



**HALF YEARLY
REPORT
DECEMBER 31,
2020**

FIRST NATIONAL BANK MODARABA

Managed By:

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

First National Bank Modaraba

Half Yearly Report *December 31, 2020*

CONTENTS

Corporate Information	2
Directors' Report	3
Review of Interim Financial Statements	5
Condensed Interim Balance Sheet	6
Condensed Interim Profit and Loss Account	7
Condensed Interim Statement of Comprehensive Income	8
Condensed Interim Cash Flow Statement	9
Condensed Interim Statement of Changes in Equity	10
Notes to the Condensed Interim un-audited Financial Statements	11



CORPORATE INFORMATION

Board of Directors	Mr. Muhammad Imran Malik Mr. Rehmat Ali Hasnie Syed Jamal Baquar Khawaja Waheed Raza Mr. Muhammad Iqbal Hussain Mr. Abbas Azam	Chairman Director Director Director Director CEO
Shari'ah Advisor	Mufti Ehsan Waquar Ahmed	
Chief Financial Officer/ Company Secretary	Farah Aslam	
Audit Committee	Khawaja Waheed Raza Syed Jamal Baquar Mr. Muhammad Iqbal Hussain	Chairman Member Member
HR & Remuneration Committee	Khawaja Waheed Raza Mr. Muhammad Iqbal Hussain Mr. Rehmat Ali Hasnie	Chairman Member Member
Auditors	CROWE HUSSAIN CHAUDHURY & CO. Chartered Accountants	
Bankers	National Bank of Pakistan Bank Alfalah Limited Al Baraka Islamic Bank Habib Bank Limited MCB Bank Limited Bank Islami Pakistan Limited	
Legal Advisor	Cornelius Lane & Mufti Advocates and Solicitors Nawa-i-Waqt House 4 - Shahrah-e-Fatima Jinnah, Lahore Tel.: 36360824, Fax: 36303301	
Shares Registrar	Hameed Majeed Associates (Pvt.) Limited 1H. M. House, 7 - Bank Square, Lahore Tel: 37235081-2, Fax: 37358817	
Registered Office	Ground Floor, NBP RHQs Building, 26 - McLagon Road, Lahore Tel: 042-99211200, Fax: 042-99213247 URL: http://www.nbmodaraba.com E-mail: info@nbmodaraba.com	

Directors' Quarterly Review Report

On behalf of the Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the Management Company of First National Bank Modaraba (FNBM), I am presenting the quarterly report, together with un-audited financial statements of FNBM for the quarter and half year ended December 31, 2020.

During the period under review the focus of management remained on recovery, particularly from the classified portfolio, where various means are being employed, including legal suits as well as negotiation for settlement etc. As a result settlement arrangements were made with some defaulter customers and an amount of Rs. 25.212 million was realized from them just after the reporting date, and the related reversals will be reflected in the third quarter interim accounts and in annual accounts for the year ended June 30, 2021.

On the operations side the total income figured to Rs. 5.7 Million in the half year under review as compared to Rs. 7.1 Million in the corresponding period last year. However due to decrease in market interest rates the Financial cost on account of provisional mark-up charged on NBP RF line amounted to Rs. 8.6 Million as compared to Rs. 10.32 Millions in the corresponding period. Despite general inflation operating expenses stood at Rs. 7.9 Million when compared to Rs. 8.3 Million in the corresponding period last year. The net result was a loss of Rs. 11.19 million as against a loss of Rs. 14.3 Million in the corresponding half year. The loss per certificate stood at Rs. (0.45) as compared to a loss per certificate of Rs (0.57) in the corresponding quarter.

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

For and on behalf of the Board



Chief Executive Officer

Lahore: February 26, 2021

ڈائریکٹرز کی سہ ماہی جائزہ رپورٹ

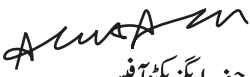
فرسٹ نیشنل بینک مضاربہ (FNBM) کی انتظامی کمپنی نیشنل بینک مضاربہ مینجمنٹ کمپنی لمیٹڈ (NBMMCL) کے بورڈ آف ڈائریکٹرز کی جانب سے میں 31 دسمبر 2020ء کو اختتام پذیر سہ ماہی اور ششماہی کے لئے FNBM کی غیر پڑتال شدہ مالیاتی اسٹیٹمنٹس کے ہمراہ سہ ماہی رپورٹ پیش کرتا ہوں۔

زیر جائزہ دورانیہ میں انتظامیہ کی توجہ کا مرکز خصوصاً کلاسیفائیڈ پورٹ فولیو سے بحالی رہا ہے جہاں قانونی کارروائی اور تصفیہ کے لئے مذاکرات جیسے متعدد طریقہ ہائے کار کو بروئے کار لایا گیا ہے۔ اس کے نتیجے میں چند نادہندہ صارفین کے ساتھ تصفیہ کر لیا گیا ہے اور رپورٹنگ کی تاریخ کے فوراً بعد 25.212 ملین روپے کی رقم وگزار کر لی گئی ہے۔ لہذا متعلقہ ادائیگیوں کو تیسری سہ ماہی کے عبوری کھاتوں اور سالانہ 30 جون 2021ء کو اختتام پذیر سال کے لئے کھاتوں میں ظاہر کیا جائے گا۔

آپریشنز کی مد میں گذشتہ برس کی اسی مدت میں 7.1 ملین روپے کل آمدنی کے مقابلہ میں زیر جائزہ ششماہی کے دوران 5.7 ملین روپے کل آمدنی درج کی گئی۔ تاہم مارکیٹ شرح سود میں کمی کی وجہ سے NBP RF لائن کو عائد پرویشنل مارک اپ کی مد میں مالیاتی لاگت 8.6 ملین روپے رہی جو گذشتہ برس کی اسی مدت میں 10.32 ملین روپے تھی۔ افراط زر کے باوجود آپریٹنگ اخراجات گذشتہ برس کی اسی مدت میں 8.3 ملین روپے کے مقابلہ میں 7.9 ملین روپے رہے۔ نتائج کی رو سے کل خسارہ گذشتہ برس کی اسی ششماہی میں 14.3 ملین روپے سے 11.19 ملین روپے تھا۔ فی سرٹیکلیٹ خسارہ گذشتہ سہ ماہی میں (0.57) روپے کے مقابلہ میں (0.45) روپے رہا۔

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے اپنے معزز سرٹیکلیٹ ہولڈرز اور کلائنٹس کی معاونت اور ثابت قدمی کا شکریہ ادا کرتا ہے۔ مزید برآں، بورڈ رجسٹرار مضاربہ، SECP اور NBFI اور مضاربہ ایسوسی ایشن آف پاکستان کی لگاتار رہنمائی اور مدد کا بھی تہہ دل سے شکر گزار ہے۔

برائے/منجانب بورڈ آف ڈائریکٹرز


چیف ایگزیکٹو آفیسر

لاہور: 26 فروری 2021ء



Crowe Hussain Chaudhury & Co.
25 E Main Market, Gulberg II
Lahore 54600, Pakistan
Main +92 (0)42 3575 9223-5
www.crowe.pk

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE CERTIFICATE HOLDERS OF FIRST NATIONAL BANK MODARABA ON REVIEW OF INTERIM FINANCIAL STATEMENTS

Introduction

We have reviewed the accompanying condensed interim balance sheet of **First National Bank Modaraba** ("the Modaraba") as at December 31, 2020 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes to the financial statements for the six months period then ended (hereinafter referred to as "interim financial statements"). Management is responsible for preparation and presentation of these condensed interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

The figures of the condensed interim profit and loss account and the condensed interim statement of comprehensive income for the quarters ended December 31, 2019 and December 31, 2020 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2020.

Scope of Review

We conducted our review in accordance with International Standards on Review Engagements 2410, "Review of Interim Financial Statements performed by the Independent Auditor of the Entity". A review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review nothing has come to our attention that causes us to believe that the accompanying condensed interim financial statements are not prepared, in all material respects, in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting.

Emphasis of Matter

We draw attention to note 1.2, of the accompanied condensed interim financial statements, which indicates that the Modaraba incurred a loss before tax of Rs. 11.191 million during the period ended December 31, 2020. As of that date the Modaraba's current liabilities exceeded its current assets by Rs. 101.302 million, its net liabilities amounted to Rs. 74.342 million and its accumulated losses amounted to Rs. 368.297 million.

Crowe Hussain Chaudhury & Co. is a member of Crowe Global, a Swiss Verein. Each member firm of Crowe Global is a separate and independent legal entity. Crowe Hussain Chaudhury & Co. and its affiliates are not responsible or liable for any acts or omissions of Crowe Global or any other member of Crowe Global. Crowe Global does not render any professional services and does not have an ownership or partnership interest in Crowe Hussain Chaudhury & Co.
© 2020 Crowe Hussain Chaudhury & Co.



Refer to Note 14, the short-term financing facility obtained from National Bank of Pakistan has not been renewed since October 31, 2019 and markup thereupon is also outstanding as disclosed in Note 14 to the financial statements. Moreover, after the issuance of Registrar Modaraba's order dated October 31, 2019, the winding up petition was filed on June 16, 2020 before the Honorable Modaraba Tribunal, Lahore. These matters indicate 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 conclusion is not qualified in respect of this matter.

The engagement partner on the review resulting in this independent auditor's review report is Amin Ali.

LAHORE
Dated: February 26, 2021

A handwritten signature in black ink, appearing to read "Amin Ali", written over a faint, circular stamp.

CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants

CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT 31 DECEMBER 2020

	Note	December 31, 2020 (Un-audited) Rupees	June 30, 2020 (Audited) Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances		10,201,354	22,655,332
Short term murabaha investments - secured	4	5,638,222	5,638,222
Accrued profit		957,767	1,202,746
Short term investments	5	88,570,508	73,997,842
Ijarah rentals receivable	6	62,001,381	62,456,119
Advances, prepayments and other receivables		8,174,596	5,354,411
Current portion of non current assets	7	21,294,255	27,982,964
		196,838,083	199,287,636
NON-CURRENT ASSETS			
Net investment in ijarah finance	8	-	-
Diminishing musharaka financing - secured	9	-	-
Long term murabaha investments - secured	10	-	-
Long term loans and deposits		39,500	39,500
Fixed assets under ijarah arrangements	11	26,875,888	39,565,335
Fixed assets - own use	12	44,977	59,234
Deferred tax asset	13	-	-
		26,960,365	39,664,069
TOTAL ASSETS		223,798,448	238,951,705
LIABILITIES			
CURRENT LIABILITIES			
Accrued profit		37,055,359	28,495,826
Short term finances - secured	14	217,063,388	217,063,388
Creditors, accrued and other liabilities		9,532,955	9,826,010
Security deposits against ijarah assets		33,451,676	44,440,011
Deferred murabaha income		1,037,126	2,287,522
TOTAL LIABILITIES		298,140,504	302,112,757
NET LIABILITIES		<u>(74,342,056)</u>	<u>(63,161,052)</u>
FINANCED BY:			
Certificate capital	15	250,000,000	250,000,000
Statutory reserves		43,955,189	43,955,189
Accumulated loss		(368,297,245)	(357,116,241)
CONTINGENCIES AND COMMITMENTS	17	-	-
TOTAL EQUITY AND RESERVES		<u>(74,342,056)</u>	<u>(63,161,052)</u>

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

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

Lahore: February 26, 2021

Half Yearly Report-December 31, 2020

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2020

	Note	Half Year Ended		Quarter Ended	
		December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
		Rupees	Rupees	Rupees	Rupees
Income from Operations					
Ijarah rentals earned / income from ijarah finance		987,193	1,441,725	410,163	(284,532)
Profit on diminishing musharaka financing		48,277	81,532	14,189	27,812
Profit on murabaha investments		1,250,396	34,855	1,250,396	34,855
Profit on bank deposits		61,769	195,269	17,565	169,413
(Loss) / gain on adjustment of ijarah and owned assets		-	227,219	(118,011)	356,517
Profit on short term investments		3,364,269	5,075,852	1,178,958	3,333,362
		5,711,904	7,056,452	2,753,260	3,637,427
Other Income					
Reversal of provision charged for doubtful receivables	18	524,003	1,902,510	(1,375,997)	1,902,510
Other income		-	37,749	(46,707)	32,971
		524,003	1,940,259	(1,422,704)	1,935,481
Total Income		6,235,907	8,996,711	1,330,556	5,572,908
Expenses					
Depreciation on ijarah assets		(902,032)	(2,114,150)	21,815	(1,042,797)
Operating expenses		(7,950,333)	(8,311,048)	(3,719,652)	(4,381,860)
Finance cost		(8,574,712)	(10,317,666)	(4,248,438)	(2,641,983)
Total Expenses		(17,427,077)	(20,742,864)	(7,946,275)	(8,066,640)
Operating Loss before Provisions and Taxation		(11,191,170)	(11,746,153)	(6,615,719)	(2,493,732)
Provision charged for doubtful receivables - net		-	(2,598,619)	-	(2,598,619)
		(11,191,170)	(14,344,772)	(6,615,719)	(5,092,351)
Modaraba Company's management fee		-	-	-	-
Loss before Taxation		(11,191,170)	(14,344,772)	(6,615,719)	(5,092,351)
Taxation		-	-	-	-
Loss for the Period		(11,191,170)	(14,344,772)	(6,615,719)	(5,092,351)
Loss per Certificate - Basic and Diluted		(0.45)	(0.57)	(0.26)	(0.20)

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

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

Lahore: February 26, 2021

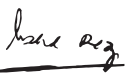
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2020

	Half Year Ended		Quarter Ended	
	December 31, 2020	December 31, 2019	December 31, 2020	December 31, 2019
	Rupees	Rupees	Rupees	Rupees
Loss for the Period	(11,191,170)	(14,344,772)	(6,615,719)	(5,092,351)
Other Comprehensive Income:				
<i>Items that will not be reclassified to profit and loss</i>	-	-	-	-
<i>Items that may be reclassified subsequently to profit and loss</i>				
Surplus / (Deficit) on revaluation of sukus	10,166	(157,917)	10,166	(157,917)
Other comprehensive income / (loss) for the period	10,166	(157,917)	10,166	(157,917)
Total Comprehensive Loss for the Period	(11,181,004)	(14,502,689)	(6,605,553)	(5,250,268)

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



Chief Executive Officer
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Chief Financial Officer
National Bank Modaraba
Management Company Limited

Lahore: February 26, 2021

Half Yearly Report-December 31, 2020

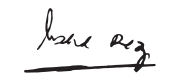
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2020

	Half Year Ended	
	December 31, 2020	December 31, 2019
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the Period	(11,191,170)	(14,344,772)
Adjustment for:		
- Depreciation on fixed assets under own use	14,257	6,667
- Depreciation on fixed assets under ijarah arrangements	902,032	2,114,150
- Loss / (gain) on termination of ijarah arrangements	(744,698)	(227,219)
- Profit on short term investments	(3,364,269)	(5,075,852)
- Charge of provision against doubtful ijarah rentals receivable - net	-	2,598,619
- Reversal of provision for doubtful finances	(524,003)	(1,902,510)
- Finance cost	8,574,712	10,317,666
- Profit on term deposit receipts and bank deposits	(61,769)	(195,269)
	<u>4,796,262</u>	<u>7,636,252</u>
Operating loss before working capital changes	(6,394,908)	(6,708,520)
Decrease / (Increase) in operating assets:		
- Accrued profit	3,609,248	5,687,945
- Ijarah rentals receivable	978,741	165,587
- Advances, prepayments and other receivables	(2,242,996)	(1,396,794)
- Short term murabaha investments	-	10,500,000
- Diminishing musharaka financing	5,334,997	750,013
- Long term murabaha investments	12,230	7,006,891
(Decrease) / Increase in operating liabilities:		
- Creditors, accrued and other liabilities	(293,055)	1,095,903
	<u>7,399,165</u>	<u>23,809,545</u>
Net changes in working capital	1,004,257	17,101,025
Net Cash Generated from Operations		
Finance cost paid	(15,179)	(4,531,292)
Income taxes paid	(577,189)	(535,965)
Profit received on bank deposits	61,769	195,269
Long term loans and deposits - net	91,086	188,257
	<u>564,744</u>	<u>12,417,294</u>
Net Cash Generated from Operating Activities		
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets - own use	-	(48,000)
Short term investments -net	(14,562,500)	(22,604,166)
Proceeds from disposal of ijarah assets	1,543,778	560,066
	<u>(13,018,722)</u>	<u>(22,092,100)</u>
Net Cash Used in Investing Activities		
CASH FLOWS FROM FINANCING ACTIVITIES		
	<u>-</u>	<u>-</u>
Net Decrease in Cash and Cash Equivalents	(12,453,978)	(9,674,806)
Cash and cash equivalents at the beginning of the period	22,655,332	11,329,223
Cash and Cash Equivalents at the End of the period	<u>10,201,354</u>	<u>1,654,417</u>

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



Chief Executive Officer
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Chief Financial Officer
National Bank Modaraba
Management Company Limited

Lahore: February 26, 2021

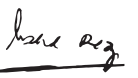
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR PERIOD ENDED DECEMBER 31, 2020

Particulars	Certificate Capital	Statutory Reserves	Accumulated Loss	Total Equity
	Rupees			
Balance as at June 30, 2019	250,000,000	43,955,189	(323,155,104)	(29,199,915)
Total comprehensive loss for the six months period ended December 31, 2019				
Net loss for the period	-	-	(14,344,772)	(14,344,772)
Other comprehensive loss for the period	-	-	(157,917)	(157,917)
Total comprehensive loss for the period	-	-	(14,502,689)	(14,502,689)
Transferred to statutory reserve	-	-	-	-
Balance as at December 31, 2019	<u>250,000,000</u>	<u>43,955,189</u>	<u>(337,657,793)</u>	<u>(43,702,604)</u>
Balance as at June 30, 2020	250,000,000	43,955,189	(357,116,241)	(63,161,052)
Total comprehensive income for the six months period ended December 31, 2020				
Net profit for the period	-	-	(11,191,170)	(11,191,170)
Other comprehensive income for the period	-	-	10,166	10,166
Total comprehensive income for the period	-	-	(11,181,004)	(11,181,004)
Transferred to statutory reserve	-	-	-	-
Balance as at December 31, 2020	<u>250,000,000</u>	<u>43,955,189</u>	<u>(368,297,245)</u>	<u>(74,342,056)</u>

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



Chief Executive Officer
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Chief Financial Officer
National Bank Modaraba
Management Company Limited

Lahore: February 26, 2021

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2020

Note 1

Legal Status and Nature of Business

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

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

1.2 Going concern assumption

During the current period, the Modaraba made loss before 'Modaraba Company's Management Fee' of Rs. 11.191 million (2019: Rs. 14.344 million). As at the reporting date, its current liabilities exceed its current assets by Rs. 101.302 million (June 2020: Rs. 102.825 million) and its accumulated losses amount to Rs. 368.297 million (June 2020: Rs. 357.116 million). As referred in Note 14, 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 and markup outstanding thereupon is still payable as at the reporting date.

In purview of the consistent losses of the Modaraba, the Registrar Modaraba issued a show cause notice to it as to why should the proceedings to wind up the Modaraba not be initiated in terms of Section 23(1)(ii)(b) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Later, 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 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 on June 16, 2020 under section 23(1)(ii)(b) before the Honorable Modaraba Tribunal, Lahore. However the case is pending for initial hearing in Banking Court and the next date of hearing is March 17, 2021.

Accumulated losses as on December 31, 2020 contain Rs. 331.897 million (June 30, 2020: 332.421 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. The Modaraba has filed legal suits for recovery against all its defaulter clients and Rs. 400.436 million (June 30, 2020: 400.436 million) have been decreed in Modaraba's favor by the Honorable Banking Courts, against principal amount, that are pending execution. As referred in Note 4.4, the Modaraba has entered into a settlement agreement with a customer whereby the customer has agreed to pay Rs. 46.625 million, the Modaraba has received sum of Rs. 23.312 million on January 06, 2021 that shall be reflected in next quarter's interim condensed financial statements. Moreover, total current liabilities amounting to Rs. 298.140 million (June 30, 2020: Rs. 302.112 million) include Rs. 254.119 million (June 30, 2020: Rs. 245.559 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. 33.452 million (June 30, 2020: Rs. 44.440 million) worth security deposits that are not repayable rather these shall be adjusted against the residual value of ijarah assets.

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 condensed interim financial statements (un-audited) have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively.

Note 2

Basis of Preparation

- 2.1 These condensed interim financial statements (un-audited) have been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan (SECP) and are in compliance with the International Accounting Standard - 34 (Interim Financial Reporting) and being submitted to certificate holders as required under law.
- 2.2 These condensed interim financial statements (un-audited) should be read in conjunction with annual audited financial statements for the year ended June 30, 2020. Comparative balance sheet is extracted from audited financial statements for the year ended June 30, 2020; whereas, comparative profit and loss account, statement of comprehensive income, cash flows statement and statement of changes in equity are extracted from unaudited interim financial statements for the six-month period ended on December 31, 2019.
- 2.3 These condensed interim financial statements (un-audited) have been prepared on the basis other than going concern using estimated realizable / settlement values of the 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 amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business. These realizable / settlement values are based on management judgment and other available evidence; however, these may change on actual realization of assets / settlement of liabilities.
- 2.4 These condensed interim financial statements are un-audited. However, a limited scope review of these interim financial statements has been performed by the external auditors of the Modaraba in accordance with the requirements of the Listed Companies (Code of Corporate Governance) Regulations, 2019 and they have issued their review report thereon.
- 2.5 These condensed interim financial statements (un-audited) are presented in Pak Rupees, which is the Modaraba's functional and presentation currency. All the figures have been rounded off to the nearest Pak Rupees unless stated otherwise.

Note 3

Accounting Policies

The accounting policies adopted for the preparation of these condensed interim financial statements (un-audited) are consistent with those applied in the preparation of annual audited financial statements of the Modaraba for the year ended June 30, 2020.

Half Yearly Report-December 31, 2020

Note 4

Short Term Murabaha Investments - Secured

		December 31, 2020	June 30, 2020
	Note	(Un-audited) Rupees	(Audited) Rupees
Considered good		-	-
Considered doubtful		233,101,181	233,101,181
		233,101,181	233,101,181
Add: Deferred murabaha income		2,654,776	2,654,776
		235,755,957	235,755,957
Less: Provision for non-performing murabaha investments	4.2 & 4.3	(227,462,959)	(227,462,959)
Less: Suspended income		(2,654,776)	(2,654,776)
		<u>5,638,222</u>	<u>5,638,222</u>

4.1 These represent investments under murabaha arrangements on deferred payment basis at specified profit margins. These investments carry profit ranging from 8.36% to 14.64% (June 30, 2020: 8.36% to 14.64%) per annum and 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.

4.2 Provision for non-performing murabaha investments

Opening balance		227,462,959	227,462,959
Reversed during the period / year	4.4	-	-
Closing balance		<u>227,462,959</u>	<u>227,462,959</u>

4.3 This represents receivable from 9 (June 30, 2020: 9) customers under Murabaha finance. Legal proceedings against these customers are in process in the Honorable Courts of Law. Courts have awarded decree in favour of Modaraba in 8 (June 30, 2020: 8) cases for recovery of Rs. 256.12 million (June 30, 2020: 256.12 million), while the order to execute decree is awaited.

4.4 During the current half-year ended on December 31, 2020, the Modaraba entered into settlement agreement with one of its customers whereby the customer agreed to pay total sum of Rs. 46.625 million in two installments of Rs. 23.312 million each. Under the settlement agreement an amount of Rs. 23.312 million was received from the customer that was realised in the Modaraba's bank account on January 06, 2021. The requirements of PART III (B) (7) "Reversal of Provision" of Prudential Regulations for Modarabas require that the provision held against classified assets shall only be reversed when cash realization starts. Consequently, the Modaraba has recorded the reversal of provision and related receipts of Rs. 23.312 million in the subsequent period that shall be fully reflected in third quarter's financial statements.

Note 5

Short Term Investments

			December 31, 2020	June 30, 2020
2020	2020		(Un-audited) Rupees	(Audited) Rupees
Number	Number	Note		
Investments in sukuk of Rs. 100,000 each - fair value through OCI				
550	550	Neelum Jehlum Sukuk	38,946,875	42,301,875
200	200	Byco Petroleum Pakistan Limited	11,623,633	11,695,967
<u>750</u>	<u>750</u>		<u>50,570,508</u>	<u>53,997,842</u>
BankIslami Limited - Term Deposits Receipts		5.3	38,000,000	20,000,000
			<u>88,570,508</u>	<u>73,997,842</u>

5.1 The outstanding principal per unit is Rs. 68,750 (June 30, 2020: Rs. 75,000) having fair value of Rs. 103.00 (June 30, 2020: 102.55) per unit as at the reporting date.

5.2 The outstanding principal per unit is Rs. 58,334 (June 30, 2020: Rs. 58,334) having fair value of Rs. 99.63 (June 30, 2020: Rs. 100.25) per unit as at the reporting date.

5.3 These term deposits certificates yields profit at the rate of 6.25% per annum (June 30, 2020: 12.75%).

First National Bank Modaraba

Note 6

Ijarah Rentals Receivable

	Note	December 31, 2020 (Un-audited) Rupees	June 30, 2020 (Audited) Rupees
Considered good - secured		215,830	643,924
Considered doubtful	6.1	108,191,579	108,742,226
Less: Provision for doubtful ijarah rentals receivable	6.3	(23,687,490)	(24,211,493)
Less: Profit held in suspense account		(22,718,538)	(22,718,538)
		<u>61,785,551</u>	<u>61,812,195</u>
		<u>62,001,381</u>	<u>62,456,119</u>

6.1 This represents receivables from various customers under ijarah finance. Legal proceedings against 7 (June 30, 2020: 7) customers are in process in the Honorable Courts of Law. Courts have awarded decree in favour of Modaraba in 6 (June 30, 2020: 6) cases for recovery of Rs. 141.67 million (June 30, 2020: 141.67 million), while the order to execute decree is awaited.

6.2 The collaterally held assets have forced sale valued Rs. 82,585,900 as of December 31, 2020 (June 30, 2020: Rs. 84,758,000).

6.3 Movement in provision against doubtful ijarah rentals receivable are as follows:

Opening balance	24,211,493	29,007,645
Charged during the period / year	-	3,020,340
Provision reversed during the period	(524,003)	(7,816,492)
Net (reversal) / charged during the period / year	(524,003)	(4,796,152)
Closing balance	<u>23,687,490</u>	<u>24,211,493</u>

Note 7

Current Portion of Non Current Assets

	Note	December 31, 2020 (Un-audited) Rupees	June 30, 2020 (Audited) Rupees
Net investment in ijarah finance	8	13,496,734	13,496,734
Diminishing musharaka financing	9	6,474,708	11,809,705
Long term murabaha investments	10	1,262,619	2,525,245
Long term loans and deposits		60,194	151,280
		<u>21,294,255</u>	<u>27,982,964</u>

Note 8

Net Investment in Ijarah Finance

Net Investment in Ijarah Finance	December 31, 2020			June 30, 2020		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	-----Rupees-----					
	----- (Un-Audited) -----			----- (Audited) -----		
Minimum ijarah rentals receivable	50,785,554	-	50,785,554	50,785,554	-	50,785,554
Residual value of ijarah assets	46,700	-	46,700	46,700	-	46,700
Gross investment in ijarah finance	50,832,254	-	50,832,254	50,832,254	-	50,832,254
Less: Unearned finance income	(24,109,320)	-	(24,109,320)	(24,109,320)	-	(24,109,320)
Net investment in lease ijarah finance	26,722,934	-	26,722,934	26,722,934	-	26,722,934
Less: Provision against doubtful receivables	(13,226,200)	-	(13,226,200)	(13,226,200)	-	(13,226,200)
	13,496,734	-	13,496,734	13,496,734	-	13,496,734
Less: Current portion (Note 7)			<u>(13,496,734)</u>			<u>(13,496,734)</u>
			<u>-</u>			<u>-</u>

Half Yearly Report-December 31, 2020

Note 8, Net investment in Ijarah Finance - cont...

- 8.1 This represents receivable from 1 customer (June 30, 2020: 1) under the ijarah finance. 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.

Note 9

Diminishing Musharaka Financing - Secured

		December 31, 2020	June 30, 2020
	Note	(Un-audited) Rupees	(Audited) Rupees
Considered good	9.1	2,137,074	7,472,071
Considered doubtful	9.1	4,337,634	4,337,634
Provision against doubtful diminishing musharaka		-	-
		4,337,634	4,337,634
		6,474,708	11,809,705
Less: Current portion	7	(6,474,708)	(11,809,705)
		-	-

- 9.1 This represents diminishing musharaka financing arrangement entered 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. These carry profit at rates ranging between 11.04% to 15.04% (June 30, 2020: 11.04% to 15.04%) per annum and are repayable on monthly basis.

- 9.2 The provision against doubtful diminishing musharaka financing has not been incorporated as the forced sale value of collaterally held assets is greater than the amount receivable from the respective parties. The collaterally held asset is valued at Rs. 5.329 million by the management as of June 30, 2020. The management estimates that the fair value has not changed significantly any further as of December 31, 2020.

Note 10

Long Term Murabaha Investments - Secured

		December 31, 2020	June 30, 2020
	Note	(Un-audited) Rupees	(Audited) Rupees
Considered good		225,493	237,723
Considered doubtful		63,399,069	63,399,069
		63,624,562	63,636,792
Add: Deferred murabaha income		30,425,430	31,675,826
		94,049,992	95,312,618
Less: Provision for doubtful murabaha investments		(63,399,069)	(63,399,069)
Less: Suspension for doubtful murabaha investments		(29,388,304)	(29,388,304)
		1,262,619	2,525,245
Less: Current portion	7	(1,262,619)	(2,525,245)
		-	-

- 10.1 These represent investments under murabaha arrangements on deferred payment basis at a profit margin ranging from 9.38% to 15.50% (June 30, 2020: 9.38% to 15.50%) 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.

- 10.2 This represents receivable from 3 (June 30, 2020: 3) customers under the Murabaha finance. Legal proceedings against 2 (June 30, 2020: 2) customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of the Modaraba in 2 (June 30, 2020: 2) cases for recovery of Rs. 64.22 million (June 30, 2020: 64.22 million), while the order to execute decree is awaited.

10.3 Provision for doubtful murabaha investments

Opening balance	63,399,069	65,301,579
Reversed during the period / year	-	(1,902,510)
Closing balance	63,399,069	63,399,069

First National Bank Modaraba

Note 11

Fixed Assets under Ijarah Arrangements

	December 31, 2020	June 30, 2020
	(Un-audited) Rupees	(Audited) Rupees
Written down value at the beginning of the period / year	39,565,335	83,900,189
Less: Written down value of assets disposed off / adjusted	(11,787,415)	(37,698,646)
	<u>27,777,920</u>	<u>46,201,543</u>
Less: Depreciation charged during the period / year	(902,032)	(6,636,208)
	<u>26,875,888</u>	<u>39,565,335</u>

11.1 Written down value of assets disposed off / adjusted

Plant and machinery	4,228,085	10,672,736
Vehicle	7,559,330	27,025,910
	<u>11,787,415</u>	<u>37,698,646</u>

11.2 General description of significant ijarah arrangements (IFAS-2)

The Modaraba has entered into various ijarah agreements for periods ranging from 3 to 14 years (June 30, 2020: 3 to 14 years). Security deposits ranging from 0% to 60% (June 30, 2020: 0% to 60%) are obtained at the time of disbursement. The rate of profit implicit in ijarah ranges from 9.87% to 16.55% (June 30, 2020: 9.87% to 16.55%) per annum.

11.3 During the period, the Modaraba has adjusted these written down value of certain assets against their respective security deposits to streamline its receivables. However, the title of the assets has yet not been transferred.

Note 12

Fixed Assets under Own Use

	December 31, 2020	June 30, 2020
	(Un-audited) Rupees	(Audited) Rupees
Written down value at the beginning of the period / year	59,234	39,747
Additions at cost	-	48,000
	<u>59,234</u>	<u>-</u>
Less: Depreciation charged during the period / year	(14,257)	(28,513)
	<u>44,977</u>	<u>59,234</u>

Note 13

Deferred Tax Asset

Deferred tax asset amounting to Rs. 75.967 million (June 30, 2020: Rs. 157.046 million) has not been recognized in these condensed interim financial statements (un-audited) as the temporary differences are not expected to reverse in foreseeable future and taxable profits may not be available against which the temporary differences can be utilized.

Note 14

Short Term Finance - Secured

	December 31, 2020	June 30, 2020
	(Un-audited) Rupees	(Audited) Rupees
From banking companies		
Running finance from associated undertaking - National Bank of Pakistan	<u>217,063,388</u>	<u>217,063,388</u>

14.1 The Modaraba has obtained running finance facility of Rs. 250 million (June 2020: Rs. 250 million) from National Bank of Pakistan carrying mark-up / profit at 1 month KIBOR plus 0.50% (June 2020: 1 month KIBOR plus 0.5%) per annum payable monthly. The effective mark-up / profit rate charged during the period ranged from 7.83% to 7.93% (June 2020: 8.83% to 13.34%) 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 (June 2020: Rs 277.778 million). This facility expired on October 31, 2019 and has yet not been renewed .

Half Yearly Report-December 31, 2020

Note 15

Certificate Capital

December 31, 2020	June 30, 2020		December 31, 2020	June 30, 2020
(Un-audited)	(Audited)		(Un-audited)	(Audited)
Number of certificates	Number of certificates		Rupees	Rupees
Authorized:				
<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>

15.1 7,500,000 (June 30, 2020: 7,500,000) certificates of the Modaraba are held by National Bank Modaraba Management Company Limited, the modaraba management company.

15.2 No certificates of the Modaraba have been issued / cancelled during the period / year.

Note 16

Taxation

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

Note 17

Contingencies and Commitments

There is no significant change in the status of contingencies and commitments as reported in the annual audited financial statements of the Modaraba for the year ended 30 June 2020.

Note 18

Reversal of Provision Charged for Doubtful Receivables

	December 31, 2020	December 31, 2019
	(Un-audited)	(Un-audited)
	Rupees	Rupees
Provision for short term non-performing murabaha investments	-	-
Provision for doubtful ijarah rentals receivable	524,003	-
Provision for long term doubtful murabaha investments	-	1,902,510
	<u>524,003</u>	<u>1,902,510</u>

Note 19

Financial Risk Management

19.1 Financial risk factors

The Modaraba's financial risk management objectives and policies are consistent with those disclosed in preceding audited annual financial statements for the year ended June 30, 2020.

19.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

First National Bank Modaraba

Note 19, Financial Risk Management - Cont ...

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The following table presents the Modaraba's assets and liabilities that are measured at fair value as at:

	December 31, 2020			June 30, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
-----Rupees-----						
Assets						
Short term investments	50,570,508	-	-	53,997,842	-	-

During the half year ended December 31, 2020, there were no significant changes in the business or economic circumstances that affect the fair value of the Modaraba's financial assets and financial liabilities. Furthermore, there were no reclassifications of financial assets and there were no changes in valuation techniques during the period.

Note 20

Balances and Transactions with Related Parties

Related parties comprise associated companies, modaraba management company and its holding undertaking, directors of the Modaraba management company and key management personnel. Detail of transactions with related parties and balances outstanding with them at the period / year end except of remuneration to key management personnel are as follows:

			December 31, 2020 (Un-audited) Rupees	December 31, 2019 (Audited) Rupees
20.1 Transactions during the period / year				
Related party	Relationship	Nature of Transaction		
National Bank of Pakistan	Modaraba Management Company's holding company	Mark up expense Mark up paid	8,574,712 -	10,292,253 4,531,292
			December 31, 2020 (Un-audited) Rupees	June 30, 2020 (Audited) Rupees
20.2 Balances outstanding as at period / year				
Bank accounts with National Bank of Pakistan			161,369	169,518
Finances from National Bank of Pakistan			217,063,388	217,063,388
Markup payable to National Bank of Pakistan			37,055,359	28,495,826

Note 21

Segment Information

- 21.1** As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer (CEO) of the Modaraba is identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.
- 21.2** The CEO is responsible for the Modaraba's entire product portfolio and considers the business as a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

Note 21, Segment Information - Cont ...

21.3 The internal reporting provided to the CEO for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting and reporting standards as applicable in Pakistan. The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investment in entities incorporated in Pakistan. The Modaraba also has a diversified certificate holder population. As at December 31, 2020, there were two (June 30, 2020: two) certificate holder.

Note 22

Date of Authorization for Issue

These condensed interim financial statements (un-audited) have been approved by the Board of Directors of National Bank Modaraba Management Company Limited and authorized for issuance on February 26, 2021.

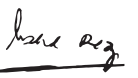
Note 23

General

Comparative figures are re-arranged / re-classified, wherever necessary, to facilitate comparison. No such re-arrangements / re-classifications have been made in these condensed interim financial statements (un-audited).



Chief Executive Officer
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited




Director
National Bank Modaraba
Management Company Limited



Chief Financial Officer
National Bank Modaraba
Management Company Limited

Lahore: February 26, 2021



If undelivered please return to :
FIRST NATIONAL BANK MODARABA
Ground Floor, NBP RHQs Building,
26 McLagon Road,
Lahore.
Tel : 99211200, Fax: 99213247