8.1 Book value of deletions</b>		
Plant and machinery	-	8,521,353
Vehicles	14,592,418	61,369,433
	<u>14,592,418</u>	<u>69,890,786</u>
	<b>30 September 2018 Rupees</b>	<b>30 June 2018 Rupees</b>
<b>9 FIXED ASSETS - OWN USE</b>		
Opening net book value	47,612	7,732
Add: Cost of additions during the period / year (Note 9.1)	-	60,500
	47,612	68,232
Less: Depreciation charged during the period / year	(8,248)	(20,620)
Closing net book value	<u>37,267</u>	<u>47,612</u>
<b>9.1 Cost of additions</b>		
Vehicles	-	39,000
Computers and accessories	-	21,500
Electric equipment	-	-
	<u>-</u>	<u>60,500</u>
<b>10 DEFERRED INCOME TAX ASSET</b>		
The deferred tax asset of Rs. 90.420 (30 June 2017: Rs. 90.420) million has not been recognized in these financial statements as the temporary differences are not expected to reverse in foreseeable future because taxable profits may not be available against which the temporary differences can be utilized.		
	<b>Un-audited 30 September 2018 Rupees</b>	<b>Audited 30 June 2018 Rupees</b>
<b>11 SHORT TERM FINANCES - SECURED</b>		
<b>From banking company</b>		
<b>Running finance</b>		
Associated undertaking - National Bank of Pakistan	217,063,388	217,063,388
<b>12 CURRENT PORTION OF NON-CURRENT LIABILITIES</b>		
Security deposits against ijarah assets	93,685,733	103,934,253
Long term finance - secured (Note 13)	-	-
Deferred murabaha income	119,119	119,119
	<u>93,804,852</u>	<u>104,053,372</u>
<b>13 CERTIFICATE CAPITAL</b>		
<b>Authorised certificate capital</b>		
60,000,000 (30 June 2018: 60,000,000) modaraba certificates of Rupees 10 each	600,000,000	600,000,000
<b>Issued, subscribed and paid-up certificate capital</b>		
25,000,000 (30 June 2018: 25,000,000) modaraba certificates of Rupees 10 each	<u>250,000,000</u>	<u>250,000,000</u>

## Quarterly Report-September 30, 2018

13.1 7,500,000 (30 June 2018: 7,500,000) certificates of the Modaraba are held by National Bank Modaraba Management Company Limited, the management company.

### 14 CONTINGENCIES AND COMMITMENTS

14.1 Commissioner Inland Revenue (Appeals) raised demand of tax payables of Rs. 333.26 million for tax year 2011. Appeal filed before the Commissioner Appeals Inland Revenue. The demand is deleted. The department has filed an appeal against the order of the Commissioner Appeals before the Appellate Tribunal. The notice of hearing is awaited from the Tribunal.

14.2 Commissioner Inland Revenue (Appeals) raised demand of tax payables of Rs. 127.362 million for tax year 2014. Appeal filed before the Commissioner Appeals Inland Revenue. The demand is deleted. The department has filed an appeal against the order of the Commissioner Appeals before the Appellate Tribunal. The notice of hearing is awaited from the Tribunal.

### 15 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies, modaraba management company and its holding undertaking, directors of the Modaraba management company and key management personnel. Detail of transactions with related parties and balances outstanding with them at the reporting dates are as follows:

	Un-audited 30 September 2018	Audited 30 June 2018
<b>15.1 Balances outstanding at the period / year end</b>		
Bank accounts with National Bank of Pakistan	455,374	384,760
Finances from National Bank of Pakistan	217,063,388	217,063,388

	Un-audited 30 September 2018	Un-audited 30 September 2018
	Rupees	Rupees

### 15.2 Transactions during the period

Related party	Relationship	Nature of Transaction		
National Bank of Pakistan	Modaraba management company's holding company	Short term finance repaid - net	-	26,711,334
		Ijarah rentals received	1,677,252	3,146,011
		Profit accrued	4,199,645	4,486,855
		Profit paid	5,246,139	4,480,900
National Bank Modaraba Management Company Limited	Modaraba management company	Modaraba management company fee	-	657,784

### 16 FINANCIAL RISK MANAGEMENT

The Modaraba's financial risk management objectives and policies are consistent with those disclosed in preceding audited annual published financial statements of the Modaraba for the year ended 30 June 2017.

### 17 SEGMENT REPORTING

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer of the modaraba management company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

The Modaraba also has a diversified certificate holder population. As at reporting date, there was only one (30 June 2018: one) certificate holder (National Bank Modaraba Management Company Limited) who held more than 10% of the Modaraba's certificate capital. Its holding was 30% (30 June 2018: 30%).

## 18 DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information (un-audited) has been approved by the Board of Directors of National Bank Modaraba Management Company Limited and authorized for issue on October 29, 2018.

## 19 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. However, no significant reclassification has been made.

## 20 General

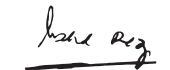
Figures have been rounded off to the nearest rupee.



Chief Executive Officer  
National Bank Modaraba  
Management Company Limited



Director  
National Bank Modaraba  
Management Company Limited



Director  
National Bank Modaraba  
Management Company Limited



Chief Financial Officer  
National Bank Modaraba  
Management Company Limited

Lahore: October 29, 2018



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