

ANNUAL REPORT

2014



FIRST NATIONAL BANK MODARABA

Managed By:

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

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CORPORATE INFORMATION

Board of Directors	Mr. Wajahat A. Baqai Mr. Khawaja Waheed Raza Syed Mustafa Kamal Mr. Jamal Nasim Mr. Muhammad Iqbal Hussain Mr. Javaid Sadiq	Director Director Director Director Director Chief Executive Officer
Shari'ah Advisor	Mufti Abdul Sattar Laghari	
Chief Financial Officer/ Company Secretary	Mr. Abbas Azam	
Audit Committee	Mr Jamal Nasim Mr. Wajahat A. Baqai Mr. Khawaja Waheed Raza	Chairman Member Member
Head of Internal Audit	Mr. Ali Abbass	
HR & Remuneration Committee	Mr. Khawaja Waheed Raza Mr. Wajahat A. Baqai Syed Mustafa Kamal	Chairman Member Member
Auditors	Horwath Hussain Chaudhury & Co. (A member firm of Crowe Horwath International)	
Bankers	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	
Legal Advisor	Cornelius Lane & Mufti Advocates and Solicitors Nawa-i-Waqt House 4 – Shahrah-e-Fatima Jinnah, Lahore Tel.: 36360824, Fax: 36303301	
Shares Registrar	Hameed Majeed Associates (Pvt.) Limited H. M. House, 7 – Bank Square, Lahore Tel: 37235081-2, Fax: 37358817	
Registered Office	5th Floor, NBP RHQs Building, 26 – McLagon Road, Lahore Tel: 042-99211200, Fax: 042-99213247 URL: http://www.nbmodaraba.com E-mail: info@nbmodaraba.com	

FIRST NATIONAL BANK MODARABA

NOTICE OF 11TH ANNUAL REVIEW MEETING & BOOK CLOSURE

Notice is hereby given that the 11th Annual Review Meeting of certificate holders of First National Bank Modaraba will be held on Friday, October 31, 2014 at 11:00 a.m. at 4th Floor, NBP RHQs Building, 26 – McLagon Road, Lahore to review the performance of the Modaraba for the year ended June 30, 2014.

The Certificate Transfer Book will remain closed from October 23, 2014 to October 31, 2014 (both days inclusive) for the purpose of eligibility to attend the Annual Review Meeting.

The certificate holders whose names appear on the Register of Certificate Holders of First National Bank Modaraba at the close of business as on October 22, 2014 will be eligible to attend the Annual Review Meeting. All transfers received in order, up to the close of business on October 22, 2014 at our Registrar's Office, Hameed Majeed Associates (Pvt.) Limited, H.M House, 7 – Bank Square, Lahore will be considered in time.

By order of the Board

Abbas Azam

Company Secretary

National Bank Modaraba Management Company Limited

Managers of First National Bank Modaraba

Lahore: October 02, 2014

VISION

PRESERVE TO REPLACE RIBA DRIVEN INSTRUMENTS WITH ISLAMIC MODES OF FINANCING IN A MANNER TO ACHIEVE OPTIMUM CUSTOMER SATISFACTION BY DEVELOPING SUSTAINABLE AND DEPENDABLE RELATIONSHIPS

TO BE AN INSTITUTION OF EXCELLENCE, WHICH WILL CREATE AND MAINTAIN AN ENVIRONMENT OF STATE-OF-ART MANAGEMENT SYSTEM AND A HIGH STANDARD OF INTEGRITY, EFFICIENCY PROFESSIONALISM AND INNOVATION

ATTAIN THE STATUS OF MOST PROFESSIONALLY AND PROFITABLY RUN MODARABA AMONG ITS COMPETITORS

IT SHALL PLACE A SPECIAL EMPHASIS ON HUMAN RESOURCES DEVELOPMENT, DIGNITY, SECURITY, WELFARE OF PEOPLE WHO OPERATE AND WORK FOR THE MODARABA

MISSION

THE FUNDAMENTAL MISSION IS TO SEEK THE PLEASURE OF ALLAH THROUGH MAKING HUMBLE CONTRIBUTION IN THE TRANSFORMATION OF OUR MERCANTILE AND FINANCIAL SYSTEM AND BUSINESS DEALINGS IN ACCORDANCE WITH THE PRINCIPLES ENSHRINED IN THE SHARIA

COMMITMENTS TO PROVIDE RIBA FREE INVESTMENT AND FINANCING OPPORTUNITIES TO THE INVESTORS, THE BUSINESS COMMUNITY AND INDUSTRY

IN ALL BUSINESS DEALINGS OF MODARABA, THE RIGHTS OF ALLAH, THE RIGHTS OF ALL CERTIFICATE HOLDERS AND ALL OTHER RIGHTS SHALL BE SINCERELY SAFEGUARDED

SHARIAH ADVISOR'S REPORT

Alhamdulillah, I conducted the Shariah review and audit of First National Bank Modaraba (FNBM) managed by National Bank Modaraba Management Company Limited (NBMMCL) for the year ended June 30, 2014 in accordance with the requirements of the Shariah Compliance and Shariah Audit Mechanism for Modarabas and except the observations hereunder, report that, in my opinion:

- I. First National Bank Modaraba ("FNBM) during this FY showed a high level of interest in strengthening Shariah compliance, in letter and spirit to a good extent to put the systems, procedures and policies adopted by the Modaraba in line with the guidelines issued by SECP.
- II. Following were the significant development that were observed during the audit year.
 - a. Internal Shariah Audit mechanism on quarter basis was introduced and comprehensive audits were carried out during the year by internal shariah auditor and the reports for the same were presented to me.
 - b. The Shariah Advisor approval were sought for pre mature transactions i.e. early terminations in Ijarah. A comprehensive and detailed process flow was developed for the transactions of Murabaha.
 - c. The physical inspection was also conducted in some Murabaha and ijarah transactions.
- I. The agreements entered into by the First National Bank Modaraba (FNBM) during the audit year were found Shariah compliant and the financing agreements have been executed on the formats as approved by the Religious Board.
- II. First National Bank Modaraba (FNBM) has major asset portfolio of Murabaha and Ijarah.
- III. First National Bank Modaraba (FNBM) has its scheme of COM to raise the funds but to some extent. Major source of funds is equity and bank borrowings.
- IV. Profit sharing ratios, profits and charging of losses and compensating through Hiba relating to COM conform to the basis and principles of Shariah but still require further improvement.
- V. The earnings that have been realized from the PLS accounts in some commercial banks and payments received as early termination charges and penalties in cases of default in Ijarah and Murabaha have been credited to charity accounts amounting Rs. 366,904/- for this audit period.



Observations and Recommendations:

1. First National Bank Modaraba (FNBM) in maintaining accounts in some commercial banks like NBP for the purpose of remittances only.
2. The mechanism of allocation of profit sharing ratio, needs to be improved on the basis of weightages.
3. First National Bank Modaraba (FNBM) has started switching its portfolio of assets insured through Takaful companies.
4. The senior management and staff of First National Bank Modaraba (FNBM) are well intended and well cooperative in observing Shariah compliance in its true spirit.

Conclusion:

In the context of detailed Shariah review carried out by the undersigned for the year ended June 30, 2014, the business activities (transactions) on asset side executed by FNBM during the audit period were found as per standard requirements of SECP.

Signature
Stamp of the Shari'ah Advisor
September 12, 2013

MUFTI ABDUL SATTAR LAGHARI
Shariah Advisor



FIRST NATIONAL BANK MODARABA

DIRECTORS' REPORT

Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the management Company of First National Bank Modaraba (FNBM), is pleased to present the directors report on the 11th annual accounts of FNBM for the period ended June 30, 2014. These accounts have been audited by the statutory auditors of the Modaraba and are accompanied by their audit report.

1. Financial Results:

	Year Ended June 30, 2014	Year Ended June 30, 2013	Year Ended June 30, 2012	Year Ended June 30, 2011	Year Ended June 30, 2010	Year Ended June 30, 2009
Balance Sheet Size	1,700,569,796	1,003,721,110	1,962,968,244	2,167,648,461	1,761,257,802	2,410,441,957
Total Equity	263,701,324	297,913,401	339,775,945	337,207,620	331,881,894	288,483,487
Total Operating & Other Income	558,123,884	567,094,855	605,820,667	473,557,528	370,063,518	352,479,348
Operating & Financial Exp.	592,335,961	583,957,399	575,113,425	439,482,193	340,914,240	340,507,125
Profit for the period	(34,212,077)	(16,862,544)	30,707,224	34,075,335	29,149,278	11,972,223
Modaraba Co.'s Management Fee	Nil	Nil	3,070,724	3,407,534	2,914,927	1,197,222
Net profit after tax	(34,212,077)	(16,862,544)	27,636,518	30,667,801	26,234,350	10,775,001
Earning per certificate (Rs.)	(1.37)	(0.67)	1.11	1.23	1.05	0.43
Return on Assets (%)	(2.01)	(0.83)	1.38	1.42	1.48	0.45
Return on Equity (%)	(12.92)	(5.63)	8.00	9.02	7.9	3.74
Dividend Paid (%)	Nil	Nil	10	10	10	-
Breakup value per certificate (Rs.)	10.52	11.88	13.56	13.48	13.27	11.54

2. Sector Outlook:

The Country's economy performed relatively better during 2013-2014 as compared to the previous year. The period was marked by stability of Pak Rupee and high sentiment of investors in the stock markets which resulted in improvement of business environment to some extent. However, energy crises still remain the major obstacle for economic growth.

Financial sector in Pakistan has remained under pressure last year due to prevailing economic uncertainties. This year, however, the banking sector has shown reasonable growth especially in their advances. The Islamic banking is growing at its usual high pace and has captured a sizable chunk of the market with its deposit base fast approaching the one trillion Rupees mark. The NBFI and modaraba sectors have also shown some signs of revival during the period. The sustainable performance of financial sector, however, would eventually depend on growth in the real sector. Since the share of Islamic financing is growing in the overall financial sector there is a good potential for Modarabas to grow provided they improve their Islamic-image on one hand and do innovation in the products being offered on the other.

3. Review of Operations:

During the period under review FNBM conducted its business operations watchfully and focused primarily on recovery/restructuring of the classified portfolio. In this respect we have had 100% success in some accounts and covered substantial ground on others, resulting in 28% reduction in provisioning charged this year amounting to Rs.32.5 Million as compare to Rs.45.5 Million charged last year. However this year the mark-up income did not accrue from classified morahaba accounts especially from those accounts which got classified during previous year, resulting in a reduction of income on morahaba portfolio by 33% from Rs.62.1 Million last year to Rs.41.9 Million this year. Efforts are, hence, being made to gradually reduce the morahaba investment portfolio.

Despite being involved in recovery from stressful accounts, FNBM has kept its business development side fairly active. New leases amounting to Rs.491 Million were added with decent sector diversification and comparatively smaller per party exposures. Furthermore, diminishing musharika has been included to the range of Islamic financial products being offered to the customers. In view of the losses the management has kept the operating expenses under control which remained more or less around the same level at Rs.23.5 Million this year as compared to Rs.22.97 Million last year. The total assets declined by 15% resulting in reduction in total income by 1.6% and financial charges by 10%. The net impact was a net loss of Rs.34.2 Millions this year as compared to loss of Rs.16.9 million last year.

The Modaraba managed to mobilize funds from financial institutions at competitive rates. In addition, the Modaraba has been successful in raising funds through issuance of Certificates of Musharika (COMs).

FNBM ensures compliance with the Shariah compliance and Shariah audit mechanism for Modarabas. In this respect Shariah Advisor has been appointed and his report is attached. The amounts advised by the Shariah advisor to be paid as charity, has been credited to the charity account. During the year, an amount of Rs.800,872 was paid as charity to approved charitable institutions as per policy approved by the board of directors.

We believe in steady and sustainable growth backed by the policy of low risk. Presently however we are passing through a consolidation phase and will, InshAllah resume profits for the certificate holders in the ensuing years. The present losses are primarily due to charge of provisioning on classified accounts.

4. Profit Distribution

It may be kept in mind that Modaraba over the years has continually paid the dividends to its worthy certificate holders and would InshAllah continue to do so after reverting to profitability in the ensuing years. Board in its meeting held on October 02, 2014 did not declare any dividends due to the aforementioned reasons.

5. Entity Rating:

JCR-VIS Credit Rating Company in their report issued in January 2014 has assigned long term entity rating of 'A' and short term entity rating of 'A-1' (A one) with 'Stable' outlook.

6. Future Outlook:

Pakistan's economy has been badly hit by the energy crises, which in turn has severely affected the ability of a substantial portion of industrial sector to honor its obligations towards their lenders, and as a result they have to resort to restructuring/rescheduling of financial facilities. Although there is a strong political resolve to solve the energy crises in the country, however a real practical action in this respect is yet to be seen on ground. On the other hand the rupee has more or less stabilized thus increasing the capacity for machinery/equipment imports, which hopefully would have positive impact on investments and economic growth. There is also a prevailing positive sentiment among investors which is reflected in the stock market behavior where the key indices have surpassed their previous historical highs.

There is also a lot of room in the country for economic and infrastructural reforms especially in the areas of risk management, like disaster management, for example, whereby flood waters could be beneficially handled. In view of the competitive environment globally, we think, Pakistan can no longer afford to waste its resources. Therefore there is no way forward except for pursuing the path of a real and all-encompassing social and economic development.

The challenge before FNBM remains to be the maintenance of the quality of its asset portfolio. Instead of waiting for the economy to improve FNBM plans to meet its challenges by improving its risk management practices and exploring new market opportunities, focusing on such market segments which have the capacity and financial strength to pay good returns at an acceptable risk. The overall economic growth in the country would, however, act as a catalyst for FNBM's growth and profitability. Once the existing classified portfolio is rationalized the modaraba would resort to generating healthy profits for its certificate holders.

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7. Corporate and Financial Reporting Framework:

- The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Accounting policies have been applied consistently in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, International accounting standards, and Islamic Financial Accounting Standards as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements.
- The system of internal control, which is sound in design is in place and is being continuously reviewed by internal audit. The process of review will continue and any weakness in controls will be removed.
- Board is satisfied with the Modaraba's ability to continue as going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations. Any deviations are properly highlighted.
- There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding as on June 30, 2014 except those disclosed in the financial statements.
- During the year ended June 30, 2014 six (06), meetings of the Board of Directors were held. Besides (04) four Audit committee and (04) four HR Committee meetings were also held. Attendance by each directors is as follows:

Name	No. of Attendance		
	Board	Audit Committee	HR Committee
i. Mr. Zubair Haider Shaikh	2	N/A	N/A
ii. Mr. Wajahat Baqal	6	4	4
iii. Mr. Khawaja Waheed Raza	4	2	4
iv. Syed Mustafa Kamal	5	N/A	2
v. Mr. Jemaf Nasim	5	3	N/A
vi. Mr. Sadiq-ul-Huda	6	N/A	2
vii. Mr. Javaid Sadiq	6	N/A	N/A

Mr. Zubair Haider Shaikh resigned during the year and appointment of new director in his place is in process. Mr. Sadiq-ul-Huda retired during the year and Mr. Muhammad Iqbal Hussain was appointed in his place.

Leave of absence was granted to directors who could not attend some of the Board meetings.

The pattern of certificate holders is annexed.

8. Auditors:

The present auditors, Messrs Horwath Hussain Chaudhry, Chartered Accountants, retired during the year. The new auditors will be appointed by the Board with the approval by the Registrar, Modaraba Companies and Modarabas.

9. Acknowledgement:

The Board would like to take this opportunity of expressing gratitude and thanks to our valued customers for their patronage and support, the Securities and Exchange Commission of Pakistan, Karachi Stock Exchange, Lahore Stock Exchange and NBFI & Modaraba Association of Pakistan for their continuance support and guidance.

Special thanks to our certificate holders for the trust and confidence reposed in us and the Modaraba's staff for their commitment and dedicated services.

For and on Behalf of the Board



Javaid Sadiq
Chief Executive Officer

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Statement Of Compliance With Best Practices Of The Code Of Corporate Governance For The Year Ended June 30, 2014

This statement is being presented to comply with the Code of Corporate Governance ('Code') contained in the Regulations No. 35 of Karachi Stock Exchange and Lahore Stock Exchange for the purpose of establishing framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Modaraba has applied the principles contained in the Code in the following manner:

1. The management company encourages representation of independent non-executive directors on its board of directors. At present the board includes:

Name	Status
Mr.Wajahat Baqai	Non-Executive
Mr.Khawaja Waheed Raza	Non-Executive & Independent
Syed Mustafa kamal	Non-Executive & Independent
Mr.Jamal Nasim	Non-Executive
Mr.Muhammad Iqbal Hussain	Non-Executive & Independent
Mr.Javaid Sadiq	Executive

The independent directors meet the criteria of independence under clause i(b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than seven listed companies including this management company.
3. All the resident directors of the management company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. Any casual vacancies are filled up by the Board of Directors.
5. The Modaraba has prepared a 'Statement of Ethics and Business Practices' (Code of Conduct), and ensured that appropriate steps have been taken to disseminate it throughout the modaraba along with its supporting policies and procedures.
6. The Board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Modaraba along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions including appointment and determination of remuneration and terms and conditions of employment of the CEO, and other executive and non-executive directors have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and in his absence by a director elected by the board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working paper were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The directors are fully aware of the relevant laws applicable to the Modaraba, its policies and procedures and provisions of the Memorandum and Articles of Association to manage the affairs of the Modaraba on behalf of the certificate holders. Further all directors have relevant experience and knowledge to manage the affairs of the Modaraba. Training programs were not arranged during the year ended June 30, 2014 for the board members. However, the management is in process of arranging training programs for the members of board in due course.

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10. The Board has approved the appointments of Chief Financial Officer, Company Secretary and Head of Internal Audit. The remuneration and terms and conditions of employment of Chief Financial Officer, Internal auditor and Company Secretary have been approved by the Board, as determined by the Chief Executive Officer.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and Executives do not hold any interest in the shares of the Modaraba other than that disclosed in the pattern of holding of certificates.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an audit committee, which comprises of three members and all are non-executive directors including the chairman of the Committee.
16. The meetings of the audit committee are held at least once every quarter prior to approval of interim and final results of the Modaraba as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises three members of whom all are non-executive directors and the chairman of the committee is an independent director.
18. The Board has set-up an effective internal audit function.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Modaraba and that the firm and all of its partners are in compliance with international Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the person associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period' prior to the announcement of interim/final results, business decisions, which may materially affect the market price of modaraba's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles contained in the Code have been substantially complied with.


Javaid Sadiq
Chief Executive Officer

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REVIEW REPORT TO THE CERTIFICATE HOLDERS

ON STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of National Bank Modaraba Management Company Limited (the Management Company) in respect of First National Bank Modaraba (the Modaraba) for the year ended June 30, 2014 to comply with requirements of the Listing Regulation No. 35 (Chapter XI) of Karachi Stock Exchange Limited and Lahore Stock Exchange Limited where the Modaraba is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Modaraba's personnel and review of various documents prepared by the Modaraba to comply with the Code.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Modaraba's corporate governance procedures and risks.

The Code requires the Modaraba to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code as applicable to the Modaraba for the year ended June 30, 2014.

Further, we highlight an instance of non-compliance with the requirement of the Code as reflected in the Statement of Compliance (point reference 9) that Directors' Training Programs were not arranged during the year ended June 30, 2014.

Lahore

Dated: **October 02, 2014**


HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

FIRST NATIONAL BANK MODARABA

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of First National Bank Modaraba ("the Modaraba") as at June 30, 2014 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 (hereinafter referred to as the financial statements), 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.

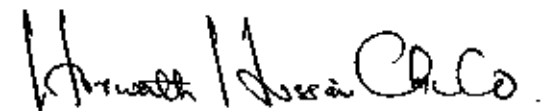
These financial statements are the Modaraba Company's (National Bank Modaraba Management Company Limited) responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981. 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 financial statements are free of any material misstatement. An audit includes examining on a test basis; evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial 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 accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981;
- 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 Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (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 Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2014 and of the loss, 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).

Lahore

Dated: **October 02, 2104**



HORWATH HUSSAIN CHAUDHURY & CO.

Chartered Accountants

(Engagement Partner: Muhammad Nasir Muneer)

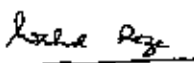
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BALANCE SHEET AS AT JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
ASSETS			
Current Assets			
Bank balances	6	42,800,533	20,491,454
Ijarah rentals receivable - Secured and considered good		55,297,418	65,836,967
Advances, prepayments and other receivables	7	46,438,560	57,202,695
Accrued profit	8	17,142,419	20,344,013
Diminishing musharaka rental receivable		343,490	-
Short term murabaha investments	9	412,736,882	545,476,571
Short term modaraba investment - Unsecured	10	-	125,000,000
Current portion of non-current assets	11	52,418,273	43,070,558
		627,177,575	877,422,278
Non-Current Assets			
Net investment in ijarah	12	34,534,366	57,424,575
Diminishing musharaka financing	13	21,437,500	-
Long term murabaha investments	14	33,317,981	44,778,874
Long term loans and deposits	15	4,411,843	3,197,153
Fixed assets under ijarah arrangements	16	978,597,812	1,019,001,825
Fixed assets under own use	17	803,386	1,462,405
Intangible asset	18	289,333	434,000
		1,073,392,221	1,126,298,832
Total Assets		1,700,569,796	2,003,721,110
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities	19	43,281,047	36,828,247
Accrued profit payable		16,870,807	18,959,105
Short term finances - Secured	20	186,961,688	351,543,440
Short term certificates of musharaka - Secured	21	254,918,809	316,705,907
Current portion of non-current liabilities	22	403,215,784	465,972,978
		905,248,135	1,190,009,677
Non-Current Liabilities			
Long term security deposits	23	215,434,755	231,442,853
Long term certificates of musharaka	24	2,658,017	19,130,000
Long term finances	25	302,166,668	251,333,319
Deferred murabaha income	26	11,360,897	13,891,860
		531,620,337	515,798,032
Total Liabilities		1,436,868,472	1,705,807,709
NET ASSETS		263,701,324	297,913,401
REPRESENTED BY:			
Certificate capital	27	250,000,000	250,000,000
Reserve	28	13,701,324	47,913,401
Contingencies and commitments	29	-	-
		263,701,324	297,913,401

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


CHIEF EXECUTIVE OFFICER


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

Lahore: October 02, 2014

FIRST NATIONAL BANK MODARABA

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
INCOME			
Income from ijarah		509,841,447	495,610,044
Profit on murabaha investments		41,950,951	62,179,722
Profit on diminishing musharaka		343,490	-
Profit on modaraba investment		1,355,959	154,109
Profit on bank deposits		166,366	132,499
Income from short term investments	30	-	141,900
Other income	31	4,465,671	8,876,581
		558,123,884	567,094,855
EXPENSES			
Operating expenses	32	(23,510,555)	(22,974,084)
Depreciation on assets under ijarah		(415,064,070)	(381,017,257)
Finance cost	33	(120,723,781)	(133,879,796)
Other operating expenses	34	(511,830)	(511,830)
Allowance for potential losses in murabaha and ijarah investments - net		(32,525,725)	(45,574,432)
		(592,335,961)	(583,957,399)
Modaraba Company's management fee	35	(34,212,077)	(16,862,544)
Loss for the Year		(34,212,077)	(16,862,544)
Loss per Modaraba Certificate - Basic and Diluted	36	(1.37)	(0.67)

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


CHIEF EXECUTIVE OFFICER

Lahore: October 02, 2014


DIRECTOR


DIRECTOR



CHIEF FINANCIAL OFFICER

ANNUAL REPORT 2014

STATEMENT OF COMPREHENSIVE INCOME AS THE YEAR ENDED JUNE 30, 2014

	<u>2014</u>	<u>2013</u>
	Rupees	Rupees
Loss for the Year	(34,212,077)	(16,862,544)
Other comprehensive income	-	-
Total Comprehensive Loss for the Year	<u>(34,212,077)</u>	<u>(16,862,544)</u>

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


CHIEF EXECUTIVE OFFICER
Lahore: October 02, 2014


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

FIRST NATIONAL BANK MODARABA

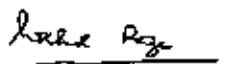
CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	Note	2014 Rupees	2013 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from Operations	37	845,063,344	616,215,334
Finance cost paid		(122,812,079)	(137,646,335)
Income taxes paid		(43,555)	(36,955)
Profit received on bank deposits		61,343	98,734
Net Cash generated from Operating Activities		722,269,053	478,630,778
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets under ijarah arrangements		(490,843,323)	(638,422,993)
Purchase of fixed assets under own use		(252,697)	(554,764)
Intangible asset		-	(434,000)
Proceeds from disposal of assets on terminating ijarahs		119,424,212	136,489,012
Proceeds from disposal of short term investments		-	1,875,924
Long term diminishing musharaka		(29,400,000)	-
Long term loans and deposits		(1,277,137)	(375,534)
Net Cash used In Investing Activities		(402,348,945)	(501,422,355)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances - net		54,166,681	112,166,664
Short term finances		(164,581,752)	(283,354,259)
Short term certificates of musharaka		(61,787,098)	235,528,652
Long term certificates of musharaka		(125,164,621)	(13,815,439)
Dividends paid		(244,239)	(24,657,483)
Net Cash (used in) / generated from Financing Activities		(297,611,029)	25,868,135
Net Increase in Cash and Cash Equivalents		22,309,079	3,076,558
Cash and cash equivalents at the beginning of the year		20,491,454	17,414,896
Cash and Cash Equivalents at the End of the Year		42,800,533	20,491,454

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


CHIEF EXECUTIVE OFFICER

Lahore: October 02, 2014


DIRECTOR


DIRECTOR



CHIEF FINANCIAL OFFICER

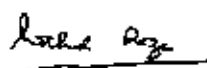
ANNUAL REPORT 2014

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014

Particulars	Certificate Capital	Reserves			Total Equity
		Capital	Revenue	Total	
		Statutory reserve	Unappropriated profit / Accumulated loss		
Rupees					
Balance as at June 30, 2012	250,000,000	43,955,189	45,820,756	89,775,945	339,775,945
Total comprehensive loss for the year ended June 30, 2013	-	-	(16,862,544)	(16,862,544)	(16,862,544)
Profit distributed for the year ended June 30, 2012	-	-	(25,000,000)	(25,000,000)	(25,000,000)
Balance as at June 30, 2013	250,000,000	43,955,189	3,958,212	47,913,401	297,913,401
Total comprehensive loss for the year ended June 30, 2014	-	-	(34,212,077)	(34,212,077)	(34,212,077)
Balance as at June 30, 2014	250,000,000	43,955,189	(30,253,865)	13,701,324	263,701,324

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


CHIEF EXECUTIVE OFFICER
 Lahore: October 02, 2014


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2014

Note 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 and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at 5th Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore.

The Modaraba is listed on Karachi and Lahore stock exchanges. It commenced its operations on December 04, 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharaka and murabaha arrangements.

Note 2

Basis of Preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan and the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and prudential regulations and directives issued by the Securities and Exchange Commission of Pakistan (the Modaraba Regulations). Approved accounting standards comprise such International Financial Reporting Standards (IFRSs) and the Islamic Financial Accounting Standards (IFASs) as are notified under the provisions of the Companies Ordinance, 1984 and made applicable to Modarabas under Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Wherever, the requirements of the Modaraba Regulations differ from the requirements of these standards, the requirements of the Modaraba Regulations take precedence.

2.2 Accounting convention

These financial statements 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 IAS-39 (Financial Instruments: Recognition and Measurement) and IFAS-1 (Murabaha).

2.3 Functional and presentation currency

These financial statements are presented in Pak Rupees which is Modaraba's functional and presentation currency. All financial information presented in Pak Rupees has been rounded off to the nearest rupee unless otherwise stated.

Note 3

Use of Estimates and Judgments

The preparation of financial statements in conformity with approved accounting standards requires management to make judgments, estimates and assumptions that affect application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and other factors that are believed to be reasonable under circumstances, results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2014**

Note 3, Use of Estimates and Judgments - Continued...

Judgments made by the management in the application of approved accounting standards that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are as under:

Fixed assets

The Modaraba reviews the useful lives of fixed assets on regular basis. Any change in the estimates in future years might affect the carrying amounts of the respective items of fixed assets with a corresponding effect on the depreciation charge and impairment, if any.

Ijarah rentals, musharaka rentals and murabaha investments

Ijarah rentals, musharaka rentals and murabaha investments are stated net of provision against doubtful receivables. Provision is recognised for ijarah rentals receivable and murabaha investment in accordance with the prudential regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP). Bad debts are written-off when identified.

Note 4

New Standards, Interpretations and Amendments to Published Approved Accounting Standards

4.1 Standards, Interpretations and amendments to approved accounting standards which became effective during the year and relevant to the Modaraba's operations

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IAS 1, Presentation of financial statements	January 1, 2013
- IAS 16, Property, plant and equipment	January 1, 2013
- IAS 32, Financial instruments: Presentation	January 1, 2013
- IAS 34, Interim financial reporting	January 1, 2013

The application of these amendments has no material impact on the Modaraba's financial statements.

4.2 Standards, interpretations and amendments to approved accounting standards which became effective during the year but are not relevant

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IAS 27 (Revised), Separate financial statements	January 1, 2013
- IAS 28 (Revised), Associates and joint ventures	January 1, 2013
- IFRS 1 (Amendment), First time adoption on government loans	January 1, 2013
- IFRS 7 (Amendment), Financial instruments: Disclosures on offsetting financial assets and financial liabilities	January 1, 2013
- IAS 19 (Amendment), Employee benefits	January 1, 2013

FIRST NATIONAL BANK MODARABA

Note 4, New Standards, Interpretations and Amendments to Published Approved Accounting Standards - Continued...

4.3 Standards, interpretations and amendments to approved accounting standards that are relevant but not yet effective

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IFRIC 21, Levies	January 1, 2014
- IAS 32 (Amendment), Financial instruments: Presentation on offsetting financial assets and financial liabilities	January 1, 2014
- IAS 36 (Amendment), Impairment of assets	January 1, 2014
- Annual improvements 2012 cycle	July 1, 2014
- IAS 24 (Amendment), Related parties	July 1, 2014

The following new standards have been issued by the IASB and notified by the SECP for application in Pakistan but these shall be applicable from the annual period beginning on or after January 01, 2015.

- IFRS 10, Consolidated financial statements	January 1, 2013
- IFRS 11, Joint arrangements	January 1, 2013
- IFRS 12, Disclosures of interest on other entities	January 1, 2013
- IFRS 13, Fair value measurement	January 1, 2013

4.4 Standards, interpretations and amendments to approved accounting standards that are not relevant and not yet effective

Revision / Improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IAS 39 (Amendment), Financial instruments: Recognition and measurement on novation of derivatives and hedge accounting	January 1, 2014
- Annual improvements 2010-2012 and 2011-2013 cycle	July 1, 2014
- IFRS 9, Financial instruments	January 1, 2015
- IFRS 14, Regulatory deferral accounts	January 1, 2016
- IFRS 15, Revenue from contracts	January 1, 2017
- Agriculture: Bearer plants [amendment to IAS 16 and IAS 41]	January 1, 2016

Note 5

Summary of Significant Accounting Policies

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied, unless stated otherwise.

5.1 Cash and cash equivalents

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

5.2 Receivables

Receivables are due on normal trade terms. These are carried at original invoice amount less provision for doubtful debts, if any. Balances considered bad and irrecoverable are written off when identified.

Note 5, Summary of Significant Accounting Policies - Continued...

5.3 Murabaha Investment

Murabaha investments are stated net of provision against potential murabaha losses. Provision is recognized in accordance with prudential regulations for Modarabas issued by the SECP or on the estimate of management, whichever is higher. Bad debts are written off when identified. Murabaha receivables are recorded by the Modaraba at the invoiced amount and disclosed as such in the balance sheet.

Purchases and sales under murabaha and the resultant profit are accounted for on the culmination of murabaha transaction. However, the profit on that portion of sales revenue not due for payment is deferred and shown in the balance sheet as liability.

5.4 Financial assets

Financial assets are classified as either financial assets at fair value through profit or loss, loans and receivable, held-to-maturity investments and / or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction cost. The Modaraba determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

5.4.1 Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'Financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Gains or losses on investments held for trading are recognised in the profit and loss account.

5.4.2 Held-to-maturity

Non-derivatives financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Modaraba has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments, that are intended to be held-to-maturity, are subsequently measured at amortized cost.

This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest rate method, of a difference between the initially recognised amount and the maturity amount. This calculation includes all fee and charges paid or received between parties to the contract that are an integral part of the effective interest rate, transaction cost and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in the profit and loss account and then the investments are derecognized or impaired, as well as, through the amortization process.

5.4.3 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in the profit and loss account when the loans and receivables are derecognized or impaired, as well as, through the amortization process.

Note 5, Summary of Significant Accounting Policies - Continued...

5.4.4 Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains and losses being recognized as a separate component of equity until the investments are derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid price at the close of business on the balance sheet date. For investments where there is no active market, value is determined using valuation techniques.

5.5 Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into. Significant financial liabilities are secured deposits against ijarah (lease) assets, musharaka and short term and long term finances etc.

5.6 Recognition and derecognition of financial instruments

All financial assets and liabilities are recognized at the time when the Modaraba becomes party to the contractual provisions of the instrument and are derecognized in the case of asset, when the contractual rights under the instrument are derecognized, expired or surrendered and in case of liability, when the obligation is discharged, cancelled or expired.

Any gain / (loss) on the recognition and derecognition of financial assets and liabilities is included in the profit / (loss) for the period in which it arises.

Assets and liabilities that are not of contractual nature and that are created as a result of statutory requirements imposed by the Government are not financial instruments of the Modaraba.

5.7 Offsetting of financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount is reported in the balance sheet when there is a legally enforceable right to set-off the recognized amounts and the Modaraba intends to either settle on a net basis, or to recognize the asset and settle the liability simultaneously.

5.8 Musharaka investment

Musharaka investments are stated net of provision. Provision is recognized in accordance with prudential regulations for Modarabas issued by the SECP or on the estimate of management, whichever is higher. Bad debts are written off when identified.

Note 5, Summary of Significant Accounting Policies - Continued...

5.9 Lease (ijarah) accounting

The Modaraba provides assets to its clients under ijarah agreements as approved by the Religious Board. Ijarah arrangements up to June 30, 2008 have been recorded in the books of accounts as finance lease in line with IAS-17 (Leases) and arrangements beginning on or after July 1, 2008 have been recorded in the books of accounts under IFAS-2 (Ijarah).

Under the ijarah arrangements up to June 30, 2008, amount due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

As per the requirements of IFAS-2, the Modaraba has presented assets subject to ijarah in its balance sheet according to the nature of the asset, distinguished from the assets in own use. Income from ijarah is recognized on accrual basis, unless another systematic basis is more representative of the time pattern in which benefit of use derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the ijarah income are recognized as an expense.

Net investment in ijarah is stated at present value of minimum ijarah payments. Impairment losses on non-performing ijarah are recognized at higher of provision required in accordance with the prudential regulations for Modarabas or at a level which in the judgment of the management is adequate to provide for potential ijarah losses. These losses can be reasonably anticipated as the difference between the carrying amount of receivables and present value of expected cash flows discounted at the rates implicit in the ijarah agreement.

5.10 Fixed assets

Assets given to customers under ijarah arrangements

Assets given to customers under ijarah arrangements on or after July 01, 2008 are accounted for as operating lease and are stated at cost less accumulated depreciation and impairment loss, if any. Assets under ijarah arrangements are depreciated using the straight line basis over the shorter of ijarah term or asset's useful life. In respect of additions and transfer during the year, depreciation is charged proportionately to the period of ijarah.

Assets in own use - Tangible

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Cost in relation to the assets comprises acquisition and other directly attributable costs. Subsequent costs are included in assets' carrying amounts when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. Carrying amount of parts so replaced, if any, is derecognized. All other repairs and maintenance are charged to income as and when incurred. Gain / loss on disposals are carried to the profit and loss account in the year of disposal.

Depreciation is charged to income using the straight line method at the rates as specified in note 17 to these financial statements so as to write off the cost of assets over their estimated useful lives without taking into account any residual value. Depreciation on additions to the tangible fixed assets is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

Carrying amounts of the Modaraba's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated and impairment loss is recognized in the profit and loss account. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the initial cost of the asset. A reversal of the impairment loss is recognized as income in the profit and loss account.

Assets in own use - Intangible

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any identified impairment loss. Intangible asset is amortized on straight line basis over a period of three years.

FIRST NATIONAL BANK MODARABA

Note 5, Summary of Significant Accounting Policies - Continued...

5.11 Provisions

Provisions are recognized when the Modaraba has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for.

5.12 Creditors and other liabilities

Creditors and other liabilities are measured at cost which is the fair value of the consideration to be paid in future for goods and services received whether billed to the Modaraba or not.

5.13 Revenue recognition

For lease (ijarah) agreements executed on or before June 30, 2008, the unearned finance income is deferred and amortized to income over the term of ijarah, applying the annuity method to produce a constant rate of return on net investment in ijarah. Unrealized ijarah income on potential lease losses is excluded from the income from ijarah operations in accordance with the requirements of the prudential regulations for Modaraba Issued by the SECP.

For lease (ijarah) agreements executed on or after July 01, 2008 lease rentals are recognized as income on accrual basis, as and when the rental becomes due over the lease period.

Profit on murabaha investment is recognized on pro-rata accrual basis, calculated on number of days for which funds are utilized.

Return on deposits with bank is recognized on accrual basis.

Profit on investment under musharaka arrangements is recognized on accrual basis and additional profit, if any, is recognized on declaration by the investee company in accordance with terms of issue.

Dividend income is recognized when the right to receive dividends is established.

Income from fee and commission is recognized as and when it becomes due.

5.14 Borrowing costs

Borrowing costs are charged to income as and when incurred except those costs that are directly attributable to acquisition, construction or production of qualifying assets that are capitalized as part of the cost of assets.

5.15 Taxation

Under the current tax law, the income of non-trading Modaraba is exempt from income tax provided that the Modaraba distributes ninety percent (90%) of its profits for the year, as cash dividend to the certificate holders, after appropriating statutory reserves. Where such profit is not distributed, provision for tax is made on taxable income at the current tax rates applicable to the Modaraba after taking into account available tax exemptions and tax credits, if any. No provision for tax has been made due to tax losses during the year.

5.16 Profit distribution

Profit distribution to certificate holders is recognised as a liability in the period in which it is declared.

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Note 5, Summary of Significant Accounting Policies - Continued...

5.17 Related party transactions

Transactions involving related parties arising in the normal course of business are conducted at arm's length on the same terms and conditions as are applicable to third party transactions or otherwise as approved by the Board of Directors.

5.18 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 of the 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 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.

Note 6

Bank Balances

		2014	2013
	Note	Rupees	Rupees
Profit bearing bank accounts	6.1	39,954,681	13,877,664
Non profit bearing bank accounts		2,845,852	6,613,790
		<u>42,800,533</u>	<u>20,491,454</u>

6.1 These carry profit at the rate of 5% to 6.75% (2013: 2% to 6%) per annum and also represent redemption reserve funds set aside by the Modaraba in compliance with the requirements of the Registrar Modarabas for the Issuance of Certificates of Musharaka (refer to Note 21 and 24).

Note 7

Advances, Prepayments and Other Receivables

		2014	2013
		Rupees	Rupees
Advances for ijarah (Secured - Considered good)		45,268,924	55,983,516
Advances to employees for expenses (Unsecured - Considered good)		53,200	199,939
Income tax deducted at source		643,130	599,575
Prepayments		467,019	374,153
Other receivable		6,287	45,512
		<u>46,438,560</u>	<u>57,202,695</u>

Note 8

Accrued Profit

		2014	2013
		Rupees	Rupees
Murabaha investment		16,880,572	20,033,080
Modaraba investment		-	154,109
Bank deposits		261,847	156,824
		<u>17,142,419</u>	<u>20,344,013</u>

FIRST NATIONAL BANK MODARABA

Note 9

Short Term Murabaha Investments

	Note	2014 Rupees	2013 Rupees
Short term murabaha investments (Secured)		503,805,477	597,431,204
Unearned murabaha income	26	6,919,069	14,195,887
		<u>510,724,546</u>	<u>611,627,091</u>
Less: Allowance for potential murabaha losses		(97,987,664)	(66,150,520)
		<u>412,736,882</u>	<u>545,476,571</u>

9.1 Aggregate amount of investments in terms of regular and classified portfolio are as under:

Regular	283,931,172	406,245,528
Classified	219,874,305	191,185,676
	<u>503,805,477</u>	<u>597,431,204</u>

9.2 These represent investments under murabaha arrangements on deferred payment basis at specified profit margins. These investments carry profit at the rate of 12.06% to 15.54% (2013: 10.62% to 15.54%) per annum and are secured against charge over fixed and current assets, personal guarantees of directors of customer companies, demand promissory notes and post dated cheques varying from case to case basis.

Note 10

Short Term Modaraba Investment - Unsecured

This represented modaraba investment with various Islamic financial institutes and carried profit at the rate of 9% to 9.50% per annum, effectively. These investments have been matured during the year.

Note 11

Current Portion of Non-Current Assets

	Note	2014 Rupees	2013 Rupees
Net investment in ijarah	12	25,896,516	22,775,743
Diminishing musharaka financing	13	7,962,500	-
Long term murabaha investments	14	16,944,842	18,742,847
Long term loans and deposits	15	1,614,415	1,551,968
		<u>52,418,273</u>	<u>43,070,558</u>

Note 12

Net Investment in Ijarah

	Note	2014 Rupees	2013 Rupees
Minimum ijarah rentals receivable	12.1	97,358,519	106,690,105
Residual value		5,134,881	5,771,116
Gross investment in ijarah (Secured)	12.2	102,493,400	112,461,221
Unearned finance income		(36,404,518)	(27,340,160)
Net investment in ijarah		66,088,882	85,121,061
Less: Allowance for potential ijarah losses		(5,658,000)	(4,920,743)
Less: Current portion	11	(25,896,516)	(22,775,743)
		<u>34,534,366</u>	<u>57,424,575</u>

12.1 Minimum ijarah rentals receivable

Due within one year	35,253,972	29,942,796
Due after one year but not later than five years	62,104,547	76,747,309
	<u>97,358,519</u>	<u>106,690,105</u>

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Note 12, Net Investment in Ijarah - Continued...

	2014	2013
	Rupees	Rupees
12.2 Gross investment in ijarah		
Due within one year	35,253,972	30,579,031
Due after one year but not later than five years	67,239,428	81,882,190
	<u>102,493,400</u>	<u>112,461,221</u>
12.3 Net investment in ijarah		
Due within one year	25,896,516	22,775,743
Due after one year but not later than five years	34,534,366	57,424,575
	<u>60,430,882</u>	<u>80,200,318</u>
12.4 Aggregate amount of investments in terms of regular and classified portfolio are as under:		
Regular	19,649,709	37,561,854
Classified	46,439,173	47,559,207
	<u>66,088,882</u>	<u>85,121,061</u>

Note 13

Diminishing Musharaka Financing

		2014	2013
	Note	Rupees	Rupees
Diminishing musharaka arrangement (Secured - considered good)	13.1	29,400,000	-
Less: Current portion	11	<u>(7,962,500)</u>	-
		<u>21,437,500</u>	-

13.1 This represents diminishing musharaka financing arrangement for machinery, entered for a term of four years. The Mudaraba has provided financing to the extent of 28% of the value of the machinery. This financing is secured by first charge on all present and future fixed assets of the client including the musharaka asset for an amount to Rs. 38.906 million.

Note 14

Long Term Murabaha Investments

		2014	2013
	Note	Rupees	Rupees
Long term murabaha investments (Secured)		48,746,199	60,421,094
Deferred murabaha income	26	13,891,860	15,524,539
		62,638,059	75,945,633
Less: Allowance for potential murabaha losses		(12,375,236)	(12,423,912)
Less: Current portion	11	<u>(16,944,842)</u>	<u>(18,742,847)</u>
		<u>33,317,981</u>	<u>44,778,874</u>

14.1 Aggregate amount of investments in terms of regular and classified portfolio are as under:

Regular	4,207,294	16,931,166
Classified	44,538,905	43,489,928
	<u>48,746,199</u>	<u>60,421,094</u>

14.2 These represent investments under murabaha arrangements on deferred payment basis at a profit margin ranging from 14.43% to 15.89% (2013:13.52% to 15.89%) per annum. These investments are secured against charge over fixed and current assets, personal guarantees of the directors of customer companies, demand promissory notes and post-dated cheques varying from case to case basis.

Note 15

Long Term Loans and Deposits

		2014	2013
	Note	Rupees	Rupees
Loans to employees (Secured - considered good)	15.1	5,986,758	4,709,621
Less: Current portion of loans to employees	11	<u>(1,614,415)</u>	<u>(1,551,968)</u>
		4,372,343	3,157,653
Security deposits		39,500	39,500
		<u>4,411,843</u>	<u>3,197,153</u>

15.1 These loans are given to employees of the Mudaraba for purchase of vehicles and carry profit at the rate of 5% (2013: 5%) per annum. Maximum aggregate balance due from employees at the end of any month during the year, was Rs. 5,986,750 (2013: Rs. 5,892,875).

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Note 16

Fixed Assets under Ijarah Arrangements

Description	Plant and Machinery	Vehicles	Total
	Rupees	Rupees	Rupees
Year Ended June 30, 2014			
Cost			
Balance as at July 01, 2013	802,076,240	824,351,264	1,626,427,504
Additions	242,060,446	248,782,877	490,843,323
Disposals	(188,061,910)	(197,306,704)	(385,368,614)
Balance as at June 30, 2014	<u>856,074,776</u>	<u>875,827,437</u>	<u>1,731,902,213</u>
Accumulated depreciation			
Balance as at July 01, 2013	336,397,029	271,028,650	607,425,679
Charge for the year	203,005,475	212,058,595	415,064,070
Disposals	(110,907,242)	(156,278,106)	(269,185,348)
Balance as at June 30, 2014	<u>428,495,262</u>	<u>324,809,139</u>	<u>753,304,401</u>
Total as at June 30, 2014	<u>427,579,514</u>	<u>551,018,298</u>	<u>978,597,812</u>
Year Ended June 30, 2013			
Cost			
Balance as at July 01, 2012	758,345,799	760,310,971	1,518,656,770
Additions	390,897,542	247,525,451	638,422,993
Disposals	(347,167,101)	(183,485,158)	(530,652,259)
Balance as at June 30, 2013	<u>802,076,240</u>	<u>824,351,264</u>	<u>1,626,427,504</u>
Accumulated depreciation			
Balance as at July 01, 2012	241,839,477	385,573,001	627,412,478
Charge for the year	215,779,770	165,237,487	381,017,257
Disposals	(121,222,218)	(279,781,836)	(401,004,056)
Balance as at June 30, 2013	<u>336,397,029</u>	<u>271,028,650</u>	<u>607,425,679</u>
Total as at June 30, 2013	<u>465,679,211</u>	<u>553,322,614</u>	<u>1,019,001,825</u>
Depreciation rates	<u>20 - 33.3%</u>	<u>20 - 33.3%</u>	

16.1 General description of significant Ijarah arrangements (IFAS-2)

The Modaraba has also entered into various Ijarah arrangements carrying internal rate of return of 5.00% to 17.24% (2013: 10.26% to 17.24%) per annum. The arrangements are for three to five years' period. These are secured against assets under Ijarah, personal / corporate guarantees, promissory notes given by lessees and other collaterals.

16.2 Aggregate amount of future Ijarah rentals receivable on the basis of Ijarah arrangements executed from July 01, 2008 onwards are as follows:

	2014	2013
	Rupees	Rupees
Not later than one year	447,195,058	509,273,131
Later than one year and not later than five years	449,442,099	602,025,277
Later than five years	-	-
	<u>896,637,157</u>	<u>1,111,298,408</u>

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Note 17

Fixed Assets under Own Use

Description	Vehicles Rupees	Computers and Accessories Rupees	Electric Equipment Rupees	Total Rupees
<u>Year Ended June 30, 2014</u>				
Cost				
Balance as at July 01, 2013	3,287,905	1,546,111	375,764	5,209,780
Additions	-	216,697	36,000	252,697
Disposals	-	-	-	-
Balance as at June 30, 2014	<u>3,287,905</u>	<u>1,762,808</u>	<u>411,764</u>	<u>5,462,477</u>
Accumulated depreciation				
Balance as at July 01, 2013	2,332,299	1,069,312	345,764	3,747,375
Charge for the year	657,649	243,470	10,597	911,716
Disposals	-	-	-	-
Balance as at June 30, 2014	<u>2,989,948</u>	<u>1,312,782</u>	<u>356,361</u>	<u>4,659,091</u>
Total as at June 30, 2014	<u>297,957</u>	<u>450,026</u>	<u>55,403</u>	<u>803,386</u>
<u>Year Ended June 30, 2013</u>				
Cost				
Balance as at July 01, 2012	3,287,905	991,347	375,764	4,655,016
Additions	-	554,764	-	554,764
Disposals	-	-	-	-
Balance as at June 30, 2013	<u>3,287,905</u>	<u>1,546,111</u>	<u>375,764</u>	<u>5,209,780</u>
Accumulated depreciation				
Balance as at July 01, 2012	1,674,718	975,287	342,429	2,992,434
Charge for the year	657,581	94,025	3,335	754,941
Disposals	-	-	-	-
Balance as at June 30, 2013	<u>2,332,299</u>	<u>1,069,312</u>	<u>345,764</u>	<u>3,747,375</u>
Total as at June 30, 2013	<u>955,606</u>	<u>476,799</u>	<u>30,000</u>	<u>1,462,405</u>
Depreciation rates	<u>20%</u>	<u>33.33%</u>	<u>20%</u>	

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Note 18

Intangible Asset

		2014	2013
	Note	Rupees	Rupees
Carrying value of intangible - accounting software	18.1	289,333	-
Advance for upgradation of accounting software		-	434,000
		<u>289,333</u>	<u>434,000</u>

18.1 Net Carrying Value

Net carrying value - opening balance	-	-
Additions during the year	434,000	-
	434,000	-
Amortization during the year	(144,667)	-
	<u>289,333</u>	<u>-</u>

18.2 Gross Carrying Value

Cost	1,131,300	697,300
Accumulated amortization	(841,967)	(697,300)
Net book value	<u>289,333</u>	<u>-</u>
Amortization rate	<u>33.33%</u>	<u>33.33%</u>

Note 19

Creditors, Accrued and Other Liabilities

		2014	2013
	Note	Rupees	Rupees
Advances from customers		40,979,034	33,056,242
Modaraba Company's management fee (Unsecured)		348,724	348,724
Accrued expenses		895,731	742,834
Withholding tax payable		5,170	949,852
Dividends payable		685,484	929,723
Charity payable	19.1	366,904	800,872
		<u>43,281,047</u>	<u>36,828,247</u>

19.1 The Modaraba has paid an amount of Rs. 800,872 (2013: Rs. 873,780) as charity to approved charitable institutions during the year.

Note 20

Short Term Finance - Secured

		2014	2013
	Note	Rupees	Rupees
Finance under musharaka arrangements			
National Bank of Pakistan (NBP)	20.2	92,272,434	84,449,484
Finance under murabaha arrangements			
Other financial institutions	20.3	94,689,254	267,093,956
		<u>186,961,688</u>	<u>351,543,440</u>

20.1 The aggregate unavailed short term borrowing facilities amount to Rs. 683.04 million (2013: Rs. 718.46 million).

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Note 12, Short Term Finance - Secured - Continued...

20.2 Terms and conditions of borrowings

Purpose

This facility has been obtained from National Bank of Pakistan with sanctioned limit of Rs. 250 million (2013: Rs. 250 million) to meet the working capital requirements of the Modaraba. This facility has been renewed during the year.

Profit

Profit on this facility is charged at the rate of 1 month KIBOR plus 1% (2013: 1 month KIBOR plus 1%).

Securities

This facility is secured against first joint pari passu hypothecation charge on all present and future assets of the Modaraba including leased assets and related receivables against leased assets, musharaka and murabaha investments of the Modaraba. The same charge also covers the long-term financing obtained from the National Bank of Pakistan (refer to Note 25.1).

	2014	2013
	Rupees in Million	Rupees in Million

1,040

1,040

20.3 Terms and conditions of borrowings

Purpose

These facilities have been obtained from various banking companies with sanctioned limit of Rs. 620 million (2013: Rs. 820 million) to meet the working capital requirements of the Modaraba. These facilities have been renewed during the year.

Profit

Profit on these facilities ranges from 1 to 6 months KIBOR plus 0.75% to 3% (2013: 1 to 6 months KIBOR plus 0.75% to 3%) per annum.

	2014	2013
	Rupees in Million	Rupees in Million

Securities

These facilities are secured against first pari passu charge on all the present and future receivables of the Modaraba; joint pari passu charge over all leased assets; present and future current and non-current assets of the Modaraba and first pari passu hypothecation charge over present and future current assets of the Modaraba.

924.44

990.33

Note 21

Short Term Certificates of Musharaka - Unsecured

This represents Certificates of Musharaka issued through private placement. These certificates have different denominations and carry profit on profit and loss sharing basis which ranges from 8.50% to 11.35% (2013: 9% to 11.35%) per annum.

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Note 22

Current Portion of Non-Current Liabilities

	Note	2014 Rupees	2013 Rupees
Long term security deposits	23	101,932,420	52,951,774
Long term certificates of musharaka	24	1,000,000	109,692,638
Long term finances	25	290,833,332	287,500,000
Deferred murabaha income	26	9,450,032	15,828,566
		<u>403,215,784</u>	<u>465,972,978</u>

Note 23

Long Term Security Deposits

	Note	2014 Rupees	2013 Rupees
Security deposits - ijarah	23.1	317,367,175	284,394,627
Less: Current portion	22	<u>(101,932,420)</u>	<u>(52,951,774)</u>
		<u>215,434,755</u>	<u>231,442,853</u>

23.1 These represent profit-free security deposits received from lessees under ijarah contracts and are repayable / adjustable at the expiry of the respective ijarah term.

Note 24

Long Term Certificates of Musharaka

	Note	2014 Rupees	2013 Rupees
Certificates of Musharaka (Unsecured)	24.1	3,658,017	128,822,638
Less: Current portion	22	<u>(1,000,000)</u>	<u>(109,692,638)</u>
		<u>2,658,017</u>	<u>19,130,000</u>

24.1 This represents long term Certificates of Musharaka Issued through private placement. These certificates have different denominations and carry profit on profit and loss sharing basis which ranges from 8.74% to 12.75% (2013: 8.39% to 12.75%) per annum.

Note 25

Long Term Finance - Secured

	Note	2014 Rupees	2013 Rupees
Finance under musharaka arrangements			
National Bank of Pakistan	25.1	97,166,668	263,833,317
Finance under murabaha arrangements			
Other financial institutions	25.2	<u>495,833,332</u>	<u>275,000,002</u>
		593,000,000	538,833,319
Less: Current portion	22	<u>(290,833,332)</u>	<u>(287,500,000)</u>
		<u>302,166,668</u>	<u>251,333,319</u>

25.1 Terms and conditions of borrowings

Purpose

This represents facility of Rs. 200 million (2013: Rs. 500 million) obtained from National Bank of Pakistan to bridge the gap between loan / lease repayments received and new loan / lease investments of musharaka arrangements. These facilities are repayable latest by December 2015 through quarterly instalments.

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Note 25, Long-Term Finance - Secured - Continued...

Profit

Profit on this facility is charged at the rate of 3 months KIBOR plus 2.00% (2013: 3 months KIBOR plus 0.50% to 2.00%) per annum and payable quarterly.

	2014	2013
	Rupees in Million	Rupees in Million

Securities

These facility are secured against first joint pari passu hypothecation charge on all present and future assets of the Modaraba including leased assets and related receivables against leased assets, musharaka and murabaha investments of the Modaraba. The same charge also covers the short-term financing obtained from the National Bank of Pakistan (refer to Note 20.2).

	1,040	1,040
--	-------	-------

25.2 Terms and conditions of borrowings

Purpose

This represents various facilities aggregating Rs. 825 million (2013: Rs. 425 million) obtained from various commercial banks. These facilities are repayable latest by December 2016 through half-yearly installments.

Profit

Profit on these facilities is charged at the rate of 6 months KIBOR plus 1.75% to 1.85% (2013: 6 months KIBOR plus 1.50% to 1.75%) per annum and payable semi-annually.

	2014	2013
	Rupees in Million	Rupees in Million

Securities

These facilities are secured against first joint pari passu / ranking pari passu hypothecation charge on all present and future moveable and leased assets of the Modaraba including ijarah, murabaha and musharaka assets along with their related receivables / rentals and ranking charge over assets of the Modaraba

	1,014	854
--	-------	-----

Note 26

Deferred Murabaha Income

		2014	2013
	Note	Rupees	Rupees
Short term murabaha investments	9	6,919,069	14,195,887
Long term murabaha investments	14	13,891,860	15,524,539
		20,810,929	29,720,426
Less: Current portion	22	(9,450,032)	(15,828,566)
		11,360,897	13,891,860

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Note 27

Certificate Capital

	2014	2013		2014	2013
				Rupees	Rupees
Number of certificates					
Authorized:					
<u>60,000,000</u>	<u>60,000,000</u>		Modaraba Certificates of Rs. 10 each	<u>600,000,000</u>	<u>600,000,000</u>
Issued, subscribed and paid-up:					
<u>25,000,000</u>	<u>25,000,000</u>		Modaraba Certificates of Rs. 10 each fully paid in cash	<u>250,000,000</u>	<u>250,000,000</u>

27.1 There was no movement in certificate capital during the year.

27.2 7,500,000 (2013: 7,500,000) Certificates of modaraba are held by National Bank Modaraba Management Company Limited, an associate undertaking of the Modaraba.

Note 28

Reserves

		2014	2013
	Note	Rupees	Rupees
Statutory reserve	28.1	43,955,189	43,955,189
Accumulated loss / Un-appropriated profit		<u>(30,253,865)</u>	<u>3,958,212</u>
		<u>13,701,324</u>	<u>47,913,401</u>

28.1 Statutory reserve represents profits set aside in compliance with the requirements of prudential regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer at least 20% after tax profit annually upto a maximum of 50%, in the statutory reserve until the reserve equals 100% of the paid up capital. Thereafter, 5% of its profit after tax is to be transferred into the statutory reserve each year. Owing to the losses during the current year, no amount has been transferred in the statutory reserve.

Note 29

Contingencies and Commitments

29.1 Contingencies

The Modaraba has filed a suit against one of its ijarah clients for recovery of outstanding rentals amounting to Rs. 29.99 million. No provision against this has been incorporated in the financial statements as the management expects a favourable outcome regarding this case.

29.2 Commitments

These represent ijarah / murabaha facilities approved but not disbursed or partially disbursed amounting to Rs. 37,799,500 (2013: Rs. 228,885,600).

Note 30

Income from Short Term Investments

	2014	2013
	Rupees	Rupees
Gain on disposal of investments	<u>-</u>	<u>141,900</u>

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Note 31

Other Income

	2014	2013
	Rupees	Rupees
Service charges	986,100	1,647,877
Documentation charges	238,625	387,895
Gain on termination of ijarah arrangements	3,240,946	6,840,809
	<u>4,465,671</u>	<u>8,876,581</u>

Note 32

Operating Expenses

		2014	2013
	Note	Rupees	Rupees
Salaries, allowances and other benefits	32.2	17,635,252	18,085,687
Communication expenses		318,395	281,466
Travelling and conveyance		581,669	415,998
Vehicle running expenses	32.3	349,874	332,226
Postage and stamps		56,409	49,623
Advertisement		123,210	66,780
Legal and professional charges		1,097,523	736,286
Fees and subscription		935,494	660,362
Repairs and maintenance		314,076	518,972
Insurance		217,048	229,629
Stationery, printing and other expenses		411,557	466,599
Depreciation / amortization:			
- Owned - tangible		911,716	754,941
- Intangible asset		144,667	-
Entertainment		248,418	228,451
Others		165,247	147,064
		<u>23,510,555</u>	<u>22,974,084</u>

32.1 Office space, utilities and related expenditure are borne by National Bank Modaraba Management Company Limited.

32.2 Salaries, allowances and other benefits

The aggregate amount charged for remuneration including all benefits to officers and employees of the Modaraba are as under:

	Officers		Employees	
	2014	2013	2014	2013
	Rupees	Rupees	Rupees	Rupees
Salary	3,814,732	3,837,924	2,898,507	2,854,764
House rent allowance	1,907,384	1,883,976	1,449,278	1,350,416
Utilities	457,752	452,152	347,827	324,096
Bonus	840,432	1,862,508	868,641	897,345
Expenses reimbursed	1,763,697	1,636,923	3,287,002	2,985,583
	<u>8,783,997</u>	<u>9,673,483</u>	<u>8,851,255</u>	<u>8,412,204</u>
Number of persons	<u>5</u>	<u>5</u>	<u>12</u>	<u>11</u>

32.3 The Chief Executive Officer and Senior Executives of the Modaraba are provided with free use of vehicles owned and maintained by the Modaraba.

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Note 33

Finance Cost

	2014	2013
	Rupees	Rupees
Profit on musharaka finance	25,600,383	38,922,576
Profit on murabaha finance	62,165,531	55,724,796
Profit on certificate of musharaka	32,828,848	38,893,335
Bank charges	129,019	339,089
	<u>120,723,781</u>	<u>133,879,796</u>

Note 34

Other Operating Expenses

	2014	2013
	Rupees	Rupees
Auditors' remuneration:		
- Audit fee	302,500	302,500
- Review of half yearly financial statements and other certifications	169,400	169,400
- Out of pocket expenses	39,930	39,930
	<u>511,830</u>	<u>511,830</u>

Note 35

Modaraba Company's Management Fee

In accordance with Section 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, management fee @ 10% of annual profits is paid to the Modaraba Management Company. Owing to the loss during the year, the Modaraba Management Company's fee has not been provided for.

Note 36

Loss per Modaraba Certificate - Basic and Diluted

	2014	2013
	Rupees	Rupees
The calculation of the basic loss per modaraba certificate is based on the following data:		
Loss for the year (Rupees)	<u>(34,212,077)</u>	<u>(16,862,544)</u>
Weighted average number of modaraba certificates outstanding (Numbers)	<u>25,000,000</u>	<u>25,000,000</u>
Loss per certificate - basic (Rupees)	<u>(1.37)</u>	<u>(0.67)</u>

36.1 Basic loss per modaraba certificate has been computed by dividing loss for the year with the weighted average number of Modaraba certificates.

36.2 There is no dilutive effect on the basic loss per modaraba certificate.

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Note 37

Cash Generated from Operations

	2014	2013
	Rupees	Rupees
Loss for the Year	(34,212,077)	(16,862,544)
Adjustments for:		
- Depreciation / amortization	416,120,453	381,772,198
- Allowance for potential losses in murabaha and ijarah investments - net	32,525,725	45,574,432
- Gain on disposal of investments	-	(141,900)
- Gain on termination of ijarah arrangements	(3,240,946)	(6,840,809)
- Finance cost	120,723,781	133,879,796
- Profit on bank deposits	(166,366)	(132,499)
	565,962,647	554,111,218
Operating profit before working capital changes	531,750,570	537,248,674
(Increase)/ Decrease in operating assets:		
- Advances, prepayments and other receivables	10,807,690	55,369,211
- Ijarah rentals receivable	10,539,569	(4,698,072)
- Accrued profit	3,306,617	(4,826,033)
- Short term murabaha investments	93,625,727	96,453,423
- Short term modaraba investment	125,000,000	(125,000,000)
- Diminishing musharaka rental receivable	(343,490)	-
- Investment in ijarah	19,032,179	29,695,719
- Long term security deposits - ijarah	32,972,548	46,030,752
- Long term murabaha investment	11,674,895	(5,839,405)
Increase/ (Decrease) in operating liabilities:		
- Creditors, accrued and other liabilities	6,697,039	(8,218,935)
Net changes in working capital	313,312,774	78,966,660
Cash generated from operations	845,063,344	616,215,334

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Note 38

Maturity of Assets and Liabilities

	Up to one month	One month to three months	Three months to one year	One year to five years	Five years and above	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Bank balances	42,800,533	-	-	-	-	42,800,533
Ijarah rentals receivables	55,297,418	-	-	-	-	55,297,418
Advances, prepayments and other receivables	46,438,560	-	-	-	-	46,438,560
Accrued profit	17,142,419	-	-	-	-	17,142,419
Diminishing musharaka rental receivable	343,490	-	-	-	-	343,490
Short term murabaha investment - secured	270,510,478	61,976,404	80,250,000	-	-	412,736,882
Net investment in ijarah	15,098,816	1,956,224	8,841,476	34,534,366	-	60,430,882
Diminishing musharaka finance	1,225,000	1,225,000	5,512,500	21,437,500	-	29,400,000
Long term murabaha investment	4,265,400	8,562,000	4,117,442	31,424,043	1,893,938	50,262,823
Long term loans and deposits	141,073	283,937	1,189,405	4,411,843	-	6,026,258
Fixed assets	4,358,002	92,511,780	194,622,890	687,908,526	-	979,401,198
Intangible asset	12,056	24,111	108,500	144,666	-	289,333
Total Assets - June 30, 2014	457,633,245	166,539,456	294,642,213	779,860,944	1,893,938	1,700,569,796
Total Assets - June 30, 2013	466,479,996	113,499,316	389,823,028	1,021,423,196	12,495,574	2,003,721,110

Up to one month	One month to three months	Three months to one year	One year to five years	Five years and above	Total
Rupees	Rupees	Rupees	Rupees	Rupees	Rupees

Liabilities

Creditors, accrued and other liabilities	43,281,047	-	-	-	-	43,281,047
Accrued profit payable	6,804,176	6,544,752	3,521,879	-	-	16,870,807
Short term finances - secured	150,272,434	14,763,610	21,925,644	-	-	186,961,688
Short term certificates of musharaka - unsecured	101,838,928	26,154,459	126,925,422	-	-	254,918,809
Long term security deposits	19,669,971	38,651,627	43,610,822	215,434,755	-	317,367,175
Long term certificates of musharaka - unsecured	-	1,000,000	-	2,658,017	-	3,658,017
Long term finance	-	16,666,667	274,166,665	302,166,668	-	593,000,000
Deferred murabaha income	1,205,070	4,647,011	3,597,951	9,466,959	1,893,938	20,810,929
Total Liabilities - June 30, 2014	323,071,626	108,428,126	473,748,383	529,726,399	1,893,938	1,436,868,472
Total Liabilities - June 30, 2013	68,172,160	295,452,721	826,384,796	515,798,032	-	1,705,807,709
Net Assets - June 30, 2014	134,561,619	58,111,330	(179,106,170)	250,134,545	-	263,701,324
Net Assets - June 30, 2013	398,307,836	(181,953,405)	(436,561,768)	505,625,164	12,495,574	297,913,401

Represented by:

Certificate capital
Reserves

2014	2013
Rupees	Rupees
250,000,000	250,000,000
13,701,324	47,913,401
263,701,324	297,913,401

Note 39

Segment Analysis

39.1 Geographical segments

The Modaraba's assets are employed and its income is derived in Pakistan.

39.2 Business segments

Net investment in ijarah (IAS - 17)

	2014		2013	
	Rupees	%	Rupees	%
Sugar	-	-	13,093,055	15.38
Textile	66,088,882	100	70,721,507	83.08
Miscellaneous	-	-	1,306,499	1.53
	<u>66,088,882</u>	<u>100</u>	<u>85,121,061</u>	<u>100</u>

Murabaha investment

Allied and engineering	65,069,944	11.776	86,769,942	13.190
Auto and assemblers	-	-	10,900,000	1.657
Cable and electric goods	-	-	6,666,667	1.013
Education	-	-	3,000,000	0.456
Energy	45,000,000	8.144	45,000,000	6.840
Leather and shoe industry	35,000,000	6.334	33,940,887	5.159
Media and advertising	587,736	0.106	1,148,700	0.175
Rice paddy	7,500,000	1.357	7,500,000	1.140
Sugar	28,856,881	5.222	82,106,135	12.481
Textile	312,537,115	56.563	320,819,967	48.768
Paints	58,000,000	10.497	60,000,000	9.121
	<u>552,551,676</u>	<u>100</u>	<u>657,852,298</u>	<u>100</u>

Modaraba investment

Financial institutions	-	-	125,000,000	100
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Diminishing musharaka financing

Paper and board	29,400,000	100	-	-
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FIRST NATIONAL BANK MODARABA

Note 39, Segment Analysis - Continued..

Investment in Ijarah under (IFAS-2)

	2014		2013	
	Rupees	%	Rupees	%
Auto and assemblers	61,219,025	6.26	55,335,414	5.43
Cable and electric goods	12,360,574	1.26	9,130,532	0.90
Chemicals and pharmaceuticals	26,413,979	2.70	56,627,529	5.56
Construction and building products	-	-	27,853,641	2.73
Education	9,458,063	0.97	11,743,425	1.15
Fabrics	19,866,131	2.03	13,124,685	1.29
Financial institution	18,072,077	1.85	42,110,847	4.13
Food and beverages	30,029,678	3.07	37,436,350	3.67
Glass and ceramics	84,346,177	8.62	10,591,632	1.04
Information technology	33,997,481	3.47	27,138,176	2.66
Leather and shoe industry	10,979,946	1.12	17,336,973	1.70
Media and advertising	578,936	0.06	1,275,430	0.13
Oil and gas marketing	8,180,730	0.84	-	-
Plastic	9,188,698	0.94	962,969	0.09
Poultry feed	3,517,315	0.36	9,581,060	0.94
Rubber and tyres	-	-	6,853,908	0.67
Sugar	117,883,324	12.05	229,304,515	22.50
Textile	262,068,147	26.78	171,210,673	16.80
Transport	29,636,921	3.03	8,574,500	0.84
Telecommunication	10,485,216	1.07	16,343,755	1.60
Hotel / Shopping Mall	3,331,752	0.34	51,997,298	5.10
Individuals	140,937,733	14.40	138,845,475	13.63
Insurance	16,085,706	1.64	17,803,083	1.75
Miscellaneous	69,960,203	7.14	57,819,955	5.69
	<u>978,597,812</u>	<u>100</u>	<u>1,019,001,825</u>	<u>100</u>

Note 40

Balances and Transactions with Related Parties

Related parties comprise associated companies, directors and key management personnel. The Modaraba in the normal course of business carries out transactions with various related parties. Remuneration of key management personnel is disclosed in note 32.2 to these financial statements.

Details of transactions with related parties and balances outstanding with them at the year end are as follows:

40.1 Balances outstanding at the year end	2014 Rupees	2013 Rupees
National Income Daily Accounts (NIDA) with National Bank of Pakistan (running balances)	18,573,021	11,937,268
Finances under musharaka arrangement from National Bank of Pakistan	189,439,102	348,282,801
Net investment in Ijarah to National Bank of Pakistan	21,468,465	40,617,948
Current accounts with National Bank of Pakistan	697,038	922,016
Balance payable to Modaraba Management company	348,724	348,724

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Note 40, Balances and Transactions with Related Parties- Continued...

40.2 Transactions with related parties

Related party	Relationship	Nature of transaction	2014	2013
			Rupees	Rupees
National Bank of Pakistan	Management	Musharaka obtained - net	7,822,966	190,000,000
	Company's holding	Musharaka repaid - net	166,666,667	215,795,612
	company	Ijarah disbursed	-	34,000,000
		Ijarah repaid	21,445,736	47,046,984
		Profit paid	24,023,807	39,077,995
	Profit on ijarah earned	4,665,785	5,367,708	
National Bank Modaraba management Company Limited	Management Company	Management fee	-	-

Transactions with related parties, except the management fee payable to the management company, are carried at arm's length in the normal course of business.

Note 41

Capital Risk Management

While managing capital, the objectives of the Modaraba are to ensure that it continues to meet the going concern assumption, enhance certificate holders' wealth and meets stakeholders' expectations. The Modaraba ensures its sustainable growth viz. maintaining optimal capital structure and keeping its profits payable low thus maintaining smooth capital management.

In line with others in the industry, the Modaraba monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non current) less cash and cash equivalents. Total capital is calculated by adding equity, as shown in the balance sheet, into net debt.

As on the balance sheet date, the gearing ratio of the Modaraba was as under:

	2014	2013
	Rupees	Rupees
Total borrowings	779,961,688	890,376,759
Cash and bank balances	(42,800,533)	(20,491,454)
Net Debt	737,161,155	869,885,305
Equity	263,701,324	297,913,401
Total Capital	1,000,862,479	1,167,798,706
Gearing Ratio	73.65%	74.49%

FIRST NATIONAL BANK MODARABA

Note 42

Financial Risk Management

42.1 The Modaraba has exposure to the following risks from its use of financial instruments:

Credit risk
Liquidity risk
Market risk

The Board of Directors of Modaraba Management Company "the Board" has overall responsibility for the establishment and oversight of the Modaraba's risk management framework. The Board is responsible for developing and monitoring the Modaraba's risk management policies.

The Modaraba's risk management policies are established to identify and analyse the risks faced by the Modaraba, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Modaraba's activities. The Modaraba, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Modaraba's Audit Committee oversees how the management monitors compliance with the Modaraba's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Modaraba. The Audit Committee is assisted in its oversight role by the Internal Audit Department.

42.2 Credit Risk:

42.2.1 Credit risk and concentration of credit risk

Credit risk represents the accounting loss that would be recognized at the reporting date if counter parties to the financial instruments fail to perform as contracted. The Modaraba is exposed to credit risk from its operating activities (primarily from investments in ijarah, murabaha and musharaka contracts), deposits with banks and financial institutions and other financial instruments.

42.2.2 Credit risk related to receivables

The Modaraba has adopted a policy of dealing with creditworthy counterparties only and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Modaraba only transacts with those counterparties that are rated the equivalent of investment grade and above. The Modaraba has internally developed rating criteria to rate its customers which is supplemented by ratings supplied by independent rating agencies, where available. The Modaraba also uses other publicly available financial information and its own trading records to rate its customers. The Modaraba's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the risk management committee annually.

The management monitors and limits the Modaraba's exposure to credit risk through monitoring of clients' credit exposure, reviews and conservative estimates of provisions for doubtful receivables, if any, and through the prudent use of collateral policy. The management is of the view that it is not exposed to significant concentration of credit risk as its financial assets are adequately diversified in organizations of sound financial standing covering various industrial sectors and segments.

42.2.3 Credit risk related to financial instruments and cash deposits

The Modaraba limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a track record. Given these high credit ratings, the management does not expect any counterparty to fail to meet its obligations, except to the extent of impairment loss recognized.

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Note 42, Financial Risk Management - Continued...

42.2.4 Exposure to credit risk

Carrying amounts of financial assets represent the maximum credit exposure. The maximum exposure to credit risk at the reporting date was:

Financial assets	Note	2014 Rupees	2013 Rupees
Bank balances	6	42,800,533	20,491,454
Ijarah rentals receivable (Secured - considered good)		55,297,418	65,836,987
Other receivables	7	6,287	45,512
Accrued profit	8	17,142,419	20,344,013
Diminishing musharaka rental receivable		343,490	-
Short term murabaha investment - secured	9	510,724,546	611,627,091
Short term modaraba investment	10	-	125,000,000
Net investment in ijarah	12	66,088,882	85,121,061
Diminishing musharaka financing	13	29,400,000	-
Long term murabaha investment - secured	14	62,638,059	75,945,633
Long term loans and deposits	15	6,026,258	4,749,121
		<u>790,467,892</u>	<u>1,009,160,872</u>

Geographically all credit exposure is concentrated in Pakistan.

The maximum exposure to credit risk for receivables at the reporting date by type of customer was:

	2014 Rupees	2013 Rupees
Auto and assemblers	61,219,025	66,235,414
Allied and engineering	65,069,944	86,769,942
Cable and electric goods	12,360,574	15,797,199
Chemicals and pharmaceuticals	26,413,979	56,627,529
Construction and building products	-	27,853,641
Education	9,458,063	14,743,425
Energy	45,000,000	45,000,000
Fabrics	19,866,131	13,124,685
Financial institutions	18,072,077	167,110,847
Food and beverages	30,029,678	37,436,350
Glass and ceramics	84,346,177	10,591,632
Information technology	33,997,481	27,138,176
Leather and shoe industry	45,979,946	51,277,860
Media and advertising	1,166,672	2,424,130
Oil and gas marketing	8,180,730	-
Poultry feed	3,517,315	9,581,060
Rubber and tyre	-	6,853,908
Sugar	146,740,205	324,503,705
Telecommunication	10,485,216	16,343,755
Textile	640,694,144	562,752,147
Transport	29,636,921	8,574,500
Rice paddy	7,500,000	7,500,000
Paints	58,000,000	60,000,000
Plastic	9,188,698	962,969
Paper and board	29,400,000	-
Hotel / Shopping Mall	3,331,752	51,997,298
Individuals	140,937,733	138,845,475
Insurance	16,085,706	17,803,083
Miscellaneous	69,960,203	59,126,454
	<u>1,626,638,370</u>	<u>1,886,975,184</u>

FIRST NATIONAL BANK MODARABA

Note 42, Financial Risk Management - Continued...

The maximum exposure to credit risk for financial assets at the reporting date by mode of financing was:

	2014	2013
	Rupees	Rupees
Net investment in ijarah	66,088,882	85,121,061
Murabaha investments	573,362,605	687,572,724
Modaraba investments	-	125,000,000
Diminishing musharaka financing	29,400,000	-
	668,851,487	897,693,785

Impairment losses

The aging of financial assets at the reporting date was:

	Gross	Impairment	Gross	Impairment
	2014	2014	2013	2013
	Rupees	Rupees	Rupees	Rupees
Not past due	266,648,146	-	623,644,305	-
Past due 0-90 days	102,467,979	-	41,014,540	-
Past due 90-180 days	64,936,248	-	35,077,936	7,636,364
Past due 180-365 days	63,861,127	11,332,506	142,381,989	34,524,708
Past due 365 days & above	170,937,987	104,688,394	55,575,015	41,334,103
	668,851,487	116,020,900	897,693,785	83,495,175

42.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will not be able to meet its financial obligations as they fall due. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding to an adequate amount of committed credit facilities and the ability to close out market positions due to dynamic nature of the business. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

The maturity profile of the Modaraba's financial liabilities based on contractual amounts is disclosed in Note 38 to the financial statements.

42.3.1 Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Modaraba's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

42.3.2 Exposure to currency risk

The Modaraba has no exposure to foreign currency risk at balance sheet date.

42.3.3 Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial asset and liability at fair value through profit or loss and does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect the profit or loss.

Note 42, Financial Risk Management - Continued...

42.3.4 Other market price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market.

42.3.5 Fair value of financial assets and liabilities

The carrying value of financial assets and liabilities approximate their fair values.

Note 43

Date of Authorization for Issue

These financial statements were authorized for issue on October 02, 2014 by the Board of Directors of First National Bank Modaraba Management Company.

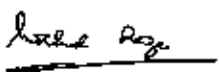
Note 44

General

Corresponding figures have been re-arranged / reorganised, wherever necessary, for better presentation of the financial statements. No material rearrangements / reclassifications have been made in these financial statements.


CHIEF EXECUTIVE OFFICER

Lahore: October 02, 2014


DIRECTOR


DIRECTOR


CHIEF FINANCIAL OFFICER

FIRST NATIONAL BANK MODARABA

PATTERN OF CERTIFICATE HOLDING AS ON JUNE 30, 2014

Number of Shareholders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
75	1 -	100	3,320	0.01
378	101 -	500	177,606	0.71
221	501 -	1000	206,362	0.83
223	1001 -	5000	852,589	2.61
92	5001 -	10000	753,364	3.01
25	10001 -	15000	326,283	1.31
18	15001 -	20000	335,059	1.34
23	20001 -	25000	526,490	2.11
10	25001 -	30000	276,800	1.11
6	30001 -	35000	191,900	0.77
6	35001 -	40000	235,500	0.94
4	40001 -	45000	173,000	0.69
5	45001 -	50000	245,400	0.96
5	50001 -	55000	268,247	1.07
4	55001 -	60000	232,580	0.93
1	60001 -	65000	60,500	0.24
1	65001 -	70000	68,500	0.27
1	75001 -	80000	75,995	0.30
1	85001 -	90000	86,500	0.35
8	95001 -	100000	798,000	3.18
1	100001 -	105000	102,000	0.41
1	110001 -	115000	115,000	0.46
1	115001 -	120000	116,380	0.47
1	130001 -	135000	132,500	0.53
1	140001 -	145000	145,000	0.58
2	145001 -	150000	300,000	1.20
1	150001 -	155000	150,400	0.60
2	155001 -	160000	316,900	1.27
1	160001 -	165000	162,500	0.66
1	170001 -	175000	172,728	0.69
1	175001 -	180000	178,500	0.71
2	195001 -	200000	400,000	1.60
1	210001 -	215000	211,502	0.85
1	230001 -	235000	231,747	0.93
1	240001 -	245000	241,466	0.97
1	265001 -	270000	286,000	1.06
1	270001 -	275000	273,998	1.10
3	295001 -	300000	900,000	3.60
1	300001 -	305000	301,600	1.21
1	350001 -	355000	355,000	1.42
1	365001 -	370000	368,000	1.47
1	580001 -	585000	564,500	2.34
1	750001 -	755000	752,744	3.01
2	995001 -	1000000	2,000,000	8.00
1	1025001 -	1030000	1,029,530	4.12
1	1995001 -	2000000	2,000,000	8.00
1	7495001 -	7500000	7,500,000	30.00
1,138			25,000,000	100.00

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CATEGORIES OF CERTIFICATE HOLDERS AS ON JUNE 30, 2014

First National Bank Modaraba

Categories of Share Holders

As on: June 30, 2014

Ser #	Category	No. of Shareholder	Shares Held	Percentage of Total Capital
1	Individuals	1,118	16,461,402	65.8456
2	Joint Stock Companies	12	323,700	1.2948
3	Modarabas	1	10,000	0.0400
4	Modaraba Management Cos	1	7,500,000	30.0000
5	Funds	3	356,000	1.4240
6	Directors	1	25,000	0.1000
7	Others	2	323,898	1.2956
TOTAL:		1,138	25,000,000	100.0000

Details of trading in the certificates by the Directors, CEO, CFO, Company Secretary and their spouses and minor children:

None of the Directors, CEO, CFO, Company Secretary and their spouses and minor children has traded certificates of the Modaraba during the year under review.

Associated companies, undertakings and related parties

Number of Certificates

National Bank Modaraba Management Company Limited

7,500,000

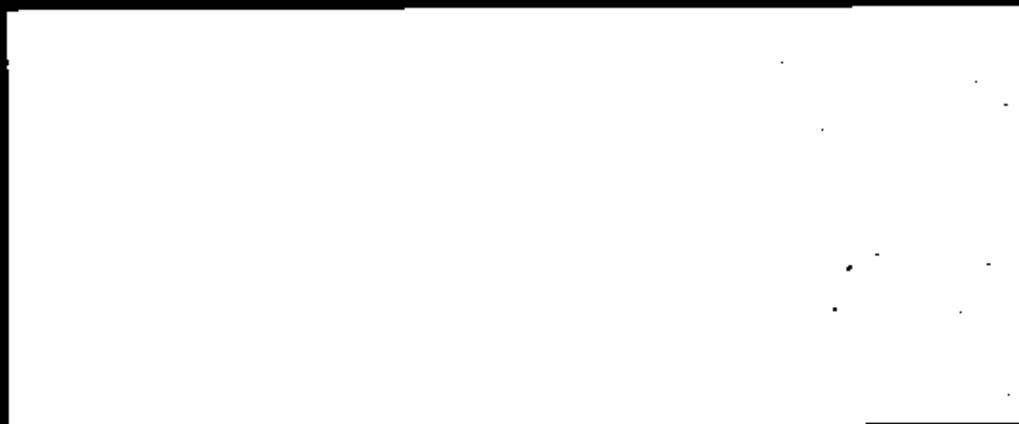
FIRST NATIONAL BANK MODARABA

CATEGORIES DETAILS AS ON JUNE 30, 2014

Category	Numbers of Certificates
Individuals	16,486,402
Joint Stock Companies	
MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	100
INVEST CAPITAL MARKETS LIMITED	300
SHAFI SECURITIES (PVT) LIMITED	400
AMZ SECURITIES (PVT) LIMITED	500
DOSSLANI'S SECURITIES (PVT) LIMITED	500
FIKREE'S (SMC-PVT) LTD.	500
AL-HAQ SECURITIES (PVT) LTD.	500
ADEEL ZAFAR SECURITIES (PVT) LTD.	1500
STOCK MASTER SECURITIES (PRIVATE) LTD.	1,800
MUHAMMAD SALIM KASMANI SECURITIES	60,500
SALIM SOZER SECURITIES (PVT.) LTD.	100,000
HAJI ABDUL SATTAR SECURITIES (PVT.) LIMITED	157,100
Modarabas	
FIRST ALNOOR MODARABA	10,000
Modarabas Management Cos	
NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED	7,500,000
Funds	
TRUSTEES-ABBASI & CO. PVT. LTD. EMPS.P.FUND	12,500
TRUSTEES-TREET CORPORATION LIMITED G.E. GRATUITY	43,500
TRUSTEES D.G. KHAN CEMENT CO. LTD. EMP. P.F	300,000
Directors	
JAMAL NASIM	25,000
Others	
TRUSTEES, ALOO & MINOCHER DINSHAW CHARITABLE TRUST	49,900
TRUSTEES OF TEACHERS RESOURCE CENTRE	273,998

BOOK POST
UNDER POSTAL CERTIFICATE

TO:



If undelivered please return to :

FIRST NATIONAL BANK MODARABA

5th Floor, NBP RHQs Building,

26 McLagon Road,

Lahore.

Tel : 99211200, Fax: 99213247