



**FIRST NATIONAL BANK MODARABA**

**Managed By:**

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

**Annual Report**  
**2022**

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## CORPORATE INFORMATION

<b>Board of Directors*</b>	<b>Mr. Muhammad Imran Malik</b> <b>Mr. Rehmat Ali Hasnie</b> <b>Khawaja Waheed Raza</b> <b>Mr. Muhammad Iqbal Hussain</b> <b>Mr. Abbas Azam</b>	<b>Chairman</b> <b>Director</b> <b>Director</b> <b>Director</b> <b>CEO</b>
<b>Shari'ah Advisor</b>	<b>Mufti Ehsan Waquar Ahmed</b>	
<b>Chief Financial Officer/</b>	<b>Farah Aslam</b>	
<b>Company Secretary</b>		
<b>Audit Committee</b>	<b>Mr. Muhammad Iqbal Hussain</b> <b>Khawaja Waheed Raza</b>	<b>Chairman</b> <b>Member</b>
<b>HR &amp; Remuneration Committee</b>	<b>Khawaja Waheed Raza</b> <b>Mr. Muhammad Iqbal Hussain</b> <b>Mr. Rehmat Ali Hasnie</b>	<b>Chairman</b> <b>Member</b> <b>Member</b>
<b>Auditors</b>	<b>CROWE HUSSAIN CHAUDHURY &amp; CO.</b> <b>Chartered Accountants</b>	
<b>Bankers</b>	<b>National Bank of Pakistan</b> <b>Bank Alfalah Limited</b> <b>Al Baraka Islamic Bank</b> <b>Habib Bank Limited</b> <b>MCB Bank Limited</b> <b>Bank Islami Pakistan Limited</b>	
<b>Legal Advisor</b>	<b>Muhammad Aqeel Malik</b> <b>Advocates Supreme Court</b> <b>Aqeel &amp; Associates, Advocate/Legal Consultants</b> <b>Office No. 12, 1st Floor, Khawaja Arcade</b> <b>Wahdat Road, Lahore</b> <b>Tel.: 042-35462464</b>	
<b>Shares Registrar</b>	<b>Hameed Majeed Associates (Pvt.) Limited</b> <b>H. M. House, 7 - Bank Square, Lahore</b> <b>Tel: 37235081-2, Fax: 37358817</b>	
<b>Registered Office</b>	<b>Ground Floor, NBP-RHQ Building,</b> <b>26 - McLagon Road, Lahore</b> <b>Tel: 042-99211200, Fax: 042-99213247</b> <b>URL: <a href="http://www.nbmodaraba.com">http://www.nbmodaraba.com</a></b> <b>E-mail: <a href="mailto:info@nbmodaraba.com">info@nbmodaraba.com</a></b>	

\* NBP nominee Director Syed Jamal Baquar resigned during the year. Subsequent to the year end NBP has nominated Mr. Hakim Ali Laghari and Mr. Amir Faraz as its nominee Directors in place of Mr. Rehmat Ali Hasnie and Syed Jamal Baquar. Their nomination is subject to approval by Registrar Modaraba SECP.

**NOTICE OF 19TH ANNUAL REVIEW MEETING & BOOK CLOSURE**

Notice is hereby given that the 19<sup>th</sup> Annual Review Meeting of certificate holders of First National Bank Modaraba will be held on Friday, October 21, 2022 at 11:00 a.m. at Ground Floor, NBP RHQs Building, 26 – McLagon Road, Lahore to review the performance of the Modaraba for the year ended June 30, 2022.

The Certificate Transfer Book will remain closed from October 14, 2022 to October 21, 2022 (both days inclusive) for the purpose of eligibility to attend the Annual Review Meeting.

The certificate holders whose names appear on the Register of Certificate Holders of First National Bank Modaraba at the close of business as on October 13, 2022 will be eligible to attend the Annual Review Meeting. All transfers received in order, up to the close of business on October 13, 2022 at our Registrar's Office, Hameed Majeed Associates (Pvt.) Limited, H.M House, 7 – Bank Square, Lahore will be considered in time.

**By order of the Board**



**Farah Aslam**  
Company Secretary  
National Bank Modaraba Management Company Limited  
Managers of First National Bank Modaraba  
Lahore: September 09, 2022

**Vision:**

To offer Shariah compliant Islamic Financial Products in the financial market so as to achieve optimum customer satisfaction and develop sustainable business relationships.

**Mission:**

Promote an Islamic Financial Institution where values of management excellence, professionalism, human resource development are promoted such that interests of all stakeholders are safeguarded.



## Annual Shari'ah Advisor's Report

I have conducted the Shari'ah review of First National Bank Modaraba managed by National Bank Modaraba Management Company Limited (NBMMCL), a wholly-owned subsidiary of the National Bank of Pakistan for the financial year ended June 30, 2022, in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

- i. The Modaraba has introduced a mechanism for Shari'ah compliance and the systems, procedures, and policies adopted by the Modaraba are in line with the Shari'ah principles;
- ii. No significant developments took place during the year.
- iii. The financing agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met;
- iv. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas
- v. Profit sharing ratios, profits, and charging of losses (if any) relating to any deposit-raising product conform to the basis and principles of Shari'ah.
- vi. The earnings that have been realized from the sources or by means prohibited by Shari'ah have been credited to charity accounts.

### Observation(s)

During my review, it has been found that no fresh financial activity took place, so observations remain the same as previous:

- i. FNBM is maintaining bank accounts with a conventional Bank.
- ii. Financing from conventional Bank(s) has been secured.

### Recommendation(s)

Following are some recommendations:

- i. FNBM must maintain account(s) in Islamic Banks/Islamic Windows of Conventional Banks only.
- ii. Matter arising from the previous report that all credit lines with conventional banks were instructed to be replaced with Islamic Banking facilities. It is still outstanding and the management needs to resolve this as the earliest.

### Conclusion

Based on the above-mentioned fact, I believe that the business operations of First National Bank Modaraba are Shariah compliant to the best of my knowledge.

### Signature

Mufti Ehsan Waqar  
Shari'ah Advisor  
Dated: August 19, 2022

## 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 19<sup>th</sup> annual accounts of FNBM for the period ended June 30, 2022. These accounts have been audited by the statutory auditors of the Modaraba and are accompanied by their audit report.

### 1. Financial Results:

(Amounts in Rupees)

	Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017
Balance Sheet Size	265,183,241	239,158,238	238,951,705	303,068,110	356,066,321	508,478,472
Total Equity	(58,111,902)	(62,095,159)	(63,161,052)	(22,110,114)	8,154,162	16,333,070
Total Operating & Other Income	53,454,288	49,834,268	23,351,818	22,260,145	76,030,467	179,801,462
Operating & Financial Exp.	39,999,987	33,827,265	54,403,262	52,357,465	71,817,951	163,231,481
Profit for the period	3,143,856	1,337,762	(34,071,784)	(35,716,364)	(8,178,908)	(71,359,682)
Modaraba Co.'s Management Fee	356,446	151,674	Nil	Nil	Nil	Nil
Net profit after tax	2,609,400	1,110,342	(34,071,784)	(35,716,364)	(8,178,908)	(71,359,682)
Earning per certificate (Rs.)	0.10	0.04	(1.36)	(1.43)	(0.33)	(2.85)
Return on Assets (%)	0.99%	0.46%	(14.28)	(11.78)	(2.30)	(13.9)
Return on Equity (%)	NA	NA	N/A	N/A	(101)	(436.9)
Dividend Paid (%)	Nil	Nil	Nil	Nil	Nil	Nil
Breakup value per certificate (Rs.)	(2.32)	(2.48)	(2.52)	(1.42)	0.33	0.64

### 2. Economic and Sector Outlook:

The financial year 2021-2022, was marked with wide swinging uncertain political scenarios, which spiraled the economy in to a pit of hideous difficulties like accelerating inflation, fast rising dollar price, high interest rates etc. On the positive side the tough measures taken by the Govt. by reducing high subsidies on some basic goods may help stabilize the Country's financial position, though with the side effect of slowing down the general economic activity which may in turn affect exports and revenue. No doubt the Govt. has got a very challenging task ahead of keeping the macroeconomic equation balanced. In the face of it there seem to exist an air of confidence that with the strong resilience of its people the Country will soon come out of these difficulties.

With rising market interest rates the financial sector has to adjust its business activities accordingly. The sustainable performance of financial sector however depends on growth in private entrepreneurs and investments, including rehabilitation of those sick industrial units where most of the sector's credit portfolio is stuck up. In these changing economic environment the Modaraba sector can also advantageously position itself using its Islamic image and doing innovations in Islamic financial products.

## **Going Concern Assumption**

Due to accumulated losses, Board of Directors of parent bank, National Bank of Pakistan (NBP) in its meeting held on 22<sup>nd</sup> June, 2018 resolved to review and reverse its earlier decision of cessation of Modaraba and to re-capitalize it with Rs 300 Million by issuing certificates at Rs 10 per certificate. For this purpose Securities and Exchange Commission of Pakistan (SECP) accorded its approval on December 3, 2018 for issuance of further certificates other than right to NBP. Subsequently NBP went to seek its regulator's (SBP) approval. While the approval was still in pendency, SECP however issued an order on October 31, 2019 under section 23(I)(ii)(b) of Modaraba Companies and Modaraba (Floatation & Control) Ordinance 1980 that in the public interest an application may be filed with the Modaraba Tribunal Lahore for winding up of the Modaraba. The said application/petition has been filed by SECP on June 16, 2020 and the proceedings are under way in the Court.

Under the prevailing circumstances NBP, being the sole sponsor and credit financier of the Modaraba, may evaluate and decide a better course of action in the best interest of all stakeholders especially of the Modaraba certificate holders.

Therefore in the absence of fresh equity and until the decision of NBP or of the Modaraba Tribunal, there exists material uncertainty that casts significant doubts about the Modaraba's ability to continue as a going concern. Therefore on advice of our external auditors, these financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively as fully explained in note 1.2 to the financial statements.

## **Review of Operations:**

During the period under review, the management remained focused on recovery from non-performing portfolio. All recovery suits that have been filed against defaulters have been decreed in Modaraba's favor by the relevant Banking Courts. The cases that were earlier decreed in the Modaraba's favor are presently in execution proceedings. As a result, during the period, some restructuring/settlement arrangements were successfully made with the defaulters, and an amount of around Rs. 40 million was recovered. Further restructurings/settlements with defaulter clients are expected in the next financial year as well.

The balance sheet size has increased from Rs. 239.2 million in the corresponding year to Rs. 265.1 million this year on account of recovery and reversals in provisioning. The Income slightly increased to Rs. 14.0 million as compared to Rs. 11.4 million in the corresponding year. Compared to Rs. 18.36 Million last year, the finance cost, on NBP's RF line which expired on October 31, 2019 and having outstanding balance of Rs. 217 Million, was provisionally accrued at Rs. 23.52 Million during the year because of high market mark-up rates. The Modaraba has requested NBP for renewal of the RF facility with reduction/waiver of Mark-up and deferral in payment of accrued mark-up. Despite high general inflation the operating expenses were kept under control and decreased from Rs. 14.3 Million last year to Rs. 12.7 million this year. Due to recoveries from NPLs there was a handsome reversal in provisioning amounting to Rs. 38 million, while a further provisioning of Rs. 9.88 million has been charged on some old NPLs on account of subjective evaluation in accordance with the relevant regulations/guidelines. The net result was a profit after tax of Rs. 2.6 million. The earnings per certificate accordingly remained at Rs. 0.10 as against Rs. 0.04 in the corresponding year.

FNBM ensures conformity with the Shariah compliance and Shariah audit mechanism for Modarabas. In this respect Sharia'h Advisor's report is attached. The amounts advised by the Sharia'h advisor to be paid as charity, has been credited to the charity account. During the year, an amount of Rs. 0.45 Million was paid as charity to approved charitable institutions as per policy approved by the Board of Directors.



## **Profit Distribution**

Board in its meeting held on September 09, 2022 did not declare any dividends due to the aforementioned reasons.

## **Future Outlook:**

One of the main tasks ahead for the Modaraba is to recover its NPLs. All of the recovery suits filed against defaulter parties have been decreed by the honorable Banking Courts in favor of the Modaraba and their execution proceedings are underway. Besides litigations, settlements/restructurings on favorable terms are also being negotiated with the defaulter clients. As majority of the default belong to textiles where some of the Modaraba's clients are out of business for long, therefore it is foreseen that as and when the general business environment gets conducive for the textiles, the settlements/restructurings with these clients could be also executed favorably. As a result, and also with the help of parent bank NBP, the Modaraba is expecting to recover substantial portion of its accumulated loss that were mainly incurred due to charge of provisioning on NPLs, and hence become compliant with the applicable laws/regulations regarding equity.

Furthermore if the Modaraba continues as a going concern entity after the decision of NBP (or the Modaraba Tribunal) about its future, then the new business activity is planned to be focused mainly on small ticket financing of consumer/ commercial vehicles and standalone machinery/equipment to small and medium size enterprises. The returns on new financing, coupled with recoveries from existing non-performing classified portfolio, are expected to enable the Modaraba to start earning profits in few years.

## **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, unless otherwise stated in financial statements, in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, International accounting standards, and Islamic Financial Accounting Standards as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements.
- The system of internal control, which is sound in design is in place and is being continuously reviewed by internal audit. The process of review will continue and any weakness in controls will be removed.
- These financial statements are prepared on non-going concern basis.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations except for those specifically mentioned in the statement of compliance with the CCG.
- There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding as on June 30, 2022 except those disclosed in the financial statements.
- During the year ended June 30, 2022 four (04), meetings of the Board of Directors were held. Besides (04) four Audit committee and One (01) HR Committee meeting along with one (01) risk management committee meeting were also held. Attendance by each directors is as follows:

Name	No. of Attendance			
	Board	Audit Committee	HR Committee	RM Committee
i. Mr. Muhammad Imran Malik	4	N/A	N/A	N/A
ii. Mr. Rehmat Ali Hasnie	4	N/A	1	N/A
iii. Syed Jamal Baquar	2	2	N/A	N/A
iv. Khawaja Waheed Raza	4	4	1	1
v. Mr. Muhammad Iqbal Hussain	4	4	1	1
vi. Mr. Abbas Azam	4	N/A	N/A	N/A

The remuneration of the CEO and meeting fee of the non-executive members of the board of directors are paid by the management company, NBMMCL.

The pattern of certificate holders is annexed.

### 3. **Auditors:**

The auditors M/s. Crowe Hussain Chaudhry & Co Chartered Accountants have completed their five consecutive term as auditors. A new audit firm will be appointed for the year ending June 30, 2023, after confirmation by the Board, and approval by the Registrar, Modaraba Companies and Modarabas SECP.

### 4. **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, Pakistan Stock Exchange, and NBF & Modaraba Association of Pakistan for their continuance support and guidance.

**For and on Behalf of the Board**



**Chief Executive Officer**

**September 09, 2022**

## ڈائریکٹرز رپورٹ

فرنٹ نیشنل بینک مضاربہ (FNBM) کی انتظامی کمپنی نیشنل بینک مضاربہ ٹینجمنٹ کمپنی لمیٹڈ (NBMMCL) کے بورڈ آف ڈائریکٹرز 30 جون 2022ء کو اختتام پزیر سال کے لئے FNBM کے 19 ویں سالانہ کھاتوں پر ڈائریکٹرز کی رپورٹ ازراہ مسرت پیش کرتے ہیں۔ مضاربہ کے مجاز آڈیٹرز نے ان کھاتوں کی پڑتال کی ہے اور انہوں نے اپنی آڈٹ رپورٹ ساتھ منسلک کی ہے۔

### 1. مالیاتی نتائج

30 جون 2017ء	30 جون 2018ء	30 جون 2019ء	30 جون 2020ء	30 جون 2021ء	30 جون 2022ء	
کو اختتام پزیر سال	کو اختتام پزیر سال	کو اختتام پزیر سال	کو اختتام پزیر سال	کو اختتام پزیر سال	کو اختتام پزیر سال	
508,478,472	356,066,321	303,068,110	238,951,705	239,158,238	265,183,241	بیلنس شیٹ سائز
16,333,070	8,154,162	(22,110,114)	(63,161,052)	(62,095,159)	(58,111,902)	کل نفع
179,801,462	76,030,467	22,260,145	23,351,818	49,834,268	53,454,288	کل آپریٹنگ و دیگر آمدنی
163,231,481	71,817,951	52,357,465	54,403,262	(33,827,265)	39,999,987	آپریٹنگ و مالیاتی اخراجات
(71,359,682)	(8,178,908)	(35,715,364)	(34,071,784)	1,337,762	3,143,856	مذکورہ مدت کے لئے منافع
Nil	Nil	Nil	Nil	151,674	356,446	مضاربہ کمپنی کی انتظامی فیس
(71,359,682)	(8,178,908)	(35,716,364)	(34,071,784)	1,110,342	2,609,400	خالص منافع عاودہ ٹیکس
(2.85)	(0.33)	(1.43)	(1.36)	0.04	0.10	آمدنی فی سرٹیفکیٹ (روپے)
(13.9)	(2.30)	(11.78)	(14.28)	0.46%	0.99%	اثاثہ جات پر آمدنی (فی صد)
(436.9)	(101)	لاگوئیں	لاگوئیں	لاگوئیں	لاگوئیں	ایکویٹی پر آمدنی (فی صد)
Nil	Nil	Nil	Nil	Nil	Nil	اواشدہ منافع منقسمہ (فی صد)
0.64	0.33	(1.42)	(2.52)	(2.48)	(2.32)	سرٹیفکیٹ کی بریک اپ قیمت (روپے)

### 2. معاشی و شعبہ جاتی منظر نامہ

مالیاتی سال 2021-2022ء کے دوران سیاسی منظر نامے میں مسلسل غیر متوقع تبدیلیوں کی وجہ سے بڑھتے ہوئے افراتفر، ڈالر کی قیمت میں تیز رفتار اضافہ، بلند شرح سود وغیرہ جیسے عوامل نے معیشت کو شدید مشکلات میں ڈال دیا۔ اہم مصنوعات پر اضافی سبسڈی میں کمی جیسے حکومتی اقدامات کے باعث ملک کی معاشی حالت میں ممکنہ استحکام متوقع ہے جو کہ ایک مثبت پیش رفت ہے، اگرچہ معاشی سرگرمیوں میں سست روی کے اثرات برآمدات اور ریونیو پر پڑ رہے ہیں۔ کئی معاشی توازن کو برقرار رکھنا یقینی طور پر حکومت کے لئے ایک بہت بڑا چیلنج ہے۔ علاوہ ازیں، عمومی اعتماد کی فضا دکھائی دے رہی ہے کہ عوام کی ثابت قدمی کے باعث ملک بہت جلد ان مشکلات سے باہر آ جائے گا۔

بلند شرح سود کے ساتھ مالیاتی شعبہ نے بھی اپنی کاروباری سرگرمیوں میں ضروری تبدیلیاں کیں۔ البتہ مالیاتی شعبے کی پائیدار کارکردگی کا انحصار نجی کاروبار اور سرمایہ داری میں نمو پر ہے جس میں بہار صنعتی یونٹوں کی بحالی شامل ہے جہاں اس شعبے کا کریڈٹ پورٹ فولیو پھنسا پڑا ہے۔ اس متغیر معاشی ماحول میں مضاربہ اسلامی سہا کار اور اسلامی مالیاتی پروڈکٹس میں جدت کے ساتھ اس صورت حال سے مستفید ہو سکتا ہے۔

### کاروبار جاری رکھنے کی توقعات

مجموعی خسارہ کے باعث مرکزی بینک یعنی نیشنل بینک آف پاکستان کے بورڈ آف ڈائریکٹرز نے 22 جون 2018ء کو منعقدہ اپنے اجلاس میں مضاربہ کی تحلیل اور 10 روپے فی سرٹیفکیٹ کی شرح سے 300 ملین روپے کے سرٹیفکیٹ جاری کر کے سرمایہ حاصل کرنے کے فیصلہ پر نظر ثانی کی اور اس فیصلہ کو واپس لے لیا۔ اس مقصد کے لئے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے NBP کورانٹ سرٹیفکیٹ کے علاوہ مزید سرٹیفکیٹ جاری کرنے کے لئے 3 دسمبر 2018ء کو اس فیصلہ کی توثیق کی۔ نتیجتاً NBP کو اپنے ریگولیٹر (SBP) کی منظوری درکار ہے۔ چونکہ منظوری ابھی تعلق کا شکار ہے لہذا SEC نے 31 اکتوبر 2019ء کو مضاربہ کمپنیز اینڈ مضاربہ (فلوئیشن اینڈ

کنٹرول آرڈیننس 1980ء کے سیکشن (b)(ii) 23(1) کے تحت حکم جاری کیا کہ عوام کے مفاد میں مضاربہ کی تحلیل کے لئے مضاربہ ٹریڈیول لاہور میں درخواست دائر کی جا سکتی ہے۔ SECP نے 16 جون 2020ء کو مذکورہ درخواست/پٹیشن دائر کی اور کارروائی عدالت میں زیر التوا ہے۔

موجودہ حالات میں NBP مضاربہ کا واحد سپانسر اور کریڈٹ فنانسر ہونے کی بنا پر اپنے تمام سٹیک ہولڈرز خصوصاً مضاربہ سٹیک ہولڈرز کے بہترین مفاد میں کارروائی کے بہتر طریقہ کار اور جائزے کا فیصلہ کر سکتا ہے۔

لہذا تازہ ترین نصف کی عدم موجودگی اور NBP یا مضاربہ ٹریڈیول کے فیصلے تک بے یقینی کی فضا قائم ہے جس کی وجہ سے مضاربہ کی کاروبار جاری رکھنے کی صلاحیت میں ابہام پیدا ہوتا ہے۔ لہذا اپنے بیرونی آڈیٹرز کی سفارشات پر یہ مالیاتی گوشوارے کا پیشہ جات اور اجابت کی اندازاً آمدنی/تصفیہ کی بنیاد پر تیار کئے گئے ہیں جن کی مالیاتی گوشواروں کے نوٹ 1.2 میں وضاحت کی گئی ہے۔

## آپریٹنگ کا جائزہ

زیر جائزہ مدت کے دوران انتظامیہ غیر فعال پورٹ فولیو کی بحالی پر بھرپور توجہ دے رہی ہے۔ نادہندگان کے خلاف رقوم کی وصولی کے لئے دائر مقدمات میں متعلقہ بینکنگ کورٹ نے مضاربہ کے حق میں فیصلے جاری کئے ہیں۔ ماضی میں مضاربہ کے حق میں جو فیصلے جاری کئے گئے ان پر عمل درآمد کی کارروائی جاری ہے۔ نتیجتاً، مذکورہ مدت کے دوران نادہندگان کے ساتھ ری سٹرکچرنگ/تصفیہ کے انتظامات پر کامیابی سے عمل ہوا ہے اور تقریباً 40 ملین روپے کی رقم وصول ہوئی ہے۔ مزید برآں، اگلی مالیاتی سال کے دوران بھی نادہندہ کلائنٹس کے ساتھ ری سٹرکچرنگ/سینٹمنٹ مکمل جاری رہے گا۔

وصولی اور واجبات کی تبدیلی کی بابت گذشتہ برس میں بیلس شیٹ سائز 239.2 ملین روپے کے مقابلہ میں 265.18 ملین روپے تک رہا۔ آمدنی میں بھی معمولی اضافہ ہوا جو گذشتہ برس کی اسی مدت میں 11.4 ملین روپے کے مقابلہ میں 14.0 ملین روپے رہی۔ گذشتہ برس میں 18.36 ملین روپے کے مقابلہ میں قرضوں پر لاگت، NBP کی RF لائن 31 اکتوبر 2019ء کو ختم ہو چکی ہے اور 217 ملین روپے کے بقایہ جات ظاہر کرتی ہے، سہولت کے ختم ہونے پر زیر جائزہ سال کے دوران بلند مارکیٹ مارک اپ ریٹس کے باعث 23.52 ملین روپے رہی۔ مضاربہ نے مارک اپ میں کمی/چھوٹ اور مارک اپ کی ادائیگی میں تاخیر کے مطالبہ کے ساتھ NBP کی RF سہولت میں تبدیلی درخواست کی ہے۔ افراط زر کی بلند شرح کے باوجود آپریٹنگ اخراجات کنٹرول میں رکھے گئے گذشتہ برس میں 14.3 ملین روپے کے مقابلہ میں زیر جائزہ سال کے دوران 12.7 ملین روپے تک کمی واقع ہوئی۔ NPL کی وصولی کی وجہ سے 38 ملین روپے کے واجبات میں نمایاں کمی ہوئی۔ جب کہ متعلقہ ضوابط/ہدایات کی روشنی میں ایک طرفہ جائزے کی بابت پرانے NPLs سے مزید 9.88 ملین روپے کی تخفیف ہوئی۔ مجموعی نتائج کی مد میں نفع علاوہ ٹیکس 2.6 ملین روپے رہا۔ گذشتہ برس میں نی سٹیٹیکٹس آمدنی 0.04 روپے کے مقابلہ میں 0.10 روپے رہی۔

FNBM مضاربہ کے شرعی اصولوں اور شرعی آڈٹ طریقہ کار پر عمل درآمد کو یقینی بناتی ہے۔ اس ضمن میں شرعی مشیروں کی رپورٹ لف ہدا ہے۔ شرعی ایڈوائز کی مجوزہ رقم بطور خیرات جاری کی جائے گی جسے باضابطہ طور پر خیراتی اکاؤنٹ میں جمع کرا دیا گیا ہے۔ زیر جائزہ سال کے دوران 0.45 ملین روپے کی رقم منظور شدہ خیراتی اداروں کو بورڈ آف ڈائریکٹرز کی منظور شدہ پالیسی کے تحت بطور خیرات ادا کی گئی ہے۔

## نفع کی تقسیم

بورڈ نے 09 ستمبر 2022ء میں منعقدہ اپنے اجلاس میں مذکورہ بالا وجوہات کی بنا پر منافع منقسمہ کا اعلان نہیں کیا ہے۔

## مستقبل کا منظر نامہ

مضاربہ کے اہم کاموں میں سے اولین ترجیح NPLs کی بحالی ہے۔ نادہندہ فریقین کی جانب سے وصولی کے مقدمات پر فاضل بینکنگ کورٹس نے مضاربہ کے حق میں فیصلہ دیا ہے اور ان پر عمل درآمد کی کارروائی جاری ہے۔ قانونی چارہ جوئی کے علاوہ موافق شرائط پر تصفیہ/ری سٹرکچرنگ کے لئے نادہندہ کلائنٹس سے مذاکرات جاری ہیں۔ چونکہ زیادہ تر نادہندگان ٹیکسٹائل کے شعبہ سے تعلق رکھتے ہیں اور متعلقہ کلائنٹس عرصہ دراز سے کاروبار سے باہر ہیں لہذا یہ توقع کی جاتی ہے کہ آئندہ سالوں میں عمومی کاروبار ماحول میں بہتری کے باعث ان نادہندگان سے سازگار انداز میں تصفیہ/ری سٹرکچرنگ پر عمل درآمد کی توقع کی جارہی ہے۔ نتیجتاً مرکزی بینک NBP کی مدد سے NPLs پر عائد واجبات کے باعث مضاربہ مجموعی خسارے کا نمایاں حصہ وصول کر لے گا جو ایکویٹی کی بابت لاگو قوانین/ضوابط کی تعمیل کے ذمہ سے آتا ہے۔

مزید برآں، اگر NBP (یا مضاربہ ٹریڈیول) اس کے مستقبل پر فیصلہ کے بعد مضاربہ کا کاروبار جاری رکھنے کی حیثیت اختیار کر لیتا ہے تو صارف/کمرشل گاڈیلوں کی سہل کٹ فائنٹنگ اور چھوٹے اور درمیانے درجے کے کاروباروں کے لئے مشینری/ایکو پیسٹ کی فراہمی کے منصوبہ پر نئی کاروباری سرگرمی شروع کرنے پر توجہ دی جائے گی۔ نئی سرمایہ داری پر آمدنی اور موجودہ غیر فعال کلاسیفائیڈ پورٹ فولیو سے وصولیاں آئندہ چند برسوں میں مضاربہ کو منافع بخش بنانے میں اہم کردار ادا کریں گی۔

## کاروباری و مالیاتی رپورٹنگ فریم ورک

- مضاربہ کی انتظامیہ کی تیار کردہ مالیاتی اسٹیٹمنٹس ایکویٹی میں تبدیلی، کیش فلو، آپریشنز اور کاروباری امور کی بہترین عکاسی کرتی ہیں۔
- مضاربہ کے کھاتوں کی باقاعدہ کتابیں تیار کی گئی ہیں۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں موافق اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات موزوں فیصلوں کی بنیاد پر لگائے گئے ہیں۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں پاکستان میں رائج بین الاقوامی مالیاتی رپورٹنگ سٹینڈرڈز (IFRS)، بین الاقوامی اکاؤنٹنگ معیارات اور مضاربہ پر لاگو اسلامی مالیاتی اکاؤنٹنگ معیارات کی پیروی کی گئی ہے۔
- داخلی نظم و ضبط کا ایک مربوط نظام موجود ہے اور اس پر اندرونی آڈیٹرز مسلسل نظر ثانی کرتے ہیں۔ نگرانی کا عمل جاری رہے گا اور کنٹرول میں نقص کو ہٹایا جاتا رہے گا۔
- یہ مالیاتی اسٹیٹمنٹس کاروبار جاری نہ رکھنے کی صلاحیت کی بنیاد پر تیار کی گئی ہیں۔
- لسٹڈ کمپنیوں میں بیان کردہ کارپوریٹ گورننس کی بہترین عمل داری میں کوئی سقم موجود نہ ہے۔ ماسوائے CCG کے تعمیلی بیان میں درج کردہ نقاط کے۔
- مالیاتی اسٹیٹمنٹ میں بیان کردہ واجبات کے علاوہ 30 جون 2022 تک ٹیکس، ڈیوٹی، لیوی اور چارجز کی مد میں کوئی قانونی ادائیگی واجب الادا نہیں ہے۔
- 30 جون 2022ء بورڈ آف ڈائریکٹرز کے چار (04) اجلاس منعقد ہوئے۔ علاوہ ازیں، آڈٹ کمیٹی کے چار (04)، ایچ آر کمیٹی اور رسک مینجمنٹ کمیٹی کا ایک (01) اجلاس منعقد ہوا۔ ہر ڈائریکٹر کی حاضری حسب ذیل ہے:

حاضر یوں کی تعداد					
نمبر شمار	نام ڈائریکٹر	بورڈ	آڈٹ کمیٹی	HR کمیٹی	RM کمیٹی
i.	مسٹر عمران ملک	4	N/A	N/A	N/A
ii.	مسٹر رحمت علی حسنی	4	N/A	1	N/A
iii.	سید جمال باقر	2	2	N/A	N/A
iv.	خواجہ وحید رضا	4	4	1	1
v.	مسٹر محمد اقبال حسین	4	4	1	1
vi.	مسٹر عباس اعظم	4	N/A	N/A	N/A

CEO کا معاوضہ اور بورڈ آف ڈائریکٹرز کے نان ایگزیکٹو اراکین کی اجلاس فیس انتظامی کمیٹی NBMMCL ادا کرے گی۔  
سرٹیفکیٹ ہولڈرز کی وضع لف ہذا ہے۔

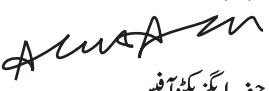
### 3. آڈیٹرز

آڈیٹرز میسرز کرو حسین چوہدری اینڈ کو چارٹڈ اکاؤنٹنٹس نے بطور آڈیٹرز پانچ سال مکمل کر لئے ہیں۔ 30 جون 2023ء کو اختتام پذیر سال کے لئے، بورڈ کی توثیق اور رجسٹر ارن، مضاربہ کیپٹینز اور مضاربہ SECP کی منظوری کے بعد ہی آڈٹ فرم کا تقرر کیا جائے گا۔

### 4. اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے اپنے معزز صارفین کی حمایت، بیکورٹیز اینڈ ایڈجسٹمنٹ کمیشن آف پاکستان، پاکستان سٹاک ایکسچینج اور NBFI اور مضاربہ ایسوسی ایشن آف پاکستان کی مسلسل رہنمائی کا تہہ دل سے شکر ادا کرتا ہے۔

منجانب/ برائے بورڈ آف ڈائریکٹرز

  
چیف ایگزیکٹو آفیسر

09 ستمبر 2022

(نوٹ: اردو متن میں کسی اہم کی صورت میں انگریزی متن کو ترجیح دی جائے۔)

## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 of First National Bank Modaraba For the year ended June 30, 2022

The Modaraba Management Company (hereafter referred to as the Company) has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are six as per the following, -
  - a. Male: 6
  - b. Female: 0

2. The composition of the Board is as follows:

Independent Director	Muhammad Iqbal Hussain
Non-Executive Directors	Imran Malik
	Khawaja Waheed Raza
	Rehmat Ali Hasnie
	Jamal Baquar - Resigned on February 07, 2022
Executive Director	Abbas Azam
Female Director	Nil

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
4. The company has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the company; and is also available on website.
5. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board/ certificate holders as empowered by the relevant provisions of the Act and these Regulations.
7. 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. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of the Board.
8. The Board has a formal policy and transparent procedures for remuneration of directors in accordance with the Act and these Regulations.
9. Three directors have acquired prescribed certification under Directors' Training Program while Three directors are exempt based on exemption criteria.
10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief financial officer and chief executive officer duly endorsed the financial statements before approval of the Board.
12. The Board has formed committees comprising of members given below. -
 

a) Audit Committee	Chairman	Muhammad Iqbal Hussain
	Member	Khawaja Waheed Raza
	Member	Syed Jamal Baqur
b) HR and Remuneration Committee	Chairman	Khawaja Waheed Raza
	Member	Muhammad Iqbal Hussain
	Member	Rehmat Ali Hasnie
c) Risk Management Committee	Chairman	Muhammad Imran Malik
	Member	Khawaja Waheed Raza
	Member	Muhammad Iqbal Hussain
d) Nomination Committee	NA	NA

## Annual Report 2022

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance.
14. The frequency of meetings (quarterly/half yearly/ yearly) of the committee were as per following,-
- |                                    |     |
|------------------------------------|-----|
| a) Audit Committee;                | 4   |
| b) HR and Remuneration Committee ; | 1   |
| c) Risk Management Committee       | 1   |
| d) Nomination Committee            | N/A |
15. The Board has set up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the company.
16. The statutory auditors of the company have confirmed that they have been given and satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the chief executive officer, chief financial officer, head of internal audit, company secretary or director of the company.
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these Regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard.
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with; and
19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Sr. No	Reg. Ref.	Description	Explanation
1.	7	The Board shall have a female director.	Noted for the future compliance.
2.	19	By June 30, 2022 all the directors on the Board should have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.	Noted for the future compliance.
3.	24	The same person shall not simultaneously hold the office of Chief Financial Officer and Company Secretary of a listed Company.	Noted for the future compliance.
4.	27(1)(i)	The Board shall establish an audit committee of at least three members comprising of non-executive directors and at least one independent director	Noted for the future compliance.
5.	28(2)	The Chairman of the HR & R Committee shall be an Independent Director.	Noted for the future compliance.



Signature  
Chairman



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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE CERTIFICATE  
HOLDERS OF  
FIRST NATIONAL BANK MODARABA  
REVIEW REPORT ON THE STATEMENT OF COMPLIANCE CONTAINED IN  
LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE)  
REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of National Bank Modaraba Management Company Limited (the Company) for and on behalf of First National Bank Modaraba (the Modaraba) for the year ended June 30, 2022 in accordance with the requirements of regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

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

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

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 Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2022.

Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:





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<b>Sr. No.</b>	<b>Paragraph Reference</b>	<b>Description</b>
1	18	The Board does not have a female director.
2	18	The Audit Committee did not consist of at least three non-executive members in the last quarter as one of the member s resigned during the last quarter and the resulting casual vacancy has not been filled.
3	19	One of the directors did not complete the Director Training Program during the year.
4	19	The positions of Chief Financial Officer and Company Secretary are held by the same person.
5	19	The Chairman of the Human Resource and Remuneration Committee is not an independent director.

**LAHORE**  
**Dated: September 09, 2022**  
**UDIN Number: CR202210051FIU9hzcR3**

**CROWE HUSSAIN CHAUDHURY & CO.**  
**Chartered Accountants**



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## AUDITOR'S REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First National Bank Modaraba** ("the Modaraba") as at June 30, 2022 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;



**Crowe Hussain Chaudhury & Co.**

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- 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, 2022 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to Note 1.2 of the accompanied financial statements, which indicates that the Modaraba's current liabilities exceeded its current assets by Rs. 91.199 million, its net liabilities amounted to Rs. 58.112 million and its accumulated losses amounted to Rs. 352.623 million. The short term running facility obtained from National Bank of Pakistan (NBP) was expired on October 31, 2019 that has yet not been renewed and markup outstanding thereupon is also outstanding. Moreover, after the issuance of order dated October 31, 2019 of Registrar Modaraba, the winding up petition has been filed on June 16, 2020 before the Honorable Modaraba Tribunal, Lahore. This situation indicates that a material uncertainty exists that may cast significant doubt on the Modaraba's ability to continue as going concern. Therefore, these financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively. Estimated realizable / settlement values are based on the management's best estimate. Estimation involves judgment based on the latest available, reliable information, historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In future, these estimates may need revision if changes occur in the circumstances on which the estimates are based or as a result of new information. Hence, the ultimate values at which assets will be realized and liabilities will be settled may be different from those carried in these financial statements. Our opinion is not qualified in respect of this matter.

**LAHORE**

**Dated: September 09, 2022**

**UDIN: AR202210051b27iMNIK4**

**CROWE HUSSAIN CHAUDHURY & CO.**  
**Chartered Accountants**  
**(Engagement Partner: Amin Ali)**

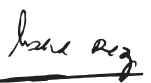
## BALANCE SHEET AS AT JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash at banks	6	1,455,894	12,975,175
Short term murabaha investments - secured	7	2,320,364	3,638,222
Accrued profit	8	3,049,548	1,445,282
Short term investments	9	172,510,582	117,078,393
Ijarah rentals receivable	10	30,866,563	45,668,275
Advances, prepayments and other receivables	11	7,045,707	6,563,679
Current portion of non current assets	12	14,846,748	18,697,036
		232,095,406	206,066,062
<b>NON-CURRENT ASSETS</b>			
Net investment in ijarah finance	13	-	-
Diminishing musharaka financing - secured	14	-	-
Long term murabaha investments - secured	15	-	-
Long term deposit		39,500	39,500
Intangible asset	16	-	-
Fixed assets under ijarah arrangements	17	32,959,576	33,024,976
Fixed assets - own use	18	88,759	27,700
		33,087,835	33,092,176
<b>TOTAL ASSETS</b>		265,183,241	239,158,238
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued profit on short term financing		70,311,279	46,806,932
Short term finances - secured	19	217,063,388	217,063,388
Creditors, accrued and other liabilities	20	2,488,982	3,886,183
Unclaimed dividend		425,218	425,218
Security deposits against ijarah assets	21	33,006,276	33,071,676
Deferred murabaha income	22	-	-
<b>TOTAL LIABILITIES</b>		(323,295,143)	(301,253,397)
<b>NET LIABILITIES</b>		(58,111,902)	(62,095,159)
<b>FINANCED BY:</b>			
Certificate capital	23	250,000,000	250,000,000
Statutory reserve	24	44,699,137	44,177,257
Accumulated loss		(352,623,061)	(354,710,581)
		(57,923,924)	(60,533,324)
Unrealised loss on revaluation of sukuks		(187,978)	(1,561,835)
<b>TOTAL EQUITY AND RESERVES</b>		(58,111,902)	(62,095,159)
<b>CONTINGENCIES AND COMMITMENTS</b>	25	-	-

The annexed notes from 1 to 38 form an integral part of these financial statements.



Chief Executive Officer  
National Bank Modaraba  
Management Company Limited



Director  
National Bank Modaraba  
Management Company Limited



Director  
National Bank Modaraba  
Management Company Limited



Chief Financial Officer  
National Bank Modaraba  
Management Company Limited

# Annual Report 2022

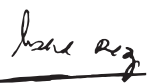
## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2022

	Note	2022 Rupees	2021 Rupees
<b>INCOME FROM OPERATIONS</b>			
Ijarah rentals earned / income from ijarah finance		-	1,314,070
Profit on diminishing musharaka financing		-	3,519
Profit on murabaha income		-	2,287,522
Profit on bank deposits		194,417	136,628
Profit on short term investment		13,817,771	7,628,387
		14,012,188	11,370,126
<b>OTHER INCOME</b>			
Reversal of provision charged for doubtful receivables - net	29	38,069,693	29,389,969
Suspension reversed during the year		1,150,931	1,229,821
Gain on termination of ijarah assets		3,476	6,843,717
Excess liabilities written back		-	1,000,635
Other income	26	218,000	-
		39,442,100	38,464,142
<b>TOTAL INCOME</b>		<b>53,454,288</b>	<b>49,834,268</b>
<b>EXPENSES</b>			
Depreciation on ijarah assets	17	-	(1,147,041)
Operating expenses	27	(12,770,392)	(14,353,438)
Finance cost	28	(23,517,722)	(18,326,786)
Receivables adjusted		(3,711,773)	-
<b>TOTAL EXPENSES</b>		<b>(39,999,887)</b>	<b>(33,827,265)</b>
<b>OPERATING PROFIT BEFORE PROVISIONS AND TAXATION</b>		<b>13,454,401</b>	<b>16,007,003</b>
Provision charged for doubtful receivables - net	29	(9,889,939)	(14,490,266)
<b>PROFIT BEFORE MANAGEMENT COMPANY'S FEE</b>		<b>3,564,462</b>	<b>1,516,737</b>
Modaraba Company's management fee	30	(356,446)	(151,674)
Provision for Worker's Welfare Fund		(64,160)	(27,301)
<b>PROFIT BEFORE TAXATION</b>		<b>3,143,856</b>	<b>1,337,762</b>
Taxation	31	(534,456)	(227,420)
<b>NET PROFIT FOR THE YEAR</b>		<b>2,609,400</b>	<b>1,110,342</b>
<b>EARNINGS PER MODARABA CERTIFICATE - BASIC AND DILUTED</b>	32	<b>0.10</b>	<b>0.04</b>

The annexed notes from 1 to 38 form an integral part of these financial statements.



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Management Company Limited



Director  
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Lahore: September 09, 2022

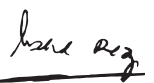
## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021
	Rupees	Rupees
<b>NET PROFIT FOR THE YEAR</b>	2,609,400	1,110,342
<b>Other Comprehensive Income</b>		
<i>Items that will not be reclassified to profit and loss account</i>	-	-
<i>Items that may be reclassified subsequently to profit and loss account</i>		
- Surplus on revaluation of sukus	1,373,857	110,647
Other comprehensive income for the year	1,373,857	110,647
<b>Total Comprehensive Income for the Year</b>	<u>3,983,257</u>	<u>1,220,989</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.



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Lahore: September 09, 2022

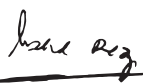
## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2022

	2022	2021
	Rupees	Rupees
<b>Net Profit for the Year</b>	3,143,856	1,337,762
Adjustment for:		
- Depreciation on fixed assets under own use	25,971	31,534
- Depreciation on fixed assets under ijarah arrangements	-	1,147,041
- Loss on termination of ijarah assets	(3,476)	(6,843,717)
- Gain on disposal of fixed assets	(10,000)	-
- Profit on short term investments	(13,817,771)	(7,628,387)
- Charge of provision against doubtful ijarah rentals receivable - net	9,889,939	14,490,266
- Balances written off	3,711,773	-
- Liabilities written back	-	(1,000,635)
- Reversal of provision long term murabaha investments - net	(38,069,693)	(29,389,969)
- Suspension reversed during the year	(1,150,931)	(1,229,821)
- Finance cost	23,517,722	18,326,786
- Provision for Worker's Welfare Fund	64,160	27,301
- Profit on term deposit receipts and bank deposits	(194,417)	(136,628)
	<u>(16,036,723)</u>	<u>(12,206,229)</u>
<b>Operating loss before working capital changes</b>	<u>(12,892,867)</u>	<u>(10,868,467)</u>
Decrease / (Increase) in operating assets:		
- Accrued profit	12,213,505	7,385,851
- Ijarah rentals receivable	1,200,000	2,297,578
- Advances, prepayments and other receivables	45,051	(843,890)
- Short term murabaha investments recovered	39,672,584	28,814,770
- Diminishing musharaka financing	2,925,000	6,609,403
- Long term murabaha investments	-	4,042,743
- Net investment in finance lease	1,089,698	-
Decrease in operating liabilities:		
- Creditors, accrued and other liabilities	(759,873)	(4,541,275)
<b>Net changes in working capital</b>	<u>56,385,965</u>	<u>43,765,180</u>
<b>Cash Generated from Operations</b>	<u>43,493,098</u>	<u>32,896,713</u>
Finance cost paid	(13,375)	(15,680)
Income taxes paid / deducted at source	(1,061,535)	(592,798)
Profit received on bank deposits	194,417	136,628
Long term loans recovered	-	151,280
<b>Net Cash Generated from Operating Activities</b>	<u>42,612,605</u>	<u>32,576,143</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Fixed assets - own use acquired	(87,030)	-
Proceeds from disposal of assets	10,000	-
Short term investments acquired	(72,000,000)	(50,000,000)
Short term investments redeemed	17,941,668	6,875,000
Proceeds from disposal of ijarah assets	3,476	868,700
<b>Net Cash Used in Investing Activities</b>	<u>(54,131,886)</u>	<u>(42,256,300)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	-	-
<b>Net Decrease in Cash and Cash Equivalents</b>	<u>(11,519,281)</u>	<u>(9,680,157)</u>
Cash and cash equivalents at the beginning of the year	12,975,175	22,655,332
<b>Cash and Cash Equivalents at the End of the Year</b>	<u>1,455,894</u>	<u>12,975,175</u>

The annexed notes from 1 to 38 form an integral part of these financial statements.



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Management Company Limited



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Lahore: September 09, 2022

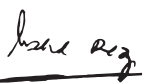
## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2022

Particulars	Certificate Capital	Statutory Reserve	Accumulated Loss	Total Equity
	Rupees			
<b>Balance as at June 30, 2020</b>	250,000,000	43,955,189	(355,598,855)	(61,643,666)
Net profit for the year	-	-	1,110,342	1,110,342
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,110,342	1,110,342
Transferred to statutory reserve (Note 24)	-	222,068	(222,068)	-
<b>Balance as at June 30, 2021</b>	250,000,000	44,177,257	(354,710,581)	(60,533,324)
Net profit for the year	-	-	2,609,400	2,609,400
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	2,609,400	2,609,400
Transferred to statutory reserve (Note 24)	-	521,880	(521,880)	-
<b>Balance as at June 30, 2022</b>	250,000,000	44,699,137	(352,623,061)	(57,923,924)

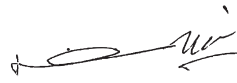
The annexed notes from 1 to 38 form an integral part of these financial statements.



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## NOTES TO AND FORMING PART OF THE THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2022

Note 1

### Legal Status and Nature of Business

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

The Modaraba is listed on Pakistan Stock Exchange Limited (PSX). It commenced its operations on December 4, 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharaka and murabaha arrangements.

### 1.2 Going concern assumption

As at the reporting date, the Modaraba's current liabilities exceed its current assets by Rs. 91.199 million (2021: Rs. 95.187 million) and its accumulated losses amount to Rs. 352.623 million (2021: Rs. 354.711 million). Further as referred in Note 19 and Note 28, the short term running finance facility obtained from National Bank of Pakistan (NBP) was expired on October 31, 2019 that has yet not been renewed while markup outstanding thereupon is also yet to be paid. Outstanding markup on this facility upto October 31, 2019 was Rs. 10.8 million. However, NBP is accruing markup beyond that date in its books; accordingly, the Modaraba, while its request of waiver / reduction of markup is in pendency, has also accrued a further amount of Rs. 59.5 million on account of finance cost against this facility accumulating to Rs. 70.311 million (2021: Rs. 46.806 million) as at the reporting date. The trading in the certificates of Modaraba has already been suspended and the name of the Modaraba is included in the defaulter list at PSX.

In purview of the consistent losses of the Modaraba, the Registrar Modaraba issued a show cause notice to the Modaraba as to why should the proceedings to wind it up not be initiated in terms of Section 23(1)(ii)(b) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Further, the Registrar Modaraba, in exercise of powers conferred under Section 23(1)(ii)(b) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and aforementioned show cause notice, has passed an order dated October 31, 2019, for filing an application for winding up before the Modaraba Tribunal, Lahore. Subsequent to order dated October 31, 2019 of Registrar Modaraba, the winding up petition has been filed by Registrar Modaraba on June 16, 2020 under section 23(1)(ii)(b) before the Honorable Modaraba Tribunal, Lahore. However, the case is pending before the court and next date of hearing has been fixed on September 19, 2022.

Accumulated losses as on June 30, 2022 contain Rs. 285.220 million (2021: Rs. 313.400 million) against provision for doubtful receivables; the management believes that these amounts are notional in nature and these provisions are reversible in future to the extent of actual cash recoveries, as and when realized, from the defaulter clients. Besides fully charging provisioning in accordance with the Prudential Regulations for Modarabas issued by SECP ('PRs'), the Modaraba has also subjectively assessed the carrying value of its classified receivables and incorporating as much additional provisioning in the light of applicable regulations and management judgment. Accordingly, additional subjective provision of Rs. 9.88 million was incorporated in the financial statements. These assessments were made on the basis of relevant factors, including the expectation of reaching restructuring arrangements with respective parties for outstanding amounts within next one year or so.

The Modaraba has filed legal suits for recovery against all its defaulter clients and Rs. 432.058 million (2021: 405.381 million) have been decreed in Modaraba's favor by the Honorable Banking Courts, against principal amount, that are pending execution. Total current liabilities amounting to Rs. 324.810 million (2021: Rs. 301.253 million) include Rs. 287.374 million (2021: Rs. 263.87 million) payable to National Bank of Pakistan (NBP) on account of outstanding principal and mark-up on short term running finance facility that the management believes is not readily payable. Further, the current liabilities also include Rs. 33.006 million (2021: Rs. 33.076 million) worth security deposits that are not immediately repayable rather shall be adjusted against the residual value of ijarah assets. Further, the Modaraba has recovered Rs. 39.466 million from certain customers against non-performing finances during the current year.

However, the winding up petition filed by the Registrar Modaraba indicates the existence of material uncertainty that casts significant doubts about the Modaraba's ability to continue as a going concern, and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. Therefore, these financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively.

## Note 2

### Basis of Preparation

---

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS), International Accounting Standards (IAS) and Islamic Financial Accounting Standards (IFASs) as are notified under the provisions of the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017, Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (hereinafter referred to as the relevant laws).

Wherever the requirements of the approved accounting standards differ from the relevant laws, the relevant laws have been followed.

#### 2.2 Accounting convention

These financial statements have been prepared on the basis other than going concern using estimated realizable / settlement values of assets and liabilities respectively. In realizable / settlement value basis, assets are carried at amount of cash and cash equivalents that could currently be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values, that is the undiscounted amount of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.

#### 2.3 Functional and presentation currency

These financial statements are prepared and presented in Pak Rupees which is Modaraba's functional and presentation currency. All financial information presented in Pak Rupees is 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 the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgments made by the management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year comprise:

- Provision against non performing financing (Note 5.3, 5.5, 5.6, 7, 10, 13, 14 & 15)
- Impairment of other financial assets (Note 5.4, 11)
- Short term investments (Note 9)
- Likelihood of outcome of future events related to assessment of contingencies (Note 5.14, 25)
- Provision for taxation (Note 5.11)

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

Based on the management's best estimate, as on the reporting date, carrying values of assets and liabilities reflect estimated realizable / settlement values respectively. The Modaraba has recognized provision for doubtful short term murabaha investments, provision for ijarah rentals receivables and provision for long term murabaha investment on the basis of prudential regulations and subjective evaluation of non-performing receivables / assets after considering the current situation, that the Modaraba may not be able to continue as going concern. These provisions are made in addition to the time based criteria given in the Regulation of classification and provisioning for non-performing assets in Prudential Regulations for Modarabas issued by SECP. As per guidelines on the basis of preparation of financial statements that are not considered going concern as issued by the Institute of Chartered Accountants of Pakistan, analysis of upside of Rs. 1.340 million is not recognized in the profit and loss account of the Modaraba as disclosed in Note 15.2 to these financial statements. Cumulative effect of upside not recognized in the profit and loss of the Modaraba for the year ended June 30, 2022 amounts to Rs. 1.340 million.

Note 4

## Changes in Accounting Standards, Interpretations and Pronouncements

### 4.1 Standards, interpretations and amendments to approved accounting standards which became effective during the year

There are certain standards, amendments and interpretations to the accounting and reporting standards which are mandatory for accounting periods beginning on or after July 01, 2021. These are considered not to be relevant or to have any significant effect on the Modaraba's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

### 4.2 Standards, interpretations and amendments to accounting and reporting standards which are not relevant and not yet effective

There were certain amendments to accounting and reporting standards which are not considered to be relevant to the Modaraba and are not yet effective.

### 4.3 Standards, interpretation and amendments to accounting and reporting standards, that are relevant but not yet effective

There are certain standards, amendments and interpretations to the accounting and reporting standards which are mandatory for entities having accounting periods beginning on or after July 1, 2021 but are considered not to be relevant or to have any significant effect on the Modaraba's operations and are, therefore, not detailed in these financial statements. These are as follows:

	<b>Effective Date - Annual Periods Beginning on or After</b>
- IAS 1 Presentation of Financial Statements [Amendments]	January 1, 2022 & January 1, 2023
- IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors [Amendments]	January 1, 2023
- IAS 12 Income Taxes [Amendments]	January 1, 2023
- IAS 16 Property, Plant and Equipment [Amendments]	January 1, 2022
- IAS 37 Provisions, Contingent Liabilities and Contingent Assets [Amendments]	January 1, 2022
- Annual Improvements to IFRS Standards 2018–2020	January 1, 2022

The management is in the process of assessing the impact of these amendments.

## Note 5

### Summary of Significant Accounting Policies

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The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented.

#### 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. Provision is recognized for Murabaha investments in accordance with the time based criteria of the Prudential Regulations for Modarabas issued by SECP and subjective evaluation of management. Outstanding balances are written off when there is no realistic prospect of recovery.

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.

The profit on that portion of sales revenue not due for payment are deferred by accounting for a debit to "unearned murabaha income" account with the corresponding credit to "deferred murabaha income" account and shown in the balance sheet as a liability.

#### 5.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### 5.4.1 Financial assets

All financial assets are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized and derecognized, as applicable, using trade-date accounting or settlement date accounting.

##### Classification

The Modaraba classifies its financial assets in the following categories: at amortized cost, at fair value through other comprehensive income and at fair value through profit and loss. The classification is based on its business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The management determines the classification of its financial assets at the time of initial recognition.

##### a) Financial assets at amortized cost

A financial asset is measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

##### b) Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

## c) Financial assets at fair value through profit and loss

A financial asset is measured at fair value through profit and loss unless it is measured at amortized cost or at fair value through other comprehensive income.

### **Reclassification**

When the Modaraba changes its business model for managing financial assets, it reclassifies all affected financial assets accordingly. The Modaraba applies the reclassification prospectively from the reclassification date.

In case of reclassification out of the "amortized cost" to "fair value through profit and loss", fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair value is recognized in profit and loss.

In case of reclassification out of "fair value through profit and loss" to the "amortized cost", fair value of the financial asset at the reclassification date becomes its new gross carrying amount.

In case of reclassification out of the "amortized cost" to "fair value through other comprehensive income", fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair value is recognized in other comprehensive income. The effective mark up rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

In case of reclassification out of "fair value through profit and loss" to "fair value through other comprehensive income", the financial asset continues to be measured at fair value.

In case of reclassification out of "fair value through other comprehensive income" to "fair value through profit and loss", the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit and loss as a reclassification adjustment at the reclassification date.

### **Initial recognition and measurement**

All financial assets are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade-date – the date on which the Modaraba commits to purchase or sell the asset. The Modaraba initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

### **Subsequent measurement**

Financial assets carried at amortized cost are subsequently measured using the Effective Interest Rate (EIR) method.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Modaraba recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in profit and loss.

Financial assets 'at fair value through other comprehensive income' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognized in other comprehensive income. Mark-up calculated using the EIR method is credited to profit and loss. Dividends on equity instruments are credited to profit and loss when the Modaraba's right to receive payments is established.

Financial assets 'at fair value through profit and loss' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss in the period in which these arise.

Fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Modaraba measures the investments at cost less impairment in value, if any.

## **Derecognition**

Financial assets are derecognized when:

- the contractual rights to receive cash flows from the assets have expired; or
- the Modaraba has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - a) the Modaraba has transferred substantially all the risks and rewards of the asset; or
  - b) the Modaraba has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The difference between the carrying amount and the consideration received is recognized in profit and loss.

If the Modaraba transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognizes either a servicing asset or a servicing liability for that servicing contract.

When the Modaraba has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Modaraba continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Modaraba also recognizes an associated liability which cannot be offset with the related asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Modaraba has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Modaraba could be required to repay.

If the Modaraba's continuing involvement is in only a part of a financial asset, the Modaraba allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the consideration received for the part no longer recognized is recognized in profit and loss.

## **Impairment of financial assets**

The Modaraba directly reduces the gross carrying amount of a financial asset when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Modaraba recognizes the impairment at each reporting date for outstanding Ijarah, murabaha and musharakah receivables on the basis of Prudential Regulations issued for Modarabas.

## **5.4.2 Financial liabilities**

### **Initial recognition and measurement**

All financial liabilities are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost except for financial liabilities at fair value through profit and loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

The Modaraba does not reclassify any of its financial liabilities.

Financial liabilities are initially recognized at fair value minus transaction costs for all financial liabilities not carried at fair value through profit and loss. Financial liabilities carried at fair value through profit and loss are initially recognized at fair value and transaction costs are recognized in the profit and loss account.

The Modaraba's financial liabilities include trade and other payables and loans and borrowings etc.

### **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

#### **Financial liabilities at fair value through profit and loss**

Financial liabilities at fair value through profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit and loss. The Modaraba has not designated any financial liability as at fair value through profit and loss.

#### **All other liabilities**

All other financial liabilities are measured at amortized cost EIR method. Gains and losses are recognized in profit and loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance cost in the profit and loss.

#### **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the profit and loss account. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in profit and loss.

If the Modaraba repurchases a part of a financial liability, the Modaraba allocates the previous carrying amount of the financial liability between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognized is recognized in profit and loss.

### **5.4.3 Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Modaraba intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

### **5.5 Diminishing musharaka financing**

Diminishing musharaka financing is stated net of provision for doubtful receivables. Provision for doubtful musharaka receivables is recognized in accordance with Prudential Regulations for Modarabas issued by SECP or on the estimate of management, whichever is higher. Bad debts are written off when identified.

### **5.6 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 issued by SECP 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.

## 5.7 Fixed assets

### 5.7.1 Fixed assets 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 transfers during the year, depreciation is charged proportionately to the period of ijarah.

### 5.7.2 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 profit and loss as and when incurred. Gain / loss on disposals are carried to the profit and loss in the year of disposal.

Depreciation is charged to profit and loss using the straight line method at the rates as specified in note 20 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 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.

### 5.7.3 Assets in own use - Intangible

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

## 5.8 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 reporting 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 reporting date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for.



## 5.9 Borrowing costs

Borrowing costs on long term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long term finances. All other borrowing costs are recognized in profit and loss account.

## 5.10 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 1, 2008 lease rentals are recognized as income on accrual basis, as and when the rental becomes due over the ijarah period.

The deferred murabaha income i.e. the excess of aggregate murabaha installments over the cost of the asset under murabaha investment is deferred and then amortized over the term of the murabaha, so as to produce a constant rate of return on murabaha investment. Documentation charges, front-end fee and other murabaha income are recognized as income on receipt basis.

Return on deposits with banks is recognized on time proportionate basis.

Profit on diminishing musharaka financing is recognized under the effective mark up rate method based on the amount outstanding.

## 5.11 Taxation

### 5.11.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits available, rebates and exemptions, if any.

### 5.11.2 Deferred

Deferred tax is provided, using the balance sheet method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized. Deferred tax assets, that are not expected to recover in foreseeable future, are not accounted for in the financial statements.

## 5.12 Profit distribution

Profit distribution to certificate holders is recognized as a liability in the period in which such distribution is announced.

## 5.13 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (the Chief Executive Officer of the Modaraba). Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire fixed assets and intangible assets.

## 5.14 Contingent liabilities

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Modaraba.

A contingent liability is also disclosed when there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits would be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

## 5.15 Related party transactions

Transactions in relation to business activities with related parties are made at arm's length prices determined in accordance with the Modaraba's policy.

## 5.16 Earnings per certificate

The Modaraba presents basic and diluted earnings per certificate (EPC). Basis EPC is calculated by dividing the profit or loss attributable to ordinary certificate holders of the Modaraba by the weighted average number of ordinary certificates outstanding during the year. Diluted EPC is determined by adjusting the profit or loss attributable to ordinary certificate holders and the weighted average number of ordinary certificates outstanding for the effects of all dilutive potential ordinary certificates, if any.

## 5.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Modaraba has access at that date. The fair value of a liability reflects the effect of non-performance risk. When applicable, the Modaraba measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When measuring fair value, the Modaraba takes into account the characteristics of asset or liability which include the condition and location of the asset and restrictions, if any, on the sale or use of the asset.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Modaraba uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Valuation techniques used to measure fair value are applied consistently unless a change in a valuation technique or its application results in a measurement that is equally or more representative of fair value in the circumstances. Revisions resulting from a change in the valuation technique or its application are accounted for as a change in accounting estimate.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within different levels of the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

Fair value hierarchy categorizes into following three levels the inputs to valuation techniques used to measure fair value:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Modaraba can access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 — Unobservable inputs for the asset or liability.

For the purpose of fair value disclosures, the Modaraba has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

## Note 6

### Cash and Bank Balances

		2022	2021
	Note	Rupees	Rupees
Current accounts:			
Associated undertaking - National Bank of Pakistan		2,697	3,181
Others		11,031	11,130
		13,728	14,311
Saving accounts:			
	6.1		
Associated undertaking - National Bank of Pakistan		314,932	148,218
Others		1,127,234	12,812,646
		1,442,166	12,960,864
		<u>1,455,894</u>	<u>12,975,175</u>

- 6.1** These carry mark up at the rate of 7.0% to 10.5% (2021: 5.5% to 10.5%) per annum.
- 6.2** There is nil (2021: Nil) balance in the dividend account maintained by the Modaraba. Further, during the year no amount has been transferred to and paid from this account.
- 6.3** The above figures of cash and bank balances reconcile to the amount of cash and cash equivalents shown in the statement of cash flows as at the reporting date.

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Note 7

## Short Term Murabaha Investments - Secured

		2022	2021
	Note	Rupees	Rupees
Short term murabaha investments (considered doubtful)	7.1	166,994,579	205,516,232
Add: Deferred murabaha income		274,022	1,424,955
		<u>167,268,601</u>	<u>206,941,187</u>
Less: Provision for non-performing murabaha investments	7.2	(164,674,215)	(201,878,010)
Less: Suspended income		(274,022)	(1,424,955)
		<u><u>2,320,364</u></u>	<u><u>3,638,222</u></u>

7.1 These represent investments under murabaha arrangements from 9 (2021: 9) customers on deferred payment basis at expected profit rates ranging from 8.36% to 14.64% (2021: 8.36% to 14.64%) per annum. These investments are secured against charge over fixed and current assets, personal guarantees of directors of customer companies, registered and equitable mortgage of properties, demand promissory notes and post dated cheques varying from case to case. Legal proceedings against these customers are in process in Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in 8 (2021: 8) cases for recovery of Rs. 237.28 million (2021: Rs. 237.28 million), while the order to execute decree is awaited.

### 7.2 Provision for non-performing murabaha investments

Opening balance		201,878,010	227,462,959
Reversed during the year	7.3	(37,203,795)	(25,584,949)
Closing balance		<u><u>164,674,215</u></u>	<u><u>201,878,010</u></u>

7.3 During the year, the Modaraba recovered Rs. 37.203 million (2021: Rs. 25.584 million) and consequently equivalent amount of provision was reversed.

Note 8

## Accrued Profit

		2022	2021
		Rupees	Rupees
<b>Profit on diminishing musharakah receivables</b>			
- Profit receivable on musharaka finances		946,904	946,904
- Less: Suspended income		(843,095)	(843,095)
		103,809	103,809
Profit receivable on short term investments		2,945,739	1,341,473
		<u><u>3,049,548</u></u>	<u><u>1,445,282</u></u>

Note 9

## Short Term Investments

	2022	2021		2022	2021
	Number of Units	Number of Units	Note	Rupees	Rupees
<b>Investments in sukuk of Rs 100,000 each - fair value through OCI</b>					
	550	550	Neelum Jehlum Sukuk	25,416,907	35,406,250
			Byco Petroleum Pakistan		
	200	200	Limited	5,093,675	11,672,143
	<u>750</u>	<u>750</u>		<u>30,510,582</u>	<u>47,078,393</u>
Bankislami Pakistan Limited Islami Aamdani Certificate - TDRs			9.3	22,000,000	70,000,000
National Bank Aitmaad - Term deposit certificates			9.4	120,000,000	-
				<u><u>172,510,582</u></u>	<u><u>117,078,393</u></u>

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- 9.1 The outstanding principal per unit is Rs. 42,000 (2021: Rs. 62,500) having fair value of Rs. 110.0299 (2021: 103.00) per unit as at the reporting date.
- 9.2 The outstanding principal per unit is Rs. 25,000 (2021: Rs. 58,334) having fair value of Rs. 101.8735 (2021: Rs. 100.05) per unit as at the reporting date.
- 9.3 These term deposits certificates yield profit at the rate of 7% to 12.5% (2021: 7% to 12.5%) per annum.
- 9.4 These term deposits certificates yield profit at the rate of 10.5% (2021: Nil) per annum.

## Note 10

### Ijarah Rentals Receivable

	Note	2022 Rupees	2021 Rupees
Considered doubtful	10.2	102,176,799	107,088,572
Less: Provision for doubtful ijarah rentals receivable	10.3	(48,591,698)	(38,701,759)
Less: Profit held in suspense account		(22,718,538)	(22,718,538)
		<u>30,866,563</u>	<u>45,668,275</u>

10.1 This represents receivables from various customers under the Ijarah finance. Legal proceedings against 7 (2021: 7) customers are in process in Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in 6 (2021: 6) cases for recovery of Rs. 141.67 million (2021: 141.67 million), while the order to execute decree is awaited.

### 10.2 Considered doubtful

	2022 Rupees	2021 Rupees
Opening balance	107,088,572	109,386,150
Less: Received during the year	(1,200,000)	(2,297,578)
Considered doubtful - gross balance	105,888,572	107,088,572
Less: Receivable written off	(3,711,773)	-
Considered doubtful- net balance	<u>102,176,799</u>	<u>107,088,572</u>

### 10.3 Provision for doubtful ijarah rentals receivable

Opening balance		38,701,759	24,211,493
Charged during the year	29.1	9,889,939	14,490,266
Provision written off during the year		-	-
Net charged during the year		9,889,939	14,490,266
Closing balance		<u>48,591,698</u>	<u>38,701,759</u>

## Note 11

### Advances, Prepayments and Other Receivables

	Note	2022 Rupees	2021 Rupees
Income tax deducted at source		5,492,727	4,965,648
Prepayments		-	117,188
Other receivables	11.1	1,552,980	1,480,843
		<u>7,045,707</u>	<u>6,563,679</u>

### 11.1 Other receivables

Considered good		1,552,980	1,480,843
Considered doubtful	29.2	-	-
		1,552,980	1,480,843
Provision against doubtful other receivables	11.2	-	-
		<u>1,552,980</u>	<u>1,480,843</u>

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	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
<b>11.2 Provision against doubtful other receivables</b>		
Opening balance	-	4,121,995
Written off against provision during the year	-	(4,121,995)
Closing balance	-	-

Note 12

## Current Portion of Non Current Assets

		<b>2022</b>	<b>2021</b>
	Note	Rupees	Rupees
Net investment in ijarah finance	13	13,272,934	13,496,734
Diminishing musharaka financing	14	1,573,814	5,200,302
		<u>14,846,748</u>	<u>18,697,036</u>

Note 13

## Net Investment in Ijarah Finance

	<b>2022</b>	<b>2021</b>
	Rupees	Rupees
Minimum ijarah rentals receivable	49,695,856	50,785,554
Add: Residual value of ijarah assets	46,700	46,700
Gross investment in ijarah finance	49,742,556	50,832,254
Less: Unearned finance income	(24,109,320)	(24,109,320)
Net investment in lease ijarah finance	25,633,236	26,722,934
Less: Provision for doubtful net investment in ijarah finance (Note 14.2)	(12,360,302)	(13,226,200)
	13,272,934	13,496,734
Less: Current portion (Note 13)	(13,272,934)	(13,496,734)
	<u>-</u>	<u>-</u>

**13.1** This investment represents ijarah arrangement entered into with a customer for a period of 10 years at an implicit profit rate of 8.7% against security deposits of Rs. 46,700 (2021: 46,700). Legal proceedings against the customer are in process in the Honorable Court of Law. The Court has yet not awarded decree in favour of the Modaraba, while the liquidator has been appointed on the customer for its winding up.

**13.2** The customer has presented scheme / plan for restructuring / rescheduling and revival of business to the Honourable Lahore High Court, Lahore (the Court). The scheme includes the repayment of the loans of the secured creditor. In the response to this application on January 20, 2021, the Court has passed the stay order for the winding up of the customer and allowed their management to take steps for rehabilitation of the customer's plant for operating purpose and hold meeting with their creditors for approval of scheme. Pursuant to this, the customer has arranged its meeting with its secured creditors including the Modaraba for approving the scheme of rearrangement on February 22, 2021. Creditors representing 9.6% interest in the customer, including the Modaraba, voted against the scheme. However, with the consent of 90.4% of secured creditors, the scheme was approved, adopted and agreed. Consequently this scheme of arrangements was sanctioned by the court through its order C.O. No. 43/2011 dated October 29, 2021 and management taken its charge.

Note 14

## Diminishing Musharaka Financing - Secured

		<b>2022</b>	<b>2021</b>
	Note	Rupees	Rupees
Considered good		-	862,668
Considered doubtful		1,573,814	4,337,634
		1,573,814	5,200,302
Less: Current portion	12	(1,573,814)	(5,200,302)
		<u>-</u>	<u>-</u>

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**14.1** This represents diminishing musharaka financing arrangements entered into for a term of three to four years. The Modaraba has provided financing to the extent of 23.69% to 90% of the value of musharaka assets. This financing is secured by first charge on all present and future fixed assets of the client, personal guarantee of directors, registered and equitable mortgage on properties, post dated cheques and joint ownership of musharaka assets on case to case basis. These carry profit at rates expected to range between 9.05% to 17.41% (2021: 9.05% to 17.41%) per annum and are repayable on monthly basis.

**14.2** Provision against doubtful diminishing musharaka financing has not been incorporated as the forced sale value of collaterally held assets is greater than the amount receivable from the respective parties.

Note 15

## Long Term Murabaha Investments - Secured

	Note	2022 Rupees	2021 Rupees
Considered good		-	-
Considered doubtful		59,594,049	59,594,049
		<u>59,594,049</u>	<u>59,594,049</u>
Add: Deferred murabaha income	22	29,388,304	29,388,304
		<u>88,982,353</u>	<u>88,982,353</u>
Less: Provision for doubtful murabaha investments	15.1	(59,594,049)	(59,594,049)
Less: Suspension for doubtful murabaha investments	15.2	(29,388,304)	(29,388,304)
		<u>-</u>	<u>-</u>

**15.1** These represent investments under murabaha arrangements on deferred payment basis at expected profit margin ranging from 9.85% to 14.61% (2021: 9.85% to 14.61%) per annum. These investments are secured against charge over fixed and current assets, registered and equitable mortgage of properties, personal guarantees of the directors of customer companies, demand promissory notes and post-dated cheques varying from case to case.

**15.2** This represents receivable from 3 (2021: 3) customers under the Murabaha finance. Legal proceedings against 2 (2021: 2) customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in 2 (2021: 2) cases for recovery of Rs. 83.068 million (2021: 83.068 million), while the order to execute decree is awaited.

### 15.3 Provision for doubtful murabaha investments

Opening balance	59,594,049	63,399,069
Charged during the year	-	-
Reversed during the year	-	(3,805,020)
Net reversed during the year	-	(3,805,020)
Closing balance	<u>59,594,049</u>	<u>59,594,049</u>

Note 16

## Intangible Asset

	2022 Rupees	2021 Rupees
Cost	1,131,300	1,131,300
Accumulated amortization	(1,131,300)	(1,131,300)
Net book value	<u>-</u>	<u>-</u>

**16.1** This represents ERP software. As at the reporting date, the intangible asset is fully amortized but still in use of the Modaraba.

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Note 17

## Fixed Assets under Ijarah Arrangements

Description	Plant and Machinery	Vehicles	Total
-----Rupees-----			
<b>Year Ended June 30, 2022</b>			
<b>Cost</b>			
Balance as at July 01, 2021	194,951,972	11,110,520	206,062,492
Additions	-	-	-
Disposals / Adjustments	(654,000)	-	(654,000)
Balance as at June 30, 2022	194,297,972	11,110,520	205,408,492
<b>Accumulated depreciation</b>			
Balance as at July 01, 2021	148,787,154	4,979,003	153,766,157
Charge for the year	-	-	-
Disposals / Adjustments	(588,600)	-	(588,600)
Balance as at June 30, 2022	148,198,554	4,979,003	153,177,557
<b>Accumulated Impairment Loss</b>			
Balance as at July 01, 2021	17,106,617	2,164,742	19,271,359
Impairment charged	-	-	-
Balance as at June 30, 2022	17,106,617	2,164,742	19,271,359
<b>Total as at June 30, 2022</b>	<b>28,992,801</b>	<b>3,966,775</b>	<b>32,959,576</b>
<b>Year Ended June 30, 2021</b>			
<b>Cost</b>			
Balance as at July 01, 2020	238,221,339	48,869,558	287,090,897
Additions	-	-	-
Disposals	(43,269,367)	(37,759,038)	(81,028,405)
Balance as at June 30, 2021	194,951,972	11,110,520	206,062,492
<b>Accumulated depreciation</b>			
Balance as at July 01, 2020	190,601,435	37,652,768	228,254,203
Charge for the year	1,092,721	54,320	1,147,041
Disposals	(42,907,002)	(32,728,085)	(75,635,087)
Balance as at June 30, 2021	148,787,154	4,979,003	153,766,157
<b>Accumulated Impairment Loss</b>			
Balance as at July 01, 2020	17,106,617	2,164,742	19,271,359
Impairment charged	-	-	-
Balance as at June 30, 2021	17,106,617	2,164,742	19,271,359
<b>Total as at June 30, 2021</b>	<b>29,058,201</b>	<b>3,966,775</b>	<b>33,024,976</b>
<b>Rate of Depreciation</b>	<b>20% - 33.33%</b>	<b>20% - 33.33%</b>	

17.1 The ijarah assets are adjusted against their security deposits.

### 17.2 General description of significant ijarah arrangements (IFAS-2)

The Modaraba had entered into various Ijarah agreements for periods ranging from 3 to 14 years (2021: 3 to 14 years). Security deposits ranging from 0% to 71% (2021: 0% to 71%) were obtained at the time of disbursement. The rate of expected rate of profit implicit in ijarah ranges from 9.87% to 16.99% (2021: 9.87% to 16.99%) per annum. These ijarahs are fully matured and no further rentals are receivable against these in future, except for those disclosed in financial statements (Note 10). These ijarah assets would be adjusted against the security deposits received from customers (Note 21).



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Note 18

## Fixed Assets under Own Use

Description	Vehicle	Computers and accessories	Electrical Equipment	Total
-------------	---------	---------------------------	----------------------	-------

----- Rupees -----

### Year Ended June 30, 2022

#### **Cost**

Balance as at July 01, 2021	1,390,182	1,820,558	357,664	3,568,404
Additions / (Disposals)	76,530	-	10,500	87,030
Disposals	(39,000)	-	-	(39,000)
Balance as at June 30, 2022	1,427,712	1,820,558	368,164	3,616,434

#### **Accumulated depreciation**

Balance as at July 01, 2021	1,378,482	1,820,558	341,664	3,540,704
Charge for the year	9,713	-	16,258	25,971
Disposals	(39,000)	-	-	(39,000)
Balance as at June 30, 2022	1,349,195	1,820,558	357,922	3,527,675
<b>Total as at June 30, 2022</b>	<b>78,517</b>	<b>-</b>	<b>10,242</b>	<b>88,759</b>

### Year Ended June 30, 2021

#### **Cost**

Balance as at July 01, 2020	1,390,182	1,820,558	357,664	3,568,404
Additions / (Disposals)	-	-	-	-
Balance as at June 30, 2021	1,390,182	1,820,558	357,664	3,568,404

#### **Accumulated depreciation**

Balance as at July 01, 2020	1,370,682	1,812,826	325,662	3,509,170
Charge for the year	7,800	7,732	16,002	31,534
Disposals	-	-	-	-
Balance as at June 30, 2021	1,378,482	1,820,558	341,664	3,540,704
<b>Total as at June 30, 2021</b>	<b>11,700</b>	<b>-</b>	<b>16,000</b>	<b>27,700</b>

#### **Annual rate of depreciation**

20%	33.33%	20 - 33.33%
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18.1 These contain fully depreciated assets of Rs. 3,507,904 (2021: Rs. 3,481,404) that are still in use by the Modaraba.

# First National Bank Modaraba

Note 19

## Short Term Finance - Secured

	Note	2022 Rupees	2021 Rupees
<b>From banking company - Related Party</b>			
Running finance	19.1	<u>217,063,388</u>	<u>217,063,388</u>

**19.1** The Modaraba has obtained running finance facility of Rs. 250 million (2021: Rs. 250 million) from the National Bank of Pakistan carrying mark-up at 1 month KIBOR plus 1% (2021: 1 month KIBOR plus 1%) per annum payable monthly. The mark-up rate charged during the year ranged from 8.33% to 8.53% (2021: 8.83% to 13.39%) per annum. This facility is secured by way of first joint pari passu hypothecation charge on all present and future receivables, leased assets and related lease receivables and present and future assets of the Modaraba to the extent of Rs 277.778 million (2021: Rs 277.778 million). This facility was expired on October 31, 2019 and has yet not been renewed and repaid.

Note 20

## Creditors, Accrued and Other Liabilities

	Note	2022 Rupees	2021 Rupees
Advances from customers		1,083,620	2,747,079
Accrued expenses		611,524	630,274
Payable to Modaraba Management Company		508,120	151,674
Worker's welfare fund payable	20.1	91,461	27,301
Sales tax payable		-	16,646
Charity payable	20.2	194,257	313,209
		<u>2,488,982</u>	<u>3,886,183</u>

### 20.1 Worker's Welfare Fund payable

Opening balance	27,301	-
Expense during the year	64,160	27,301
Paid during the year	-	-
Closing balance	<u>91,461</u>	<u>27,301</u>

### 20.2 The reconciliation is as follows:

Opening balance	313,209	602,205
Additions during the year	331,083	111,004
Charity paid during the year	<u>(450,035)</u>	<u>(400,000)</u>
Closing balance	<u>194,257</u>	<u>313,209</u>

**20.3** None of the directors and employees of the Modaraba Management Company have any interest in the charity paid.

Note 21

## Security Deposits against Ijarah Assets

	2022 Rupees	2021 Rupees
Opening balance	33,071,676	44,440,011
Receipts during the year	-	-
Adjusted during the year	<u>(65,400)</u>	<u>(11,368,335)</u>
Closing balance	<u>33,006,276</u>	<u>33,071,676</u>

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Note 22

## Deferred Murabaha Income

		2022	2021
	Note	Rupees	Rupees
Deferred murabaha income	15	29,388,304	29,388,304
Suspended income		(29,388,304)	(29,388,304)
		<u>-</u>	<u>-</u>

Note 23

## Certificate Capital

	2022	2021		2022	2021
			Number of certificates	Rupees	Rupees
<b>Authorized</b>					
	<u>60,000,000</u>	<u>60,000,000</u>	Modaraba certificates of Rupees 10 each	<u>600,000,000</u>	<u>600,000,000</u>

## Issued, subscribed and paid-up certificate capital

	<u>25,000,000</u>	<u>25,000,000</u>	Modaraba certificates of Rupees 10 each	<u>250,000,000</u>	<u>250,000,000</u>
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**23.1** 7,500,000 (2021: 7,500,000) certificates of the Modaraba are held by National Bank Modaraba Management Company Limited, the modaraba management company.

**23.2** No certificates of the Modaraba have been issued / cancelled during the year.

**23.3** All certificates rank equally with regard to residual assets of the Modaraba. Certificate holders are entitled to receive all distributions including profit distributions and other entitlements in the form of bonus and right certificates as and when declared by the Modaraba. Votings and other rights are in proportion to the shareholding.

Note 24

## Statutory Reserves

Statutory reserves represent profits set aside in compliance with the requirements of prudential regulations for Modarabas issued by the SECP. These regulations require the Modarabas to transfer at least 20% after tax profit, if any, up to a maximum of 50%, in statutory reserves until the reserves equal 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred into the statutory reserves each year. During the year Rs. 521,880 (2021: Rs. 222,068) are transferred in the statutory reserves owing to net profit for the year.

Note 25

## Contingencies and Commitments

**25.1** Assistant Commissioner Inland Revenue raised demand of tax payables of Rs. 333.26 million for tax year 2011. Appeal was filed before the Commissioner Inland Revenue (Appeals) - CIR(A) who deleted the demand. The Department filed an appeal against the order of the CIR(A) before the Appellate Tribunal Inland Revenue. The notice of hearing is awaited from the Tribunal.

**25.2** Assistant Commissioner Inland Revenue raised demand of tax payables of Rs. 127.362 million for tax year 2014. Appeal was filed before the Commissioner Inland Revenue (Appeals)-CIR(A) who deleted the demand.

Note 26

## Other Income

	2022	2021
	Rupees	Rupees
Other income	208,000	-
Gain on disposal of fixed assets	10,000	-
	<u>218,000</u>	<u>-</u>

## Note 27

### Operating Expenses

	Note	2022 Rupees	2021 Rupees
Salaries, allowances and other benefits	27.1	9,679,416	10,510,917
Legal and professional charges		680,123	1,168,675
Fees and subscription		386,438	738,712
Stationery and printing		480,277	431,204
Auditors' remuneration	27.2	375,000	375,000
Communication		272,375	234,564
Repairs and maintenance		269,561	280,048
Entertainment		153,580	166,524
Vehicles' running expenses		68,594	143,266
Advertisement		54,059	92,400
Postage and stamps		47,772	41,746
Insurance		66,125	97,158
Travelling and conveyance		101,230	3,300
Depreciation on fixed assets - own use	18	25,971	31,534
Other sundry expenses		109,871	38,390
		<u>12,770,392</u>	<u>14,353,438</u>

#### 27.1 Salaries, allowances and other benefits

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

	2022			2021		
	Officers	Employees	Total	Officers	Employees	Total
	----- Rupees -----					
Basic salary	2,307,816	1,868,054	4,175,870	2,858,928	1,979,040	4,837,968
House rent allowance	1,153,908	609,755	1,763,663	1,429,464	685,512	2,114,976
Utilities	276,938	146,341	423,279	343,071	164,523	507,594
Bonus	513,836	295,153	808,989	408,510	490,355	898,865
Fuel allowance	1,715,006	610,445	2,325,451	1,299,975	586,263	1,886,238
Others	40,475	141,689	182,164	86,086	179,190	265,276
	<u>6,007,979</u>	<u>3,671,437</u>	<u>9,679,416</u>	<u>6,426,034</u>	<u>4,084,883</u>	<u>10,510,917</u>
Number of persons	<u>4</u>	<u>7</u>	<u>11</u>	<u>4</u>	<u>8</u>	<u>12</u>

27.1.1 Average number of employees during the year was 11 (2021: 12). All employees are on contract.

27.1.2 All employees are entitled for reimbursement of fuel expenses up to certain limits.

#### 27.2 Auditors' remuneration

	2022 Rupees	2021 Rupees
Audit fee	253,200	253,200
Half yearly review fee	96,800	96,800
Certifications	25,000	25,000
	<u>375,000</u>	<u>375,000</u>

27.3 Office space, utilities and related expenditure are borne by National Bank Modaraba Management Company Limited, the Modaraba management company.

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Note 28

## Finance Cost

	Note	2022 Rupees	2021 Rupees
Short term finances	28.1	23,504,347	18,311,106
Bank and other charges		13,375	15,680
		<u>23,517,722</u>	<u>18,326,786</u>

**28.1** The Modaraba has requested NBP for renewal of the facility with waiver/ reduction in mark-up, and for deferral in payment of accrued mark-up, upto NBP injects Rs. 300 million equity approved by NBP's Board on June 22, 2018. However as of the reporting date, the request is still under process with NBP. The provisional finance cost is calculated using the facility's previous mark-up rate.

Note 29

## Provision for Doubtful Receivables

	Note	2022 Rupees	2021 Rupees
Opening balance		313,400,018	332,421,716
Add: Charged during the year	29.1 & 10.3	9,889,939	14,490,266
Less: Excess provision written off during the year	10 & 11	-	(4,121,995)
Less: Reversed during the year	7 & 15	(38,069,693)	(29,389,969)
Net provision reversed for the year		(28,179,754)	(19,021,698)
Closing balance	29.2	<u>285,220,264</u>	<u>313,400,018</u>

**29.1** This represents the provision recognized during the year on the basis of subjective evaluation of non-performing ijarah rentals receivable.

### 29.2 Break up of closing balance

Provision against doubtful murabaha investments	7.2 & 15.3	224,268,264	261,472,059
Provision for doubtful ijarah rental receivables	10.3	48,591,698	38,701,759
Provision for doubtful net investment in ijarah finance	13	12,360,302	13,226,200
		<u>285,220,264</u>	<u>313,400,018</u>

Note 30

## Modaraba Management Company 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.

## Note 31

### Taxation

**31.1** During the year owing to profits, the Modaraba has recognised the tax expense of Rs. 534,456 (2021: 227,420). Tax charge for the current year represents Alternate Tax under section 113C of the Income Tax Ordinance, 2001.

<b>31.2 Deferred tax Asset / (Liability)</b>	Note	<b>2022</b>	<b>2021</b>
		Rupees	Rupees
<b>Deductible / (Taxable) temporary differences on:</b>			
Deferred tax asset has originated relating to the following:			
Accelerated tax depreciation		(636,054)	(22,091,366)
Carry forward tax losses		108,619,700	47,776,179
Revaluation surplus on sukuks		699,069	259,148
		<u>108,682,715</u>	<u>25,943,961</u>
Less: Deferred tax asset not recognized	31.2.1	<u>(108,682,715)</u>	<u>(25,943,961)</u>
		<u>-</u>	<u>-</u>

**31.2.1** The deferred tax asset of Rs. 108.682 million (2021: Rs. 25.943 million) has not been recognized in these financial statements as the temporary differences are not expected to reverse in foreseeable future; taxable profits may not be available against which the temporary differences can be utilized.

## Note 32

### Earnings Per Modaraba Certificate - Basic And Diluted

		<b>2022</b>	<b>2021</b>
		Rupees	Rupees
Earnings attributable to certificates holders	Rupees	<u>2,609,400</u>	<u>1,110,342</u>
Weighted average number of certificates outstanding during the year	Numbers	<u>25,000,000</u>	<u>25,000,000</u>
Earnings per certificate	Rupees	<u>0.10</u>	<u>0.04</u>

**32.1** Basic earnings per modaraba certificate have been computed by dividing profit for the year as stated above with weighted average number of Modaraba certificates.

**32.2** There is no dilution in loss per certificate as the Modaraba has not issued any instrument which would have an impact on its earnings per certificate.

## Note 33

### Balances and Transactions with Related Parties

Related parties comprise associated companies, Modaraba Management Company and its holding undertaking, directors of the Modaraba Management Company, their close relatives and key management personnel. Detail of transactions with related parties and balances outstanding with them as at the reporting dates, except for remuneration to offices are as follows:

#### 33.1 Transactions during the year

Related party	Relationship	Nature of Transaction	2022	2021
			Rupees	Rupees
National Bank of Pakistan	Modaraba Management Company's holding company	Mark up expense	23,504,347	18,311,106
National Bank Modaraba Management Company Limited	Modaraba Management Company	Management fee payable	508,120	151,674

#### 33.2 Balances outstanding at the reporting date

National Bank of Pakistan	Bank accounts with National Bank of Pakistan	317,629	151,399
	Finances from National Bank of Pakistan	217,063,388	217,063,388
	Mark up payable	70,311,279	46,806,932
National Bank Modaraba Management Company Limited	Management fee payable	508,120	151,674

## Note 34

### Financial Risk Management

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and profit rate risk), credit risk and liquidity risk. The Modaraba's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The Board of Directors of the Modaraba Management Company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

The Modaraba's overall risk management procedures, to minimize the potential adverse effects of financial market on the Modaraba's performance, are as follows:

#### 34.1 Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, profit rate, equity price that will affect the Modaraba's income or the value of its holdings of financial instruments. The Modaraba is exposed to unfavorable changes in fair values of investments as a result of changes in prices of securities.

##### 34.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Modaraba is not exposed to currency risk as it is not involved in foreign currency transactions.

##### 34.1.2 Profit rate risk

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest / profit rates.

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The Modaraba's interest / profit rate risk arises from short term finances, bank balances in savings accounts, net investment in ijarah finance, diminishing musharaka and murabaha investments. Short term investments, short term finances, murabaha investments, diminishing musharaka and balances in savings accounts are at variable rates, that expose the Modaraba to cash flow interest / profit rate risks. As at the reporting date the interest / profit rate profile of the Modaraba's interest bearing financial instruments was:

	<u>2022</u>	<u>2021</u>
	Rupees	Rupees
<b>Fixed rate instruments</b>		
<b>Financial assets</b>		
Murabaha investments	2,320,364	3,638,222
Short term investments	142,000,000	70,000,000
<b>Floating rate instruments</b>		
<b>Financial assets</b>		
Ijarah rentals receivable	30,866,563	45,668,275
Bank balances	1,455,894	12,975,175
Diminishing musharaka financing	1,573,814	5,200,302
Net investment in ijarah finance	13,272,934	13,496,734
Short term investments	30,510,582	47,078,393
<b>Financial liabilities</b>		
Short term finances	217,063,388	217,063,388

#### Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in profit rate at the reporting date would not affect profit or loss of the Modaraba.

#### Cash flow sensitivity analysis for variable rate instruments

If profit rates, as at the reporting date, fluctuates by 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs. 1393,836 (2021: Rs. 926,445) higher / lower owing to affect of financial instruments carrying profit / markup at floating rate. This analysis is prepared assuming the amounts of floating rate instruments outstanding as at the reporting date were outstanding for the entire year.

#### 34.1.3 Other price risk

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest / profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Modaraba is not exposed to commodity price risk and equity price risk.

#### 34.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Modaraba by failing to discharge an obligation. The risk is generally limited to principal amounts and accrued profit thereon, if any. The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Prudential Regulations. The carrying amounts of the following financial assets represent the maximum credit exposure as at the reporting date:

	<u>2022</u>	<u>2021</u>
	Rupees	Rupees
<b>Financial assets</b>		
Bank balances	1,455,894	12,975,175
Murabaha investments - net of provision	2,320,364	3,638,222
Accrued profit	3,049,548	1,445,282
Short term investments	172,510,582	117,078,393
Ijarah rentals receivable	30,866,563	45,668,275
Other receivables	1,552,980	1,480,843
Net investment in ijarah finance	13,272,934	13,496,734
Diminishing musharaka financing	1,573,814	5,200,302
Long term loans and deposits	39,500	39,500
	<u>226,642,179</u>	<u>201,022,726</u>



# Annual Report 2022

## 34.2.1 Credit quality of banks

The credit quality of the Modaraba's bank balances can be assessed with reference to external credit ratings as follows:

	Rating			2022	2021
	Short term	Long term	Agency	Rupees	Rupees
National Bank of Pakistan	A1+	AAA	PACRA	495,037	328,908
Al Baraka Bank (Pakistan) Limited	A1	A+	JCR-VIS	13,342	13,276
Habib Bank Limited	A1+	AAA	JCR-VIS	10,941	10,941
BankIslami Pakistan	A1	A+	PACRA	936,574	12,622,050
				<u>1,455,894</u>	<u>12,975,175</u>

## 34.2.2 Description of collateral held

The Modaraba's ijarah arrangements are secured against ijarah assets, demand promissory notes, post dated cheques and personal guarantees varying from case to case. In a few arrangements additional collateral is also obtained in the form of charge on fixed assets. Murabaha investments are secured against charge over fixed and current assets, registered and equitable mortgage of properties, personal guarantees of directors of customer companies, demand promissory notes and post dated cheques varying from case to case. Diminishing musharaka financings are secured by first charge on all present and future fixed assets of the clients, registered and equitable mortgage on properties, personal guarantee of directors, post dated cheques and joint ownership of musharaka assets varying from case to case.

## 34.2.3 The aging of murabaha, musharakah and lease / ijarah rental net of impairment loss as at the reporting date is as follows:

### Aging of murabaha, musharakah and ijarah rental receivables

	2022	2021
	Rupees	Rupees
Not past due	-	-
Past due 1 - 180 days	-	-
Past due 181 days - 1 year	-	-
Past due 1 - 2 years	6,499,580	6,499,580
More than 2 years	41,534,095	61,503,953
	<u>48,033,675</u>	<u>68,003,533</u>

Provisions are recognized by the Modaraba on the basis of time based criteria given under Prudential Regulations as issued by SECP for Modarabas and subjective evaluation carried out on an ongoing basis.

## 34.2.4 The Modaraba manages credit risk and its concentration through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for individuals and industrial sectors. Break-up of credit risk exposure by class of business is as follows:

	Net Investment in Finance Lease	Ijarah Finances	Murabaha Finances	Musharakah Finances	Total
	----- Rupees -----				
Textiles	13,272,934	-	-	-	13,272,934
Food	-	325,556	2,320,364	-	2,645,920
Individuals	-	73,689	-	246,986	320,675
Sugar and allied	-	30,467,318	-	-	30,467,318
Steel	-	-	-	1,326,828	1,326,828
	<u>13,272,934</u>	<u>30,866,563</u>	<u>2,320,364</u>	<u>1,573,814</u>	<u>48,033,675</u>

	Net Investment in Finance Lease	Ijarah Finances	Murabaha Finances	Musharakah Finances	Total
	----- Rupees -----				
Textiles	13,496,734	13,377,477	-	-	26,874,211
Food	-	1,525,556	3,638,222	-	5,163,778
Individuals	-	73,689	-	862,668	936,357
Sugar and allied	-	30,592,615	-	-	30,592,615
Steel	-	98,938	-	4,337,634	4,436,572
	<u>13,496,734</u>	<u>45,668,275</u>	<u>3,638,222</u>	<u>5,200,302</u>	<u>68,003,533</u>

Geographically all credit exposure is concentrated in Pakistan. The Modaraba's income is not primarily dependent on a single customer and operating revenue earned from any customer is not more than 10% of total revenue.

## 34.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. 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 damage to the Modaraba's reputation. The following are the contractual maturities of financial liabilities, including interest / profit payments:

June 30, 2022					
Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years	
----- Rupees -----					
<b>Non-derivative financial liabilities</b>					
Accrued profit	70,311,279	70,311,279	70,311,279	-	-
Short term finances	217,063,388	217,063,388	217,063,388	-	-
Creditors, accrued and other liabilities	1,405,362	1,405,362	1,405,362	-	-
<b>Total</b>	<b>288,780,029</b>	<b>288,780,029</b>	<b>288,780,029</b>	<b>-</b>	<b>-</b>

June 30, 2021					
Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years	
----- Rupees -----					
<b>Non-derivative financial liabilities</b>					
Accrued profit	46,806,932	46,806,932	46,806,932	-	-
Short term finances	217,063,388	217,063,388	217,063,388	-	-
Creditors, accrued and other liabilities	1,139,104	1,139,104	1,139,104	-	-
<b>Total</b>	<b>265,009,424</b>	<b>265,009,424</b>	<b>265,009,424</b>	<b>-</b>	<b>-</b>

34.3.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up / profit rates effective as at the reporting date (and includes both principal and profit payable thereon).

## 34.4 Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Modaraba Management Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

## 34.5 Capital Risk Management

The Modaraba's objectives when managing capital are to safeguard the Modaraba's ability to continue its operations in order to provide return for certificate holders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize certificate holders value. The Modaraba manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. There were no changes to the Modaraba's approach to capital management during the year and the modaraba is not subject to externally imposed capital requirements.

## 34.6 Financial instruments by categories

	At fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
	Rupees	Rupees	Rupees	Rupees
<b><u>Financial assets as at June 30, 2022</u></b>				
Cash at banks	-	1,455,894	-	1,455,894
Ijarah rentals receivable	-	30,866,563	-	30,866,563
Accrued profit	-	3,049,548	-	3,049,548
Short term investments	-	142,000,000	30,510,582	172,510,582
Murabaha investments	-	2,320,364	-	2,320,364
Net investment in ijarah finance	-	13,272,934	-	13,272,934
Diminishing musharaka financing	-	1,573,814	-	1,573,814
Other receivables	-	1,552,980	-	1,552,980
Long term loans and deposits	-	39,500	-	39,500
	-	196,131,597	30,510,582	226,642,179

## **Financial assets as at June 30, 2021**

Cash at banks	-	12,975,175	-	12,975,175
Ijarah rentals receivable	-	45,668,275	-	45,668,275
Accrued profit	-	1,445,282	-	1,445,282
Short term investments	-	70,000,000	47,078,393	117,078,393
Murabaha investments	-	3,638,222	-	3,638,222
Net investment in ijarah finance	-	13,496,734	-	13,496,734
Diminishing musharaka financing	-	5,200,302	-	5,200,302
Other receivables	-	1,480,843	-	1,480,843
Long term loans and deposits	-	39,500	-	39,500
	-	153,944,333	47,078,393	201,022,726

## **Financial liabilities at amortized cost**

	2022	2021
	Rupees	Rupees
Accrued profit on short term financing	70,311,279	46,806,932
Short term finances	217,063,388	217,063,388
Creditors, accrued and other liabilities	1,405,362	1,139,104
	288,780,029	265,009,424

## 34.7 Fair value of financial instruments

All financial assets and financial liabilities are initially recognized at the fair value of consideration paid or received, net of transaction costs, as appropriate, and subsequently carried at fair value or amortized cost.

The carrying values of all financial assets and liabilities reflected in financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

### **Fair value estimation**

Financial assets which are tradable in open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

# First National Bank Modaraba

## Fair value hierarchy

Fair value hierarchy categories are described in note 5.17 to the financial statements.

The following table presents the Company's financial assets that are measured at fair value as at the reporting date:

	Level 1	Level 2	Level 3	Total
	----- Rupees -----			
<b>Financial Assets as at June 30, 2022</b>				
Short term investments (Note 9)	30,510,582	-	-	30,510,582
<b>Financial Assets as at June 30, 2021</b>				
Short term investments (Note 9)	47,078,393	-	-	47,078,393

Note 35

## 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
<b>Assets</b>						
Cash at banks	1,455,894	-	-	-	-	1,455,894
Short term murabaha investments - secured	2,320,364	-	-	-	-	2,320,364
Accrued profit	3,049,548	-	-	-	-	3,049,548
Short term investments	-	142,000,000	30,510,582	-	-	172,510,582
Ijarah rentals receivable	30,866,563	-	-	-	-	30,866,563
Advances, prepayments and other receivables	7,045,707	-	-	-	-	7,045,707
Current portion of non current assets	14,846,748	-	-	-	-	14,846,748
Long term deposits	-	-	-	39,500	-	39,500
Fixed assets under ijarah arrangements	32,959,576	-	-	-	-	32,959,576
Fixed assets - own use	-	-	88,759	-	-	88,759
<b>Total Assets - June 30, 2022</b>	<b>92,544,400</b>	<b>142,000,000</b>	<b>30,599,341</b>	<b>39,500</b>	<b>-</b>	<b>265,183,241</b>
<b>Liabilities</b>						
Accrued profit on short term financing	70,311,279	-	-	-	-	70,311,279
Short term finances - secured	217,063,388	-	-	-	-	217,063,388
Creditors, accrued and other liabilities	805,781	1,683,201	-	-	-	2,488,982
Unclaimed dividend	425,218	-	-	-	-	425,218
Security deposits against ijarah assets	33,006,276	-	-	-	-	33,006,276
<b>Total Liabilities - June 30, 2022</b>	<b>321,611,942</b>	<b>1,683,201</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>323,295,143</b>
<b>Net Assets - June 30, 2022</b>	<b>(229,067,542)</b>	<b>140,316,799</b>	<b>30,599,341</b>	<b>39,500</b>	<b>-</b>	<b>(58,111,902)</b>
<b>Total Assets - June 30, 2021</b>	<b>121,895,457</b>	<b>70,000,000</b>	<b>144,888</b>	<b>47,117,893</b>	<b>-</b>	<b>239,158,238</b>
<b>Total Liabilities - June 30, 2021</b>	<b>298,327,343</b>	<b>2,926,054</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>301,253,397</b>
<b>Net Assets - June 30, 2021</b>	<b>(176,431,886)</b>	<b>67,073,946</b>	<b>144,888</b>	<b>47,117,893</b>	<b>-</b>	<b>(62,095,159)</b>

## Represented by:

	2022	2021
	Rupees	Rupees
Certificate capital	250,000,000	250,000,000
Statutory reserve	44,699,137	44,177,257
Accumulated loss	(352,623,061)	(354,710,581)
	(57,923,924)	(60,533,324)
Unrealised loss on revaluation of sukuks	(187,978)	(1,561,835)
	<u>(58,111,902)</u>	<u>(62,095,159)</u>

Note 36

## Segment Information

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- 36.1** As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer (CEO) of the Modaraba is identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.
- 36.2** The CEO is responsible for the Modaraba's entire product portfolio and he considers the business as a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.
- 36.3** The internal reporting provided to the CEO for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan. The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investment in entities incorporated in Pakistan. The Modaraba also has a diversified certificate holder population. As at June 30, 2022, there is only one (June 30, 2021: one) certificate holder (National bank of Pakistan - the holding company of the Modaraba Management Company) who held more than 10% of the Modaraba's certificate capital. Its holding is 30% (2021: 30%).

Note 37

## Date of Authorization For Issue

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These financial statements have been approved by the Board of Directors of National Bank Modaraba Management Company Limited and authorized for issuance on September 09, 2022.

Note 38

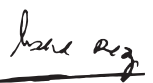
## General

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Comparative figures are re-arranged/ reclassified, wherever necessary, to facilitate comparison. No material re-arrangements/ reclassifications have been made in these financial statements.



Chief Executive Officer  
National Bank Modaraba  
Management Company Limited



Director  
National Bank Modaraba  
Management Company Limited



Director  
National Bank Modaraba  
Management Company Limited



Chief Financial Officer  
National Bank Modaraba  
Management Company Limited

Lahore: September 09, 2022

## PATTERN OF CERTIFICATE HOLDING

AS ON JUNE 30, 2022

Number of ShareHolders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
76	1 -	100	2,520	0.01
335	101 -	500	160,626	0.64
196	501 -	1000	182,748	0.73
188	1001 -	5000	545,096	2.18
98	5001 -	10000	791,883	3.17
31	10001 -	15000	409,409	1.64
19	15001 -	20000	344,391	1.38
24	20001 -	25000	547,990	2.19
14	25001 -	30000	403,997	1.62
4	30001 -	35000	125,400	0.50
12	35001 -	40000	467,100	1.87
4	40001 -	45000	176,965	0.71
6	45001 -	50000	294,990	1.18
1	50001 -	55000	53,772	0.22
2	60001 -	65000	127,500	0.51
1	65001 -	70000	66,500	0.27
1	70001 -	75000	75,000	0.30
4	75001 -	80000	311,495	1.25
6	95001 -	100000	600,000	2.40
2	100001 -	105000	203,250	0.81
1	115001 -	120000	115,500	0.46
1	130001 -	135000	132,500	0.53
1	145001 -	150000	150,000	0.60
1	150001 -	155000	153,000	0.61
1	155001 -	160000	159,800	0.64
1	165001 -	170000	168,000	0.67
1	180001 -	185000	181,500	0.73
2	195001 -	200000	400,000	1.60
1	205001 -	210000	209,000	0.84
1	215001 -	220000	216,500	0.87
1	225001 -	230000	226,966	0.91
1	240001 -	245000	242,002	0.97
1	265001 -	270000	267,000	1.07
3	295001 -	300000	896,600	3.59
1	405001 -	410000	409,500	1.64
1	430001 -	435000	435,000	1.74
1	590001 -	595000	590,500	2.36
1	1870001 -	1875000	1,874,500	7.50
1	1935001 -	1940000	1,935,500	7.74
1	2845001 -	2850000	2,846,000	11.38
1	7495001 -	7500000	7,500,000	30.00
<b>1,048</b>			<b>25,000,000</b>	<b>100.00</b>

## CATEGORIES OF CERTIFICATE HOLDERS AS ON JUNE 30, 2022

Ser #	Code	Category	No. of Certificate Holder	Certificate Held	Percentage of Total Capital
1	1	Individuals	1,040	16,713,999	66.8560
2	4	Joint Stock Companies	5	436,101	1.7444
3	9	Modaraba Management Cos	1	7,500,000	30.0000
4	10	Funds	1	300,000	1.2000
5	24	Others	1	49,900	0.1996
<b>TOTAL:</b>			<b>1,048</b>	<b>25,000,000</b>	<b>100.0000</b>

**CATEGORIES DETAILS  
AS ON JUNE 30, 2022**

<b>Category</b>		<b>Numbers of Certificates</b>
<b>Individuals</b>		<b>16,713,999</b>
<b>Joint Stock Companies</b>		
1	MAPLE LEAF CAPITAL LIMITED	1
2	MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	100
3	AMZ SECURITIES (PVT) LIMITED	500
4	DOSSLANI'S SECURITIES (PVT) LIMITED	500
5	SALIM SOZER SECURITIES (PRIVATE) LIMITED	435,000
		<b>436,101</b>
<b>Modaraba Management Cos</b>		
1	NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED	7,500,000
		<b>7,500,000</b>
<b>Funds</b>		
1	TRUSTEES D.G.KHAN CEMENT CO.LTD.EMP. P.F	300,000
		<b>300,000</b>
<b>Others</b>		
1	TRUSTEES ALOO & MINOCHER DINSHAW CHR. TRUST	49,900
2		
		<b>49,900</b>
		<b>25,000,000</b>
<b>Certificate Holding Of 5% Or Above</b>		
	NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED	7,500,000
	SHAKEEL ARSHAD	1,874,500
	DURAIN CASSIM	1,935,500
	DINAZ CASSIM	2,846,000





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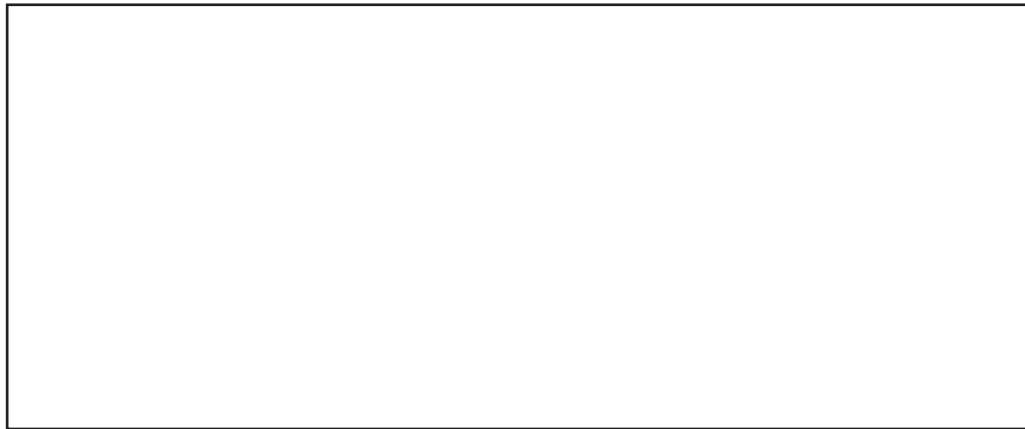
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