

QUARTERLY  
REPORT  
MARCH 31,

2019



**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* *March 31, 2019*

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## CORPORATE INFORMATION

<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>Farah Aslam</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 URL: <a href="http://www.nbmodaraba.com">http://www.nbmodaraba.com</a> E-mail: <a href="mailto:info@nbmodaraba.com">info@nbmodaraba.com</a>	

## 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 present the quarterly report, together with un-audited financial statements of FNBM for the quarter and nine month ended March 31, 2019.

During the period under review the focus of management remained on recovery, particularly from the classified portfolio. On the operations side the total income figured to Rs.17.1 Million in the nine month under review as compared to Rs.64.42 Million in the corresponding period last year. However due to significant increase in market mark-up rates the Financial cost surged by almost 57% to Rs.15.65 Million as compared to Rs.9.96 Millions in the corresponding period. Operating expenses stood at Rs.11.51 Million when compared to Rs.11.19 Million in the corresponding period last year. The net result was a loss of Rs. 23.88 million as against a profit of Rs.1.05 Million in the corresponding nine months. The loss per certificate stood at Rs.(0.96 ) as compared to profit per certificate of Rs.0.04 in the corresponding period.

In order to restore the capital base the parent bank NBP intends to recapitalize FNBM by directly investing an amount of Rs.300 Million in its equity. In this respect NBP is in the process of obtaining necessary regulatory approval of SBP. The management is confident that with the injection of Rs. 300 Million in equity it would be able to execute its proposed new business plan and become profitable.

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: April 25, 2019

## ڈائریکٹرز کی جائزہ رپورٹ

فرسٹ نیشنل بینک مضاربہ (FNBM) کی انتظامی کمپنی نیشنل بینک مضاربہ مینجمنٹ کمپنی لمیٹڈ (NBMMCL) کے بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ 2019 کی اختتام پذیر نو ماہی / تیسری ششماہی رپورٹ بمعہ فرسٹ نیشنل بینک مضاربہ (FNBM) کے غیر پڑتال شدہ مالیاتی گوشوارے پیش کیے جا رہے ہیں۔

زیر جائزہ حالیہ مدت میں انتظامیہ کی توجہ وصولی خصوصاً نادہندگان پر رہی۔ آپریشن پر نظر دوڑائیں تو گزشتہ سال اسی مدت میں 64.42 ملین روپے کے مقابلے میں رواں نو ماہی میں 17.1 ملین روپے کل آمدنی ریکارڈ ہوئی تاہم مارکیٹ شرح منافع میں اضافہ کی وجہ سے گزشتہ نو ماہی 9.96 ملین روپے کی مالیاتی لاگت کے مقابلہ میں 15.65 ملین روپے بحساب 57 فیصد اضافہ ریکارڈ کیا گیا۔


آپریشنل اخراجات گزشتہ سال اسی دورانیہ میں 11.19 ملین روپے کے مقابلے میں رواں مدت 11.51 ملین روپے پر برقرار رہے۔ گزشتہ نو ماہی میں 1.05 ملین روپے منافع کی نسبت اس نو ماہی 23.88 ملین روپے کا خسارہ ہوا۔ اس مدت میں خسارہ فی سرٹیفیکٹ 0.96 ریکارڈ ہوا جو کہ گزشتہ اسی دورانیہ میں منافع فی سرٹیفیکٹ 0.04 پر تھا۔

کمپیٹل بیس کو بحال کرنے کے لیے بانی بینک نیشنل بینک آف پاکستان (NBP) فرسٹ نیشنل بینک مضاربہ (FNBM) کو ری کمپیٹلائز کرنے کا خواہاں ہے جس میں 300 ملین روپے کی سرمایہ کاری شامل ہے اس تناظر میں SBP, NBP کی ضروری منظوری کے حصول کے لیے کوشاں ہیں۔

انتظامیہ ایکویٹی میں 300 ملین روپے کی فراہمی کے ساتھ پر عزم ہے کہ وہ اپنا مجوزہ کاروباری منصوبہ پر عمل درآمد کے قابل ہو جائے گی اور کمپنی منافع بخش ہو جائے گی۔

بورڈ اپنے سرٹیفیکٹ ہولڈرز کے اعتماد اور مسلسل صبر کا شکر گزار ہے۔ علاوہ ازیں، بورڈ رجسٹرڈ مضاربہ، SECP اور NBFی مضاربہ ایسوسی ایشن آف پاکستان کی مسلسل حمایت و رہنمائی کے شکر گزار ہیں۔

برائے/منجانب بورڈ آف ڈائریکٹرز



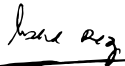

  
چیف ایگزیکٹو آفیسر

لاہور: اپریل 25، 2019ء

**CONDENSED INTERIM BALANCE SHEET (UNAUDITED)  
AS AT MARCH 31, 2019**

	Note	March 31, 2019 (Un-audited) Rupees	June 30, 2018 (Audited) Rupees
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances		9,370,706	51,653,789
Short term murabaha investments - secured	5	16,138,222	16,308,001
Accrued profit		2,634,892	1,097,997
Short term investments	6	74,099,776	30,895,000
Ijarah rentals receivable	7	76,307,127	74,259,701
Advances, prepayments and other receivables		3,450,867	3,324,398
Current portion of non current assets	8	37,007,275	42,303,266
<b>NON-CURRENT ASSETS</b>		219,008,865	219,842,152
Net investment in ijarah finance	9	-	1,650,864
Diminishing musharaka financing - secured	10	42,524	1,977,113
Long term murabaha investments - secured	11	2,525,248	7,206,979
Long term loans and deposits		224,201	470,143
Intangible asset		-	-
Fixed assets under ijarah arrangements	12	88,574,739	124,871,458
Fixed assets - own use	13	39,747	47,612
Deferred tax asset	14	-	-
<b>TOTAL ASSETS</b>		310,415,324	356,066,321
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued profit		1,920,981	2,564,748
Short term finances - secured		217,063,388	217,063,388
Creditors, accrued and other liabilities		17,432,689	19,032,000
Current portion of non-current liabilities	15	85,630,243	104,053,372
		322,047,301	342,713,508
<b>NON-CURRENT LIABILITIES</b>			
Security deposits against ijarah assets	16	1,894,500	2,802,200
Deferred murabaha income		2,217,767	2,406,131
		4,112,267	5,208,331
<b>TOTAL LIABILITIES</b>		326,159,568	347,921,839
<b>NET ASSETS</b>		(15,744,244)	8,144,482
<b>FINANCED BY:</b>			
Certificate capital	17	250,000,000	250,000,000
Statutory reserves		43,955,189	43,955,189
Accumulated loss		(309,699,433)	(285,810,707)
<b>CONTINGENCIES AND COMMITMENTS</b>	18	-	-
<b>TOTAL EQUITY AND RESERVES</b>		(15,744,244)	8,144,482

The annexed notes from 1 to 23 form an integral part of these condensed interim financial information (un-audited).

			
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: April 25, 2019

# Quarterly Report-March 31, 2019

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

	Nine Months Ended		Quarter Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	Rupees	Rupees	Rupees	Rupees
<b>INCOME FROM OPERATIONS</b>				
Ijarah rentals earned / income from ijarah financing	10,610,913	55,609,199	4,731,129	12,976,762
Profit on diminishing musharaka financing	1,667,990	1,554,361	458,223	431,145
Profit on murabaha investments	-	199,100	-	-
Profit on bank deposits	871,999	713,239	36,101	81,964
Loss on disposal of ijarah and owned assets	(176,396)	5,031,661	(584,278)	838,516
Profit on short term investment	4,199,573	1,317,114	2,492,092	625,654
	17,174,079	64,424,674	7,133,267	14,954,041
<b>OTHER INCOME</b>				
Reversal of provision charged for doubtful receivables	170,944	3,234,441	-	-
Other income	32,965	127,088	4,255	-
	203,909	3,361,529	4,255	-
<b>TOTAL INCOME</b>	<b>17,377,988</b>	<b>67,786,203</b>	<b>7,137,522</b>	<b>14,954,041</b>
<b>EXPENSES</b>				
Depreciation on ijarah assets	(12,345,916)	(36,855,360)	(2,804,810)	(9,306,958)
Operating expenses	(11,515,375)	(11,197,078)	(3,407,774)	(3,739,185)
Finance cost	(15,656,300)	(9,962,266)	(5,791,301)	(1,868,213)
<b>TOTAL EXPENSES</b>	<b>(39,517,591)</b>	<b>(58,014,704)</b>	<b>(12,003,885)</b>	<b>(14,914,356)</b>
<b>Operating (Loss) / Profit before Provision and Taxation</b>	<b>(22,139,603)</b>	<b>9,771,499</b>	<b>(4,866,363)</b>	<b>39,685</b>
Provision charged for doubtful receivables - net	(1,749,123)	-	-	-
Impairment loss on ijarah assets - net	-	(8,368,237)	-	-
	(23,888,726)	1,403,262	(4,866,363)	39,685
Modaraba Company's management fee	-	(140,326)	486,636	(3,968)
<b>(Loss) / Profit before Taxation</b>	<b>(23,888,726)</b>	<b>1,262,936</b>	<b>(4,379,727)</b>	<b>35,717</b>
Taxation	-	(208,630)	-	-
<b>Net (Loss) / Profit for the Period</b>	<b>(23,888,726)</b>	<b>1,054,306</b>	<b>(4,379,727)</b>	<b>35,717</b>
<b>LOSS / PROFIT PER CERTIFICATE - BASIC AND DILUTED</b>	<b>(0.96)</b>	<b>0.04</b>	<b>(0.18)</b>	<b>-</b>

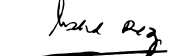
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National Bank Modaraba  
Management Company Limited



Director  
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Management Company Limited



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Chief Financial Officer  
National Bank Modaraba  
Management Company Limited

Lahore: April 25, 2019

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

	Nine Months Ended		Quarter Ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	Rupees	Rupees	Rupees	Rupees
<b>Net (Loss) / Profit for the Period</b>	(23,888,726)	1,054,306	(4,379,727)	35,717
Other comprehensive income / (loss) for the period	-	-	-	-
<b>Total Comprehensive (Loss) / Income for the Period</b>	<u>(23,888,726)</u>	<u>1,054,306</u>	<u>(4,379,727)</u>	<u>35,717</u>

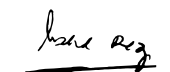
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Management Company Limited

Lahore: April 25, 2019



# Quarterly Report-March 31, 2019

## CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2019

	Nine Months Ended	
	March 31, 2019	March 31, 2018
	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Net (loss) / profit for the period</b>	(23,888,726)	1,262,936
Adjustment for:		
- Depreciation on fixed assets under own use	7,865	-
- Depreciation on fixed assets under ijarah arrangements	12,345,916	36,868,825
- Impairment on fixed assets under ijarah arrangements	-	8,368,237
- Loss on termination of ijarah arrangements	1,277,643	(5,031,661)
- Gain on sale of fixed assets under owned use	(25,000)	-
- Profit on short term investments	(4,199,573)	-
- Charge / (reversal) of provision against doubtful ijarah rentals receivable - net	236,657	(3,234,441)
- Reversal of provision against doubtful other receivables - net	(1,247,191)	-
- Reversal of provision against diminishing Musharaka finance - net	-	-
- Charge / (reversal) of provision against net investment in ijarah finance - net	1,512,466	-
- (Reversal) / charge of provision long term murabaha investments - net	-	-
- Finance cost	15,656,300	9,962,266
- Deferred murabaha income	(237,728)	-
- Profit on term deposit receipts and bank deposits	(871,999)	(713,239)
	<u>24,455,356</u>	<u>46,219,987</u>
<b>Operating profit before working capital changes</b>	566,630	47,482,923
Decrease / (Increase) in operating assets:		
- Accrued profit	2,662,678	(159,968)
- Ijarah rentals receivable	(2,284,083)	(10,641,597)
- Advances, prepayments and other receivables	1,570,366	(397,493)
- Short term murabaha investments	169,779	-
- Net investment in ijarah finance	-	20,985,746
- Diminishing Musharaka financing	7,474,250	11,318,036
- Long term murabaha investments	4,476,505	2,433,255
Decrease in operating liabilities:		
- Creditors, accrued and other liabilities	(1,599,311)	(9,243,619)
- Security deposits against ijarah assets - net	-	(62,580,948)
	<u>12,470,184</u>	<u>(48,286,588)</u>
<b>Net changes in working capital</b>	13,036,814	(803,665)
<b>Net Cash Generated from / used in Operating Activities</b>	(16,300,067)	(11,524,183)
Finance cost paid	(449,644)	(84,391)
Income taxes paid	871,999	713,239
Profit received on bank deposits	345,896	664,853
Long term loans and deposits - net	(2,495,002)	(11,034,147)
<b>Net Cash (Used in) / Generated from Operating Activities</b>	(16,300,067)	(11,524,183)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed assets - own use	-	(55,500)
Short term investments	(43,204,776)	(58,000,000)
Proceeds from disposal of own assets	25,000	-
Proceeds from disposal of ijarah assets	3,391,695	69,069,023
<b>Net Cash Used in Investing Activities</b>	(39,788,081)	11,013,523
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Short term finances - net	-	15,428,634
Long term finances - repaid	-	(18,749,995)
<b>Net Cash Used in Financing Activities</b>	-	(3,321,361)
<b>Net Decrease in Cash and Cash Equivalents</b>	(42,283,083)	(3,341,985)
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>	<u>9,370,706</u>	<u>46,365,536</u>

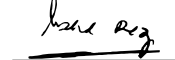
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Management Company Limited

Lahore: April 25, 2019

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

Particulars	Certificate Capital	Statutory Reserves	Accumulated Loss	Total Equity
	Rupees			
Balance as at June 30, 2017	250,000,000	43,955,189	(277,622,119)	16,333,070
Net profit for the period	-	-	1,054,306	1,054,306
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive income for the period March 31, 2019</b>	-	-	1,054,306	1,054,306
<b>Balance as at March 31, 2018</b>	<b>250,000,000</b>	<b>43,955,189</b>	<b>(276,567,813)</b>	<b>17,387,376</b>
Balance as at June 30, 2018	250,000,000	43,955,189	(285,810,707)	8,144,482
Net loss for the period	-	-	(23,888,726)	(23,888,726)
Other comprehensive income for the period	-	-	-	-
<b>Total comprehensive loss for the period March 31, 2019</b>	-	-	(23,888,726)	(23,888,726)
<b>Balance as at March 31, 2019</b>	<b>250,000,000</b>	<b>43,955,189</b>	<b>(309,699,433)</b>	<b>(15,744,244)</b>

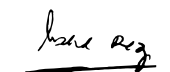
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Lahore: April 25, 2019

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE NINE MONTHS ENDED MARCH 31, 2019**

Note 1

**Legal Status and Nature of Business**

- 1.1 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 the National Bank of Pakistan (NBP)), incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now the 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 (PSX). It commenced its operations on December 4, 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharaka and murabaha arrangements.

1.2 **Going concern assumption**

During the nine months period ended on March 31, 2019, the Modaraba made loss before 'Modaraba Company's Management Fee' of Rs. 23.888 million. As at the reporting date, its current liabilities exceed its current assets by Rs. 103.038 million (2018: Rs. 122.871 million), its accumulated losses aggregate to Rs. 309.699 million (2018: Rs. 285.811 million) and its net liabilities exceed its net assets by Rs. 15.744 million. Although total security deposits amounting to Rs. 87.455 million are adjustable against ijarah assets, i.e. these are not repayable, and apart from short term borrowings obtained from NBP there are no major payables; 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 in purview of consistent operating losses of the Modaraba.

In view of above, Board of Directors of the National Bank of Pakistan resolved in its meeting dated June 22, 2018 to review and reverse its earlier decision of the cessation of the business of the Modaraba and decided to recapitalize the Modaraba by injecting Rs. 300 million against the issuance of 30 million certificates of Rs. 10 each'. This resolution was made public through corporate announcement on PSX dated July 13, 2018. To this effect, in its extraordinary general meeting of the certificate holders of First National Bank Modaraba dated November 30, 2018, a special resolution was passed for issuance of 30 million Modaraba certificates of Rs. 10 each, valuing Rs. 300 million in aggregate, to National Bank of Pakistan, as otherwise than right.

The Securities and Exchange Commission of Pakistan (SECP) has given its approval on December 3, 2018 for issuance of further certificates, other than right to National Bank of Pakistan. Consequently, on January 23, 2018 National Bank of Pakistan applied to the State Bank of Pakistan seeking approval of injection of Rs. 300 Million in the equity of the Modaraba. The approval of injection of equity through the aforementioned arrangement is awaited from the SBP. The management is confident that with the injection of Rs. 300 million it would be able to execute its proposed business plan and become profitable.

However, in the absence of fresh equity and execution of the business plans as intended by the management, the above factors indicate the existence of material uncertainty that casts 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. Therefore, these condensed interim financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively.

## Note 2

### **Basis of Preparation**

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- 2.1** This condensed interim financial information has been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan (SECP) and is in compliance with the International Accounting Standard - 34 (Interim Financial Reporting) and being submitted to certificate holders as required under law.
- 2.2** This financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2018. Comparative balance sheet is extracted from annual audited financial statements for the year ended June 30, 2018; whereas, comparative profit and loss account, statement of comprehensive income, cash flows statement and statement of changes in equity are extracted from unaudited interim financial information for the quarter ended on March 31, 2018.
- 2.3** These financial information have been prepared under the historical cost convention except for the measurement of certain financial instruments at fair value in accordance with the requirements of IFRS-9 (Financial Instruments: Recognition and Measurement) and at the overall contract price in accordance with IFAS-1 (Murabaha).
- 2.4** This condensed interim financial information (un-audited) is presented in Pak Rupees, which is the Modaraba's functional and presentational currency. All the figures have been rounded off to the nearest Pak Rupees unless stated otherwise.

## Note 3

### **Accounting Policies**

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The accounting policies adopted for the preparation of this condensed interim financial information (un-audited) are consistent with those applied in the preparation of annual audited financial statements of Modaraba for the year ended June 30, 2018.

#### **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 Madaraba's accounting policies and the key sources of estimation and uncertainty were the same as those that applied in preceding audit annual published financial statements of the Modaraba for the year ended June 30, 2018.

#### **Estimated realizable / settlement values of assets and liabilities respectively**

Based on the management's best estimate, as on the reporting date, carrying values of assets and liabilities reflect estimated realizable / settlement values respectively. Accordingly the Madaraba has recognized provision for doubtful short term murabaha investments of Rs. 227.463 million and provision for ijarah rental receivable of Rs. 25.540 million also on the basis of subjective evaluation of non-performing receivable / assets in addition to the time based criteria given in the regulation of classification and provisioning for non-performing assets in Prudential Regulation for Modarabas.

## Note 4

### **Taxation**

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Under the current tax law, the income of non-trading modarabas is exempt from tax provided that they distribute ninety (90) percent of their profits as cash dividend to the certificate holders out of current period's total profit after appropriating statutory reserves. Where such profits are not distributed, provision for tax is made on taxable income at the current tax rates applicable to Modaraba after taking into account the available tax exemptions and tax credits, if any. No provision for tax liability has been incorporated in this condensed interim financial information (un-audited) due to losses during the period. Moreover, being prudent, the Modaraba has not recognized deferred tax asset as taxable profits in near foreseeable future are not certain.

# Quarterly Report-March 31, 2019

Note 5

## Short Term Murabaha Investments - Secured

	March 31, 2019	June 30, 2018
	(Un-audited) Rupees	(Audited) Rupees
Considered good	-	-
Considered doubtful	243,601,181	243,770,960
	<u>243,601,181</u>	<u>243,770,960</u>
Add: Deferred murabaha income	2,654,776	2,654,776
	<u>246,255,957</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><u>16,138,222</u></u>	<u><u>16,308,001</u></u>

Note 6

## Short Term Investments

	March 31, 2019	June 30, 2018
	(Un-audited) Rupees	(Audited) Rupees
<b>Investments in sukuk of 100,000 each - available for sale</b>		
- Neelum Jehlum 450 (June 30, 2018: 200) of Rs 100,000 each	44,087,776	20,895,000
- Byco Petroleum Pakistan Limited 200 (June 30, 2018: 100) of Rs. 100,000 each	20,012,000	10,000,000
	<u>64,099,776</u>	<u>30,895,000</u>
- First Habib Modaraba Investments in Musharika Certificates (June 30, 2018: Nil)	10,000,000	-
	<u>74,099,776</u>	<u>30,895,000</u>

Note 7

## Ijarah Rentals Receivable

	March 31, 2019	June 30, 2018
	(Un-audited) Rupees	(Audited) Rupees
Considered good - secured	2,047,417	13,639,189
Considered doubtful	122,518,343	108,642,488
Less: Provision for doubtful ijarah rentals receivable	(25,540,095)	(25,303,438)
Less: Profit held in suspense account	(22,718,538)	(22,718,538)
	<u>74,259,710</u>	<u>60,620,512</u>
	<u><u>76,307,127</u></u>	<u><u>74,259,701</u></u>

7.1 This represents rentals receivable against assets leased out under ijarah arrangements.

	March 31, 2019	June 30, 2018
	(Un-audited) Rupees	(Audited) Rupees
7.2 Movement in provision against doubtful ijarah rentals receivable are as follows:		
Opening balance	25,303,438	20,363,489
Charged during the year	236,657	3,001,740
Adjustment / reclassified from suspended profit	-	1,938,209
Net charged during the year	<u>236,657</u>	<u>4,939,949</u>
Closing balance	<u><u>25,540,095</u></u>	<u><u>25,303,438</u></u>

# First National Bank Modaraba

Note 8

## Current Portion of Non Current Assets

	Note	March 31, 2019	June 30, 2018
		(Un-audited) Rupees	(Audited) Rupees
Net investment in ijarah finance	9	15,718,248	15,579,850
Diminishing Musharika financing	10	14,877,642	20,417,303
Long term murabaha investments	11	6,083,485	5,878,259
Long term loans and deposits		327,900	427,854
		<u>37,007,275</u>	<u>42,303,266</u>

Note 9

## Net Investment in Ijarah Finance

Net Investment in Ijarah Finance	March 31, 2019			June 30, 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-----			-----Rupees-----		
	----- (Un-Audited) -----			----- (Audited) -----		
Minimum ijarah rentals receivable	50,840,981	-	50,840,981	45,655,427	5,185,554	50,840,981
Residual value of ijarah assets	2,268,214	-	2,268,214	2,221,514	46,700	2,268,214
Gross investment in ijarah finance	53,109,195	-	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 lease ijarah finance	28,944,448	-	28,944,448	27,293,584	1,650,864	28,944,448
Less: Provision for doubtful net investment in ijarah finance (Note 9.1)	(13,226,200)	-	(13,226,200)	(11,713,734)	-	(11,713,734)
	<u>15,718,248</u>	<u>-</u>	<u>15,718,248</u>	<u>15,579,850</u>	<u>1,650,864</u>	<u>17,230,714</u>
Less: Current portion (Note 8)			(15,718,248)			(15,579,850)
			<u>-</u>			<u>1,650,864</u>

9.1 Movement in provision against doubtful net investment in ijarah finance is as follows:

	March 31, 2019	June 30, 2018
	(Un-audited) Rupees	(Audited) Rupees
Opening balance	11,713,734	22,906,852
Charged during the year	1,512,466	-
Reversed during the year	-	(11,193,118)
Net charged during the year	<u>1,512,466</u>	<u>(11,193,118)</u>
Closing balance	<u>13,226,200</u>	<u>11,713,734</u>

# Quarterly Report-March 31, 2019

Note 10

## Diminishing Musharaka Financing - Secured

		March 31, 2019	June 30, 2018
	Note	(Un-audited) Rupees	(Audited) Rupees
Considered good		10,582,532	18,056,782
Considered doubtful		4,337,634	4,337,634
Provision against doubtful diminishing Musharika		-	-
		<u>4,337,634</u>	<u>4,337,634</u>
		14,920,166	22,394,416
Less: Current portion	8	<u>(14,877,642)</u>	<u>(20,417,303)</u>
		<u>42,524</u>	<u>1,977,113</u>

Note 11

## Long Term Murabaha Investments - Secured

Considered good		6,321,214	10,559,988
Considered doubtful		69,301,579	69,301,582
		<u>75,622,793</u>	<u>79,861,570</u>
Add: Deferred murabaha income		31,675,826	31,913,554
		<u>107,298,619</u>	<u>111,775,124</u>
Less: Provision for doubtful murabaha investments		(69,301,582)	(69,301,582)
Less: Suspension for doubtful murabaha investments		<u>(29,388,304)</u>	<u>(29,388,304)</u>
		8,608,733	13,085,238
Less: Current portion	8	<u>(6,083,485)</u>	<u>(5,878,259)</u>
		<u>2,525,248</u>	<u>7,206,979</u>

Note 12

## Fixed Assets under Ijarah Arrangements

Written down value at the beginning of the period / year		124,871,458	247,443,653
Additions at cost		-	-
Less: Written down value of assets disposed off		<u>(23,950,803)</u>	<u>(69,890,786)</u>
		100,920,655	177,552,867
Less: Depreciation charged during the period / year		(12,345,916)	(40,280,305)
Less: Impairment charged during the period / year		-	(12,401,104)
		<u>88,574,739</u>	<u>124,871,458</u>

### 12.1 Written down value of assets disposed off

Plant and Machinery	-	8,521,353
Vehicle	23,950,803	61,369,433
	<u>23,950,803</u>	<u>69,890,786</u>

Note 13

## Fixed Assets under Own Use

Written down value at the beginning of the period / year	47,612	7,732
Additions at cost	-	60,500
Less: Written down value of assets disposed off	-	-
	<u>47,612</u>	<u>68,232</u>
Less: Depreciation charged during the period / year	(7,865)	(20,620)
	<u>39,747</u>	<u>47,612</u>

Note 14

## Deferred Tax Asset

The deferred income tax asset amounting to Rs. 123.677 million (June 30, 2018: Rs. 90.420 million) has not been recognized in this condensed interim financial information (un-audited) 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.

Note 15

## Current Portion of Non-Current Liabilities

		March 31, 2019	June 30, 2018
	Note	(Un-audited) Rupees	(Audited) Rupees
Security deposits against ijarah assets	15	85,560,488	103,934,253
Deferred murabaha income		69,755	119,119
		<u>85,630,243</u>	<u>104,053,372</u>

Note 16

## Security Deposits against Ijarah Assets

Security deposits against ijarah assets		87,454,988	106,736,453
Less: Current portion	16	(85,560,488)	(103,934,253)
		<u>1,894,500</u>	<u>2,802,200</u>

Note 17

## Certificate Capital

March 31, 2018	June 30, 2018		March 31, 2019	June 30, 2018
(Un-audited) Number of certificates	(Audited) Number of certificates		(Un-audited) Rupees	(Audited) Rupees
<b>Authorized:</b>				
<u>60,000,000</u>	<u>60,000,000</u>	Modaraba certificates of Rupees 10 each	<u>600,000,000</u>	<u>600,000,000</u>
<b>Issued, subscribed and paid-up certificate capital:</b>				
<u>25,000,000</u>	<u>25,000,000</u>	Modaraba certificates of Rupees 10 each	<u>250,000,000</u>	<u>250,000,000</u>

Note 18

## Contingencies and Commitments

- 18.1** Commissioner Inland Revenue (Appeals) raised demand of tax payables of Rs. 333.26 million for tax year 2011. Appeal was filed before the Commissioner Appeals Inland Revenue and the demand was deleted. The Department filed an appeal against the order of the Commissioner Appeals before the Appellate Tribunal. The notice of hearing is awaited from the Tribunal.
- 18.2** Commissioner Inland Revenue (Appeals) raised demand of tax payables of Rs. 127.362 million for tax year 2014. Appeal was filed before the Commissioner Appeals Inland Revenue and the demand was deleted. The Department filed an appeal against the order of the Commissioner Appeals before the Appellate Tribunal. The notice of hearing is awaited from the Tribunal.

Note 19

## Financial Risk Management

The Modaraba's financial risk management objectives and policies are consistent with those disclosed in preceding audited annual financial statements for the year ended June 30, 2018.



## Note 20

### 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 period / year end are as follows:

		<b>March 31, 2019</b>	<b>June 30, 2018</b>
		(Un-audited)	(Audited)
		Rupees	Rupees
<b>20.1 Balances outstanding at the period / year end</b>			
Bank accounts with National Bank of Pakistan		175,983	384,760
Finances from National Bank of Pakistan		217,063,388	217,063,388
Markup payable to National Bank of Pakistan		1,920,981	2,564,748
		<b>March 31, 2019</b>	<b>March 31, 2018</b>
		(Un-audited)	(Audited)
		Rupees	Rupees
<b>20.2 Transactions during the period</b>			
<b>Related party</b>	<b>Relationship</b>	<b>Nature of Transaction</b>	
National Bank of Pakistan	Modaraba Management Company's holding company	Long term finance repaid	- 18,749,997
		Short term finance repaid - net	- -
		Short term finance Obtained - net	- 9,438,632
		Ijarah rentals received	1,660,350 9,438,632
		Mark up paid	16,300,067 11,460,080
National Bank Modaraba Management Company Limited	Modaraba management company	Modaraba management company fee	- 140,326
Remuneration to key management personnel			3,659,915 4,527,419

## Note 21

### Segment Information

- 21.1** 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 (CEO) of the Modaraba has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.
- 21.2** The CEO is responsible for the Modaraba's entire product portfolio and considers the business as 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.
- 21.3** The internal reporting provided to the CEO for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting and reporting standards as applicable in Pakistan. The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investment in entities incorporated in Pakistan. The Modaraba also has a diversified certificate holder population. As at March 31, 2019, there was only one (June 30, 2018: one) certificate holder (National bank of Pakistan - the holding company of the Modaraba Management Company) who held more than 10% of the Modaraba's certificate capital. Its holding was 30% (June 30, 2018: 30%).

Note 22

**Date Of Authorization For Issue**

These condensed interim financial statements (unaudited) have been approved by the Board of Directors of National Bank Modaraba Management Company Limited and authorized for issue on April 25, 2019.

Note 23

**General**

Comparative figures are re-arranged / re-classified, wherever necessary, to facilitate comparison. The following re-arrangements / re-classifications have been made in these condensed interim financial information (un-audited) for better presentation:

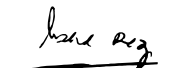
From	To	Amount (Rupees)
Other income	Profit on short term investment	1,317,114
Advances, prepayments and other receivables	Accrued profit	597,673



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: April 25, 2019

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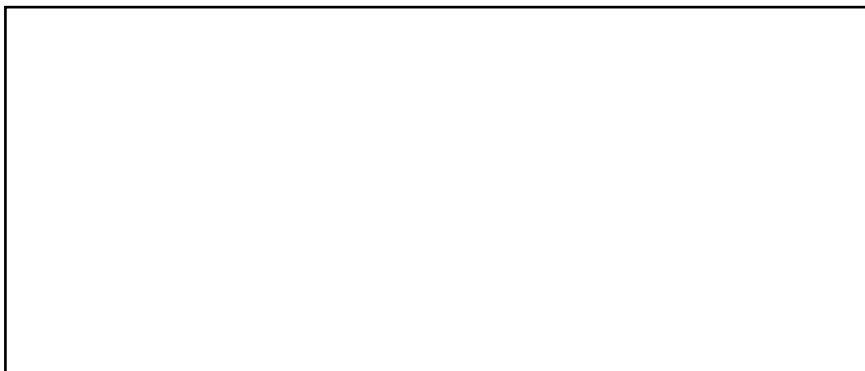
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