



FIRST NATIONAL BANK MODARABA

Managed By:

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

**HALF YEARLY REPORT
DECEMBER 31,
2021**

First National Bank Modaraba

Half Yearly Report *December 31, 2021*

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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/	Farah Aslam	
Company Secretary		
Audit Committee	Mr. Muhammad Iqbal Hussain Khawaja Waheed Raza *Syed Jamal Baquar	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	Muhammad Aqeel Malik Advocates Supreme Court Aqeel & Associates, Advocate/Legal Consultants Office No. 12, 1st Floor, Khawaja Arcade Wahdat Road, Lahore Tel.: 042-35462464	
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	

*Syed Jamal Baquar, NBP's Nominee Director, resigned subsequent to the period end.

Directors' Review Report

On behalf of the Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the Management Company of First National Bank Modaraba (FNBM), I am presenting the quarterly report, together with un-audited financial statements of FNBM for the quarter and half year ended December 31, 2021.

During the period under review the focus of management remained on recovery. Settlement arrangements were made with some defaulter customers and an amount of Rs.35.336 million was realized from them during the period.

On the operations side the income in the half year under review as well as in the corresponding period last year stayed around Rs.5.7 Million. However due to increase in market interest rates the Financial cost on account of provisional mark-up charged on NBP RF line amounted to Rs.9.8 Million as compared to Rs.8.6 Millions in the corresponding period. Despite general inflation operating expenses stood at Rs.7.1 Million when compared to Rs.7.9 Million in the corresponding period last year. The net result was a profit after tax of Rs. 11.1 million as against a loss of Rs.11.9 Million in the corresponding half year. The earnings per certificate stood at Rs.0.45 as compared to a loss per certificate of Rs (0.45) in the corresponding quarter.

Due to losses SECP has filed petition in the Modaraba Tribunal Lahore under section 23(1)(ii)(b) of Modaraba Companies and Modaraba (Floatation & Control) Ordinance 1980 for winding up of FNBM, however it is important to clarify that these losses are not final and are substantially reversible upon recoveries from NPLs as they mainly represent provisioning charged there against. Under the circumstances, apart from recapitalization as was decided earlier, the holding Bank NBP is also evaluating other options, in the best interest of all stakeholders.

The Board would like to take this opportunity to thank its valued certificate holders and clients for their patronage and consistent patience. Besides, the Board extends its sincere gratitude to Registrar Modarabas, SECP and NBF1 & Modaraba Association of Pakistan for their continued guidance and support.

For and on behalf of the Board



Chief Executive Officer

Lahore: February 25, 2022

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 2021ء کو اختتام پذیر سہ ماہی کے لئے FNBM کی سہ ماہی رپورٹ اور غیر پڑتال شدہ مالیاتی اسٹیٹمنٹس ازراہ مسرت پیش کرتا ہوں۔

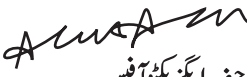
زیر جائزہ مدت کے دوران انتظامیہ کی توجہ کاروبار کی بحالی رہا۔ چند ناہندہ صارفین کے ساتھ سمجھوتہ طے پایا اور اس مدت کے دوران 35.336 ملین روپے کی رقم وصول ہوئی۔

آپریشنز کی بابت زیر جائزہ ششماہی اور گذشتہ برس کی اسی مدت کے دوران آمدنی تقریباً 5.7 ملین روپے رہی۔ البتہ، منڈی کی شرح سود میں اضافے کے باعث NBP RF لائن پر عائد پروویڈنٹل مارک اپ کی بابت مالیاتی لاگت گذشتہ برس کی اسی مدت میں 8.6 ملین روپے کی نسبت 9.8 ملین روپے رہی۔ افراط زر کے باوجود آپریٹنگ اخراجات گذشتہ برس کی اسی مدت میں 7.9 ملین روپے کی نسبت 7.1 ملین روپے رہے۔ مجموعی نتائج میں نفع علاوہ ٹیکس 11.1 ملین روپے رہا جب کہ گذشتہ برس کی اسی مدت میں نقصان علاوہ ٹیکس 11.9 ملین روپے تھا۔ فی سرٹیکلیٹ آمدنی گذشتہ برس کی اسی سہ ماہی میں (0.45) روپے کے نقصان فی سرٹیکلیٹ کی نسبت 0.45 روپے رہی۔

خساروں کی وجہ سے FNBM کی تحلیل کے لئے مضاربہ کمینیز اینڈ مضاربہ (فلوٹیشن اینڈ کنٹرول) آرڈیننس 1980ء کے سیکشن 23(I)(ii)(b) کے تحت SECP نے مضاربہ ٹریبونل لاہور میں پٹیشن دائر کی۔ البتہ یہ واضح کرنا بہت ضروری ہے کہ خسارہ حتمی نہیں ہے اور NPL سے وصولیوں کے بعد اس خسارہ کی خاطر خواہ واپسی ہو سکتی ہے کیونکہ وہ صرف پروویڈنٹنگ ظاہر کرتے ہیں۔ ان حالات میں، سابقہ طے شدہ ری کپٹلائزیشن کے فیصلے کے علاوہ ہولڈنگ بینک NBP دیگر آپریشنز پر بھی غور کر رہا ہے۔ جس میں تمام سٹیک ہولڈرز کے مفاد کا تحفظ ہو۔

اس کے علاوہ بورڈ رجسٹرار مضاربہ، ایس ای سی پی اور این بی ایف آئی اور مضاربہ ایسوسی ایشن آف پاکستان کی مسلسل رہنمائی اور مدد کیلئے ان کا تہہ دل سے مشکور ہے۔

برائے/مخائب بورڈ آف ڈائریکٹرز


چیف ایگزیکٹو آفیسر

لاہور: 25 فروری 2022ء



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, 2021 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, 2020 and December 31, 2021 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2021.

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 has earned profit before Modaraba Management's Company fee amounting to Rs. 15.204 million which is primarily due to the reversal of provision charged for doubtful receivables amounting to rupees 34.18 million and Modaraba's current liabilities exceeded its current assets by Rs. 84.123 million, its net liabilities amounted to Rs. 51.108 million and its accumulated losses amounted to Rs. 344.136 million.



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 28 FEB 2022
Dated:
UDIN: RR202110051vtu9Uxi5Z


CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants

CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT 31 DECEMBER 2021

	Note	December 31, 2021 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances		14,713,830	12,975,175
Short term murabaha investments - secured	4	3,795,700	3,638,222
Accrued profit		2,160,996	1,445,282
Short term investments	5	150,164,445	117,078,393
Ijarah rentals receivable	6	35,700,874	45,668,275
Advances, prepayments and other receivables		4,946,428	6,563,679
Current portion of non current assets	7	16,872,036	18,697,036
		228,354,309	206,066,062
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	32,959,576	33,024,976
Fixed assets - own use	12	15,800	27,700
Deferred tax asset	13	-	-
		33,014,876	33,092,176
TOTAL ASSETS		261,369,185	239,158,238
LIABILITIES			
CURRENT LIABILITIES			
Accrued profit		56,582,020	46,806,932
Short term finances - secured	14	217,063,388	217,063,388
Creditors, accrued and other liabilities		5,400,351	3,886,183
Security deposits against ijarah assets		33,006,276	33,071,676
Unclaimed dividend		425,218	425,218
		312,477,253	301,253,397
NET LIABILITIES		(51,108,068)	(62,095,159)
FINANCED BY:			
Certificate capital	15	250,000,000	250,000,000
Statutory reserves		44,733,767	44,177,257
Accumulated loss		(344,136,886)	(354,710,581)
		(49,403,119)	(60,533,324)
Unrealised loss on revaluation of sukuks		(1,704,949)	(1,561,835)
CONTINGENCIES AND COMMITMENTS	17	-	-
TOTAL EQUITY AND RESERVES		(51,108,068)	(62,095,159)

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 25, 2022

Half Yearly Report-December 31, 2021

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2021

	Note	Half Year Ended		Quarter Ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		Rupees	Rupees	Rupees	Rupees
Income from Operations					
Ijarah rentals earned / income from ijarah finance		-	987,193	-	410,163
Profit on diminishing musharaka financing		-	48,277	-	14,189
Profit on murabaha investments		-	1,250,396	-	1,250,396
Profit on bank deposits		78,131	61,769	31,390	17,565
Profit on short term investments		5,630,860	3,364,269	3,933,116	1,178,958
		5,708,991	5,711,904	3,964,506	2,871,271
Other Income					
Reversal of provision charged for doubtful receivables	18	34,185,791	524,003	12,103,050	(1,375,997)
Suspension reversed during the period		1,151,081	-	-	-
(Loss) / gain on adjustment of ijarah and owned assets		-	-	-	(118,011)
Other income		287,990	-	286,032	(46,707)
		35,624,862	524,003	12,389,082	(1,540,715)
Total Income		41,333,853	6,235,907	16,353,588	1,330,556
Expenses					
Depreciation on ijarah assets		-	(902,032)	-	21,815
Operating expenses		(7,156,001)	(7,950,333)	(3,437,720)	(3,719,652)
Finance cost		(9,796,921)	(8,574,712)	(5,402,725)	(4,248,438)
Total Expenses		(16,952,922)	(17,427,077)	(8,840,445)	(7,946,275)
Operating Profit / (Loss) before Provisions and Taxation		24,380,931	(11,191,170)	7,513,143	(6,615,719)
Provision charged for doubtful receivables - net		(9,176,980)	-	-	-
		15,203,951	(11,191,170)	7,513,143	(6,615,719)
Modaraba Company's management fee		(1,520,395)	-	(751,314)	-
Provision for worker's welfare fund		(273,671)	-	(135,236)	-
Profit / (Loss) before Taxation		13,409,885	(11,191,170)	6,626,593	(6,615,719)
Taxation		(2,279,680)	-	(2,279,680)	-
Profit / (Loss) for the Period		11,130,205	(11,191,170)	4,346,913	(6,615,719)
Profit / (Loss) per Certificate - Basic and Diluted		0.45	(0.45)	0.17	(0.26)

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 25, 2022

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2021

	Half Year Ended		Quarter Ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	Rupees	Rupees	Rupees	Rupees
Profit / (Loss) for the Period	11,130,205	(11,191,170)	4,346,913	(6,615,719)
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	(143,114)	-	(143,114)	-
Other comprehensive income / (loss) for the period	(143,114)	-	(143,114)	-
Total Comprehensive Income / (Loss) for the Period	10,987,091	(11,191,170)	4,203,799	(6,615,719)

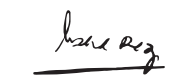
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Chief Executive Officer
National Bank Modaraba
Management Company Limited



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 25, 2022

Half Yearly Report-December 31, 2021

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2021

	Half Year Ended	
	December 31, 2021	December 31, 2020
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) for the Period	13,409,885	(11,191,170)
Adjustment for:		
- Depreciation on fixed assets under own use	11,900	14,257
- Depreciation on fixed assets under ijarah arrangements	-	902,032
- Loss / (gain) on termination of ijarah arrangements	(127,302)	(744,698)
- Profit on short term investments	(5,630,860)	(3,364,269)
- Charge of provision against doubtful ijarah rentals receivable - net	9,176,980	-
- Reversal of provision for doubtful finances	(34,185,791)	(524,003)
- Reversal of suspension during the period	(1,151,081)	-
- Provision for worker's welfare fund	401,794	-
- Finance cost	9,796,921	8,574,712
- Profit on term deposit receipts and bank deposits	(78,131)	(61,769)
	<u>(21,785,570)</u>	<u>4,796,262</u>
Operating loss before working capital changes	(8,375,685)	(6,394,908)
Decrease / (Increase) in operating assets:		
- Accrued profit	4,915,146	3,609,248
- Ijarah rentals receivable	790,421	978,741
- Advances, prepayments and other receivables	(662,429)	(2,242,996)
- Short term murabaha investments	35,179,394	-
- Diminishing musharaka financing	2,100,000	5,334,997
- Long term murabaha investments	-	12,230
(Decrease) / Increase in operating liabilities:		
- Creditors, accrued and other liabilities	1,112,374	(293,055)
Net changes in working capital	<u>43,434,906</u>	<u>7,399,165</u>
Net Cash Generated from Operations	<u>35,059,221</u>	<u>1,004,257</u>
Finance cost paid	(21,833)	(15,179)
Income taxes paid	-	(577,189)
Profit received on bank deposits	78,131	61,769
Long term loans and deposits - net	<u>(275,000)</u>	<u>91,086</u>
Net Cash Generated from Operating Activities	<u>34,840,519</u>	<u>564,744</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Short term investments -net	(33,229,166)	(14,562,500)
Proceeds from disposal of ijarah assets	127,302	1,543,778
Net Cash Used in Investing Activities	<u>(33,101,864)</u>	<u>(13,018,722)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
Net Increase / (Decrease) in Cash and Cash Equivalents	1,738,655	(12,453,978)
Cash and cash equivalents at the beginning of the period	12,975,175	22,655,332
Cash and Cash Equivalents at the End of the period	<u>14,713,830</u>	<u>10,201,354</u>

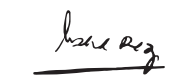
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Management Company Limited



Director
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Management Company Limited



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National Bank Modaraba
Management Company Limited



Chief Financial Officer
National Bank Modaraba
Management Company Limited

Lahore: February 25, 2022

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR PERIOD ENDED DECEMBER 31, 2021

Particulars	Certificate Capital	Statutory Reserves	Accumulated Loss	Total Equity
	Rupees			
Balance as at June 30, 2020	250,000,000	43,955,189	(355,598,855)	(61,643,666)
Total comprehensive loss for the six months period ended December 31, 2020				
Net loss for the period	-	-	(11,191,170)	(11,191,170)
Other comprehensive loss for the period	-	-	-	10,166
Total comprehensive loss for the period	-	-	(11,191,170)	(11,181,004)
Transferred to statutory reserve	-	-	-	-
Balance as at December 31, 2020	250,000,000	43,955,189	(366,790,025)	(72,824,670)
Balance as at June 30, 2021	250,000,000	44,177,257	(354,710,581)	(60,533,324)
Total comprehensive income for the six months period ended December 31, 2021				
Net profit for the period	-	-	11,130,205	11,130,205
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	11,130,205	11,130,205
Transferred to statutory reserve	-	556,510	(556,510)	-
Balance as at December 31, 2021	250,000,000	44,733,767	(344,136,886)	(49,403,119)

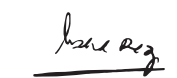
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Management Company Limited

Lahore: February 25, 2022

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2021

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 profit before 'Modaraba Company's Management Fee' of Rs. 15.204 million (2020: Loss before Modaraba Company's Management fee of Rs. 11.191 million) which is primarily due to reversal of provision charged for doubtful receivables amounting to Rs. 34.186 million. As at the reporting date, its current liabilities exceed its current assets by Rs. 84.123 million (June 2021: Rs. 95.187 million) and its accumulated losses amount to Rs. 344.136 million (June 2021: Rs. 354.711 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 in Banking Court and the next date of hearing is March 07, 2022.

Accumulated losses as on December 31, 2021 contain Rs. 288.391 million (June 30, 2021: 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. The Modaraba has filed legal suits for recovery against all its defaulter clients and Rs. 400.436 million (June 30, 2021: 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 made recovery of Rs. 35.336 million from various customers. Moreover, total current liabilities amounting to Rs. 312.477 million (June 30, 2021: Rs. 301.253 million) include Rs. 273.645 million (June 30, 2021: Rs. 263.870 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 (June 30, 2021: Rs. 33.072 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, 2021. Comparative balance sheet is extracted from audited financial statements for the year ended June 30, 2021; 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, 2020.
- 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, 2021.

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Note 4

Short Term Murabaha Investments - Secured

		December 31, 2021	June 30, 2021
	Note	(Un-audited) Rupees	(Audited) Rupees
Considered good		-	-
Considered doubtful		171,487,919	205,516,232
		<u>171,487,919</u>	<u>205,516,232</u>
Add: Deferred murabaha income		273,874	1,424,955
		<u>171,761,793</u>	<u>206,941,187</u>
Less: Provision for non-performing murabaha investments	4.2 & 4.3	(167,692,219)	(201,878,010)
Less: Suspended income		(273,874)	(1,424,955)
		<u>3,795,700</u>	<u>3,638,222</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, 2021: 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		201,878,010	227,462,959
Reversed during the period / year	4.4	(34,185,791)	(25,584,949)
Closing balance		<u>167,692,219</u>	<u>201,878,010</u>

4.3 This represents receivable from 9 (June 30, 2021: 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, 2021: 8) cases for recovery of Rs. 237.28 million (June 30, 2021: 237.28 million), while the order to execute decree is awaited.

4.4 This represents recovery made during the year under settlement agreements from various customers. The amount is duly received in bank. Consequently, in accordance with Prudential Regulations for Modaraba provision has been reversed.

Note 5

Short Term Investments

			December 31, 2021	June 30, 2021
2021	2021		(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	31,759,478	35,406,250
200	200	Byco Petroleum Pakistan Limited	8,404,967	11,672,143
<u>750</u>	<u>750</u>		<u>40,164,445</u>	<u>47,078,393</u>
BankIslami Limited - Term Deposits Receipts		5.3	110,000,000	70,000,000
			<u>150,164,445</u>	<u>117,078,393</u>

5.1 The outstanding principal per unit is Rs. 56,250 (June 30, 2021: Rs. 62,500) having fair value of Rs. 102.66 (June 30, 2021: 103.00) per unit as at the reporting date.

5.2 The outstanding principal per unit is Rs. 41,667 (June 30, 2021: Rs. 58,334) having fair value of Rs. 100.86 (June 30, 2021: Rs. 100.05) per unit as at the reporting date.

5.3 These term deposits certificates yields profit at the rate of 7% to 10.15% per annum (June 30, 2021: 7% to 12.75%).

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Note 6

Ijarah Rentals Receivable		December 31, 2021	June 30, 2021
	Note	(Un-audited) Rupees	(Audited) Rupees
Considered good - secured		-	-
Considered doubtful	6.1	106,298,151	107,088,572
Less: Provision for doubtful ijarah rentals receivable	6.2	(47,878,739)	(38,701,759)
Less: Profit held in suspense account		(22,718,538)	(22,718,538)
		<u>35,700,874</u>	<u>45,668,275</u>
		<u>35,700,874</u>	<u>45,668,275</u>

6.1 This represents receivables from various customers under ijarah finance. Legal proceedings against 7 (June 30, 2021: 7) customers are in process in the Honorable Courts of Law. Courts have awarded decree in favour of Modaraba in 6 (June 30, 2021: 6) cases for recovery of Rs. 141.67 million (June 30, 2021: 141.67 million), while the order to execute decree is awaited.

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

Opening balance	38,701,759	24,211,493
Charged during the period / year	9,176,980	14,490,266
Provision reversed during the period	-	-
Net (reversal) / charged during the period / year	9,176,980	14,490,266
Closing balance	<u>47,878,739</u>	<u>38,701,759</u>

Note 7

Current Portion of Non Current Assets		December 31, 2021	June 30, 2021
	Note	(Un-audited) Rupees	(Audited) Rupees
Net investment in ijarah finance	8	13,496,734	13,496,734
Diminishing musharaka financing	9	3,100,302	5,200,302
Long term loans and deposits		275,000	-
		<u>16,872,036</u>	<u>18,697,036</u>

Note 8

Net Investment in Ijarah Finance		December 31, 2021	June 30, 2021
		(Un-audited) Rupees	(Audited) Rupees
Minimum ijarah rentals receivable		50,785,554	50,785,554
Add: Residual value of ijarah assets		46,700	46,700
Gross investment in ijarah finance		50,832,254	50,832,254
Less: Unearned finance income		(24,109,320)	(24,109,320)
Net investment in lease ijarah finance		26,722,934	26,722,934
Less: Provision for doubtful net investment in ijarah finance		(13,226,200)	(13,226,200)
		13,496,734	13,496,734
Less: Current portion (Note 7)		(13,496,734)	(13,496,734)
		<u>-</u>	<u>-</u>

8.1 This investment represents ijarah arrangement entered with a customer for a period of 10 years at an implicit profit rate of 8.7% against security deposits of Rs. 46,700 (June 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.

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Note 9

Diminishing Musharaka Financing - Secured

		December 31, 2021	June 30, 2021
	Note	(Un-audited) Rupees	(Audited) Rupees
Considered good	9.1	-	862,668
Considered doubtful	9.1	3,100,302	4,337,634
Provision against doubtful diminishing musharaka		-	-
		<u>3,100,302</u>	<u>4,337,634</u>
		3,100,302	5,200,302
Less: Current portion	7	<u>(3,100,302)</u>	<u>(5,200,302)</u>
		<u>-</u>	<u>-</u>

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, 2021: 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, 2019. The management estimates that the fair value has not changed significantly any further as of December 31, 2021.

Note 10

Long Term Murabaha Investments - Secured

		December 31, 2021	June 30, 2021
		(Un-audited) Rupees	(Audited) 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		29,388,304	29,388,304
		88,982,353	88,982,353
Less: Provision for doubtful murabaha investments		(59,594,049)	(59,594,049)
Less: Suspension for doubtful murabaha investments		<u>(29,388,304)</u>	<u>(29,388,304)</u>
		<u>-</u>	<u>-</u>

10.1 These represent investments under murabaha arrangements on deferred payment basis at a profit margin ranging from 9.85% to 14.61% (June 30, 2021: 9.85% to 14.61%) per annum. These investments are secured against charge overfixed 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 balances are receivable from 3 (June 30, 2021: 3) customers under the Murabaha finance. Legal proceedings against 2 (June 30, 2021: 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, 2021: 2) cases for recovery of Rs. 83.068 million (June 30, 2021: 83.068 million), while the order to execute decree is awaited.

10.3 Provision for doubtful murabaha investments

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

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Note 11

Fixed Assets under Ijarah Arrangements	December 31, 2021	June 30, 2021
	(Un-audited)	(Audited)
	Rupees	Rupees
Written down value at the beginning of the period / year	33,024,976	39,565,335
Less: Written down value of assets disposed off / adjusted	(65,400)	(5,393,318)
	<u>32,959,576</u>	<u>34,172,017</u>
Less: Depreciation charged during the period / year	-	(1,147,041)
	<u><u>32,959,576</u></u>	<u><u>33,024,976</u></u>
11.1 Written down value of assets disposed off / adjusted		
Plant and machinery	-	362,365
Vehicle	65,400	5,030,953
	<u>65,400</u>	<u>5,393,318</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, 2021: 3 to 14 years). Security deposits ranging from 0% to 60% (June 30, 2021: 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, 2021: 9.87% to 16.55%) per annum.

Note 12

Fixed Assets under Own Use	December 31, 2021	June 30, 2021
	(Un-audited)	(Audited)
	Rupees	Rupees
Written down value at the beginning of the period / year	27,700	59,234
Additions at cost	-	-
	<u>27,700</u>	<u>59,234</u>
Less: Depreciation charged during the period / year	(11,900)	(31,534)
	<u><u>15,800</u></u>	<u><u>27,700</u></u>

Note 13

Deferred Tax Asset

Deferred tax asset amounting to Rs. 23.967 million (June 30, 2021: Rs. 25.943 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, 2021	June 30, 2021
	(Un-audited)	(Audited)
	Rupees	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 2021: Rs. 250 million) from National Bank of Pakistan carrying mark-up / profit at 1 month KIBOR plus 0.50% (June 2021: 1 month KIBOR plus 0.5%) per annum payable monthly. The effective mark-up / profit rate charged during the period ranged from 8.51% to 10.91% (June 2021: 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 2021: Rs 277.778 million). This facility expired on October 31, 2019 and has yet not been renewed .

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Note 15

Certificate Capital

December 31, 2021	June 30, 2021		December 31, 2021	June 30, 2021
(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. Provision for tax liability has been incorporated in this condensed interim financial statements (un-audited) on Alternate Corporate Tax basis.

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 2021.

Note 18

Reversal of Provision Charged for Doubtful Receivables

	December 31, 2021	December 31, 2020
	(Un-audited)	(Un-audited)
	Rupees	Rupees
Provision for short term non-performing murabaha investments	34,185,791	-
Provision for doubtful ijarah rentals receivable	-	524,003
	<u>34,185,791</u>	<u>524,003</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, 2021.

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).

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- 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, 2021			June 30, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
-----Rupees-----						
Assets						
Short term investments	40,164,445	-	-	47,078,393	-	-

During the half year ended December 31, 2021, 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, 2021	December 31, 2020
			(Un-audited)	(Audited)
			Rupees	Rupees
20.1	Transactions during the period / year			
	Related party	Relationship	Nature of Transaction	
	National Bank Modaraba Management Company Limited	Modaraba's Management Company	Management fee	1,520,395
	National Bank of Pakistan	Modaraba Management Company's holding company	Mark up expense	8,574,712
20.2	Balances outstanding as at period / year		December 31, 2021	June 30, 2021
			(Un-audited)	(Audited)
			Rupees	Rupees
	Bank accounts with National Bank of Pakistan		158,966	151,399
	Finances from National Bank of Pakistan		217,063,388	217,063,388
	Markup payable to National Bank of Pakistan		56,582,020	46,806,932
	Management fee payable to National Bank Modaraba Management Company		1,672,069	151,674

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.

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, 2021, there were two (June 30, 2021: 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 25, 2022.

Note 23

General

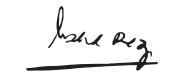
Comparative figures are re-arranged / re-classified, wherever necessary, to facilitate comparison. No such re-arrangements / re-classifications have been made in these condensed interim financial statements (un-audited).



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 25, 2022

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