

ANNUAL REPORT 2013

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. Zubair Haider Shaikh Mr. Wajahat A. Baqai Mr. Khawaja Waheed Raza Syed Mustafa Kamal Mr. Jamal Nasim Mr. Sadiq-ul-Huda Mr. Javaid Sadiq	Chairman 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 Mr. Sadiq-ul-Huda	Chairman Member 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	

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

NOTICE OF 10TH ANNUAL REVIEW MEETING & BOOK CLOSURE

Notice is hereby given that the 10th Annual Review Meeting of certificate holders of First National Bank Modaraba will be held on Thursday, October 31, 2013 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, 2013.

The Certificate Transfer Book will remain closed from October 23, 2013 to October 31, 2013 (both days inclusive) for the purpose of eligibility to attend the Annual Review Meeting. All transfers received in order, up to the close of business on October 22, 2013 at our Registrar's Office, Hameed Majeed Associates (Pvt.) Limited, H.M House, 7 – Bank Square, Lahore will be considered in time.

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, 2013 will be eligible to attend the Annual Review Meeting.

By order of the Board

Abbas Azam

Company Secretary

National Bank Modaraba Management Company Limited

Managers of First National Bank Modaraba

Lahore: September 30, 2013

PROFILE OF BOARD OF DIRECTORS



Mr. Zubair Haider Shaikh

Chairman, Board of Directors

He is a seasoned banker having rich and diversified experience of over 24 years in the banking industry. He has served at senior most positions in various banks in the Middle East and in Pakistan. He has been nominated on the Board by National Bank of Pakistan where he is presently the SEVP/Group Chief, Islamic Banking Group. He holds an MBA from Institute of Business Administration (IBA), Karachi, and also an LL.B. from Sindh Muslim Law College, Karachi.



Mr. Wajahat A. Baqai

Director

He has a vast and versatile banking experience of over 27 years. He is currently EVP/Division Head-Compliance Group in NBP. He is BE (Mechanical) from UET and MS in Management from USA.



Mr. Jamal Nasim

Director/Chairman Audit Committee

He is Chairman and Managing Director (Acting) of IDBP. He has a vast experience of working at senior levels in development banking. He holds MBA from Asian Institute of Management Manila (Philippines).



Mr. Khawaja Waheed Raza

Director/Chairman HR & Remuneration Committee

He has varied experience of over 38 year including his posting in various countries. He served as a Senior Executive Vice President in Habib Bank, United Bank and Allied Bank of Pakistan. He holds M.Sc. degree with specialization in Strategic Studies.



Syed Mustafa Kamal

Director

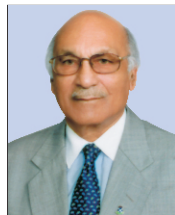
He is management consultant by profession. He is a well rounded professional, with substantial cross-functional experience in enterprise management and Islamic finance at both strategic and operational levels. He holds bachelors degree in Business Administration (honor) USA.



Mr. Sadiq-ul-Huda

Director

He has diversified 32 years experience in development banking at key managerial posts. He is also associated with teaching in the institute of Business Administration (IBA). He holds degrees of M.Sc. Statistics (Gold Medalist) from Punjab University, Msc. Economics from St. Louis University USA, and MBA from Karachi.



Mr. Javaid Sadiq

CEO

He has vast local and international professional experience at senior levels. He has held a position of Regional Director of NDFC and later as Managing Director/Chairman of IDBP from 1998 to 2001. He has done his graduation from University of Liverpool England and Masters from University of Manchester England.

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, 2013 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) has expressed interest in strengthening 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 major developments that took place during the audit year.
 - a. The members from staff were nominated for different training program in Islamic banking and finance arranged by MAP and other institutions.
 - b. Internal Shariah Audit mechanism on quarter basis has been developed and comprehensive audits were carried out during the year by internal Sharia'h auditor. The reports were presented to me on regular basis.
 - c. The findings and deficiencies reported in the internal Sharia'h audit reports and confirmed by me were mostly rectified and for the rest management comments were recorded.
- III. The agreements entered into by the First National Bank Modaraba (FNBM) during the audit year are Shariah compliant and the financing agreements have been executed on the formats as approved by the Religious Board.
- IV. First National Bank Modaraba (FNBM) has major asset portfolio of Murabaha and Ijarah.
- V. 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.
- VI. Profit sharing ratios, profits and charging of losses and compensating through Hiba relating to COM conform to the basis and principles of Shari'ah.
- VII. The earnings that have been realized from the PLS accounts in some commercial banks, payments received as penalty in cases of default in Ijarah and Murabaha and dividend income of a non Shariah compliant shares have been credited to charity accounts amounting Rs. 800,872/- for this audit period.

Observations and Recommendations:

1. First National Bank Modaraba (FNBM) in maintaining accounts in commercial banks for the purpose of remittances.
2. The mechanism of allocation of profit sharing ratio, wieghtages/profit rates has been developed as Shariah and regulatory framework and is in place.
3. First National Bank Modaraba (FNBM) has its major portfolio of assets insured through commercial insurance companies. It has been advised to shift it towards Takaful.
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 Shari'ah review carried out by the undersigned for the year ended June 30, 2013, the business activities (transactions) on asset side executed by FNBM and issuance of COM and its profit distribution during the audit period were found as per standards requirements of SECP.



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



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 10th annual financial statements of FNBM for the period ended June 30, 2013. These financial statements have been audited by the statutory auditors of the Modaraba and are accompanied by their audit report.

	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	Year Ended June 30, 2008
Balance Sheet Size	2,003,721,110	1,962,968,244	2,167,648,461	1,761,257,802	2,410,441,957	2,778,974,825
Total Equity	297,913,401	339,775,945	337,207,620	331,881,894	288,483,487	306,473,205
Total Operating & Other Income	567,094,855	605,820,667	473,557,528	370,063,518	352,479,348	227,964,068
Operating & Financial Exp.	583,957,399	575,113,425	439,482,193	340,914,240	340,507,125	192,672,077
Profit for the period	(16,862,544)	30,707,724	34,075,335	29,149,278	11,972,223	35,291,991
Modaraba Co.'s Management Fee	Nil	3,070,724	3,407,534	2,914,927	1,197,222	3,529,199
Net profit after tax	(16,862,544)	27,636,518	30,667,801	26,234,350	10,775,001	31,762,792
Earning per certificate	(0.67)	1.11	1.23	1.05	0.43	1.27
Return on Assets (%)	(0.84)	1.38	1.42	1.48	0.45	1.14
Return on Equity (%)	(5.67)	8	9.02	7.9	3.74	10.36
Dividend Paid (%)	Nil	10	10	10	-	10
Breakup value per certificate	11.92	13.56	13.48	13.27	11.54	12.26

1. Sector Outlook:

The trend of acute power shortage, high energy prices, poor law and order situation in KPK and other parts of the Country, continued in the financial year 2012-13. This state of affairs severely hampered the economic activities in the Country.

Financial sector in Pakistan has remained resilient during the year. However without a healthy real sector the stability of the financial sector is always shaky. Until the revival of the real economic activities, the potential NPLs on the balance sheets of the financial institutions would remain a source of serious concern for the sector. Modaraba sector, being a small part of the financial sector of Pakistan, was directly affected by the above state of affairs. Since the share of Islamic financing is growing in the overall financial sector, there is a room for modarabas to grow; provided, however, that they improve their Islamic-image on one hand and do innovation in the products being offered on the other. With the introduction of Shariah compliance and Shariah audit mechanism for Modarabas last year, the Islamic image of Modaraba sector would definitely improve and help them in taking a reasonable share of the growing Islamic financial market.

2. Review of Operations:

During the period under review FNBM conducted its business operations with a cautious approach. FNBM made new disbursements against ijarah investment to the tune of Rs.638 Millions. However efforts were made to gradually reduce the morabaha investment portfolio and during the year it was reduced by 13%. Some of our old clients who comprised a substantial portion of morabaha portfolio and historically had excellent repayment record with us, unexpectedly delayed in fulfilling their obligations during the year. As a result we had to charge substantial provisioning against the exposure in the normal course of business in accordance with the applicable regulations and policies. Owing to the past behavior of these clients the management remained hopeful of their performance during the year. The management is in constant pursuit for recovery and is hopeful of negotiating a favorable arrangement for these stressful cases.

Since, during the year, the average six month KIBOR remained lower than the average of the last year by approximately 20%, there was a reduction in both the total income and the financial charges as compared to the corresponding period. Other than that, on the income side, there was a significant reduction in the morabaha income mainly due to an increase of around 56% in the classified morabaha portfolio during the year. On the expense side the increased proportion of Certificates of Musharaka (COMs) in overall borrowings contributed in reduction of financial charges a bit further. The net impact of all this resulted in a net loss of Rs. 16.8 Millions this year as compared to profit of Rs.27.6 Millions last year.

FNBM managed to mobilize funds from various financial institutions at competitive rates. In addition, FNBM has been successful in raising funds through issuance of COMs and the COM portfolio has doubled from Rs. 223 Millions to Rs.445 Millions since the end of the previous year.

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, Insha Allah resume generating healthy profits for the certificate holders in the coming years.

3. Profit Distribution

It may be kept in mind that FNBM over the years has continually paid dividends to its worthy certificate holders and continue to do so in the ensuing years. Board in its meeting held on September 30, 2013 did not declare any dividends due to the aforementioned reasons.

4. Entity Rating:

JCR-VIS Credit Rating Company in their report issued in November 2012 has reaffirmed long term entity rating at A+ (A plus) and short term entity rating to A-1(A one)

5. Future Outlook:

Financial sector in Pakistan has been badly hit by increase in delayed recoveries and limited opportunities for profitable investments at acceptable risk in the real sector. Although there is a strong political resolve to solve the energy crises in the country, the law and order situation is still unpredictable. The depreciating rupee could be a deterrent for machinery/equipment imports in the near future. Once the rupee stabilizes, the economy will adjust to it and economic growth would hopefully accelerate. Therefore, we do see a revival of the industrial sector in the next few years. Since most of our stressful clients are well established industrial units of significant economic importance, they would be the first to benefit from the revival of the overall economy.

However, this year FNBM was faced with an unanticipated substandard performance of its morabaha portfolio which ultimately resulted in a net loss for the year. As of June 30, 2013, 34% of the classified morabaha portfolio has been provided for. The management is confident of regularizing the classified portfolio and also of reverting a reasonable portion of the amount which has been provided for.

The challenge before FNBM remains to be the maintenance of the quality of its asset portfolio. FNBM plans to overcome these challenges by exploring new market opportunities focusing on such market segments which have the capacity and financial strength to pay good returns at an acceptable risk on one hand and to make stringent efforts to regularize its classified portfolio on the other.

6. 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 controls 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.

There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding as on June 30, 2013 except those disclosed in the financial statements.

During the year ended June 30, 2013 four (04) meetings of the Board of Directors were held. Also five (05) Audit Committee meeting and two (2) HR Committee meetings were held. Attendance by each directors is as follows:

Names of Directors:	No of Attendance Board of Directors	No of Attendance Audit Committee	No of Attendance HR Committee
i. Mr. Shahid Anwar Khan	1	N/A	N/A
ii. Mr. Wajahat Baqai	4	5	2
iii. Mr. Khawaja Waheed Raza	4	4	2
iv. Syed Mustafa Kamal	3	N/A	2
v. Mr. Jamal Nasim	2	4	N/A
vi. Mr. Sadiq-ul-Huda	4	N/A	0
vii. Mr. Javaid Sadiq	4	N/A	N/A

Mr. Shahid Anwar Khan resigned during the year and Mr. Asif Hassan was appointed in his place who also resigned without attending any meeting. Mr Zubair Haider Sheikh has recently been 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.

7. Auditors:

The present auditors Messrs Horwath Hussain Chaudhury, Chartered Accountants, being due for retirement, have offered themselves for re-appointment for the year ending June 30, 2014. Their appointment has been confirmed by the Board, subject to approval by the Registrar, Modaraba Companies and Modarabas,

8. 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 Modaraba Association of Pakistan for their continuous 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

September 30, 2013

Statement of Compliance with the Code of Corporate Governance **First National Bank Modaraba** **Year ending June 30, 2013**

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

The National Bank modaraba Management Company Ltd ('management company') has applied the principles contained in the CCG in respect of First National Bank Modaraba, the modaraba being managed by it, 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. Zubair Haider Shaikh (Chairman)	Non-Executive
Mr. Wajahat Baqai	Non-Executive
Mr. Khawaja Waheed Raza	Non-Executive & Independent
Syed Mustafa Kamal	Non-Executive & Independent
Mr. Jamal Nasim	Non-Executive & Independent
Mr. Sadiq-ul-Huda	Non-Executive & Independent
Mr. Javaid Sadiq (CEO)	Executive

The independent directors meets the criteria of independence under clause i (b) of the CCG.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this management company.
3. All the resident directors of the management company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. A casual vacancy occurring on the board was filled up by the directors.
5. The modaraba has prepared a "Code of Conduct" and has 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. A complete record of particulars of significant policies 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, 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 papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. The board would arrange training programs for its directors as per time lines provided by the SECP.
10. The board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The directors' report for this year has been prepared in compliance with the requirements of the CCG 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 certificates of the modaraba other than that disclosed in the pattern of shareholding.
14. The modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The board has formed an Audit Committee. It comprises three members, of whom all are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the modaraba and as required by the CCG. 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 ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons 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, and 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 enshrined in the CCG have been complied with.

Javaid Sadiq
Chief Executive Officer

September 30, 2013

REVIEW REPORT TO THE MEMBERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance 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) to comply with the Listing Regulation No. 35 of both the Karachi Stock Exchange and Lahore Stock Exchange, where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba personnel and review of various documents prepared by the Modaraba to comply with the Code.

As 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 have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Further, Sub-Regulation (x) of Listing Regulations 35 of Karachi and Lahore Stock Exchanges requires the Company to place before the Board of Directors for their consideration and approval 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, recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before 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 of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2013.

Lahore
Dated: September 30, 2013

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement Partner: Muhammad Nasir)

AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First National Bank Modaraba** ("the Modaraba") as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (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, 2013 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) In our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under Section 7 of that Ordinance.

LAHORE
Dated : September 30, 2013

HORWATH HUSSAIN CHAUDHURY & CO.
Chartered Accountants
(Engagement Partner: Muhammad Nasir Muneer)

FIRST NATIONAL BANK MODARABA

BALANCE SHEET AS AT JUNE 30, 2013

		2013	2012
	Note	Rupees	Rupees
ASSETS			
Current Assets			
Bank balances	6	20,491,454	17,414,896
Ijarah rentals receivable - Secured and considered good		65,836,987	61,138,915
Advances, prepayments and other receivables	7	57,202,695	112,534,951
Accrued profit	8	20,344,013	15,484,215
Short term investments	9	-	1,734,024
Short term murabaha investments	10	545,476,571	695,922,758
Short term modaraba investment	11	125,000,000	-
Current portion of non-current assets	12	43,070,558	57,425,977
		877,422,278	961,655,736
Non-Current Assets			
Net investment in ijarah	13	57,424,575	74,739,723
Long term murabaha investments	14	44,778,874	30,235,221
Long term loans and deposits	15	3,197,153	3,430,690
Fixed assets under ijarah arrangements	16	1,019,001,825	891,244,292
Fixed assets under own use	17	1,462,405	1,662,582
Intangible assets	18	434,000	-
		1,126,298,832	1,001,312,508
Total Assets		<u>2,003,721,110</u>	<u>1,962,968,244</u>
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities	19	36,828,247	44,704,665
Accrued profit payable		18,959,105	22,725,644
Short term finances	20	351,543,440	634,897,699
Short term certificates of musharakah	21	316,705,907	81,177,255
Current portion of non-current liabilities	22	465,972,978	365,380,170
		1,190,009,677	1,148,885,433
Non-Current Liabilities			
Long term security deposits	23	231,442,853	175,802,255
Long term certificates of musharakah	24	19,130,000	113,838,077
Long term finances	25	251,333,319	181,666,659
Deferred murabaha income	26	13,891,860	2,999,875
		515,798,032	474,306,866
Total Liabilities		<u>1,705,807,709</u>	<u>1,623,192,299</u>
NET ASSETS		<u>297,913,401</u>	<u>339,775,945</u>
REPRESENTED BY:			
Certificate capital	27	250,000,000	250,000,000
Reserves	28	47,913,401	89,775,945
Contingencies and commitments	29	-	-
		<u>297,913,401</u>	<u>339,775,945</u>

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

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

Lahore: September 30, 2013

PROFIT AND LOSS ACCOUNT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
INCOME			
Income from ijarah		495,610,044	480,524,358
Profit on murabaha investments		62,179,722	104,715,470
Profit on musharakah investments		-	1,338,927
Profit on modaraba investment		154,109	-
Profit on bank deposits		132,499	263,830
Income from short term investments - net	30	141,900	180,062
Other income	31	8,876,581	18,798,020
		<u>567,094,855</u>	<u>605,820,667</u>
EXPENSES			
Operating expenses	32	(22,974,084)	(20,800,117)
Depreciation on assets under ijarah		(381,017,257)	(348,381,841)
Finance cost	33	(133,879,796)	(185,966,167)
Other operating expenses	34	(511,830)	(465,300)
Allowance for potential losses in murabaha investments		(45,574,432)	(19,500,000)
		<u>(583,957,399)</u>	<u>(575,113,425)</u>
Modaraba Company's management fee	35	(16,862,544)	30,707,242
		<u>-</u>	<u>(3,070,724)</u>
(Loss) / Profit for the Year		<u>(16,862,544)</u>	<u>27,636,518</u>
Earnings per Modaraba Certificate - Basic and Diluted	36	<u>(0.67)</u>	<u>1.11</u>

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

CHIEF EXECUTIVE OFFICER
Lahore: September 30, 2013

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

STATEMENT OF COMPREHENSIVE INCOME
AS THE YEAR ENDED JUNE 30, 2013

	2013	2012
	Rupees	Rupees
(Loss) / Profit for the Year	(16,862,544)	27,636,518
Other comprehensive income	-	-
Total Comprehensive (Loss) / Income for the Year	<u>(16,862,544)</u>	<u>27,636,518</u>

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

CHIEF EXECUTIVE OFFICER
Lahore: September 30, 2013

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013 Rupees	2012 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from Operations	37	616,215,334	965,580,127
Finance cost paid		(137,646,335)	(193,929,846)
Income taxes paid		(36,955)	(14,804)
Dividend income received		-	271,545
Profit received on bank deposits		98,734	397,199
Net Cash from Operating Activities		478,630,778	772,304,221
CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets under ijarah arrangements		(638,422,993)	(565,681,090)
Purchase of fixed assets under own use		(554,764)	(1,059,545)
Intangible assets		(434,000)	-
Proceeds from disposal of fixed assets under own use		-	670,000
Proceeds from disposal of ijarah assets		136,489,012	58,724,822
Proceeds from disposal of short term investments		1,875,924	-
Long term loans and deposits		(375,534)	(2,238,076)
Net Cash used in Investing Activities		(501,422,355)	(509,583,889)
CASH FLOW FROM FINANCING ACTIVITIES			
Long term finances - net		112,166,664	(222,500,003)
Short term finances		(283,354,259)	(30,124,414)
Short term certificates of musharakah		235,528,652	(39,613,035)
Long term certificates of musharakah		(13,815,439)	64,038,077
Dividends paid		(24,657,483)	(25,246,171)
Net Cash from / (used in) Financing Activities		25,868,135	(253,445,546)
Net Increase in Cash and Cash Equivalents		3,076,558	9,274,786
Cash and cash equivalents at the beginning of the year		17,414,896	8,140,110
Cash and Cash Equivalents at the End of the Year		20,491,454	17,414,896

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

CHIEF EXECUTIVE OFFICER
Lahore: September 30, 2013

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

FIRST NATIONAL BANK MODARABA

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2013

Particulars	Certificate Capital	Reserves			Total Equity
		Statutory reserve	Unappropriated profit	Total	
		Rupees			
Balance as at June 30, 2011	250,000,000	38,427,885	48,711,542	87,139,427	337,139,427
Total comprehensive income for the year ended June 30, 2012	-	-	27,636,518	27,636,518	27,636,518
Transfer to statutory reserve	-	5,527,304	(5,527,304)	-	-
Profit distributed for the year ended June 30, 2011	-	-	(25,000,000)	(25,000,000)	(25,000,000)
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

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

CHIEF EXECUTIVE OFFICER
Lahore: September 30, 2013

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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, musharakah 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 of 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. The 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.

The 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.

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.

Short term investments

The Modaraba has recorded its short term investments by using quotations from active market. This estimate is subjective in nature and therefore, cannot be determined with precision.

Ijarah rentals and murabaha investments

Ijarah 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 and Revised Standards and Interpretations

Since June 30, 2012, International Accounting Board (IASB) has made certain amendments into the existing standards and introduced one new interpretation (IFRIC 20). These amendments seek to enhance the disclosure requirements in the financial statements and do not have any significant effect on the Company's financial statements other than presentation / disclosures. These amendments are as under:

Revision / improvements / amendments to IFRS and interpretations	Effective Date (Period beginning on or after)
- IAS 32: Financial instruments: Presentation - Offsetting Financial Assets and Financial Liabilities	January 1, 2014
- IFRS 1: First-time Adoption of International Financial Reporting Standards - Government Loans	January 1, 2013
- IFRS 7: Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities	January 1, 2013
- IFRS 9: Financial Instruments - Mandatory Effective Date and Transition Disclosures	January 1, 2015
- IFRS 10: Consolidated Financial Statements - Transition Guidance	January 1, 2013
- IFRS 11: Joint Arrangements - Transition Guidance	January 1, 2013
- IFRS 12: Disclosures of Interest in Other Entities - Transition Guidance	January 1, 2013
- Annual Improvements 2009-2011 Cycle	January 1, 2013
- IFRIC 20: Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

Note 5

Summary of Significant Accounting Policies

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.

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 in the scope of IAS 39, 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. Derivatives, if any, are also classified as held for trading unless they are designated as effective hedging instruments. 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 fees 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.

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

5.4.3 Loans and receivables

Loans and receivables are not 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.

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.

5.4.5 Trade date accounting

All 'regular way' purchase and sale of quoted equity securities are recognized on the trade date i.e. the date that the Modaraba commits to purchase / sell the asset. 'Regular way' purchase or sale of quoted investments require delivery within three working days after the transaction date as per stock exchange regulations.

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 declared and unclaimed profit distribution and other liabilities.

5.6 Recognition and derecognition of financial instruments

Financial assets are recognized initially at fair value or in case of financial asset that are not carried at fair value through profit or loss, at fair value plus transaction cost.

All financial assets and liabilities are recognized at the time when entity 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 Musharakah investment

Musharakah 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 assets are amortized on straight line basis over a period of three years.

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 musharakah 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 the 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 is recognized in the period in which it is distributed.

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.

Note 6

Bank Balances

		2013	2012
	Note	Rupees	Rupees
Profit bearing bank accounts	6.1	13,877,664	17,003,564
Non profit bearing bank accounts		6,613,790	411,332
		<u>20,491,454</u>	<u>17,414,896</u>

6.1 These carry profit at the rate of 2% to 6% (2012: 1.50% to 2%) 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 Musharakah (refer to Note 21 and 24).

Note 7

Advances, Prepayments and Other Receivables

		2013	2012
		Rupees	Rupees
Advances for ijarah (Secured - Considered good)		55,983,516	82,488,981
Advances for Murabaha (Secured - Considered good)		-	29,000,000
Advances to employees for expenses (Unsecured - Considered good)		199,939	281,851
Income tax deducted at source		599,575	562,620
Prepayments		374,153	161,109
Other receivable		45,512	40,390
		<u>57,202,695</u>	<u>112,534,951</u>

Note 8

Accrued Profit

		2013	2012
		Rupees	Rupees
Murabaha investment		20,033,080	15,361,156
Modaraba investment		154,109	-
Bank deposits		156,824	123,059
		<u>20,344,013</u>	<u>15,484,215</u>

Note 9

Short Term Investments

		2013	2012
	Note	Rupees	Rupees
At fair value through profit or loss			
Quoted			
National Bank of Pakistan	9.1		
- Nil (2012: 39,826) fully paid ordinary shares including Nil (2012: 20,516) bonus shares			
- Market value per share is Rs. Nil (2012: Rs. 43.54)			
- Cost of investment is Rs. Nil (2012: Rs. 4,507,810)		-	1,734,024
		<u>-</u>	<u>1,734,024</u>

9.1 The investment has been disposed-off during the year.

FIRST NATIONAL BANK MODARABA

Note 10

Short Term Murabaha Investments

		2013	2012
	Note	Rupees	Rupees
Short term murabaha investments (Secured)		597,431,204	693,884,627
Unearned murabaha income	26	14,195,887	27,401,767
		<u>611,627,091</u>	<u>721,286,394</u>
Less: Allowance for potential murabaha losses		<u>(66,150,520)</u>	<u>(25,363,636)</u>
		<u><u>545,476,571</u></u>	<u><u>695,922,758</u></u>

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

Regular	406,245,528	581,084,627
Classified	191,185,676	112,800,000
	<u>597,431,204</u>	<u>693,884,627</u>

10.2 These represent investments under murabaha arrangements on deferred payment basis at specified profit margins. These investments carry profit at the rate of 10.62% to 15.54% (2012: 13.14% to 16.76%) 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 11

Short Term Modaraba Investment - Unsecured

This represents modaraba investment with Albaraka Islamic Bank Limited and carries profit at the rate of 9% per annum (expected) effectively. This investment represents redemption reserve funds set aside by the Modaraba in compliance with the requirements of the Registrar Modarabas for the issuance of Certificates of Musharakah. This fund is maintained at entire minimum of 5% of the Certificates of Musharakah outstanding at any month end (refer to Note 21 and 24)

Note 12

Current Portion of Non-Current Assets

		2013	2012
	Note	Rupees	Rupees
Net investment in ijarah	13	22,775,743	35,156,314
Long term murabaha investments	14	18,742,847	21,326,766
Long term loans and deposits	15	1,551,968	942,897
		<u>43,070,558</u>	<u>57,425,977</u>

Note 13

Net Investment in Ijarah

		2013	2012
	Note	Rupees	Rupees
Minimum ijarah rentals receivable	13.1	106,690,105	126,965,822
Residual value		5,771,116	21,259,971
Gross investment in ijarah (Secured)	13.2	112,461,221	148,225,793
Unearned finance income		<u>(27,340,160)</u>	<u>(33,409,013)</u>
Net investment in ijarah	13.3	85,121,061	114,816,780
Less: Allowance for potential ijarah losses		(4,920,743)	(4,920,743)
Less: Current portion	12	<u>(22,775,743)</u>	<u>(35,156,314)</u>
		<u><u>57,424,575</u></u>	<u><u>74,739,723</u></u>

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

Regular	37,561,854	96,333,807
Classified	47,559,207	18,482,973
	<u>85,121,061</u>	<u>114,816,780</u>

Note 13, Net Investment in Ijarah - Continued...

	2013	2012
	Rupees	Rupees
13.2 Minimum ijarah rentals receivable		
Due within one year	29,942,796	39,024,993
Due after one year but not later than five years	76,747,309	87,940,829
	<u>106,690,105</u>	<u>126,965,822</u>
13.3 Gross investment in ijarah		
Due within one year	30,579,031	75,165,332
Due after one year but not later than five years	81,882,190	73,060,461
	<u>112,461,221</u>	<u>148,225,793</u>
13.4 Net investment in ijarah		
Due within one year	22,775,743	35,156,314
Due after one year but not later than five years	57,424,575	74,739,723
	<u>80,200,318</u>	<u>109,896,037</u>

Note 14

Long Term Murabaha Investments

		2013	2012
	Note	Rupees	Rupees
Long term murabaha investments (Secured)		60,421,094	54,581,689
Deferred murabaha income	26	<u>15,524,539</u>	<u>4,616,662</u>
		75,945,633	59,198,351
Less: Allowance for potential murabaha losses		(12,423,912)	(7,636,364)
Less: Current portion	12	<u>(18,742,847)</u>	<u>(21,326,766)</u>
		<u>44,778,874</u>	<u>30,235,221</u>

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

Regular	16,931,166	16,399,889
Classified	43,489,928	38,181,800
	<u>60,421,094</u>	<u>54,581,689</u>

14.2 These represent investments under murabaha arrangements on deferred payment basis at a profit margin ranging from 13.52% to 15.89% (2012: 14.36% to 17.36%) 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

		2013	2012
	Note	Rupees	Rupees
Loans to employees (Secured - considered good)	15.1	4,709,621	4,334,087
Less: Current portion of loans to employees	12	<u>(1,551,968)</u>	<u>(942,897)</u>
		3,157,653	3,391,190
Security deposits		39,500	39,500
		<u>3,197,153</u>	<u>3,430,690</u>

15.1 These loans are given to employees of the Modaraba for purchase of vehicles and carry profit at the rate of 5% (2012: 5%) per annum. Maximum aggregate balance due from employees at the end of any month during the year was Rs. 5,892,875 (2012: Rs. 4,334,087).

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Note 16

Fixed Assets under Ijarah Arrangement

Description	Plant and machinery Rupees	Vehicles Rupees	Total Rupees
<u>Year Ended June 30, 2013</u>			
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)	(279,781,838)	(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>
<u>Year Ended June 30, 2012</u>			
Cost			
Balance as at July 01, 2011	570,008,966	527,540,188	1,097,549,154
Additions	275,401,723	290,279,367	565,681,090
Disposals	(87,064,890)	(57,508,584)	(144,573,474)
Balance as at June 30, 2012	<u>758,345,799</u>	<u>760,310,971</u>	<u>1,518,656,770</u>
Accumulated depreciation			
Balance as at July 01, 2011	143,082,978	228,625,480	371,708,458
Charge for the year	152,569,292	195,812,549	348,381,841
Disposals	(53,812,793)	(38,865,028)	(92,677,821)
Balance as at June 30, 2012	<u>241,839,477</u>	<u>385,573,001</u>	<u>627,412,478</u>
Total as at June 30, 2012	<u>516,506,322</u>	<u>374,737,970</u>	<u>891,244,292</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 10.26% to 17.24% (2012: 8.25% to 17.80%) 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:

	2013 Rupees	2012 Rupees
Not later than one year	509,273,131	432,733,373
Later than one year and not later than five years	602,025,277	576,188,041
Later than five years	-	-
	<u>1,111,298,408</u>	<u>1,008,921,414</u>

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Note 17

Fixed Assets under Own Use

Description	Vehicles	Computers and accessories	Electric equipment	Total
	Rupees	Rupees	Rupees	Rupees
<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>
<u>Year Ended June 30, 2012</u>				
Cost				
Balance as at July 01, 2011	2,937,010	972,697	325,764	4,235,471
Additions	990,895	18,650	50,000	1,059,545
Disposals	(640,000)	-	-	(640,000)
Balance as at June 30, 2012	<u>3,287,905</u>	<u>991,347</u>	<u>375,764</u>	<u>4,655,016</u>
Accumulated depreciation				
Balance as at July 01, 2011	1,520,512	972,697	325,764	2,818,973
Charge for the year	655,539	2,590	16,665	674,794
Disposals	(501,333)	-	-	(501,333)
Balance as at June 30, 2012	<u>1,674,718</u>	<u>975,287</u>	<u>342,429</u>	<u>2,992,434</u>
Total as at June 30, 2012	<u>1,613,187</u>	<u>16,060</u>	<u>33,335</u>	<u>1,662,582</u>
Depreciation rates	<u>20%</u>	<u>33.33%</u>	<u>20%</u>	

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Note 18

Intangible Assets

		2013	2012
	Note	Rupees	Rupees
Carrying value of intangibles - accounting software	18.1	-	-
Advance for upgradation of accounting software		434,000	-
		<u>434,000</u>	<u>-</u>
18.1 Carrying Value			
Cost		697,300	697,300
Accumulated amortization		(697,300)	(697,300)
Net book value		<u>-</u>	<u>-</u>
Amortization rate		<u>33.33%</u>	<u>33.33%</u>

Note 19

Creditors, Accrued and Other Liabilities

		2013	2012
	Note	Rupees	Rupees
Advances from customers		33,056,242	41,766,388
Modaraba Company's management fee (Unsecured)		348,724	1,348,724
Accrued expenses		742,834	526,000
Withholding tax payable		949,852	2,630
Dividends payable		929,723	587,206
Charity payable	19.1	800,872	473,717
		<u>36,828,247</u>	<u>44,704,665</u>

19.1 The Modaraba has paid an amount of Rs. 873,780 (2012: Rs. 712,613) as charity to approved charitable institutions during the year.

Note 20

Short Term Finance - Secured

		2013	2012
	Note	Rupees	Rupees
Finance under musharakah arrangements			
National Bank of Pakistan (NBP)	20.2	84,449,484	159,911,763
Finance under murabaha arrangements			
Other financial institutions	20.3	267,093,956	474,985,936
		<u>351,543,440</u>	<u>634,897,699</u>

20.1 The aggregate unavailed short term borrowing facilities amount to Rs. 718.46 million (2012: Rs. 435.10 million).

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 (2012: 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 @ 1 month KIBOR plus 1% (2012: 1 month KIBOR plus 1%).

Note 20, Short Term Finance - Secured - Continued...

	2013	2012
	Rupees in Million	Rupees in Million
Securities		
This facility is secured against first joint pari passu hypothecation charge on all present and future assets of Modaraba including leased assets and related receivables against leased assets, musharakah 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)	1,040	800

20.3 Terms and conditions of borrowings

Purpose

These facilities have been obtained from various banking companies with sanctioned limit of Rs. 820 million (2012: 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% (2012: 1 to 6 months KIBOR plus 0.75% to 3%) per annum.

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	990.33	911.11
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Note 21

Short Term Certificates of Musharakah - Unsecured

This represents Certificates of Musharakah through private placement. These certificates have different denominations and are repayable within twelve months. These certificates carry profit on profit and loss sharing basis which ranged 9% to 11.35% (2012: 11% to 13.15% per annum).

Note 22

Current Portion of Non-Current Liabilities

		2013	2012
	Note	Rupees	Rupees
Long term security deposits	23	52,951,774	62,561,620
Long term certificates of musharakah	24	109,692,638	28,800,000
Long term finance	25	287,500,000	244,999,996
Deferred murabaha income	26	15,828,566	29,018,554
		465,972,978	365,380,170

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Note 23

Long Term Security Deposits

		2013	2012
	Note	Rupees	Rupees
Security deposit - ijarah	23.1	284,394,627	238,363,875
Less: Current portion	22	<u>(52,951,774)</u>	<u>(62,561,620)</u>
		<u>231,442,853</u>	<u>175,802,255</u>

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

Note 24

Long Term Certificates of Musharakah - Unsecured

		2013	2012
	Note	Rupees	Rupees
Certificates of Musharakah		128,822,638	142,638,077
Less: Current portion	22	<u>(109,692,638)</u>	<u>(28,800,000)</u>
		<u>19,130,000</u>	<u>113,838,077</u>

24.1 This represents long term Certificates of Musharakah issued through private placement. These certificates have different denominations and carry profit on profit and loss sharing basis which ranged 8.39% to 12.75% (2012: 11.15% to 13.45% per annum).

Note 25

Long-Term Finance - Secured

		2013	2012
	Note	Rupees	Rupees
Finance under Musharakah arrangements			
National Bank of Pakistan	25.1	263,833,317	214,166,651
Finance under Murabaha arrangements			
Other financial institutions	25.2	<u>275,000,002</u>	<u>212,500,004</u>
		538,833,319	426,666,655
Less: Current portion	22	<u>(287,500,000)</u>	<u>(244,999,996)</u>
		<u>251,333,319</u>	<u>181,666,659</u>

25.1 Terms and conditions of borrowings

Purpose

This represents various facilities aggregating Rs. 500 million (2012: Rs. 800 million) obtained from National Bank of Pakistan to bridge the gap between loan / lease repayments received and new loan/lease investments of Musharakah arrangements. These facilities are repayable latest by December 2015 through quarterly installments.

Profit

Profit on these facilities is charged at the rate of 3 months KIBOR plus 0.50% to 2.00% (2012: 3 months KIBOR plus 0.50% to 2.00%) per annum and payable quarterly.

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

	2013	2012
	Rupees in Million	Rupees in Million
Securities		
These facilities are secured against first joint pari passu hypothecation charge on all present and future assets of Modaraba including leased assets and related receivables against leased assets, musharakah 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. 425 million (2012: Rs. 525 million) obtained from various commercial banks. These facilities are repayable latest by June 2016 through quarterly / half-yearly installments.

Profit

Profit on these facilities is charged at the rate of 6 months KIBOR plus 1.50% to 1.75% (2012: 3 to 6 months KIBOR plus 1.50% to 3.00%) per annum and payable quarterly / half-yearly.

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 musharakah assets along with their related receivables / rentals and ranking charge over assets of the Modaraba	854	567
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Note 26

Deferred Murabaha Income

		2013	2012
	Note	Rupees	Rupees
Short term murabaha investments	10	14,195,887	27,401,767
Long term murabaha investments	14	15,524,539	4,616,662
		29,720,426	32,018,429
Less: Current portion	22	(15,828,566)	(29,018,554)
		13,891,860	2,999,875

Note 27

Certificate Capital

	2013	2012		2013	2012
				Rupees	Rupees
Number of certificates					
Authorized:					
<u>60,000,000</u>	<u>60,000,000</u>	Modaraba Certificates of Rs. 10 each		600,000,000	600,000,000
Issued, subscribed and paid-up:					
25,000,000	25,000,000	Modaraba Certificates of Rs. 10 each			
		fully paid in cash		250,000,000	250,000,000

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

27.2 7,500,000 (2012: 7,500,000) Certificates of modaraba are held by National Bank Modaraba Management Company Limited, an associated undertaking of the Modaraba.

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Note 28
Reserves

		2013	2012
	Note	Rupees	Rupees
Statutory reserve	28.1	43,955,189	43,955,189
Un-appropriated profit		3,958,212	45,820,756
		<u>47,913,401</u>	<u>89,775,945</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, upto a maximum of 50% in the statutory reserves 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

There were no material contingencies as at June 30, 2013 (2012: Nil).

29.2 Commitments

These represent ijarah / murabaha facilities approved but not disbursed or partially disbursed amounting to Rs. 228,885,600 (2012: Rs. 82,711,000).

Note 30
Income from Short Term Investments - Net

	2013	2012
	Rupees	Rupees
Dividend income	-	271,545
Unrealized loss in value of short term investments	-	(91,483)
Gain on disposal of investments	141,900	-
	<u>141,900</u>	<u>180,062</u>

Note 31
Other Income

	2013	2012
	Rupees	Rupees
Service charges	1,647,877	5,162,136
Documentation charges	387,895	6,275,382
Gain on termination of ijarah arrangements	6,840,809	6,829,169
Gain on disposal of fixed assets under own use	-	531,333
	<u>8,876,581</u>	<u>18,798,020</u>

Note 32

Operating Expenses

		2013	2012
	Note	Rupees	Rupees
Salaries, allowances and other benefits	32.2	18,085,687	15,850,432
Communication expenses		281,466	353,438
Travelling and conveyance		415,998	432,830
Vehicle running expenses	32.3	332,226	308,520
Postage and stamps		49,623	58,719
Advertisement		66,780	54,630
Legal and professional charges		736,286	767,237
Fees and subscription		660,362	775,644
Repairs and maintenance		518,972	425,851
Insurance		229,629	285,306
Stationery, printing and other expenses		466,599	449,696
Depreciation / amortization:			
- Owned - tangible		754,941	674,794
- Intangible assets		-	-
Entertainment		228,451	222,933
Others		147,064	140,087
		<u>22,974,084</u>	<u>20,800,117</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	
	2013	2012	2013	2012
	Rupees	Rupees	Rupees	Rupees
Salary	3,837,924	3,427,608	2,854,764	3,231,241
House rent allowance	1,883,976	1,713,816	1,350,416	1,130,822
Utilities	452,152	411,318	324,096	271,385
Bonus	1,862,508	1,621,129	897,345	824,724
Expenses reimbursed	1,636,923	1,523,459	2,985,583	1,694,930
	<u>9,673,483</u>	<u>8,697,330</u>	<u>8,412,204</u>	<u>7,153,102</u>
Number of persons	<u>5</u>	<u>5</u>	<u>11</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.

Note 33

Finance Cost

	2013	2012
	Rupees	Rupees
Profit on musharakah finance	38,922,576	57,874,797
Profit on murabaha finance	55,724,796	105,642,410
Profit on certificate of musharakah	38,893,335	22,256,636
Bank charges	339,089	192,324
	<u>133,879,796</u>	<u>185,966,167</u>

Note 34

Other Operating Expenses

		2013	2012
	Note	Rupees	Rupees
Auditors' remuneration	34.1	<u>511,830</u>	<u>465,300</u>
34.1 Auditors' remuneration			
Audit fee		302,500	275,000
Review of half yearly financial statements and other certifications		169,400	154,000
Out of pocket expenses		<u>39,930</u>	<u>36,300</u>
		<u>511,830</u>	<u>465,300</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 is not provided for during the year.

Note 36

Earnings per Modaraba Certificate - Basic and Diluted

	2013	2012
	Rupees	Rupees
(Loss) / profit for the year (Rupees)	<u>(16,862,544)</u>	<u>27,636,518</u>
Weighted average number of modaraba certificates outstanding (Numbers)	<u>25,000,000</u>	<u>25,000,000</u>
Earnings per certificate - basic (Rupees)	<u>(0.67)</u>	<u>1.11</u>

36.1 Basic earnings per modaraba certificate have been computed by dividing (loss) / profit for the year as stated above with weighted average number of the Modaraba certificates.

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

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Note 37

Cash Generated from Operations

	2013	2012
	Rupees	Rupees
(Loss) / Profit for the Year	(16,862,544)	27,636,518
Adjustment for:		
Depreciation / amortization	381,772,198	349,056,635
Allowance for potential losses in murabaha investments	45,574,432	19,500,000
Diminution in value of investment	-	91,483
Gain on disposal of investments	(141,900)	-
Gain on disposal of fixed assets under own use	-	(531,333)
Gain on termination of ijarah arrangements	(6,840,809)	(6,829,169)
Finance cost	133,879,796	185,966,167
Profit on bank deposits	(132,499)	(263,830)
Dividend income	-	(271,545)
	<u>554,111,218</u>	<u>546,718,408</u>
Operating profit before working capital changes	537,248,674	574,354,926
(Increase)/ Decrease in operating assets		
Advances, prepayments and other receivables	55,369,211	61,681,844
Ijarah rentals receivable	(4,698,072)	(20,096,424)
Accrued profit	(4,826,033)	10,430,930
Short term murabaha investments	96,453,423	37,558,864
Short term musharakah investment	-	100,000,000
Short term modaraba investment	(125,000,000)	-
Investment in ijarah	29,695,719	134,486,912
Long term security deposits - ijarah	46,030,752	42,318,108
Long term murabaha investment	(5,839,405)	28,709,978
Long term sukuk certificate	-	4,941,801
Increase/ (Decrease) in operating liabilities		
Creditors, accrued and other liabilities	(8,218,935)	(8,806,812)
Net changes in working capital	78,966,660	391,225,201
Cash generated from operations	<u><u>616,215,334</u></u>	<u><u>965,580,127</u></u>

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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	20,491,454	-	-	-	-	20,491,454
Ijarah rentals receivables	45,328,265	13,801,090	6,707,632	-	-	65,836,987
Advances, prepayments and other receivables	14,919,934	33,744,578	8,538,183	-	-	57,202,695
Accrued profit	14,642,604	2,258,926	3,442,483	-	-	20,344,013
Short term murabaha investment - secured	220,118,538	43,040,074	282,317,959	-	-	545,476,571
Short term modaraba investment	125,000,000	-	-	-	-	125,000,000
Net investment in ijarah	13,522,011	1,490,724	7,763,008	57,377,875	46,700	80,200,318
Long term murabaha investment - secured	9,268,709	2,260,205	7,213,933	32,330,000	12,448,874	63,521,721
Long term loans and deposits	120,390	242,289	1,189,289	3,197,153	-	4,749,121
Fixed assets	3,068,091	16,661,430	72,216,541	928,518,168	-	1,020,464,230
Intangible assets	-	-	434,000	-	-	434,000
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
Total Assets - June 30, 2012	371,810,531	293,089,814	669,698,523	628,369,376	-	1,962,968,244

	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	10,138,273	18,024,514	8,665,460	-	-	36,828,247
Accrued profit payable	6,407,337	7,022,688	5,529,080	-	-	18,959,105
Short term finances - secured	11,075,130	21,055,820	319,412,490	-	-	351,543,440
Short term certificates of musharakah - unsecured	17,562,616	196,130,000	103,013,291	-	-	316,705,907
Long term security deposits	12,348,619	11,556,274	29,046,881	231,442,853	-	284,394,627
Long term certificates of musharakah - unsecured	-	4,354,561	105,338,077	19,130,000	-	128,822,638
Long term finance - secured	10,219,271	31,447,396	245,833,333	251,333,319	-	538,833,319
Deferred murabaha income	420,914	5,861,468	9,546,184	13,891,860	-	29,720,426
Total Liabilities - June 30, 2013	68,172,160	295,452,721	826,384,796	515,798,032	-	1,705,807,709
Total Liabilities - June 30, 2012	108,442,778	201,520,351	984,357,644	328,871,526	-	1,623,192,299
Net Assets - June 30, 2013	398,307,836	(181,953,405)	(436,561,768)	505,625,164	12,495,574	297,913,401
Net Assets - June 30, 2012	263,367,753	91,569,463	(314,659,121)	299,497,850	-	339,775,945

	2013	2012
	Rupees	Rupees
Represented by:		
Certificate capital	250,000,000	250,000,000
Reserves	47,913,401	89,775,945
	297,913,401	339,775,945

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)

	2013		2012	
	Rupees	%	Rupees	%
Sugar	13,093,055	15.38	32,096,764	27.955
Textile	70,721,507	83.08	79,126,172	68.915
Education	-	-	483,130	0.421
Miscellaneous	1,306,499	1.54	3,110,714	2.709
	85,121,061	100	114,816,780	100

Murabaha investment

Allied and engineering	86,769,942	13.190	62,499,501	8.350
Auto and assemblers	10,900,000	1.657	10,900,000	1.456
Cable and electric goods	6,666,667	1.013	13,431,745	1.795
Educational institution	3,000,000	0.456	3,006,654	0.402
Energy	45,000,000	6.840	30,855,867	4.123
Leather and shoe industries	33,940,887	5.159	28,113,200	3.756
Media and advertising	1,148,700	0.175	3,183,091	0.425
Paper and board	-	-	57,396,941	7.669
Rice paddy	7,500,000	1.140	16,638	0.002
Sugar	82,106,135	12.481	116,262,192	15.533
Textile	320,819,967	48.768	360,527,603	48.169
Paints	60,000,000	9.121	62,272,884	8.320
	657,852,298	100	748,466,316	100

Modaraba investment

Financial institutions	125,000,000	100	-	-
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FIRST NATIONAL BANK MODARABA

Note 39, Segment Analysis - Continued...

Investment in ijarah under (IFAS-2)

	2013		2012	
	Rupees	%	Rupees	%
Auto and assemblers	55,335,414	5.430	53,350,541	5.986
Cable and electric goods	9,130,532	0.896	-	-
Chemicals and pharmaceuticals	56,627,529	5.557	28,614,886	3.211
Construction and building products	27,853,641	2.733	29,561,277	3.317
Education	11,743,425	1.152	924,129	0.104
Fabrics	13,124,685	1.288	19,272,864	2.162
Financial institution	42,110,847	4.133	60,933,742	6.837
Food and beverages	37,436,350	3.674	35,746,802	4.011
Glass and ceramics	10,591,632	1.039	8,148,651	0.914
Information technology	27,138,176	2.663	16,857,005	1.891
Leather and shoe industry	17,336,973	1.701	22,546,202	2.530
Media advertising	1,275,430	0.125	704,640	0.079
Plastic	962,969	0.095	-	-
Poultry feed	9,581,060	0.940	18,562,202	2.083
Rubber and tyres	6,853,908	0.673	18,242,481	2.047
Sugar	229,304,515	22.503	195,420,786	21.927
Textile	171,210,673	16.802	245,370,682	27.531
Transport	8,574,500	0.841	-	-
Telecommunication	16,343,755	1.604	13,950,889	1.565
Hotel / Shopping Mall	51,997,298	5.103	37,099,234	4.163
Individuals	138,845,475	13.626	62,816,637	7.048
Insurance	17,803,083	1.758	-	-
Miscellaneous Services	57,819,955	5.674	23,120,642	2.594
	<u>1,019,001,825</u>	<u>100</u>	<u>891,244,292</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:

	2013	2012
	Rupees	Rupees
40.1 Balances outstanding at the year end		
National Income Daily Accounts (NIDA) with National Bank of Pakistan (running balances)	11,937,268	15,835,593
Finances under musharakah arrangement from National Bank of Pakistan	348,282,801	374,078,414
Net investment in ijarah to National Bank of Pakistan	40,617,948	53,292,449
Current accounts with National Bank of Pakistan	922,016	581,698
Balance payable to Modaraba Management company	348,724	1,348,724

Note 40, Transactions with related parties - Continued...

40.2 Transactions with related parties

			2013	2012
			Rupees	Rupees
Related party	Relationship	Nature of transaction		
National Bank of Pakistan	Management Company's holding company	Musharakah obtained - net	190,000,000	10,000,000
		Musharakah repaid - net	215,795,612	232,530,299
		Ijarah disbursed	34,000,000	1,875,000
		Ijarah repaid	47,046,984	46,042,037
		Profit paid	39,077,995	62,135,723
		Profit on ijarah earned	5,367,708	13,009,652
National Bank Modaraba management Company Limited	Management Company	Management fee	-	3,070,724

Transactions with related parties, except the management fee payable to the management company, are carried at an 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:

	2013	2012
	Rupees	Rupees
Total borrowings	890,376,759	1,061,564,354
Cash and bank balances	(20,491,454)	(17,414,896)
Net Debt	869,885,305	1,044,149,458
Equity	297,913,401	339,775,945
Total Capital	1,167,798,706	1,383,925,403
Gearing Ratio	74.49%	75.45%

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 analyze 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 musharakah 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 only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Modaraba only transacts with those counter parties 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.

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	2013 Rupees	2012 Rupees
Bank balances	6	20,491,454	17,414,896
Ijarah rentals receivable		65,836,987	61,138,915
Advances, prepayments and other receivables	7	45,512	40,390
Accrued profit	8	20,344,013	15,484,215
Short term investments	9	-	1,734,024
Short term murabaha investment - secured	10	611,627,091	721,286,394
Short term modaraba investment - unsecured	11	125,000,000	-
Net investment in ijarah	13	85,121,061	114,816,780
Long term murabaha investment - secured	14	75,945,633	59,198,351
Long term loans and deposits	15	4,749,121	4,373,587
		<u>1,009,160,872</u>	<u>995,487,552</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:

	2013 Rupees	2012 Rupees
Auto and assemblers	66,235,414	64,250,541
Allied and engineering	86,769,942	62,499,501
Cable and electric goods	15,797,199	13,431,745
Chemicals and pharmaceuticals	56,627,529	28,614,886
Construction & Building Products	27,853,641	29,561,277
Education	14,743,425	4,413,913
Energy	45,000,000	30,855,867
Engineering and construction	-	-
Fabrics	13,124,685	19,272,864
Financial institutions	42,110,847	60,933,742
Food and beverages	37,436,350	35,746,802
Paper and board	-	57,396,941
Glass and ceramics	10,591,632	8,148,651
Information technology	27,138,176	16,857,005
Leather and shoe industries	51,277,860	50,659,402
Media and advertising	2,424,130	3,887,731
Poultry feed	9,581,060	18,562,202
Rubber and tyre	6,853,908	18,242,481
Sugar	314,503,705	343,779,742
Telecommunication and media	16,343,755	13,950,889
Textile	574,058,646	685,024,457
Transport	8,574,500	-
Rice paddy	7,500,000	16,638
Paints	60,000,000	62,272,884
Plastic	962,969	-
Hotel / Shopping Mall	51,997,298	37,099,234
Individuals	138,845,475	62,816,637
Insurance	17,803,083	-
Miscellaneous	57,819,955	26,231,356
	<u>1,761,975,184</u>	<u>1,754,527,388</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:

	2013	2012
	Rupees	Rupees
Net investment in ijarah	85,121,061	114,816,780
Murabaha investments	687,572,724	780,484,745
Modaraba investments	125,000,000	-
	<u>897,693,785</u>	<u>895,301,525</u>

Impairment losses

The aging of financial assets at the reporting date was:

	Gross	Impairment	Gross	Impairment
	2013	2013	2012	2012
	Rupees	Rupees	Rupees	Rupees
Not past due	623,644,305	-	728,352,055	-
Past due 0-90 days	41,014,540	-	46,933,825	-
Past due 90-180 days	35,077,936	7,636,364	46,933,825	4,920,743
Past due 180-365 days	142,381,989	34,524,708	38,181,820	7,636,364
Past due 365 days & above	55,575,015	41,334,103	34,900,000	25,363,636
	<u>897,693,785</u>	<u>83,495,175</u>	<u>895,301,525</u>	<u>37,920,743</u>

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 affect the profit or loss. A change of 100 basis points in interest rates would have increased or decreased equity by Rs. 3.0 (2012: 3.4) million.

Note 42, Financial Risk Management - Continued...

42.3.4 Other market price risk

The Modaraba is following a policy to set aside funds, to comply with the requirements of the registrar Modarabas for the issuance of certificate of musharakah at minimum of 5% of the certificate of musharakah outstanding at any month end, keeping the fund invested in specified equity investments, where appropriate the primary goal of the Modaraba's equity investment strategy is to maximise investment returns on funds.

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 28th September 2013 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 except for allowance for potential losses in murabaha investments of Rs. 19,500,000 that has been rearranged from other operating expenses (Note 34) to the face of profit and loss account.

CHIEF EXECUTIVE OFFICER

Lahore: September 30, 2013

DIRECTOR

DIRECTOR

CHIEF FINANCIAL OFFICER

FIRST NATIONAL BANK MODARABA

PATTERN OF CERTIFICATE HOLDING AS ON JUNE 30, 2013

Number of ShareHolders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
83	1 -	100	3,756	0.02
413	101 -	500	194,365	0.78
220	501 -	1000	206,135	0.82
236	1001 -	5000	688,790	2.76
85	5001 -	10000	701,799	2.81
27	10001 -	15000	339,273	1.36
17	15001 -	20000	321,372	1.29
19	20001 -	25000	441,490	1.77
8	25001 -	30000	225,300	0.90
5	30001 -	35000	164,900	0.66
5	35001 -	40000	198,000	0.79
3	40001 -	45000	132,500	0.53
7	45001 -	50000	346,400	1.39
5	50001 -	55000	268,247	1.07
4	55001 -	60000	236,090	0.94
1	65001 -	70000	65,500	0.26
2	75001 -	80000	153,495	0.61
1	85001 -	90000	86,500	0.35
7	95001 -	100000	698,466	2.79
2	100001 -	105000	200,600	0.80
1	110001 -	115000	115,000	0.46
3	115001 -	120000	355,380	1.42
1	120001 -	125000	123,500	0.49
3	130001 -	135000	399,228	1.60
2	140001 -	145000	286,000	1.14
2	145001 -	150000	300,000	1.20
1	150001 -	155000	150,400	0.60
2	155001 -	160000	316,900	1.27
1	175001 -	180000	178,500	0.71
1	185001 -	190000	186,395	0.75
1	195001 -	200000	200,000	0.80
1	225001 -	230000	226,000	0.90
1	235001 -	240000	239,747	0.96
1	255001 -	260000	258,100	1.03
1	265001 -	270000	266,030	1.06
1	270001 -	275000	273,998	1.10
2	295001 -	300000	600,000	2.40
1	300001 -	305000	301,100	1.20
1	350001 -	355000	355,000	1.42
1	365001 -	370000	368,000	1.47
1	505001 -	510000	505,244	2.02
1	580001 -	585000	584,500	2.34
1	720001 -	725000	725,000	2.90
1	845001 -	850000	850,000	3.40
2	995001 -	1000000	2,000,000	8.00
1	1660001 -	1665000	1,663,000	6.65
1	7495001 -	7500000	7,500,000	30.00
1,186			25,000,000	100.00

ANNUAL REPORT 2013

CATEGORIES OF CERTIFICATE HOLDERS AS ON JUNE 30, 2013

First National Bank Modaraba

Categories of Share Holders

As on: June 30, 2013

Ser #	Category	No. of Shareholder	Shares Held	Percentage of Total Capital
1	Individuals	1,165	15,670,007	62.6800
2	Insurance Companies	1	65,500	0.2620
3	Joint Stock Companies	12	359,095	1.4364
4	Financial Institutions	1	725,000	2.9000
5	Modarabas	1	19,000	0.0760
6	Modaraba Management Cos	1	7,500,000	30.0000
7	Funds	2	312,500	1.2500
8	Directors	1	25,000	0.1000
9	Others	2	323,898	1.2956
TOTAL:		1,186	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, except for Mr. Jamal Nasim, Director, who purchased 25,000 Certificates (at price of Rs. 6.07 per certificate) during the year.

Associated companies, undertakings and related parties

Number of Certificates

National Bank Modaraba Management Company Limited

7,500,000

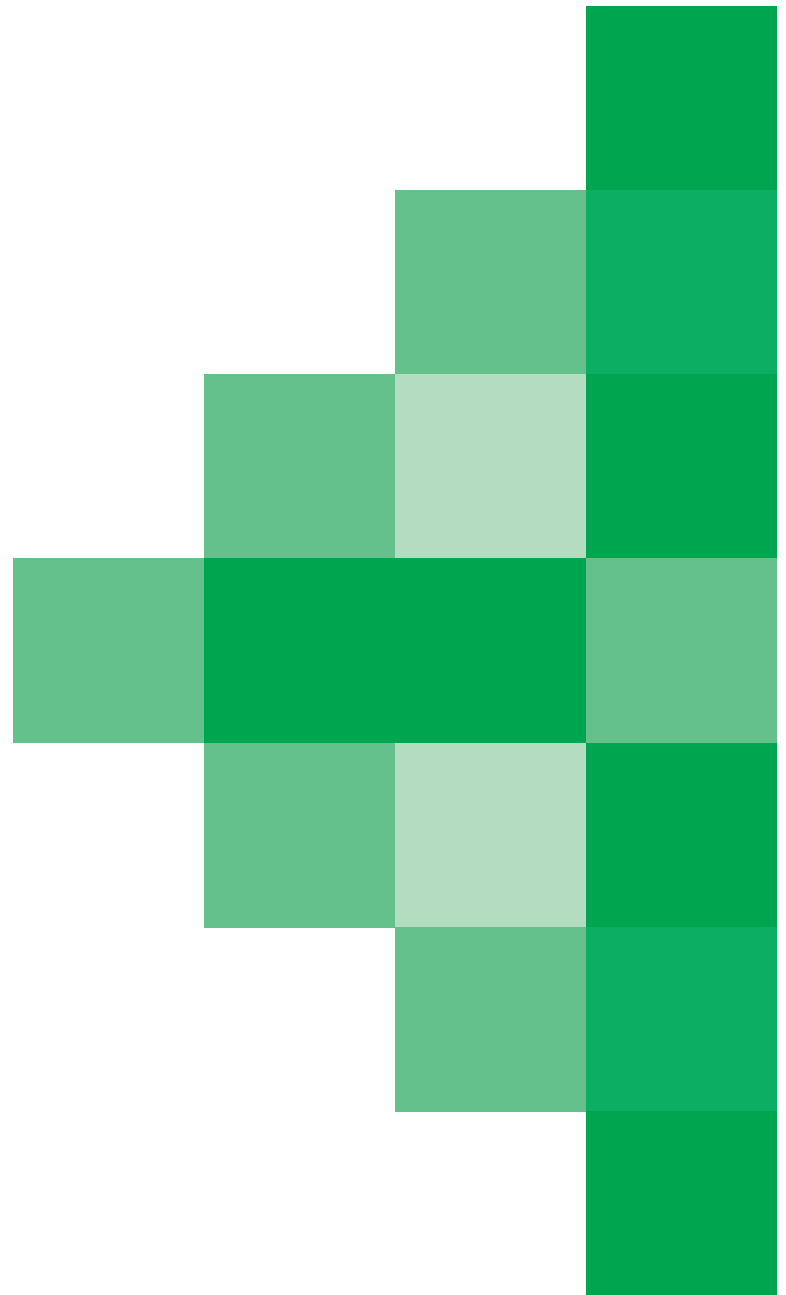
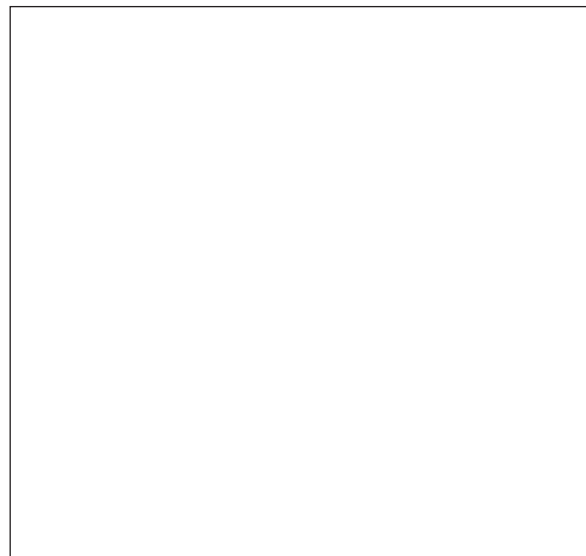
FIRST NATIONAL BANK MODARABA

CATEGORIES DETAILS AS ON JUNE 30, 2013

Category	Numbers of Certificates
Investment Companies	
THE CRESCENT STAR INSURANCE CO. LTD.	65,500
Joint Stock Companies	
MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	100
INVEST CAPITAL MARKETS LIMITED	300
SHAFI SECURITIES (PVT) LIMITED	400
AL-HAQ SECURITIES (PVT) LTD.	500
AMZ SECURITIES (PVT) LIMITED	500
DOSSLANI'S SECURITIES (PVT) LIMITED	500
FIKREE'S (SMC-PVT) LTD.	500
ADEEL ZAFAR SECURITIES (PVT) LTD.	1500
STOCK MASTER SECURITIES (PRIVATE) LTD.	1,800
IRFAN MAZHAR SECURITIES (PVT) LTD.	157,100
HAJI ABDUL SATTAR SECURITIES (PVT) LTD.	157,100
ASIAN SECURITIES LIMITED	186,395
Financial Institutions	
THE BANK OF PUNJAB, TREASURY DIVISION.	725,000
Modarabas	
FIRST ALNOOR MODARABA	19,000
Modarabas Management Cos	
NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED	7,500,000
Funds	
TRUSTEES-ABBASI & CO. PVT. LTD. EMPS.P.FUND	12,500
TRUSTEES D.G. KHAN CEMENT CO. LTD. EMP. P.F	300,000
Directors	
Mr. Jamal Nasim	25,000
Others	
TRUSTEES, ALOO & MINOCHER DINSHAW CHARITABLE TRUST	49,900
TRUSTEES OF TEACHERS RESOURCE CENTRE	273,998

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