



FIRST NATIONAL BANK MODARABA

Managed By:

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

Annual Report
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 Advocate Supreme Court Aqeel & Associates, Advocates/Legal Consultants Office No. 12, 1st Floor, Khawaja Arcade Wahdat Road, Lahore Tel: 042-35462464	
Shares Registrar	Hameed Majeed Associates (Pvt.) Limited H. 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	

* Mr. Jamal Nasim resigned and the casual vacancy is yet to be filled.

NOTICE OF 18TH ANNUAL REVIEW MEETING & BOOK CLOSURE

Notice is hereby given that the 18th Annual Review Meeting of certificate holders of First National Bank Modaraba will be held on Tuesday, October 26, 2021 at 11:00 a.m. at Ground Floor, NBP RHQs Building, 26 – McLagon Road, Lahore to review the performance of the Modaraba for the year ended June 30, 2021.

The Certificate Transfer Book will remain closed from October 20, 2021 to October 26, 2021 (both days inclusive) for the purpose of eligibility to attend the Annual Review Meeting.

The certificate holders whose names appear on the Register of Certificate Holders of First National Bank Modaraba at the close of business as on October 19, 2021 will be eligible to attend the Annual Review Meeting. All transfers received in order, up to the close of business on October 19, 2021 at our Registrar's Office, Hameed Majeed Associates (Pvt.) Limited, H.M House, 7 – Bank Square, Lahore will be considered in time.

By order of the Board



Farah Aslam
Company Secretary
National Bank Modaraba Management Company Limited
Managers of First National Bank Modaraba
Lahore: September 29, 2021

Vision:

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

Mission:

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



Annual Shari'ah Advisor's Report

I have conducted the Shari'ah review of First National Bank Modaraba managed by National Bank Modaraba Management Company Limited (NBMML), a wholly owned subsidiary of National Bank of Pakistan for the financial year ended June 30, 2021 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

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

Observation(s)

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

- i. FNBM is maintaining bank accounts with conventional Bank.
- ii. Financing from conventional Bank(s) have been secured.
- iii. No training was conducted for the staff

Recommendation(s)

Following are some recommendation:

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

Conclusion

Based on the above-mentioned fact, I am of the view that the business operations of First National Bank Modaraba are Shari'ah compliant up to the best of my knowledge.

Signature

Mufti Ehsan Waqar
Shari'ah Advisor
Dated: September 03, 2021

DIRECTORS' REPORT

Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the management Company of First National Bank Modaraba (FNBM), is pleased to present the directors report on the 18th annual accounts of FNBM for the period ended June 30, 2021. These accounts have been audited by the statutory auditors of the Modaraba and are accompanied by their audit report.

1. Financial Results:

(Amounts in Rupees)

	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016
Balance Sheet Size	239,158,238	238,951,705	295,978,309	356,066,321	508,478,472	841,306,270
Total Equity	(62,095,159)	(63,161,052)	(29,199,915)	8,154,162	16,333,070	87,692,752
Total Operating & Other Income	49,834,268	23,351,818	22,260,145	76,030,467	179,801,462	314,368,924
Operating & Financial Exp.	(33,827,265)	54,403,262	52,357,465	71,817,951	163,231,481	302,048,194
Profit for the period	1,516,737	(34,071,784)	(35,716,364)	(8,178,908)	(71,359,682)	(53,832,502)
Modaraba Co.'s Management Fee	151,674	Nil	Nil	Nil	Nil	Nil
Net profit after tax	1,110,342	(34,071,784)	(35,716,364)	(8,178,908)	(71,359,682)	(53,832,502)
Earning per certificate (Rs.)	0.04	(1.36)	(1.43)	(0.33)	(2.85)	(2.15)
Return on Assets (%)	0.46	(14.28)	(11.78)	(2.30)	(13.9)	(6.39)
Return on Equity (%)	N/A	N/A	N/A	(101)	(436.9)	(61.52)
Dividend Paid (%)	Nil	Nil	Nil	Nil	Nil	Nil
Breakup value per certificate (Rs.)	(2.48)	(2.52)	(1.42)	.33	0.64	3.52

2. Economic and Sector Outlook:

Amid periodic waves of Covid-19 variants, the economy during the financial year 2020-2021, strolled towards getting an appropriate direction. With trade balance supported by an unprecedented foreign remittances and the gross domestic output by a fair harvest, the economy performed well in this pandemic situation relative to other main regional economies. On the downside, the rising inflation though has increased hardships for the common consumer creating a public resentment against the Government's economic team. The recent political and military developments on western borders have brought an element of economic uncertainty and, as an immediate side effect, weakened the local currency against US dollar. Due to its geo-strategic position the Country is facing big multifaceted challenges; particularly for its economy there are great opportunities as well as threats ahead. As always, by offering a strong resilience against these challenges the Nation appears to be focused on its vision and is upholding confidence in the future, which is somewhat reflected in the figures concerning foreign and domestic investments, indicating that the economy is posing for a sustainable progress.

With rather constant market interest rates the financial sector remained more or less steady. Though the sustainable performance of financial sector depends on growth in private entrepreneurs and investments, including rehabilitation of those sick industrial units where most of the sector's credit portfolio is stuck up. Islamic financial industry still carries growth potential, provided that the industry maintains its drive for research in the development of true Shari'ah compliant financial products and services capable of serving the needs of its clients in a competitively better way.

In Finance Bill 2021 tax exemptions available to modarabas have been withdrawn. Hence the modaraba format has lost its tax advantage and has come at par with some other corporate formats for doing non-banking financial business. This may be a bad news for existing investors in Modarabas, nonetheless it will sharpen competition among all forms of non-banking financial institutions, which is good for overall financial industry. In this tough competition the Modaraba sector can still carve an advantage for itself by using its Islamic image and by doing innovations in Islamic financial products.

Going Concern Assumption

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

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

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

Review of Operations:

During the period under review, the management remained focused only on recovery from non-performing portfolio. Several recovery suits that were earlier decreed in the Modaraba's favor by the relevant Banking Courts are presently in their execution proceedings. As a result, during the period, some restructuring/settlement arrangements were successfully made with the defaulters, and an amount of around Rs. 33 million was recovered. We are foreseeing some good cash recoveries from NPLs in the next financial year as well.

The balance sheet size remained almost constant at Rs. 239.2 million with Rs. 238.9 in the corresponding year. The Income remained at Rs. 11.4 million as compared to Rs. 14.7 million in the corresponding year. Compared to Rs. 28.57 Million last year, the finance cost, on NBP's RF line which expired on October 31, 2019 and having outstanding balance of Rs. 217 Million, was being provisionally accrued at Rs. 18.33 Million during the year. The Modaraba has requested NBP for renewal of the RF facility with reduction/waiver of Mark-up and deferral in payment of accrued mark-up. However its approval was still under consideration with NBP by the year end. Despite general inflation the operating expenses were kept under control and decreased slightly from Rs. 14.9 Million last year to Rs. 14.3 million this year. Due to recoveries from NPLs there was a handsome reversal in provisioning amounting to around Rs. 29 million, while a further provisioning of Rs. 14.5 million has been charged on some old NPLs due to depreciation/impairment in value of assets held as collateral. The net result was a profit after tax of Rs. 1.1 million. The earnings per certificate accordingly remained at Rs. 0.04 as against loss per certificate of (Rs. 1.36) in the corresponding year.

FNBM ensures conformity with the Shariah compliance and Shariah audit mechanism for Modarabas. In this respect Sharia'h Advisor's report is attached. The amounts advised by the Sharia'h advisor to be paid as charity, has been credited to the charity account. During the year, an amount of Rs.0.4 Million was paid as charity to approved charitable institutions as per policy approved by the Board of Directors.

Profit Distribution

Board in its meeting held on September 29, 2021 did not declare any dividends due to the aforementioned reasons.

Future Outlook:

One of the main tasks ahead for the Modaraba is to recover its NPLs. Most of the recovery suits against defaulter parties have been decreed by the honorable Banking Courts in favor of the Modaraba and their execution proceedings are underway. Besides litigations, settlements/restructurings on favorable terms are also being negotiated with the defaulter clients. As majority of the default belong to textiles and the relevant clients are out of business for long, therefore it is foreseen that with the expected improvement of general business environment in the coming years, the settlements/restructurings with these defaulters could be executed favorably. As a result, and also with the help of parent bank NBP, the Modaraba is expecting to recover substantial portion of its accumulated loss that were mainly incurred due to charge of provisioning on NPLs.

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

3. Corporate and Financial Reporting Framework:

- The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Accounting policies have been applied consistently, unless otherwise stated in financial statements, in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, International accounting standards, and Islamic Financial Accounting Standards as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements.
- The system of internal control, which is sound in design is in place and is being continuously reviewed by internal audit. The process of review will continue and any weakness in controls will be removed.
- These financial statements are prepared on non-going concern basis.
- There has been no material departure from the best practices of corporate governance as detailed in the listing regulations except for those specifically mentioned in the statement of compliance with the CCG.
- There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding as on June 30, 2021 except those disclosed in the financial statements.
- During the year ended June 30, 2021 five (05), meetings of the Board of Directors were held. Besides (04) four Audit committee and One (01) HR Committee meetings along with one (01) Risk management committee meetings were also held.
- Composition of the Board as on June 30th, 2021 is as follows:

First National Bank Modaraba

Independent Director	Muhammad Iqbal Hussain
Non-Executive Directors	Muhammad Imran Malik
	Khawaja Waheed Raza
	Rehmat Ali Hasnie
	Jamal Baquar
Executive Director	Abbas Azam

Attendance by each directors is as follows:

Name	No. of Attendance			
	Board	Audit Committee	HR Committee	RM Committee
i. Mr. Muhammad Imran Malik	5	N/A	N/A	N/A
ii. Mr. Rehmat Ali Hasnie	4	N/A	N/A	N/A
iii. Syed Jamal Baquar	4	3	N/A	N/A
iv. Khawaja Waheed Raza	5	4	1	1
v. Mr. Jamal Nasim	1	1	N/A	N/A
vi. Mr. Muhammad Iqbal Hussain	5	1	1	1
vii. Mr. Abbas Azam	5	N/A	N/A	N/A

The remuneration of the CEO and meeting fee of the non-executive members of the board of directors are paid by the management company, NBMMCL as per approved policy of the Board. The meeting fee of non-executive board members is Rs 30,000/- per meeting.

Board has maintain an effective oversight of the follow up of recovery suits filed by FNBM resulting in reasonable recoveries during the period.

The pattern of certificate holders is annexed.

4. Auditors:

The auditors M/s. Crowe Hussain Chaudhry & Co Chartered Accountants, who were auditors of previous year as well, have given their consent to act as auditors for the year ending June 30, 2022. Their appointment has been confirmed by the Board, subject to approval by the Registrar, Modaraba Companies and Modarabas SECP.

5. Acknowledgement:

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

For and on Behalf of the Board



Chief Executive Officer

September 29, 2021

ڈائریکٹرز رپورٹ

فرنسٹ بینکنگ مضماریہ (FNBM) کی انتظامی کمپنی بینکنگ مضماریہ بیجمنٹ کمپنی لمیٹڈ (NBMMCL) کے بورڈ آف ڈائریکٹرز 30 جون 2021ء کو اختتام پذیر سال کے لئے FNBM کے اٹھارویں سالانہ اکھٹوں پر ڈائریکٹرز کی رپورٹ ازراہ مسرت پیش کرتے ہیں۔ مضماریہ کے مجاز آڈیٹرز نے ان اکھٹوں کی پڑتال کی ہے اور انہوں نے اپنی آڈٹ رپورٹ ساتھ منسلک کی ہے۔

1. مالیاتی نتائج

30 جون 2016ء	30 جون 2017ء	30 جون 2018ء	30 جون 2019ء	30 جون 2020ء	30 جون 2021ء	
کو اختتام پذیر سال						
841,306,270	508,478,472	356,066,321	295,978,309	238,951,705	239,158,238	بیلنس شیٹ سائز
87,692,752	16,333,070	8,154,162	(29,199,915)	(63,161,052)	(62,095,159)	کل نصفت
314,368,924	179,801,462	76,030,467	22,260,145	23,351,818	49,834,268	کل آپریٹنگ و دیگر آمدنی
302,048,194	163,231,481	71,817,951	52,357,465	54,403,262	(33,827,265)	آپریٹنگ و مالیاتی اخراجات
(53,832,502)	(71,359,682)	(8,178,908)	(35,715,364)	(34,071,784)	1,516,737	مذکورہ مدت کے لئے منافع
Nil	Nil	Nil	Nil	Nil	151,674	مضماریہ کمپنی کی انتظامی فیس
(53,832,502)	(71,359,682)	(8,178,908)	(35,716,364)	(34,071,784)	1,110,342	خالص منافع علاوہ ٹیکس
(2.15)	(2.85)	(0.33)	(1.43)	(1.36)	0.04	آمدنی فی سرٹیفکیٹ (روپے)
(6.39)	(13.9)	(2.30)	(11.78)	(14.28)	0.46	اثاثہ جات پر آمدنی (فی صد)
(61.52)	(436.9)	(101)	دستیاب نہیں	دستیاب نہیں	دستیاب نہیں	نصف پر آمدنی (فی صد)
Nil	Nil	Nil	Nil	Nil	Nil	ادا شدہ منافع منقسمہ (فی صد)
3.52	0.64	0.33	(1.42)	(2.52)	(2.48)	سرٹیفکیٹ کی بریک اپ قیمت (روپے)

2. معاشی و شعبہ جاتی منظر نامہ

کورونا وائرس کی بدلتی صورتوں کی نت نئی لہروں کے باوجود مالیاتی سال 2020-2021ء کے دوران معیشت درست سمت کے حصول کی جانب متحرک رہی۔ تجارتی توازن کو توقعات کے برعکس غیر ملکی زرمبادلہ کی ترسیل اور مجموعی قومی آمدنی کو اچھی زرعی پیداوار سے سہارہ ملنے کے باعث عالمگیر وبا کے ماحول میں ملکی معیشت نے دیگر علاقائی ممالک کی معیشت کے بقدر اچھی کارکردگی دکھائی۔ دوسری جانب، بڑھتے ہوئے افراط زر نے عام صارف پر بوجھ ڈال دیا ہے جس کی وجہ سے حکومتی معاشی ٹیم پر عوام کا دباؤ بڑھتا جا رہا ہے۔ مغربی سرحدوں پر حالیہ سیاسی فوجی پیش رفت سے معاشی غیر یقینی صورت حال پیدا ہوئی ہے اور اس کے فوری اثرات میں امریکی ڈالر کے مقابلہ میں مقامی کرنسی کی بے قدری شامل ہے۔ اپنی جیو سٹرٹیجی پوزیشن کی وجہ سے ہمارا ملک کثیر جہتی مشکلات کا سامنا ہے۔ خصوصاً اقتصادی محاذ پر کئی موانعوں کے ساتھ خطرات بھی موجود ہیں۔ ہمیشہ کی طرح ان مشکلات پر صابت قدمی کے باعث ہماری قوم اپنے ویژن پر قائم ہے اور اپنا اعتماد بحال کیے ہوئے ہے۔ جسکی عکاسی ملکی و غیر ملکی سرمایہ کاری سے متعلق اعداد و شمار کر رہے ہیں جس کے مطابق معیشت پائیدار ترقی کی جانب مڑتی ہوئی دکھائی دے رہی ہے۔

مستقیم مارکیٹ انٹرسٹ ریٹ کے باعث مالیاتی شعبہ متوازن بنیادوں پر کام کر رہا ہے۔ مالیاتی شعبہ کی پائیدار کارکردگی نجی کمپنیوں کی نمو اور سرمایہ داری پر منحصر ہے جس میں بنیادی صنعتی یونٹس کی بحالی شامل ہے جہاں اس شعبہ کا زیادہ تر کیریڈٹ پورٹ فولیو چھنسا ہوا ہے۔ اسلامی مالیات میں بہتری کے امکانات موجود ہیں بشرطیکہ یہ صنعت حقیقی شرعی اصولوں کے مطابق مالیاتی پروڈکٹس اور سرمایہ کاری کے لئے تحقیق

کامل جاری رکھے جو مستقبل بہتر طریقوں سے اپنے گاہکوں کی ضروریات کو پورا کرنے کی اہلیت رکھیں۔

مالیاتی بل 2021ء میں مضاربہ کو حاصل کیے اسٹیٹ سے نکال دیا گیا ہے۔ لہذا مضاربہ کا شعبہ اپنے فنانسنگ کو پورا کرنے کے لئے دیگر کاروباری اداروں کے برابر آ گیا ہے۔ مضاربہ کے موجودہ سرمایہ داروں کے لئے یہ بڑی خبر ہو سکتی ہے لیکن اس کے برعکس یہ نان بینکنگ مالیاتی اداروں کی تمام اقسام میں مقابلہ کی فضا بڑھ جائے گی جو مجموعی مالیاتی صنعت کے لئے فائدہ مند ہے۔ اس مشکل مقابلہ سازی میں مضاربہ کا شعبہ اپنی اسلامی سائیکل کو استعمال کرتے ہوئے اور اسلامی مالیاتی پروڈکٹس میں تجدید کے ذریعے فائدہ حاصل کر سکتا ہے۔

کاروبار جاری رکھنے کی توقعات

مجموعی خسارہ کے باعث مرکزی بینک یعنی بینٹل بینک آف پاکستان کے بورڈ آف ڈائریکٹرز نے 22 جون 2018ء کو منعقدہ اپنے اجلاس میں مضاربہ کی تحلیل اور 10 روپے فی ٹھیکہ کی شرح سے 300 ملین روپے کے ٹھیکہ کی شرح جاری کے سرمایہ حاصل کرنے کے فیصلہ پر نظر ثانی کی اور اس فیصلہ کو واپس لے لیا۔ اس مقصد کے لئے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے NBP گورنمنٹ ٹھیکہ کی علاوہ مزید ٹھیکہ کی شرح جاری کرنے کے لئے 3 دسمبر 2018ء کو اس فیصلہ کی توثیق کی۔ نتیجتاً NBP کو اپنے ریگولیٹری (SBP) کی منظوری درکار ہے۔ چونکہ منظوری ابھی تک حاصل نہیں ہوئی ہے لہذا SECPI نے 31 اکتوبر 2019ء کو مضاربہ کی شرح جاری کے فیصلہ پر (فلوئیشن اینڈ کنٹرول آرڈیننس 1980ء کے سیکشن (b)(ii) 23(I) کے تحت حکم جاری کیا کہ عوام کے مفاد میں مضاربہ کی تحلیل کے لئے مضاربہ ٹریبونل لاہور میں درخواست دائر کی جائے۔ SECP نے 16 جون 2020ء کو مذکورہ درخواست/پٹیشن دائر کی اور کارروائی عدالت میں زیر التوا ہے۔

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

لہذا تاہم ترین نصفیت کی عدم موجودگی اور NBP یا مضاربہ ٹریبونل کے فیصلہ تک بے یقینی کی فضا قائم ہے جس کی وجہ سے مضاربہ کی کاروبار جاری رکھنے کی صلاحیت میں ابہام پیدا ہوتا ہے۔ لہذا اپنے بیرونی آڈیٹرز کی سفارشات پر یہ مالیاتی گوشوارے اثاثہ جات اور واجبات کی انداز آمدنی/تصفیہ کی بنیاد پر تیار کئے گئے ہیں جن کی مالیاتی گوشواروں کے نوٹ 1.2 میں وضاحت کی گئی ہے۔

آپریٹنگ پر جائزہ

زیر جائزہ مدت کے دوران انتظامیہ غیر فعال پورٹ فولیو کی بحال پر بھر پور توجہ دے رہی ہے۔ متعلقہ بینکنگ کورٹس کی جانب سے مضاربہ کے حق میں کئی مقدموں کے سابقہ فیصلوں پر عمل درآمد کی کارروائی جاری ہے۔ نتیجتاً، مذکورہ مدت کے دوران نادر ہنگام کے ساتھ ری سٹرکچرنگ/تصفیہ کے انتظامات پر کامیابی سے عمل ہوا ہے اور تقریباً 33 ملین روپے کی رقم وصول ہوئی ہے۔ اگلے مالیاتی سال میں ہم NPLs سے مزید نقد وصولی کی توقع رکھتے ہیں۔

گذشتہ برس میں بیلنس شیٹ ساؤتھ 238.9 ملین روپے کے مقابلہ میں 239.2 ملین روپے تک مستقل رہا۔ آمدنی بھی گذشتہ برس کی اسی مدت میں 14.7 ملین روپے کے مقابلہ میں 11.4 ملین روپے رہی۔ گذشتہ برس میں 28.57 ملین روپے کے مقابلہ میں قرضوں پر لاگت، NBP کی RF لائن جو 31 اکتوبر 2019ء کو ختم ہو چکی ہے اور 217 ملین روپے کے بقایہ جات ظاہر کرتی ہے، زیر جائزہ سال کے دوران 18.33 ملین روپے رہی۔ مضاربہ نے مارک اپن میں کمی/چھوٹ اور مارک اپ کی ادائیگی میں تاخیر کے مطالبہ کے ساتھ NBP کی RF سہولت میں تجدید کی درخواست کی ہے۔ تاہم، سال کے اختتام پر NBP سے اس کی منظوریت حال زیر غور ہے۔ افراط زر کے باوجود فعالی اخراجات کنٹرول میں رکھے گئے گذشتہ برس میں 14.9 ملین روپے کے مقابلہ میں زیر جائزہ سال کے دوران 14.3 ملین روپے تک کمی واقع ہوئی۔ NPL کی وصولی کی وجہ سے 29 تقریباً ملین روپے کی پرویزٹنگ میں نمایاں کمی ہوئی۔ اور اثاثہ جات کی قیمت میں تخفیف/تبدیلی کی وجہ سے پرانے NPLs پر مزید 14.5 ملین روپے کی پرویزٹنگ ہوئی۔ خالص نتائج کی مد میں نفع علاوہ ٹیکس 1.2 ملین روپے رہا۔ گذشتہ برس میں (1.36) روپے خسارہ فی ٹھیکہ کی شرح کے مقابلہ میں فی ٹھیکہ کی شرح 0.04 روپے برقرار رہی۔

FNBM مضاربہ کے شرعی اصولوں اور شرعی آڈٹ طریقہ کار پر عمل درآمد کو یقینی بناتی ہے۔ اس ضمن میں شرعی مشیر کی رپورٹ لف ہذا ہے۔ شرعی مشیر کی ہدایت پر مجوزہ رقم بطور صدقہ ادا کی جائے گی جسے باضابطہ طور پر صدقہ ادا کا ذمہ میں جمع کر دیا گیا ہے۔ زیر جائزہ سال کے دوران 0.4 ملین روپے کی رقم منظور شدہ خیراتی اداروں کو بورڈ آف ڈائریکٹرز کی منظور شدہ پالیسی کے تحت بطور صدقہ ادا کی گئی۔

نفع کی تقسیم

بورڈ نے ستمبر 2021ء میں منعقدہ اجلاس میں مذکورہ بالا وجوہات کی بنا پر منافع منقسمہ کا اعلان نہیں کیا ہے۔

مستقبل کا منظر نامہ

مضاربہ کا مرکزی ناسک NPLs کی بحالی ہے۔ نادر ہنگام فریقین کی جانب سے وصولی کے مقدمات پر فاضل بینکنگ کورٹس نے مضاربہ کے حق میں فیصلہ دیا ہے اور ان پر عمل درآمد کی کارروائی زیر التوا ہے۔ قانونی چارہ جوئی کے علاوہ موافق شرائط پر تصفیہ/ری سٹرکچرنگ کے لئے نادر ہنگام کا ناسک سے مذاکرات جاری ہیں۔ چونکہ زیادہ تر نادر ہنگام کے شعبہ سے تعلق رکھتے ہیں اور متعلقہ کلائنٹس سے عرصہ دراز سے کاروبار سے باہر ہیں لہذا یہ توقع کی جاتی ہے کہ آئندہ سالوں میں عمومی کاروباری ماحول میں بہتری کے باعث ان نادر ہنگام سے تصفیہ/ری سٹرکچرنگ پر سازگار انداز میں تصفیہ/ری سٹرکچرنگ پر عمل درآمد کی توقع کی جارہی ہے۔ نتیجتاً مرکزی بینک NBP کی مدد سے مضاربہ مجموعی خسارہ کا نمایاں حصہ پورا کر لے گا جو NPL پر پرویزٹنگ کی وجہ سے جمع ہوا تھا۔

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

3. کاروبار مالیاتی رپورٹنگ فریم ورک

- مضاربہ کی انتظامیہ کی تیار کردہ مالیاتی اسٹیٹمنٹس نصفیت میں تبدیلی، کیش فلو، آپریٹنگ اور کاروباری امور کی بہترین عکاسی کرتی ہیں۔

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- مضاربہ کے کھاتوں کی باقاعدہ تائیں تیار کی گئی ہیں۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں موافق اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینہ جات موزوں فیصلوں کی بنیاد پر لگائے گئے ہیں۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں پاکستان میں رائج بین الاقوامی مالیاتی رپورٹنگ سٹینڈرڈز (IFRS)، بین الاقوامی اکاؤنٹنگ معیارات اور مضاربہ پر لاگو اسلامی مالیاتی اکاؤنٹنگ معیارات کی پیروی کی گئی ہے۔
- داخلی نظم و ضبط ایک مربوط نظام موجود ہے اور اس پر اندرونی آڈیٹرز مسلسل نظر ثانی کرتے ہیں۔ نگرانی کا عمل جاری رہے گا اور کنٹرول میں نقائص کو بہنایا جاتا ہے۔
- یہ مالیاتی اسٹیٹمنٹس کاروبار جاری نہ رکھنے کی صلاحیت کی بنیاد پر تیار کی گئی ہیں۔
- لسٹڈ کمپنیوں میں بیان کردہ کارپوریٹ گورننس کی بہترین عمل داری میں کوئی سقم موجود نہ ہے۔ ماسوائے CCG کے تعمیلی بیان میں کردہ مندرجات کے۔
- مالیاتی اسٹیٹمنٹس میں بیان کردہ واجبات کے علاوہ 30 جون 2021ء تک ٹیکس، ڈیوٹی، لیوی اور چارجز کی مد میں کوئی قانونی ادائیگی واجب الادا نہیں ہے۔
- 30 جون 2021ء کو بورڈ کی ترکیب حسب ذیل ہے:

خود مختار ڈائریکٹر	محمد اقبال حسین
نان ایگزیکٹو ڈائریکٹر	محمد عمران ملک خواجہ وحید رضا رحمت علی حسنی جمال باقر
ایگزیکٹو ڈائریکٹر	عباس اعظم

- 30 جون 2020ء کو اختتام پزیر سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ (05) اجلاس منعقد ہوئے۔ جب آڈٹ کمیٹی کے چار (04) اور ایچ آر کمیٹی کا ایک (01) اور رسک مینجمنٹ کمیٹی کا ایک (01) اجلاس منعقد ہوا۔ ہر ڈائریکٹر کی حاضر مندرجہ ذیل ہے:

حاضر یوں کی تعداد					
نمبر شمار	نام ڈائریکٹر	بورڈ	آڈٹ کمیٹی	HR کمیٹی	RM کمیٹی
i.	مسٹر محمد عمران ملک	5	N/A	N/A	N/A
ii.	مسٹر رحمت علی حسنی	4	N/A	N/A	N/A
iii.	سید جمال باقر	4	3	N/A	N/A
iv.	خواجہ وحید رضا	5	4	1	1
v.	مسٹر جمال نسیم	1	1	N/A	N/A
vi.	مسٹر محمد اقبال حسین	5	1	1	1
vii.	مسٹر عباس اعظم	5	N/A	N/A	N/A

CEO کا معاوضہ اور بورڈ آف ڈائریکٹرز کے نان ایگزیکٹو اراکین کی اجلاس فیس بورڈ کی منظور شدہ پالیسی یعنی 30,000/- روپے فی اجلاس کے تحت انتظامی کمیٹی NBMMCL ادا کرتی ہے۔

بورڈ نے FNBM کے دائرہ وصولی مقدمات کی ششوں بنیادوں پر پیروی کی ہے جس کی وجہ سے زیر جائزہ سال کے دوران خاطر خواہ وصولیاں ہوئی ہے۔ سرٹیفکیٹ ہولڈرز کی وضع لف ہوا ہے۔

4. آڈیٹرز
- آڈیٹرز میسرز کرو حسین چوہدری اینڈ کوچا رٹڈ اکاؤنٹنٹس، جو سابقہ برس بھی آڈیٹرز تھے، نے 30 جون 2022ء کو اختتام پزیر سال کے لئے بھی بطور آڈیٹرز کام کرنے کی پیشکش کی ہے۔ بورڈ نے

منجانب/ برائے بورڈ آف ڈائریکٹرز



29 ستمبر 2021

چیف ایگزیکٹو آفیسر

Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 of First National Bank Modaraba For the year ended June 30, 2021

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

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

2. The composition of the Board is as follows:

Independent Director	Muhammad Iqbal Hussain
Non-Executive Directors	Imran Malik
	Khawaja Waheed Raza
	Jamal Nasim – Resigned on September 29, 2020
	Rehmat Ali Hasnie
	Jamal Baquar
Executive Director	Abbas Azam
Female Director	Nil

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

a) Audit Committee	Chairman	Muhammad Iqbal Hussain
	Member	Khawaja Waheed Raza
	Member	Syed Jamal Baquar
b) HR and Remuneration Committee	Chairman	Khawaja Waheed Raza
	Member	Rehmat Ali Hasnie
	Member	Muhammad Iqbal Hussain
c) Risk Management Committee	Chairman	Khawaja Waheed Raza
	Member	Muhammad Iqbal Hussain

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

Sr. No	Reg. Ref.	Description	Explanation
1.	10 (3) (v)	The Company shall have a mechanism of annual evaluation of Board's own performance.	Noted for the future compliance.
2.	24	The same person shall not simultaneously hold the office of Chief Financial Officer and Company Secretary of a listed Company.	Noted for the future compliance.
3.	28(2)	The Chairman of the HR & R Committee shall be an Independent Director.	Noted for the future compliance.
4.	31(2)	The performance appraisal of Head of Internal Auditor shall be done jointly by the Chairman of the Audit Committee and Chief Executive Officer.	Noted for the future compliance.



Signature
Chairman



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Lahore-54600, Pakistan
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**INDEPENDENT AUDITOR'S REVIEW REPORT TO THE
CERTIFICATE HOLDERS
OF
FIRST NATIONAL BANK MODARABA
REVIEW REPORT ON THE STATEMENT OF COMPLIANCE
CONTAINED IN LISTED COMPANIES (CODE OF CORPORATE
GOVERNANCE) REGULATIONS, 2019**

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of National Bank Modaraba Management Company Limited (the Company) for and on behalf of First National Bank Modaraba (the Modaraba) for the year ended June 30, 2021 in accordance with the requirements of regulation 36 of the Regulations.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2021.

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

Sr. No.	Paragraph Reference	Description
1	19	The Modaraba has not developed a formal and effective mechanism for Board's own performance evaluation.
2	19	The position of Chief Financial Officer and Company Secretary is currently held by same individual.
3	19	The Chairman of the HR & R Committee is not an Independent Director.
4	19	Performance appraisal of Head of Internal Audit was not done jointly by the CEO and Chairman of the Audit Committee.

Lahore
Dated: September 29, 2021

CROWE HUSSAIN CHAUDHURY & CO.
Chartered Accountants



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

FIRST NATIONAL BANK MODARABA

AUDITOR'S REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First National Bank Modaraba** ("the Modaraba") as at June 30, 2021 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Company's (National Bank Modaraba Management Company Limited) responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis; evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion;
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;



- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2021 and of the profit, comprehensive profit, its cash flows and changes in equity for the year then ended; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

We draw attention to Note 1.2 of the accompanied financial statements, which indicates that the Modaraba's current liabilities exceeded its current assets by Rs. 95.187 million, its net liabilities amounted to Rs. 62.095 million and its accumulated losses amounted to Rs. 354.710 million. The short term running facility obtained from National Bank of Pakistan (NBP) was expired on October 31, 2019 that has yet not been renewed and markup outstanding thereupon is also outstanding. Moreover, after the issuance of order dated October 31, 2019 of Registrar Modaraba, the winding up petition has been filed on June 16, 2020 before the Honorable Modaraba Tribunal, Lahore. This situation indicates that a material uncertainty exists that may cast significant doubt on the Modaraba's ability to continue as going concern. Therefore, these financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively. Estimated realizable / settlement values are based on the management's best estimate. Estimation involves judgment based on the latest available, reliable information, historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In future, these estimates may need revision if changes occur in the circumstances on which the estimates are based or as a result of new information. Hence, the ultimate values at which assets will be realized and liabilities will be settled may be different from those carried in these financial statements. Our opinion is not qualified in respect of this matter.

LAHORE

Dated: September 29, 2021

A handwritten signature in black ink, appearing to read "Iqbal Hussain Ch3fo".

CROWE HUSSAIN CHAUDHURY & CO.

Chartered Accountants

(Engagement Partner: Amin Ali)

Annual Report 2021

BALANCE SHEET AS AT JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees (Restated)	2019 Rupees (Restated)
ASSETS				
CURRENT ASSETS				
Cash and bank balances	7	12,975,175	22,655,332	11,329,223
Short term murabaha investments - secured	8	3,638,222	5,638,222	16,138,222
Accrued profit	9	1,445,282	1,202,746	2,192,041
Short term investments	10	117,078,393	73,997,842	67,428,863
Ijarah rentals receivable	11	45,668,275	62,456,119	69,521,441
Advances, prepayments and other receivables	12	6,563,679	5,354,411	4,421,491
Current portion of non current assets	13	18,697,036	27,982,964	34,922,373
		206,066,062	199,287,636	205,953,654
NON-CURRENT ASSETS				
Net investment in ijarah finance	14	-	-	-
Diminishing musharaka financing - secured	15	-	-	-
Long term murabaha investments - secured	16	-	-	5,893,939
Long term loans and deposits	17	39,500	39,500	190,780
Intangible asset	18	-	-	-
Fixed assets under ijarah arrangements	19	33,024,976	39,565,335	83,900,189
Fixed assets - own use	20	27,700	59,234	39,747
		33,092,176	39,664,069	90,024,655
TOTAL ASSETS		239,158,238	238,951,705	295,978,309
LIABILITIES				
CURRENT LIABILITIES				
Accrued profit on short term financing		46,806,932	28,495,826	4,505,879
Short term finances - secured	21	217,063,388	217,063,388	217,063,388
Creditors, accrued and other liabilities	22	3,886,183	9,400,792	17,503,721
Unclaimed dividend		425,218	425,218	425,218
Security deposits against ijarah assets	23	33,071,676	44,440,011	82,555,415
Deferred murabaha income	24	-	2,287,522	-
		301,253,397	302,112,757	322,053,621
NON-CURRENT LIABILITIES				
Security deposits against ijarah assets		-	-	890,000
Deferred murabaha income		-	-	2,234,603
		-	-	3,124,603
TOTAL LIABILITIES		301,253,397	302,112,757	325,178,224
NET LIABILITIES		(62,095,159)	(63,161,052)	(29,199,915)
FINANCED BY:				
Certificate capital	25	250,000,000	250,000,000	250,000,000
Statutory reserve	26	44,177,257	43,955,189	43,955,189
Accumulated loss		(354,710,581)	(355,598,855)	(321,527,071)
		(60,533,324)	(61,643,666)	(27,571,882)
Unrealised loss on revaluation of sukuks		(1,561,835)	(1,517,386)	(1,628,033)
TOTAL EQUITY AND RESERVES		(62,095,159)	(63,161,052)	(29,199,915)
CONTINGENCIES AND COMMITMENTS	27	-	-	-

The annexed notes from 1 to 40 form an integral part of these financial statements.



Chief Executive Officer
National Bank Modaraba



Director
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Chief Financial Officer
National Bank Modaraba
Management Company Limited

Lahore: September 29, 2021

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2021

	Note	2021 Rupees	2020 Rupees
INCOME FROM OPERATIONS			
Ijarah rentals earned / income from ijarah finance		1,314,070	2,561,756
Profit on diminishing musharaka financing		3,519	100,312
Profit on murabaha income		2,287,522	-
Profit on bank deposits		136,628	311,733
Profit on short term investment		7,628,387	11,711,175
		11,370,126	14,684,976
OTHER INCOME			
Reversal of provision charged for doubtful receivables - net	31	29,389,969	1,902,510
Suspension reversed during the year		1,229,821	-
Gain on termination of ijarah assets		6,843,717	-
Excess liabilities written back		1,000,635	6,746,296
Other income	28	-	18,036
		38,464,142	8,666,842
TOTAL INCOME		<u>49,834,268</u>	<u>23,351,818</u>
EXPENSES			
Depreciation on ijarah assets	19	(1,147,041)	(6,636,208)
Operating expenses	29	(14,353,438)	(14,910,330)
Loss on termination of ijarah assets		-	(314,746)
Finance cost	30	(18,326,786)	(28,557,431)
Excess receivable written off		-	(3,984,547)
TOTAL EXPENSES		<u>(33,827,265)</u>	<u>(54,403,262)</u>
OPERATING PROFIT / (LOSS) BEFORE PROVISIONS AND TAXATION		16,007,003	(31,051,444)
Provision charged for doubtful receivables - net	31	(14,490,266)	(3,020,340)
PROFIT / (LOSS) BEFORE MANAGEMENT COMPANY'S FEE		1,516,737	(34,071,784)
Modaraba Company's management fee	32	(151,674)	-
Provision for Worker's Welfare Fund		(27,301)	-
PROFIT / (LOSS) BEFORE TAXATION		1,337,762	(34,071,784)
Taxation	33	(227,420)	-
NET PROFIT / (LOSS) FOR THE YEAR		<u>1,110,342</u>	<u>(34,071,784)</u>
EARNINGS / (LOSS) PER MODARABA CERTIFICATE - BASIC AND DILUTED	34	<u>0.04</u>	<u>(1.36)</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.



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Management Company Limited



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Management Company Limited

Lahore: September 29, 2021

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
	Rupees	Rupees
NET PROFIT / (LOSS) FOR THE YEAR	1,110,342	(34,071,784)
Other Comprehensive Income:		
<i>Items that will not be reclassified to profit and loss account</i>	-	-
<i>Items that may be reclassified subsequently to profit and loss account</i>		
- (Deficit) / surplus on revaluation of sukus	(44,449)	110,647
Other comprehensive (loss) / income for the year	(44,449)	110,647
Total Comprehensive Income / (Loss) for the Year	<u>1,065,893</u>	<u>(33,961,137)</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.



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Management Company Limited



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Chief Financial Officer
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Management Company Limited

Lahore: September 29, 2021

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2021

	2021	2020
	Rupees	Rupees
Net Profit / (loss) for the Year	1,337,762	(34,071,784)
Adjustment for:		
- Depreciation on fixed assets under own use	31,534	28,513
- Depreciation on fixed assets under ijarah arrangements	1,147,041	6,636,208
- Loss on termination of ijarah assets	(6,843,717)	314,746
- Profit on short term investments	(7,628,387)	(11,711,175)
- Charge of provision against doubtful ijarah rentals receivable - net	14,490,266	3,020,340
- Balances written off	-	2,805,653
- Liabilities written back	(1,000,635)	(6,746,296)
- Reversal of provision long term murabaha investments - net	(29,389,969)	(1,902,510)
- Suspension reversed during the year	(1,229,821)	-
- Finance cost	18,326,786	28,557,431
- Provision for Worker's Welfare Fund	27,301	-
- Profit on term deposit receipts and bank deposits	(136,628)	(311,733)
	(12,206,229)	20,691,177
Operating loss before working capital changes	(10,868,467)	(13,380,607)
Decrease / (Increase) in operating assets:		
- Accrued profit	7,385,851	12,700,470
- Ijarah rentals receivable	2,297,578	1,239,329
- Advances, prepayments and other receivables	(843,890)	325,673
- Short term murabaha investments	28,814,770	10,500,000
- Diminishing musharaka financing	6,609,403	1,921,153
- Long term murabaha investments	4,042,743	10,465,128
Decrease in operating liabilities:		
- Creditors, accrued and other liabilities	(4,513,974)	(1,356,633)
Net changes in working capital	43,792,481	35,795,120
Cash Generated from Operations	32,924,014	22,414,513
Finance cost paid	(15,680)	(4,567,484)
Income taxes paid / deducted at source	(592,798)	(1,258,593)
Profit received on bank deposits	136,628	311,733
Long term loans recovered	151,280	279,343
Net Cash Generated from Operating Activities	32,603,444	17,179,512
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets - own use acquired	-	(48,000)
Short term investments acquired	(50,000,000)	(20,000,000)
Short term investments redeemed	6,875,000	13,541,668
Proceeds from disposal of ijarah assets	868,700	652,929
Net Cash Used in Investing Activities	(42,256,300)	(5,853,403)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net (Decrease) / Increase in Cash and Cash Equivalents	(9,680,157)	11,326,109
Cash and cash equivalents at the beginning of the year	22,655,332	11,329,223
Cash and Cash Equivalents at the End of the Year	12,975,175	22,655,332

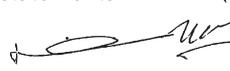
The annexed notes from 1 to 40 form an integral part of these financial statements.



Chief Executive Officer
National Bank Modaraba



Director
National Bank Modaraba



Director
National Bank Modaraba



Chief Financial Officer
National Bank Modaraba

Lahore: September 29, 2021

Management Company Limited

Management Company Limited

Management Company Limited

Management Company Limited

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2021

Particulars	Certificate Capital	Statutory Reserve	Accumulated Loss	Total Equity
	Rupees			
Balance as at June 30, 2019 - as previously reported	250,000,000	43,955,189	(323,155,104)	(29,199,915)
Impact of restatement (Note 6)	-	-	1,628,033	1,628,033
Balance as at June 30, 2019 - as restated	250,000,000	43,955,189	(321,527,071)	(27,571,882)
Comprehensive loss for the year				
Net loss for the year	-	-	(34,071,784)	(34,071,784)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(34,071,784)	(34,071,784)
Balance as at June 30, 2020	250,000,000	43,955,189	(355,598,855)	(61,643,666)
Balance as at June 30, 2020 - as previously reported	250,000,000	43,955,189	(357,116,241)	(63,161,052)
Impact of restatement (Note 6)	-	-	1,517,386	1,517,386
Balance as at June 30, 2020 - as restated	250,000,000	43,955,189	(355,598,855)	(61,643,666)
Net profit for the year	-	-	1,110,342	1,110,342
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	1,110,342	1,110,342
Transferred to statutory reserve (Note 26)	-	222,068	(222,068)	-
Balance as at June 30, 2021	250,000,000	44,177,257	(354,710,581)	(60,533,324)

The annexed notes from 1 to 40 form an integral part of these financial statements.



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Management Company Limited



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Management Company Limited



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Management Company Limited



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Management Company Limited

Lahore: September 29, 2021

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

As at the reporting date, the Modaraba's current liabilities exceed its current assets by Rs. 95.187 million (2020: Rs. 102.825 million) and its accumulated losses amount to Rs. 354.711 million (2020: Rs. 355.599 million). Further as referred in Note 21 and Note 30, 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 also yet to be paid. The trading in the certificates of Modaraba has already been suspended and the name of the Modaraba is included in the defaulter list at PSX.

In purview of the consistent losses of the Modaraba, the Registrar Modaraba issued a show cause notice to the Modaraba as to why should the proceedings to wind it up not be initiated in terms of Section 23(1)(ii)(b) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Further, the Registrar Modaraba, in exercise of powers conferred under Section 23(1)(ii)(b) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and aforementioned show cause notice, has passed an order dated October 31, 2019, for filing an application for winding up before the Modaraba Tribunal, Lahore. Subsequent to order dated October 31, 2019 of Registrar Modaraba, the winding up petition has been filed by Registrar Modaraba on June 16, 2020 under section 23(1)(ii)(b) before the Honorable Modaraba Tribunal, Lahore. However, the case is pending before the court and next date of hearing has been fixed on October 04, 2021.

Accumulated losses as on June 30, 2021 contain Rs. 300.174 million (2020: Rs. 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 have been decreed in Modaraba's favor by the Honorable Banking Courts, against principal amount, that are pending execution. Total current liabilities amounting to Rs. 301.253 million (2020: Rs. 302.112 million) include Rs. 263.870 (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. 33.072 (2020: Rs. 44.440 million) worth security deposits that are not immediately repayable rather shall be adjusted against the residual value of ijarah assets. However, the Modaraba has recovered Rs. 32.519 million from certain customers against non-performing finances. Subsequent to the year end, Rs. 23.312 million has further been recovered from the customer that shall be accounted for in subsequent financials.

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

Note 2

Basis of Preparation

2.1 Statement of compliance

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

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

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

2.2 Accounting convention

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

2.3 Functional and presentation currency

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

Note 3

Use of Estimates and Judgments

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

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

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

- Useful lives, pattern of flow of economic benefits and impairment Note 5.7, 19 & 20
- Short term investments Note 10

Estimated realizable / settlement values of assets and liabilities respectively

Based on the management's best estimate, as on the reporting date, carrying values of assets and liabilities reflect estimated realizable / settlement values respectively. The Modaraba has recognized provision for doubtful short term murabaha investments, provision for ijarah rentals receivables and provision for long term murabaha investment on the basis of prudential regulations and subjective evaluation of non-performing receivables / assets after considering the current situation, that the Modaraba may not be able to continue as going concern. These provisions are made in addition to the time based criteria given in the Regulation of classification and provisioning for non-performing assets in Prudential Regulations for Modarabas. As per guidelines on the basis of preparation of financial statements that are not considered going concern issued by the Institute of Chartered Accountants of Pakistan, analysis of upside of Rs. 1.340 million not recognized in the profit and loss account of the Modaraba as disclosed in Note 15.2 to these financial statements. Cumulative effect of upside not recognized in the profit and loss of the Modaraba for the year ended June 30, 2021 amounts to Rs. 1.340 million.

Note 4

Changes in Accounting Standards, Interpretations and Pronouncements

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

There are certain standards, amendments and interpretations to the accounting and reporting standards which are mandatory for accounting periods beginning on or after July 1, 2020. These are considered not to be relevant or to have any significant effect on the Modaraba's operations (although they may affect the accounting for future transactions and events) and are, therefore, not detailed in these financial statements.

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

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

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

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

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

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

Note 5

Summary of Significant Accounting Policies

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

5.1 Cash and cash equivalents

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

5.2 Receivables

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

5.3 Murabaha investment

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

Murabaha receivable are recorded by the Modaraba at the invoiced amount and disclosed as such in the balance sheet. Purchases and sales under murabaha and the resultant profit are accounted for on the culmination of murabaha transaction.

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

5.4 Financial instruments

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

5.4.1 Financial assets

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

Classification

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

a) Financial assets at amortized cost

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

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

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

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

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

Reclassification

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

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

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

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

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

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

Initial recognition and measurement

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

Subsequent measurement

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

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

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

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

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

Derecognition

Financial assets are derecognized when:

- the contractual rights to receive cash flows from the assets have expired; or

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

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

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

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

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

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

Impairment of financial assets

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

5.4.2 Financial liabilities

Initial recognition and measurement

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

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

The Modaraba does not reclassify any of its financial liabilities.

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

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

Subsequent measurement

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

Financial liabilities at fair value through profit and loss

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

All other liabilities

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

Derecognition

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

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

5.4.3 Offsetting of financial assets and liabilities

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

5.5 Diminishing musharaka financing

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

5.6 Lease (ijarah) accounting

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

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

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

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

5.7 Fixed assets

5.7.1 Fixed assets under ijarah arrangements

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

5.7.2 *Assets in own use - Tangible*

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

Depreciation is charged to profit and loss using the straight line method at the rates as specified in note 20 to these financial statements so as to write off the cost of assets over their estimated useful lives without taking into account any residual value. Depreciation on additions to tangible fixed assets is charged from the month in which an asset is available for use while no depreciation is charged for the month in which the asset is disposed off.

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

5.7.3 *Assets in own use - Intangible*

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

5.8 **Provisions**

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

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

5.9 **Borrowing costs**

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

5.10 **Revenue recognition**

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

For lease (ijarah) agreements executed on or after July 1, 2008 lease rentals are recognized as income on accrual basis, as and when the rental becomes due over the ijarah period.

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

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

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

5.11 Taxation

5.11.1 Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits available, rebates and exemptions, if any. Under clause 100 of Part – I of Second Schedule to the Income Tax Ordinance 2001, the income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders.

5.11.2 Deferred

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

5.12 Profit distribution

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

5.13 Segment reporting

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

5.14 Contingent liabilities

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

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

5.15 Related party transactions

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

5.16 Earnings per certificate

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

5.17 Fair value measurement

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

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

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

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

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

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

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

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

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

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

Note 6

Restatement of financial statements

In the previous years, the Modaraba was required to account for the revaluation reserves on investments held as available for sale as equity. During the year, the Modaraba has restated its financial statements retrospectively by reclassifying its unrealized gain on investments held at available for sale out of equity to comply with definition of equity as prescribed in Modaraba Regulations, 2021.

	2020	2019
	Rupees	Rupees
Impact on balance sheet		
<i>Unrealised loss on revaluation of sukuks</i>		
Previously stated	-	-
Impact of restatement	(1,517,386)	(1,628,033)
	<u>(1,517,386)</u>	<u>(1,628,033)</u>
Impact on statement of changes in equity		
<i>Accumulated loss</i>		
Previously stated	(357,116,241)	(323,155,104)
Impact of restatement	1,517,386	1,628,033
	<u>(355,598,855)</u>	<u>(321,527,071)</u>

Note 7

Cash and Bank Balances

		2021	2020
	Note	Rupees	Rupees
Cash in hand		-	7,148
Current accounts:			
Associated undertaking - National Bank of Pakistan		3,181	82,652
Others		11,130	15,751
		14,311	98,403
Saving accounts:			
	7.1		
Associated undertaking - National Bank of Pakistan		148,218	86,866
Others		12,812,646	22,462,915
		12,960,864	22,549,781
		<u>12,975,175</u>	<u>22,655,332</u>

7.1 These carry mark up at the rate of 4.00% to 6.50% (2020: 5.5% to 10.5%) per annum.

7.2 There is nil (2020: Nil) balance in the dividend account maintained by the Modaraba. Further, during the year no amount has been transferred to and paid from this account.

7.3 The above figures of cash and bank balances reconcile to the amount of cash and cash equivalents shown in the statement of cash flows as at the reporting date.

Note 8

Short Term Murabaha Investments - Secured

		2021	2020
	Note	Rupees	Rupees
Short term murabaha investments (considered doubtful)	8.1	205,516,232	233,101,181
Add: Deferred murabaha income		1,424,955	2,654,776
		<u>206,941,187</u>	<u>235,755,957</u>
Less: Provision for non-performing murabaha investments	8.2	(201,878,010)	(227,462,959)
Less: Suspended income		(1,424,955)	(2,654,776)
		<u><u>3,638,222</u></u>	<u><u>5,638,222</u></u>

8.1 These represent investments under murabaha arrangements from 9 (2020: 9) customers on deferred payment basis at profit rates expected to ranging from 8.36% to 14.64% (2020: 8.36% to 14.64%) per annum. These investments are secured against charge over fixed and current assets, personal guarantees of directors of customer companies, registered and equitable mortgage of properties, demand promissory notes and post dated cheques varying from case to case. Legal proceedings against these customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in 8 (2020: 8) cases for recovery of Rs. 237.28 million (2020: 237.28 million), while the order to execute decree is awaited.

8.2 Provision for non-performing murabaha investments

		2021	2020
	Note	Rupees	Rupees
Opening balance		227,462,959	227,462,959
Charged during the year		-	-
Reversed during the year	8.3	(25,584,949)	-
Closing balance		<u><u>201,878,010</u></u>	<u><u>227,462,959</u></u>

8.3 During the current year, 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 has been received from the customer during the year. Subsequent to the reporting date, the Modaraba has also received second installment of Rs. 23.312 million through cheque dated July 01, 2021 which has been credited in bank of the Modaraba on July 07, 2021.

Note 9

Accrued Profit

	2021	2020
	Rupees	Rupees
Profit on diminishing musharakah receivables		
- Profit receivable on musharaka finances	946,904	1,330,806
- Less: Suspended income	(843,095)	(843,095)
	103,809	487,711
Profit receivable on short term investments	1,341,473	715,035
	<u><u>1,445,282</u></u>	<u><u>1,202,746</u></u>

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Note 10

Short Term Investments

2021		2020			2021	2020	
Number of Units				Note	Rupees	Rupees	
Investments in sukuk of Rs 100,000 each - fair value through OCI							
550	550	Neelum Jehlum Sukuk		10.1	35,406,250	42,301,875	
		Byco Petroleum Pakistan Limited		10.2	11,672,143	11,695,967	
<u>200</u>	<u>200</u>				<u>47,078,393</u>	<u>53,997,842</u>	
<u>750</u>	<u>750</u>						
Bankislami Pakistan Limited Islami Aamdani Certificate - TDRs					10.3	70,000,000	20,000,000
						<u>117,078,393</u>	<u>73,997,842</u>

10.1 The outstanding principle per unit is Rs. 62,500 (2020: Rs. 75,000) having fair value of Rs. 103.00 (2020: 102.55) per unit as at the reporting date.

10.2 The outstanding principle per unit is Rs. 58,334 (2020: Rs. 58,334) having fair value of Rs. 100.05 (2020: Rs. 100.25) per unit as at the reporting date.

10.3 These term deposits certificates yield profit at the rate of 7% to 12.5% (2020: 12.75% to 13%).

Note 11

Ijarah Rentals Receivable

		2021	2020
	Note	Rupees	Rupees
Considered good - secured		-	643,924
Considered doubtful	11.2	107,088,572	108,742,226
Less: Provision for doubtful ijarah rentals receivable	11.3	(38,701,759)	(24,211,493)
Less: Profit held in suspense account		(22,718,538)	(22,718,538)
		<u>45,668,275</u>	<u>61,812,195</u>
		<u>45,668,275</u>	<u>62,456,119</u>

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

11.2 Considered doubtful

Considered doubtful - gross balance		107,088,572	119,364,371
Less: Excess recorded receivable written off against provision		-	(7,816,492)
Less: Receivable written off		-	(2,805,653)
Considered doubtful- net balance		<u>107,088,572</u>	<u>108,742,226</u>

11.3 Provision for doubtful ijarah rentals receivable

Opening balance		24,211,493	29,007,645
Charged during the year	31.1	14,490,266	3,020,340
Provision written off during the year		-	(7,816,492)
Net charged / (reversal) during the year		<u>14,490,266</u>	<u>(4,796,152)</u>
Closing balance		<u>38,701,759</u>	<u>24,211,493</u>

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Note 12

Advances, Prepayments and Other Receivables

	Note	2021 Rupees	2020 Rupees
Income tax deducted at source		4,965,648	4,600,270
Prepayments		117,188	-
Other receivables	12.1	1,480,843	754,141
		<u>6,563,679</u>	<u>5,354,411</u>
12.1 Other receivables			
Considered good		1,480,843	754,141
Considered doubtful	31.2	-	4,121,995
		1,480,843	4,876,136
Provision against doubtful other receivables	12.2	-	(4,121,995)
		<u>1,480,843</u>	<u>754,141</u>
12.2 Provision against doubtful other receivables			
Opening balance		4,121,995	30,083,188
Written off against provision during the year		(4,121,995)	(25,961,193)
Closing balance		<u>-</u>	<u>4,121,995</u>

Note 13

Current Portion of Non Current Assets

	Note	2021 Rupees	2020 Rupees
Net investment in ijarah finance	14	13,496,734	13,496,734
Diminishing musharaka financing	15	5,200,302	11,809,705
Long term murabaha investments	16	-	2,525,245
Long term loans and deposits	17	-	151,280
		<u>18,697,036</u>	<u>27,982,964</u>

Note 14

Net Investment in Ijarah Finance

	2021 Rupees	2020 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	<u>50,832,254</u>	<u>50,832,254</u>
Less: Unearned finance income	(24,109,320)	(24,109,320)
Net investment in lease ijarah finance	<u>26,722,934</u>	<u>26,722,934</u>
Less: Provision for doubtful net investment in ijarah finance (Note 14.2)	(13,226,200)	(13,226,200)
	13,496,734	13,496,734
Less: Current portion (Note 13)	<u>(13,496,734)</u>	<u>(13,496,734)</u>
	<u>-</u>	<u>-</u>

14.1 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 (2020: 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.

14.2 The customer has presented scheme / plan for restructuring / rescheduling and revival of business to the Honourable Lahore High Court, Lahore (the Court). The scheme includes the repayment of the loans of the secured creditor. In the response to this application on January 20, 2021, the Court has passed the order to stay for the winding up of the customer and allowed their management to take steps for rehabilitation of the company's plant for operating purpose and hold meeting with their creditors for approval of scheme. In pursuance to this, the customer has arranged its meeting with its secured creditors including the Modaraba for approving the scheme of rearrangement on February 22, 2021. The creditors having interest of 9.6% including the Modaraba voted against the scheme. However, with the consent of 90.4% of secured creditors, the scheme was approved, adopted and agreed.

Note 15

Diminishing Musharaka Financing - Secured

		2021	2020
	Note	Rupees	Rupees
Considered good		862,668	7,472,071
Considered doubtful		4,337,634	4,337,634
		<u>5,200,302</u>	<u>11,809,705</u>
Less: Current portion	13	<u>(5,200,302)</u>	<u>(11,809,705)</u>
		<u>-</u>	<u>-</u>

15.1 This represents diminishing musharaka financing arrangements entered into for a term of three to four years. The Modaraba has provided financing to the extent of 23.69% to 90% of the value of musharaka assets. This financing is secured by first charge on all present and future fixed assets of the client, personal guarantee of directors, registered and equitable mortgage on properties, post dated cheques and joint ownership of musharaka assets on case to case basis. These carry profit at rates expected to range between 9.05% to 17.41% (2020: 9.05% to 17.41%) per annum and are repayable on monthly basis.

15.2 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. 5.678 million by the management in previous years, that has shown an upside of Rupees 1.340 million which is not recognized in the profit and loss account of the Modaraba.

Note 16

Long Term Murabaha Investments - Secured

		2021	2020
	Note	Rupees	Rupees
Considered good		-	237,723
Considered doubtful		59,594,049	63,399,069
		<u>59,594,049</u>	<u>63,636,792</u>
Add: Deferred murabaha income	24	29,388,304	31,675,826
	16.1	88,982,353	95,312,618
Less: Provision for doubtful murabaha investments	16.2	(59,594,049)	(63,399,069)
Less: Suspension for doubtful murabaha investments		<u>(29,388,304)</u>	<u>(29,388,304)</u>
		-	2,525,245
Less: Current portion	12 & 15.3	-	<u>(2,525,245)</u>
		<u>-</u>	<u>-</u>

16.1 These represent investments under murabaha arrangements on deferred payment basis at expected profit margin ranging from 9.85% to 14.61% (2020: 9.85% to 14.61%) per annum. These investments are secured against charge over fixed and current assets, registered and equitable mortgage of properties, personal guarantees of the directors of customer companies, demand promissory notes and post-dated cheques varying from case to case.

16.2 This represents receivable from 3 (2020: 3) customers under the Murabaha finance. Legal proceedings against 2 (2020: 2) customers are in process in the Honourable Courts of Law. The Courts have awarded decree in favour of Modaraba in 2 (2020: 2) cases for recovery of Rs. 83.068 million (2020: 83.068 million), while the order to execute decree is awaited.

	Note	2021 Rupees	2020 Rupees
16.3 Provision for doubtful murabaha investments			
Opening balance		63,399,069	65,301,579
Charged during the year		-	-
Reversed during the year		(3,805,020)	(1,902,510)
Net reversed during the year		(3,805,020)	(1,902,510)
Closing balance		59,594,049	63,399,069

16.4 Current portion of long term murabaha investments

Murabaha investments		-	237,723
Deferred murabaha income	24	-	2,287,522
		-	2,525,245

Note 17

Long Term Loans and Deposits

	Note	2021 Rupees	2020 Rupees
Long term loans to employees	17.1	-	151,280
Security deposits		39,500	39,500
		39,500	190,780
Less: Current portion	13	-	(151,280)
		39,500	39,500

17.1 These loans are given to employees of the Modaraba for purchase of vehicles and carry profit at 5% (2020: 5%) per annum. Maximum aggregate balance due from employees at the end of any month during the year was Rs. 151,280 (2020: Rs. 151,280).

Note 18

Intangible Asset

	2021 Rupees	2020 Rupees
Cost	1,131,300	1,131,300
Accumulated amortization	(1,131,300)	(1,131,300)
Net book value	-	-

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

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Note 19

Fixed Assets under Ijarah Arrangements

Description	Plant and Machinery	Vehicles	Total
-------------	---------------------	----------	-------

-----Rupees-----

Year Ended June 30, 2021

Cost

Balance as at July 01, 2020	238,221,339	48,869,558	287,090,897
Additions	-	-	-
Disposals / Adjustments	(43,269,367)	(37,759,038)	(81,028,405)
Balance as at June 30, 2021	194,951,972	11,110,520	206,062,492

Accumulated depreciation

Balance as at July 01, 2020	190,601,435	37,652,768	228,254,203
Charge for the year	1,092,721	54,320	1,147,041
Disposals / Adjustments	(42,907,002)	(32,728,085)	(75,635,087)
Balance as at June 30, 2021	148,787,154	4,979,003	153,766,157

Accumulated Impairment Loss

Balance as at July 01, 2020	17,106,617	2,164,742	19,271,359
Impairment charged	-	-	-
Balance as at June 30, 2021	17,106,617	2,164,742	19,271,359
Total as at June 30, 2021	29,058,201	3,966,775	33,024,976

Year Ended June 30, 2020

Cost

Balance as at July 01, 2019	341,306,396	157,862,184	499,168,580
Additions	-	-	-
Disposals	(103,085,057)	(108,992,626)	(212,077,683)
Balance as at June 30, 2020	238,221,339	48,869,558	287,090,897

Accumulated depreciation

Balance as at July 01, 2019	306,449,350	89,547,682	395,997,032
Charge for the year	3,773,979	2,862,229	6,636,208
Disposals	(119,621,894)	(54,757,143)	(174,379,037)
Balance as at June 30, 2020	190,601,435	37,652,768	228,254,203

Accumulated Impairment Loss

Balance as at July 01, 2019	17,106,617	2,164,742	19,271,359
Impairment charged	-	-	-
Balance as at June 30, 2020	17,106,617	2,164,742	19,271,359
Total as at June 30, 2020	30,513,287	9,052,048	39,565,335

Rate of Depreciation

20% - 33.33%	20% - 33.33%
--------------	--------------

19.1 The ijarah assets are adjusted against their security deposits.

19.2 Disposal of fixed assets under ijarah arrangements

Description	Cost	Accumulated Depreciation	Book Value	Adjustment / Sale Proceeds	Gain / (Loss)	Particulars of Buyer
-------------	------	--------------------------	------------	----------------------------	---------------	----------------------

-----Rupees -----

Vehicles:

Motor Vehicle	69,900	50,900	19,000	19,000	-	Mr. Muhammad Altaf
Motor Vehicle	1,789,500	1,289,500	500,000	500,000	-	Mr. Abdul Qadir
Motor Vehicle	1,034,000	534,000	500,000	500,000	-	Ms. Sobia Aslam
Motor Vehicle	1,110,000	800,000	310,000	310,000	-	Mr. Muhammad Saghir
Motor Vehicle	2,378,000	1,783,500	594,500	594,500	-	Mr. Noor Muhammad
Motor Vehicle	6,611,480	6,231,480	380,000	380,000	-	M/s Ihsan Cotton Products (Private) Limited
Motor Vehicle	1,343,658	1,343,658	-	-	-	Mr. Umar Saeed
Motor Vehicle	1,000,000	850,000	150,000	150,000	-	Mr. Majid Ali Malik
Motor Vehicle	5,190,000	4,671,000	519,000	519,000	-	M/s Ravi Automobile (Private) Limited
Motor Vehicle	16,500,000	14,609,296	1,890,704	4,000,000	2,109,296	M/s Mechanzie Fabrics
Motor Vehicle	630,000	472,501	157,499	157,499	-	Mr. Nadeem Anwar
Motor Vehicle	102,500	92,250	10,250	10,250	-	Mr. Syed Irfan Ali

Plant and Machinery

Machinery	17,109,760	16,842,192	267,568	1,710,976	1,443,408	M/s Saritow Spinning Mills
Machinery	26,159,607	26,064,810	94,797	3,385,809	3,291,012	M/s Ravi Automobile (Private) Limited
Total 2021	81,028,405	75,635,087	5,393,318	12,237,034	6,843,716	
Total 2020	5,690,000	2,222,961	3,467,039	3,641,218	174,179	

19.2.1 The mode of disposal of these ijarah assets is as per the terms of the ijarah agreement.

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

The Modaraba had entered into various Ijarah agreements for periods ranging from 3 to 14 years (2020: 3 to 14 years). Security deposits ranging from 0% to 71% (2020: 0% to 71%) were obtained at the time of disbursement. The rate of expected rate of profit implicit in ijarah ranges from 9.87% to 16.99% (2020: 9.87% to 16.99%) per annum.

19.4 Aggregate amount of future ijarah rentals receivable on the basis of ijarah arrangements executed up to the reporting date are as follows:

Future Ijarah Rental Receivables	2021	2020
	Rupees	Rupees
Not later than one year	-	4,891,087
Later than one year but not later than five years	-	-
	<u>-</u>	<u>4,891,087</u>

Note 20

Fixed Assets under Own Use

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

----- Rupees -----

Year Ended June 30, 2021

Cost

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

Accumulated depreciation

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

Year Ended June 30, 2020

Cost

Balance as at July 01, 2019	1,390,182	1,820,558	309,664	3,520,404
Additions / (Disposals)	-	-	48,000	48,000
Balance as at June 30, 2020	<u>1,390,182</u>	<u>1,820,558</u>	<u>357,664</u>	<u>3,568,404</u>

Accumulated depreciation

Balance as at July 01, 2019	1,362,882	1,808,111	309,664	3,480,657
Charge for the year	7,800	4,715	15,998	28,513
Disposals	-	-	-	-
Balance as at June 30, 2020	<u>1,370,682</u>	<u>1,812,826</u>	<u>325,662</u>	<u>3,509,170</u>
Total as at June 30, 2020	<u>19,500</u>	<u>7,732</u>	<u>32,002</u>	<u>59,234</u>

Annual rate of depreciation

20%	33.33%	20 - 33.33%
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20.1 These contain fully depreciated assets of Rs. 3,481,404 (2020: Rs. 3,459,904) that are still in use by the Modaraba.

First National Bank Modaraba

Note 21

Short Term Finance - Secured

	Note	2021 Rupees	2020 Rupees
From banking company - Related Party			
Running finance	21.1	<u>217,063,388</u>	<u>217,063,388</u>

21.1 The Modaraba has obtained running finance facility of Rs. 250 million (2020: Rs. 250 million) from the National Bank of Pakistan carrying mark-up at 1 month KIBOR plus 1% (2020: 1 month KIBOR plus 1%) per annum payable monthly. The mark-up rate charged during the year ranged from 8.33% to 8.53% (2020: 8.83% to 13.39%) per annum. This facility is secured by way of first joint pari passu hypothecation charge on all present and future receivables, leased assets and related lease receivables and present and future assets of the Modaraba to the extent of Rs 277.778 million (2020: Rs 277.778 million). This facility was expired on October 31, 2019 and has yet not been renewed and repaid.

Note 22

Creditors, Accrued and Other Liabilities

	Note	2021 Rupees	2020 Rupees
Advances from customers		2,747,079	8,081,944
Accrued expenses		630,274	701,525
Payable to Modaraba Management Company		151,674	-
Worker's Welfare Fund payable		27,301	-
Sales tax payable		16,646	15,118
Charity payable	22.1	<u>313,209</u>	<u>602,205</u>
		<u>3,886,183</u>	<u>9,400,792</u>

22.1 The reconciliation is as follows:

Opening balance	602,205	286,860
Additions during the year	111,004	815,345
Charity paid during the year	(400,000)	(500,000)
Closing balance	<u>313,209</u>	<u>602,205</u>

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

Note 23

Security Deposits against Ijarah Assets

	2021 Rupees	2020 Rupees
Opening balance	44,440,011	82,138,657
Receipt during the year	-	-
Adjusted during the year	<u>(11,368,335)</u>	<u>(37,698,646)</u>
Closing balance	<u>33,071,676</u>	<u>44,440,011</u>

Note 24

Deferred Murabaha Income

	Note	2021 Rupees	2020 Rupees
Deferred murabaha income	16	29,388,304	31,675,826
Suspended income		<u>(29,388,304)</u>	<u>(29,388,304)</u>
		<u>-</u>	<u>2,287,522</u>

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Note 25

Certificate Capital

	2021	2020		2021	2020
				Rupees	Rupees
Number of certificates					
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>
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- 25.1** 7,500,000 (2020: 7,500,000) certificates of the Modaraba are held by National Bank Modaraba Management Company Limited, the modaraba management company.
- 25.2** No certificates of the Modaraba have been issued / cancelled during the year.
- 25.3** All certificates rank equally with regard to residual assets of the Modaraba. Certificate holders are entitled to receive all distributions including profit distributions and other entitlements in the form of bonus and right certificates as and when declared by the Modaraba. Nothing and other rights are in proportion to the shareholding.

Note 26

Statutory Reserves

Statutory reserves represent profits set aside in compliance with the requirements of prudential regulations for Modarabas issued by the SECP. These regulations require the Modarabas to transfer at least 20% after tax profit, if any, up to a maximum of 50%, in statutory reserves until the reserves equal 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred into the statutory reserves each year. During the year Rs. 222,068 (2020: Rs. Nil) are transferred in the statutory reserves owing to net profit (2020: net loss) for the year.

Note 27

Contingencies and Commitments

- 27.1** Assistant Commissioner Inland Revenue raised demand of tax payables of Rs. 333.26 million for tax year 2011. Appeal was filed before the Commissioner Inland Revenue (Appeals) - CIR(A) who deleted the demand. The Department filed an appeal against the order of the CIR(A) before the Appellate Tribunal Inland Revenue. The notice of hearing is awaited from the Tribunal.
- 27.2** Assistant Commissioner Inland Revenue raised demand of tax payables of Rs. 127.362 million for tax year 2014. Appeal was filed before the Commissioner Inland Revenue (Appeals)-CIR(A) who deleted the demand.

Note 28

Other Income

	2021	2020
	Rupees	Rupees
Service charges	-	14,036
Documentation charges	-	4,000
	<u>-</u>	<u>18,036</u>

Note 29

Operating Expenses

		2021	2020
	Note	Rupees	Rupees
Salaries, allowances and other benefits	29.1	10,510,917	10,921,056
Legal and professional		1,168,675	1,211,971
Fees and subscription		738,712	1,050,392
Stationery and printing		431,204	370,514
Auditors' remuneration	29.2	375,000	375,000
Communication		234,564	235,355
Repairs and maintenance		280,048	155,726
Entertainment		166,524	154,643
Vehicles' running expenses		143,266	169,495
Advertisement		92,400	48,000
Postage and stamps		41,746	45,952
Insurance		97,158	94,807
Travelling and conveyance		3,300	6,010
Depreciation on fixed assets - own use	20	31,534	28,513
Other sundry expenses		38,390	42,896
		<u>14,353,438</u>	<u>14,910,330</u>

29.1 Salaries, allowances and other benefits

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

	2021			2020		
	Officers	Employees	Total	Officers	Employees	Total
	-----Rupees-----					
Basic salary	2,858,928	1,979,040	4,837,968	2,802,088	1,984,692	4,786,780
House rent allowance	1,429,464	685,512	2,114,976	1,406,780	673,864	2,080,644
Utilities	343,071	164,523	507,594	337,636	161,736	499,372
Bonus	408,510	490,355	898,865	636,454	305,215	941,669
Fuel allowance	1,299,975	586,263	1,886,238	1,000,498	897,883	1,898,381
Others	86,086	179,190	265,276	295,226	418,984	714,210
	<u>6,426,034</u>	<u>4,084,883</u>	<u>10,510,917</u>	<u>6,478,682</u>	<u>4,442,374</u>	<u>10,921,056</u>
Number of persons	<u>4</u>	<u>8</u>	<u>12</u>	<u>4</u>	<u>8</u>	<u>12</u>

29.1.1 Average number of employees during the year was 12 (2020: 12). All employees are on contract.

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

29.2 Auditors' remuneration

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

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

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Note 30

Finance Cost

		2021	2020
	Note	Rupees	Rupees
Short term finances	30.1	18,311,106	28,495,826
Bank and other charges		15,680	61,605
		<u>18,326,786</u>	<u>28,557,431</u>

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

Note 31

Provision for Doubtful Receivables

		2021	2020
	Note	Rupees	Rupees
Opening balance		332,421,716	365,081,571
Add: Charged during the year	31.1 & 11.3	14,490,266	3,020,340
Less: Excess provision written off during the year	11 & 12	(4,121,995)	(33,777,685)
Less: Reversed during the year	8 & 16	(29,389,969)	(1,902,510)
Net provision reversed for the year		(19,021,698)	(32,659,855)
Closing balance	31.2	<u>313,400,018</u>	<u>332,421,716</u>

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

31.2 Break up of closing balance

Provision against doubtful murabaha investments	8.2 & 16.3	261,472,059	290,862,028
Provision for doubtful ijarah rental receivables	11.3	38,701,759	24,211,493
Provision against doubtful other receivables	12.2	-	4,121,995
Provision for doubtful net investment in ijarah finance	14	-	13,226,200
		<u>300,173,818</u>	<u>332,421,716</u>

Note 32

Modaraba Management Company Fee

In accordance with Section 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, management fee @ 10% of annual profits is paid to the modaraba management company.

Note 33

Taxation

33.1 During the year owing to profits, the Modaraba has recognised the tax expense of Rs. 625,923 (2020: Nil owing to brought forward tax losses of Rs. 352.653 million). Tax charge for the current year represents Alternate Tax under section 113C of the Income Tax Ordinance, 2001.

33.2	Deferred tax Asset / (Liability)	2021		2020
		Note	Rupees	Rupees
	Deductible / (Taxable) temporary differences on:			
	Deferred tax asset has originated relating to the following:			
	Accelerated tax depreciation		47,776,179	100,414,768
	Carry forward tax losses		259,148	(207,188)
			<u>48,035,327</u>	<u>100,207,580</u>
	Less: Deferred tax asset not recognized	32.2.1	<u>(48,035,327)</u>	<u>(100,207,580)</u>
			<u>-</u>	<u>-</u>

33.2.1 The deferred tax asset of Rs. 25.943 million (2020: Rs. 157.046 million) has not been recognized in these financial statements as the temporary differences are not expected to reverse in foreseeable future; taxable profits may not be available against which the temporary differences can be utilized.

Note 34

Earnings / (Loss) Per Modaraba Certificate - Basic And Diluted

		2021	2020
		Rupees	Rupees
Earnings / (Loss) attributable to certificates holders	Rupees	<u>1,110,342</u>	<u>(34,071,784)</u>
Weighted average number of certificates outstanding during the year	Numbers	<u>25,000,000</u>	<u>25,000,000</u>
Earnings / (Loss) per certificate	Rupees	<u>0.04</u>	<u>(1.36)</u>

34.1 Basic earnings per modaraba certificate have been computed by dividing profit (2020: loss) for the year as stated above with weighted average number of Modaraba certificates.

34.2 There is no dilution in loss per certificate as the Modaraba has not issued any instrument which would have an impact on its earnings (2020: loss) per certificate.

Note 35

Balances and Transactions with Related Parties

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

35.1 Transactions during the year

Related party	Relationship	Nature of Transaction	2021	2020
			Rupees	Rupees
National Bank of Pakistan	Modaraba Management Company's holding company	Mark up expense	18,311,106	28,495,826
		Mark up paid	-	4,505,879
National Bank Modaraba Management Company Limited	Modaraba Management Company	Management fee payable	151,674	-

35.2 Balances outstanding at the reporting date

National Bank of Pakistan	Bank accounts with National Bank of Pakistan	151,399	341,188
	Finances from National Bank of Pakistan	217,063,388	217,063,388
	Mark up payable	46,806,932	28,495,826
National Bank Modaraba Management Company Limited	Management fee payable	151,674	-

Note 36

Financial Risk Management

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

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

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

36.1 Market risk

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

36.1.1 Currency risk

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

36.1.2 Profit rate risk

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

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

	<u>2021</u>	<u>2020</u>
	Rupees	Rupees
Fixed rate instruments		
Financial assets		
Loans to employees	-	151,280
Murabaha investments	3,638,222	8,163,467
Short term investments	70,000,000	20,000,000
Floating rate instruments		
Financial assets		
Ijarah rentals receivable	45,668,275	62,456,119
Bank balances	12,975,175	22,655,332
Diminishing musharaka financing	5,200,302	11,809,705
Net investment in ijarah finance	13,496,734	13,496,734
Short term investments	47,078,393	53,997,842
Financial liabilities		
Short term finances	217,063,388	217,063,388

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

If profit rates, as at the reporting date, fluctuates by 1% higher / lower with all other variables held constant, profit before taxation for the year would have been Rs.926,445 (2020: loss before tax of Rs. 244,842) higher / lower. This analysis is prepared assuming the amounts of floating rate instruments outstanding as at the reporting date were outstanding for the entire year.

36.1.3 Other price risk

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

36.2 Credit risk

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

Financial assets	2021	2020
	Rupees	Rupees
Bank balances	12,975,175	22,648,184
Murabaha investments - net of provision	3,638,222	8,163,467
Accrued profit	1,445,282	1,202,746
Short term investments	117,078,393	73,997,842
Ijarah rentals receivable	45,668,275	62,456,119
Other receivables	1,480,843	754,141
Net investment in ijarah finance	13,496,734	13,496,734
Diminishing musharaka financing	5,200,302	11,809,705
Long term loans and deposits	39,500	190,780
	<u>201,022,726</u>	<u>194,719,718</u>

First National Bank Modaraba

36.2.1 Credit quality of banks

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

	Rating			2021	2020
	Short term	Long term	Agency	Rupees	Rupees
National Bank of Pakistan	A1+	AAA	PACRA	328,908	171,586
Al Baraka Bank (Pakistan)	A1	A+	JCR-VIS	13,276	19,876
First Women Bank Limited	A2	A-	PACRA	-	4,725
Habib Bank Limited	A1+	AAA	JCR-VIS	10,941	10,941
BankIslami Pakistan	A1	A+	PACRA	12,622,050	22,441,056
				<u>12,975,175</u>	<u>22,648,184</u>

36.2.2 Description of collateral held

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

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

Aging of murabaha, musharakah and ijarah rental receivables

	2021	2020
	Rupees	Rupees
Not past due	-	2,525,245
Past due 1 - 180 days	-	8,603,706
Past due 181 days - 1 year	-	-
Past due 1 - 2 years	6,499,580	5,302,747
More than 2 years	61,503,953	79,494,327
	<u>68,003,533</u>	<u>95,926,025</u>

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

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

Textiles	26,677,938	44,464,121
Food	1,525,556	4,050,801
Individuals	9,233,783	11,630,499
Sugar and allied	30,467,318	35,780,604
Steel	98,938	-
Total	<u>68,003,533</u>	<u>95,926,025</u>

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

36.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damage to the Modaraba's reputation. The following are the contractual maturities of financial liabilities, including interest / profit payments:

The following are the contractual maturities of financial liabilities, including interest / profit payments:

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

	June 30, 2020				
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
	----- Rupees -----				
Non-derivative financial liabilities					
Accrued profit	28,495,826	28,495,826	28,495,826	-	-
Short term finances	217,063,388	217,063,388	217,063,388	-	-
Creditors, accrued and other liabilities	1,318,848	1,318,848	1,318,848	-	-
Total	246,878,062	246,878,062	246,878,062	-	-

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

36.4 Operational Risks

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

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

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

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

36.5 Capital Risk Management

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

36.6 Financial instruments by categories

	At fair value through profit or loss	At amortized cost	At fair value through other comprehensive income	Total
	Rupees	Rupees	Rupees	Rupees
<u>Financial assets as at June 30, 2021</u>				
Cash and bank balances	-	12,975,175	-	12,975,175
Ijarah rentals receivable	-	45,668,275	-	45,668,275
Accrued profit	-	1,445,282	-	1,445,282
Short term investments	-	70,000,000	47,078,393	117,078,393
Murabaha investments	-	3,638,222	-	3,638,222
Net investment in ijarah finance	-	13,496,734	-	-
Diminishing musharaka financing	-	5,200,302	-	5,200,302
Advances, prepayments and other receivables	-	1,480,843	-	1,480,843
Long term loans and deposits	-	39,500	-	39,500
	-	<u>153,944,333</u>	<u>47,078,393</u>	<u>187,525,992</u>
<u>Financial assets as at June 30, 2020</u>				
Cash and bank balances	-	22,655,332	-	22,655,332
Ijarah rentals receivable	-	62,456,119	-	62,456,119
Accrued profit	-	1,202,746	-	1,202,746
Short term investments	-	20,000,000	53,997,842	73,997,842
Murabaha investments	-	8,163,467	-	8,163,467
Net investment in ijarah finance	-	13,496,734	-	13,496,734
Diminishing musharaka financing	-	11,809,705	-	11,809,705
Advances, prepayments and other receivables	-	754,141	-	754,141
Long term loans and deposits	-	190,780	-	190,780
	-	<u>140,729,024</u>	<u>53,997,842</u>	<u>194,726,866</u>

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<u>Financial liabilities at amortized cost</u>	<u>2021</u>	<u>2020</u>
	Rupees	Rupees
Accrued profit payable	46,806,932	28,495,826
Short term finances	217,063,388	217,063,388
Creditors, accrued and other liabilities	1,139,104	1,318,848
	<u>265,009,424</u>	<u>246,878,062</u>

36.7 Fair value of financial instruments

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

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

Fair value estimation

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

Fair value hierarchy

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

The following table presents the Company's financial assets that are measured at fair value at June 30, 2021:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
	----- Rupees -----			
Financial Assets:				
Short term investments (Note 10)	47,078,393	-	-	47,078,393

The following table presents the Company's financial assets that are measured at fair value at June 30, 2020:

Financial Assets:				
Short term investments (Note 10)	53,997,842	-	-	53,997,842

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Note 37

Maturity of Assets and Liabilities

	Up to one month	One month to three months	Three months to one year	One year to five years	Five years and above	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
Assets						
Cash and bank balances	12,975,175	-	-	-	-	12,975,175
Short term murabaha investments - secured	3,638,222	-	-	-	-	3,638,222
Accrued profit	1,445,282	-	-	-	-	1,445,282
Short term investments	-	70,000,000	-	47,078,393	-	117,078,393
Ijarah rentals receivable	45,668,275	-	-	-	-	45,668,275
Advances, prepayments and other receivables	6,446,491	-	117,188	-	-	6,563,679
Current portion of non current assets	18,697,036	-	-	-	-	18,697,036
Long term loans and deposits	-	-	-	39,500	-	39,500
Fixed assets under ijarah arrangements	33,024,976	-	-	-	-	33,024,976
Fixed assets - own use	-	-	27,700	-	-	27,700
Total Assets - June 30, 2021	121,895,457	70,000,000	144,888	47,117,893	-	239,158,238
Liabilities						
Accrued profit on short term financing	46,806,932	-	-	-	-	46,806,932
Short term finances - secured	217,063,388	-	-	-	-	217,063,388
Creditors, accrued and other liabilities	960,129	2,926,054	-	-	-	3,886,183
Unclaimed dividend	425,218	-	-	-	-	425,218
Security deposits against ijarah assets	33,071,676	-	-	-	-	33,071,676
Total Liabilities - June 30, 2021	298,327,343	2,926,054	-	-	-	301,253,397
Net Assets - June 30, 2021	(176,431,886)	67,073,946	144,888	47,117,893	-	(62,095,159)
Total Assets - June 30, 2020	154,706,248	25,354,411	4,826,000	54,065,046	-	238,951,705
Total Liabilities - June 30, 2020	290,458,791	1,143,761	10,510,205	-	-	302,112,757
Net Assets - June 30, 2020	(135,752,543)	24,210,650	(5,684,205)	54,065,046	-	(63,161,052)

	2021	2020
	Rupees	Rupees
Represented by:		
Certificate capital	250,000,000	250,000,000
Statutory reserve	44,177,257	43,955,189
Accumulated loss	(354,710,581)	(355,598,855)
	(60,533,324)	(61,643,666)
	(1,561,835)	(1,517,386)
	(62,095,159)	(63,161,052)

Note 38

Segment Information

- 38.1** 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.
- 38.2** The CEO is responsible for the Modaraba's entire product portfolio and he considers the business as a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.
- 38.3** The internal reporting provided to the CEO for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan. The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investment in entities incorporated in Pakistan. The Modaraba also has a diversified certificate holder population. As at June 30, 2021, there is only one (June 30, 2020: one) certificate holder (National bank of Pakistan - the holding company of the Modaraba Management Company) who held more than 10% of the Modaraba's certificate capital. Its holding is 30% (2020: 30%).

Note 39

Date of Authorization For Issue

These financial statements have been approved by the Board of Directors of National Bank Modaraba Management Company Limited and authorized for issuance on September 29, 2021.

Note 40

General

Comparative figures are re-arranged, wherever necessary, to facilitate comparison. Except for the restatement as disclosed in Note 6 no material re-arrangements have been made in these financial statements.



Chief Executive Officer
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Chief Financial Officer
National Bank Modaraba
Management Company Limited

Lahore: September 29, 2021

PATTERN OF CERTIFICATE HOLDING

AS ON JUNE 30, 2021

Number of ShareHolders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
76	1 -	100	2,520	0.01
336	101 -	500	161,126	0.64
197	501 -	1000	183,748	0.73
180	1001 -	5000	506,428	2.03
88	5001 -	10000	712,076	2.85
31	10001 -	15000	414,209	1.66
20	15001 -	20000	364,391	1.46
24	20001 -	25000	547,990	2.19
14	25001 -	30000	403,997	1.62
5	30001 -	35000	157,075	0.63
12	35001 -	40000	467,100	1.87
4	40001 -	45000	176,965	0.71
6	45001 -	50000	294,990	1.18
1	50001 -	55000	53,772	0.22
3	60001 -	65000	188,000	0.75
1	65001 -	70000	66,500	0.27
1	70001 -	75000	75,000	0.30
4	75001 -	80000	311,495	1.25
6	95001 -	100000	800,000	2.40
2	100001 -	105000	203,250	0.81
1	115001 -	120000	115,500	0.46
1	130001 -	135000	132,500	0.53
1	145001 -	150000	150,000	0.60
1	150001 -	155000	153,000	0.61
1	155001 -	160000	159,800	0.64
1	165001 -	170000	168,000	0.67
1	180001 -	185000	181,500	0.73
2	195001 -	200000	400,000	1.60
1	205001 -	210000	209,000	0.84
1	215001 -	220000	216,500	0.87
1	225001 -	230000	226,966	0.91
1	240001 -	245000	242,002	0.97
1	265001 -	270000	267,000	1.07
3	295001 -	300000	896,600	3.59
1	405001 -	410000	409,500	1.64
1	430001 -	435000	435,000	1.74
1	590001 -	595000	590,500	2.36
1	1870001 -	1875000	1,874,500	7.50
1	1935001 -	1940000	1,935,500	7.74
1	2845001 -	2850000	2,846,000	11.38
1	7495001 -	7500000	7,500,000	30.00
1,035			25,000,000	100.00

CATEGORIES OF CERTIFICATE HOLDERS AS ON JUNE 30, 2021

Ser #	Code	Category	No. of Certificate Holder	Certificate Held	Percentage of Total Capital
1	1	Individuals	1,027	16,713,999	66.6560
2	4	Joint Stock Companies	5	436,101	1.7444
3	9	Modaraba Management Cos	1	7,500,000	30.0000
4	10	Funds	1	300,000	1.2000
5	24	Others	1	49,900	0.1996
TOTAL:			1,035	25,000,000	100.0000

**CATEGORIES DETAILS
AS ON JUNE 30, 2021**

Category		Numbers of Certificates
Individuals		16,659,501
Joint Stock Companies		
1	MAPLE LEAF CAPITAL LIMITED	1
2	MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	100
3	DOSSLANI'S SECURITIES (PVT) LIMITED	500
4	AMZ SECURITIES (PVT) LIMITED	500
5	SALIM SOZER SECURITIES (PVT.) LTD.	435,000
		436,101
Modaraba Management Cos		
1	NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED	7,500,000
		7,500,000
Funds		
1	TRUSTEES D.G.KHAN CEMENT CO.LTD.EMP. P.F	300,000
		300,000
Others		
1	TRUSTEES ALOO & MINOCHER DINSHAW CHR. TRUST	49,900
2	TEACHERS RESOURCE CENTRE	273,998
		323,898
		25,000,000
Certificate Holding Of 5% Or Above		
	NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED	7,500,000
	SHAKEEL ARSHAD	1,874,500
	DURAIN CASSIM	1,935,500
	DINAZ CASSIM	2,846,000

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