



## **FIRST NATIONAL BANK MODARABA**

**Managed By:**

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

**QUARTERLY REPORT**  
**MARCH 31,**  
**2023**

# First National Bank Modaraba

*Quarterly Report*

*March 31, 2023*

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## Quarterly Report-March 31, 2023

### CORPORATE INFORMATION

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

\*Office of Chief Executive Officer is vacant and hiring of new CEO is in process

## **Directors' Quarterly Review Report**

On behalf of the Board of Directors of National Bank Modaraba Management Company Limited(NBMMCL), the Management of First National Bank Modaraba (FNBM), I am presenting the quarterly report, together with un-audited financial statements of FNBM for the quarter and nine months period ended March 31,2023.

During the period under review the focus of management remained on recovery. Settlement arrangements were made with some defaulter customers and amount of Rs. 20.324 million was realized from them during the period.

On the operations side the income from operations in the nine months period under review is Rs. 18.504 Million as compare to the corresponding period of Rs. 9.906 Million. However due to increase in market interest rates the finance cost on account of provisional mark-up charged on NBP RF Line amounting to Rs. 27.258 Million as compared to Rs. 15.620 Million in the corresponding period. Despite general inflation operating expenses stood at Rs. 9.715 Million when compared to Rs. 9.936 million in the corresponding period last year. The net result was a profit after tax of Rs. 0.619 Million as against profit of Rs. 8.658 Million in the corresponding period. The earnings per certificate stood at Rs. 0.02 as compared to a profit of Rs. 0.35 per certificate in the corresponding period.

Due to losses SECP has filed petition in the Modaraba Tribunal Lahore under section 23(1)(ii)(b) of Modaraba companies and Modaraba (Floatation and Control) Ordinance 1980 for winding up of FNBM, however it is important to clarify that these losses are not final and are substantially reversible upon recoveries from NPL's as they mainly represent provisioning charged there against.

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

For and on behalf of the Board



**Director**



**Director**

Lahore: April 28, 2023

## ڈائریکٹرز کی نو ماہی جائزہ رپورٹ

نیشنل بینک مضاربہ منجمنٹ کمپنی لمیٹڈ (NBMMCL) کے بورڈ آف ڈائریکٹرز، فرسٹ نیشنل بینک مضاربہ (FNBM) کی انتظامیہ کی جانب سے، میں سہ ماہی رپورٹ پیش کر رہا ہوں، ساتھ میں FNBM کی سہ ماہی اور نو کے غیر آڈٹ شدہ مالیاتی گوشواروں کے نو ماہ کی مدت 31 مارچ 2023 کو ختم ہوئی۔

زیر جائزہ مدت کے دوران انتظامیہ کی توجہ ریکوری پر رہی۔ کچھ ڈیفالٹس صارفین کے ساتھ تصفیہ کے انتظامات کیے گئے اور اس عرصے کے دوران ان سے 20.324 ملین روپے کی رقم وصول کی گئی۔

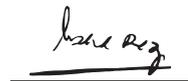
آپریشنز کی جانب سے زیر جائزہ نو ماہ کی مدت میں آپریشنز سے ہونے والی آمدنی 9.906 ملین روپے کی اسی مدت کے مقابلے میں 18.504 ملین روپے ہے۔ تاہم مارکیٹ کی شرح سود میں اضافے کی وجہ سے NBP RF لائن پر لگائے گئے عارضی مارک اپ کی وجہ سے مالیاتی لاگت اسی مدت میں 15.620 ملین کے مقابلے میں 27.258 ملین روپے ہے۔ عام افراط زر کے باوجود آپریٹنگ اخراج 9.715 ملین روپے جب کہ گزشتہ سال کی اسی مدت میں 9.936 ملین روپے تھے۔ خالص نتیجہ اسی مدت میں 8.658 ملین کے منافع کے مقابلے میں 0.619 روپے ملین روپے کا بعد از ٹیکس منافع رہا۔ فی سرٹیفکیٹ کی آمدنی اسی مدت میں 0.35 روپے فی سرٹیفکیٹ کے منافع کے مقابلے میں 0.02 روپے رہی۔

نقصانات کی وجہ سے ایس ای سی پی نے مضاربہ کمپنیوں کے سیکشن 23(I)(ii)(b) اور مضاربہ (فلوٹیشن اینڈ کنٹرول) آرڈیننس 1980 کے تحت FNBM کو سمیٹنے کے لیے مضاربہ ٹریبول لاہور میں درخواست دائر کی ہے، تاہم یہ واضح کرنا ضروری ہے کہ یہ نقصانات حتیٰ نہیں ہیں اور NPL's کی وصولیوں پر کافی حد تک واپسی کے قابل ہوتے ہیں کیونکہ وہ بنیادی طور پر وہاں کے خلاف چارج کی گئی فراہمی کی نمائندگی کرتے ہیں۔

بورڈ اس موقع کو اپنے قابل قدر سرٹیفکیٹ ہولڈرز اور کلائنٹس کی سرپرستی اور مستقل صبر کے لیے ان کا شکریہ ادا کرنا چاہتا ہے۔ اس کے علاوہ، بورڈ جسٹرار مضاربہ، SECP اور NBFI اینڈ مضاربہ ایسوسی ایشن آف پاکستان کا ان کی مسلسل رہنمائی اور تعاون کے لیے تہ دل سے شکریہ ادا کرتا ہے۔

برائے/منجانب بورڈ آف ڈائریکٹرز

  
ڈائریکٹر

  
ڈائریکٹر

لاہور: 28 اپریل 2023ء

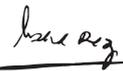
## CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT MARCH 31, 2023

	Note	March 31, 2023 Rupees (Unaudited)	June 30, 2022 Rupees (Audited)
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances		8,681,809	1,455,894
Short term murabaha investments - secured	4	1,772,953	2,320,364
Accrued profit		3,092,672	3,049,548
Short term investments	5	189,934,502	172,510,582
Ijarah rentals receivable	6	18,109,913	30,866,563
Advances, prepayments and other receivables		9,964,289	7,045,707
Current portion of non-current assets	7	5,598,814	14,846,748
		237,154,952	232,095,406
<b>NON-CURRENT ASSETS</b>			
Net investment in ijarah finance	8	11,696,392	-
Diminishing musharaka financing - secured	9	-	-
Long term murabaha investments - secured	10	9,851,507	-
Long term deposits		39,500	39,500
Intangible asset		-	-
Fixed assets under ijarah arrangements	11	32,959,576	32,959,576
Fixed assets - own use	12	77,903	88,759
Deferred tax asset	13	-	-
		54,624,878	33,087,835
<b>TOTAL ASSETS</b>		<b>291,779,830</b>	<b>265,183,241</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued markup on short term borrowings		95,367,127	70,311,279
Short term borrowings - secured	14	217,063,388	217,063,388
Creditors, accrued and other liabilities	15	4,069,473	2,488,982
Unclaimed dividend		425,218	425,218
Security deposits against ijarah assets	16	33,006,276	33,006,276
		(349,931,482)	(323,295,143)
<b>TOTAL LIABILITIES</b>		<b>(349,931,482)</b>	<b>(323,295,143)</b>
<b>NET LIABILITIES</b>		<b>(58,151,652)</b>	<b>(58,111,902)</b>
<b>FINANCED BY:</b>			
Certificate capital	18	250,000,000	250,000,000
Statutory reserve		44,730,114	44,699,137
Accumulated loss		(352,034,507)	(352,623,061)
		(57,304,393)	(57,923,924)
Unrealised loss on revaluation of sukus		(847,259)	(187,978)
<b>TOTAL EQUITY AND RESERVES</b>		<b>(58,151,652)</b>	<b>(58,111,902)</b>
<b>CONTINGENCIES AND COMMITMENTS</b>		-	-

The annexed notes 1 to 24 form an integral part of these financial statements.

  
Director  
National Bank Modaraba  
Management Company Limited

  
Director  
National Bank Modaraba  
Management Company Limited

  
Director  
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Management Company Limited

  
Chief Financial Officer  
National Bank Modaraba  
Management Company Limited

Lahore: April 28, 2023

## Quarterly Report-March 31, 2023

### CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE HALF YEAR ENDED MARCH 31, 2023

	Note	Nine Months Ended		Quarter Ended	
		March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
		Rupees (Unaudited)	Rupees (Unaudited)	Rupees (Unaudited)	Rupees (Unaudited)
<b>Income from operations</b>					
Profit on bank deposits		235,780	121,432	82,618	43,301
Profit on short term investments		17,568,286	9,784,796	5,080,090	4,153,936
		<b>18,504,066</b>	<b>9,906,228</b>	<b>5,862,708</b>	<b>4,197,237</b>
<b>Other income</b>					
Reversal of provision charged for doubtful receivables - net	21	20,489,654	35,214,291	1,300,000	1,028,500
Suspension reversed during the year		2,015,635	1,151,081	-	-
Other income		2,404,408	290,178	-	2,188
		<b>24,909,697</b>	<b>36,655,550</b>	<b>1,300,000</b>	<b>1,030,688</b>
<b>Total income</b>		<b>43,413,763</b>	<b>46,561,778</b>	<b>7,162,708</b>	<b>5,227,925</b>
<b>Expenses</b>					
Operating expenses		(9,715,589)	(9,936,386)	(3,017,263)	(2,780,385)
Finance cost		(27,258,457)	(15,620,350)	(9,785,804)	(5,823,429)
<b>Total expenses</b>		<b>(36,974,046)</b>	<b>(25,556,736)</b>	<b>(12,803,067)</b>	<b>(8,603,814)</b>
<b>Operating profit before provision and taxation</b>		<b>6,439,717</b>	<b>21,005,042</b>	<b>(5,640,359)</b>	<b>3,375,889</b>
Provision charged for doubtful receivables - net		(5,593,432)	(9,176,980)	(5,593,432)	-
<b>Profit/ (loss) before Modaraba Management Company's fee</b>		<b>846,285</b>	<b>11,828,062</b>	<b>(5,640,359)</b>	<b>(3,375,889)</b>
Modaraba Management Company's fee		(84,629)	(1,182,806)	-	-
Provision for Workers' Welfare Fund		(15,233)	(212,905)	-	-
<b>Profit/ (loss) before taxation</b>		<b>746,423</b>	<b>10,432,351</b>	<b>(5,640,359)</b>	<b>(3,375,889)</b>
Taxation		(126,892)	(1,773,500)	-	-
<b>Profit/ (loss) after taxation</b>		<b>619,531</b>	<b>8,658,851</b>	<b>(5,640,359)</b>	<b>(3,375,889)</b>
<b>Earning/ (loss) per modaraba certificate - basic and diluted</b>		<b>0.02</b>	<b>0.35</b>	<b>(0.23)</b>	<b>(0.14)</b>

The annexed notes 1 to 24 form an integral part of these financial statements.

  
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Lahore: April 28, 2023

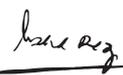
## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2023

	Nine Months Ended		Quarter Ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	Rupees (Unaudited)	Rupees (Unaudited)	Rupees (Unaudited)	Rupees (Unaudited)
Profit/ (loss) after taxation	619,531	8,658,851	(5,640,359)	4,346,913
Other comprehensive loss				
<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>				
- Unrealised loss on revaluation of sukus	(659,281)	(143,114)	-	(143,114)
Other comprehensive loss for the period	(659,281)	(143,114)	-	(143,114)
<b>Total comprehensive income/ (loss) for the period</b>	<b>(39,750)</b>	<b>8,515,737</b>	<b>(5,640,359)</b>	<b>4,203,799</b>

The annexed notes 1 to 24 form an integral part of these financial statements.

  
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Chief Financial Officer  
National Bank Modaraba  
Management Company Limited

Lahore: April 28, 2023

# Quarterly Report-March 31, 2023

## CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2023

	Nine Months Ended	
	March 31, 2023	March 31, 2022
	Rupees (Unaudited)	Rupees (Unaudited)
<b>CASHFLOWS FROM OPERATING ACTIVITIES</b>		
<b>Profit before taxation</b>	746,423	10,432,351
Adjustment for:		
- Depreciation on fixed assets - own use	10,856	11,900
- Gain on termination of ijarah assets	-	(127,302)
- Profit on short term investments	(17,568,286)	(9,784,796)
- Charge of provision against doubtful ijarah rentals receivable - net	5,593,432	9,176,980
- Other income	(2,404,408)	-
- Reversal of provision - net	(20,489,654)	(36,365,372)
- Suspension reversed during the year	(2,015,635)	-
- Workers' Welfare Fund	15,233	401,794
- Finance cost	27,258,457	15,620,350
- Profit on term deposit receipts and bank deposits	(235,780)	(121,432)
	<u>(9,835,785)</u>	<u>(21,187,878)</u>
<b>Operating loss before working capital changes</b>	<u>(9,089,362)</u>	<u>(10,755,527)</u>
Decrease/ (increase) in current assets:		
- Accrued profit	17,525,162	7,060,941
- Ijarah rentals receivable	13,499,761	790,421
- Advances, prepayments and other receivables	(401,323)	(775,139)
- Short term murabaha investments recovered	547,411	34,207,894
- Diminishing musharaka financing	775,000	2,100,000
- Long term murabaha investments	2,400,000	-
- Net investment in finance lease	693,781	-
(Decrease)/ increase in current liabilities:		
- Creditors, accrued and other liabilities	1,737,878	2,227,902
Net changes in working capital	<u>36,777,670</u>	<u>45,612,019</u>
Cash generated from operations	<u>27,688,308</u>	<u>34,856,492</u>
Finance cost paid	29,179	(26,833)
Income taxes paid/ deducted at source	(2,644,151)	-
Profit received on bank deposits	235,780	121,432
Net cash generated from operating activities	<u>25,309,116</u>	<u>34,951,091</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Short term investments - net	(18,083,201)	(39,462,499)
Long term deposits - net	-	-
Proceeds from disposal of ijarah assets	-	127,302
Net cash used in investing activities	<u>(18,083,201)</u>	<u>(39,335,197)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net increase in cash and cash equivalents during the period	7,225,915	(4,384,106)
Cash and cash equivalents at the beginning of the period	1,455,894	12,975,175
Cash and cash equivalents at the end of the period	<u>8,681,809</u>	<u>8,591,069</u>

The annexed notes 1 to 24 form an integral part of these financial statements.



Director  
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: April 28, 2023

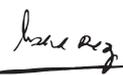
## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2023

Particulars	Certificate capital	Statutory reserve	Accumulated loss	Subtotal	Unrealised loss on revaluation of sukuk	Total
	-----Rupees-----					
<b>Balance as at July 01, 2021</b>	250,000,000	44,177,257	(354,710,581)	(60,533,324)	(1,561,835)	(62,095,159)
Total comprehensive income for the period						
Profit after taxation	-	-	11,130,205	11,130,205	-	11,130,205
Other comprehensive loss	-	-	-	-	(143,114)	(143,114)
Total comprehensive income/ (loss) for the period	-	-	11,130,205	11,130,205	(143,114)	10,987,091
Transferred to statutory reserve	-	556,510	(556,510)	-	-	-
<b>Balance as at March 31, 2022</b>	<b>250,000,000</b>	<b>44,733,767</b>	<b>(344,136,886)</b>	<b>(49,403,119)</b>	<b>(1,704,949)</b>	<b>(51,108,068)</b>
Total comprehensive income/ (loss) for the period						
Loss after taxation	-	-	(8,520,805)	(8,520,805)	-	(8,520,805)
Other comprehensive income	-	-	-	-	1,516,971	1,516,971
Total comprehensive income/ (loss) for the period	-	-	(8,520,805)	(8,520,805)	1,516,971	(7,003,834)
Transferred from statutory reserve	-	(34,630)	34,630	-	-	-
<b>Balance as at June 30, 2022</b>	<b>250,000,000</b>	<b>44,699,137</b>	<b>(352,623,061)</b>	<b>(57,923,924)</b>	<b>(187,978)</b>	<b>(58,111,902)</b>
Total comprehensive income for the period						
Profit after taxation	-	-	619,531	619,531	-	619,531
Other comprehensive loss	-	-	-	-	(659,281)	(659,281)
Total comprehensive income for the period	-	-	619,531	619,531	(659,281)	(39,750)
Transferred to statutory reserve	-	30,977	(30,977)	-	-	-
<b>Balance as at March 31, 2023</b>	<b>250,000,000</b>	<b>44,730,114</b>	<b>(352,034,507)</b>	<b>(57,304,393)</b>	<b>(847,259)</b>	<b>(58,151,652)</b>

The annexed notes 1 to 24 form an integral part of these financial statements.

  
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Lahore: April 28, 2023

## NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2023

### 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 the 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) (the Modaraba Management Company), incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore.

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

### 1.2 Going concern assumption

During the current period the Modaraba made profit before Modaraba Company's Management fee of Rs.0.619 million (2022: 8.658 million).As at the reporting date, its current liabilities exceed its current assets by Rs.112.777million (June 2022:91.199 million) and its accumulated losses amount to Rs. 352.034 million (June 2022:352.623 million).Short term running finance facility obtained from National Bank of Pakistan was expired on October 31,2019 that has yet not been renewed and markup outstanding thereupon is still payable as at the reporting date.

In purview of the consistent losses of the Modaraba, the Registrar Modaraba issued a show cause notice to 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 the Registrar Modaraba, the winding up petition has been filed by the 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 May 08, 2023.

Accumulated losses as on March 31, 2023 contain Rs. 270.324 million (June 30, 2022: Rs. 285.220 million) against provision for doubtful receivables; the management believes that these amounts are notional in nature and these provisions are reversible in future to the extent of actual cash recoveries, as and when realized, from the defaulter clients. Besides fully charging provisioning in accordance with the Prudential Regulations for Modarabas issued by SECP ('PRs'), the Modaraba has also subjectively assessed the carrying value of its classified receivables and has incorporated additional provision of Rs. 5.593 million (June 30, 2022: Rs. 9.889 million) in the light of applicable regulations and management judgment.

The Modaraba has filed legal suits for recovery against all its defaulter clients and Rs. 432.058 million (June 30, 2022: 432.058 million) have been decreed in the Modaraba's favor by the Honorable Banking Courts, against principal amount, that are pending execution. Further, the short term running finance facility obtained from National Bank of Pakistan (NBP) was expired on October 31, 2019 that has yet not been renewed while markup outstanding thereupon is also yet to be paid. Outstanding markup on this facility upto October 31, 2019 was Rs. 10.800 million. However, NBP is accruing markup beyond that date in its books; accordingly, the Modaraba, while its request of waiver/ reduction of markup is in pendency, has also accrued a further amount of Rs. 85.123 million on account of finance cost against this facility accumulating to Rs.95.367 million (June 30, 2022: Rs. 70.311 million) as at the reporting date, that the management believes is not readily payable. Further, the current liabilities also include Rs. 33.006 million (June 30, 2022: Rs. 33.006 million) worth security deposits that are not immediately repayable rather shall be adjusted against the residual value of ijarah assets.

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

## 2. BASIS OF PREPARATION

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### 2.1 *Statement of compliance*

These condensed interim financial statements are unaudited and have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting (IAS-34), the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (the Modaraba Regulations). In case above requirements of applicable accounting standards differ, the provisions of or directives issued under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981 and declaration issued by Securities and Exchange Commission of Pakistan shall prevail. The disclosures in these condensed interim financial statements do not include all the information reported in audited annual financial statements and should therefore be read in conjunction with the financial statements for the year ended June 30, 2022.

### 2.2 *Accounting convention*

These condensed interim financial statements (unaudited) have been prepared on the basis other than going concern using estimated realizable/ settlement values of the assets and liabilities respectively. In realizable/ settlement value basis, assets are carried at amount of cash and cash equivalents that could currently be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values, that is the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business. These realizable/ settlement values are based on management judgment and other available evidence; however, these may change on actual realization of assets/ settlement of liabilities.

### 2.3 *Functional and presentation currency*

These condensed interim financial statements (unaudited) are presented in Pak Rupees, which is the Modaraba's functional and presentation currency. All the figures have been rounded off to the nearest Pak Rupees unless stated otherwise.

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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3.1 The accounting policies adopted for the preparation of these condensed interim financial statements (unaudited) are consistent with those applied in the preparation of annual audited financial statements of the Modaraba for the year ended June 30, 2022.

### 3.2 *Standards, interpretations and amendments to approved accounting standards which became effective during the period*

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

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

There are other new standards which are effective from 01 July, 2021 but they do not have a material effect on the Modaraba's condensed interim financial statements.

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

There are other new standards and certain amendments and interpretations to the accounting and reporting standards that will be mandatory for the Modaraba's annual accounting periods beginning on or after July 1, 2021. However, these standards, amendments and interpretations will not have any significant impact on the financial reporting of the Modaraba and, therefore, have not been disclosed in these condensed interim financial statements.

## Quarterly Report-March 31, 2023

4. SHORT TERM MURABAHA INVESTMENTS - SECURED	Note	March 31, 2023	June 30, 2022
		Rupees (Unaudited)	Rupees (Audited)
Short term murabaha investments - considered doubtful		144,973,587	166,994,579
Add: Deferred murabaha income		274,022	274,022
		<u>145,247,609</u>	<u>167,268,601</u>
Less: Provision for non-performing murabaha investments	4.2	(143,200,634)	(164,674,215)
Less: Suspended murabaha income		(274,022)	(274,022)
		<u><u>1,772,953</u></u>	<u><u>2,320,364</u></u>

4.1 These represent investments under murabaha arrangements with 8 (June 30, 2022: 9) customers on deferred payment basis at expected profit rates ranging from 8.36% to 14.64% (June 30, 2022: 8.36% to 14.64%) per annum. These investments are secured against charge over fixed and current assets, personal guarantees of directors of customer companies, registered and equitable mortgage of properties, demand promissory notes and post dated cheques varying from case to case. Legal proceedings against these customers are in process in Honorable Courts of Law. The courts have awarded decree in favour of the Modaraba in 6 (June 30, 2022: 8) cases for recovery of Rs. 174.43 million (June 30, 2022: Rs. 237.28 million), while execution proceeding of decrees are underway in the court.

4.2 Provision for non-performing murabaha investments	March 31, 2023	June 30, 2022
	Rupees	Rupees
Opening balance	164,674,215	201,878,010
Transferred to long term murabaha investments	(21,473,581)	-
Reversed during the period/ year	-	(37,203,795)
Closing balance	<u><u>143,200,634</u></u>	<u><u>164,674,215</u></u>

5. SHORT TERM INVESTMENTS	March 31, 2023	June 30, 2022
	Rupees	Rupees
<b>Investments in sukuk of Rs 100,000 each - fair value through OCI</b>		
<b>Number of units</b>		
550      550	Neelum Jehlum Sukuk	21,934,502      25,416,907
200      200	Byco Petroleum Pakistan Limited	-      5,093,675
<u>750</u> <u>750</u>		<u>21,934,502</u> <u>30,510,582</u>
Bankislami Pakistan Limited - Islami Aamdani Certificate - TDRs	168,000,000	22,000,000
National Bank Aitmaad - Term deposit certificates	-	120,000,000
	<u><u>189,934,502</u></u>	<u><u>172,510,582</u></u>

# First National Bank Modaraba

<b>6. IJARAH RENTALS RECEIVABLE</b>		<b>March 31, 2023</b>	<b>June 30, 2022</b>
		Rupees	Rupees
Considered doubtful	6.1	88,677,038	102,176,799
Less: Provision for doubtful ijarah rentals receivable	6.2	(49,864,222)	(48,591,698)
Less: Profit held in suspense account		(20,702,903)	(22,718,538)
		<u>18,109,913</u>	<u>30,866,563</u>

6.1 This represents receivables from various customers under the Ijarah finance. Legal proceedings against 7 (June 30, 2022: 7) customers are in process in Honorable Courts of Law. The courts have awarded decree in favour of the Modaraba in 7 (June 30, 2022: 6) cases for recovery of Rs. 118.04 million (June 30, 2022: 141.67 million), while execution proceeding of decrees are underway in the court.

	<b>Note</b>	<b>March 31, 2023</b>	<b>June 30, 2022</b>
		Rupees (Unaudited)	Rupees (Audited)
<b>6.2 Considered doubtful</b>			
Opening balance		102,176,799	107,088,572
Less: Received during the period/ year		(13,499,761)	(1,200,000)
Considered doubtful - gross balance		88,677,038	105,888,572
Less: Receivable written off		-	(3,711,773)
Considered doubtful- net balance		<u>88,677,038</u>	<u>102,176,799</u>

<b>7. CURRENT PORTION OF NON-CURRENT ASSETS</b>		<b>March 31, 2023</b>	<b>June 30, 2022</b>
		Rupees	Rupees
Net investment in ijarah finance	8	-	13,272,934
Diminishing musharaka financing	9	798,814	1,573,814
Long term murabaha investments	10	4,800,000	-
		<u>5,598,814</u>	<u>14,846,748</u>

Net investment in ijarah finance has been classified as non-current asset because as per the scheme of arrangement, maturity of Chenab Limited has been extended upto 2035.

<b>8. NET INVESTMENT IN IJARAH FINANCE</b>		<b>March 31, 2023</b>	<b>June 30, 2022</b>
		Rupees	Rupees
Minimum ijarah rentals receivable		49,002,075	49,695,856
Add: Residual value of ijarah assets		46,700	46,700
Gross investment in ijarah finance		49,048,775	49,742,556
Less: Unearned finance income		(24,109,320)	(24,109,320)
Net investment in lease ijarah finance		24,939,455	25,633,236
Less: Provision for doubtful net investment in ijarah finance		(13,243,063)	(12,360,302)
		11,696,392	13,272,934
Less: Current portion		-	(13,272,934)
		<u>11,696,392</u>	<u>-</u>

This investment represents ijarah arrangement entered into with Chenab Limited (the company) for a period of 10 years at an implicit profit rate of 8.7% per annum against security deposits of Rs. 46,700 (June 30, 2022: 46,700). The Lahore High Court has approved the scheme of arrangement of the company on September 12, 2021 for rehabilitation of the company, which has been implemented. The scheme is binding on all the creditors of the company. As per approved scheme of arrangement, recovery suit has been decreed in the Modaraba's favor through consent decree on June 29, 2022 and the execution proceedings have been adjourned in the court. The Modaraba has so far recovered pro rata share of Rs 1.783 million under the scheme through sale of non-core assets of the company.

## Quarterly Report-March 31, 2023

<b>9. DIMINISHING MUSHARAKA FINANCING - SECURED</b>		<b>March 31, 2023</b>	<b>June 30, 2022</b>
		Rupees	Rupees
Considered doubtful		1,573,814	5,200,302
Received during the period/ year		(775,000)	(3,626,488)
		798,814	1,573,814
Less: Current portion	7	(798,814)	(1,573,814)
		-	-

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.

<b>10. LONG TERM MURABAHA INVESTMENTS - SECURED</b>		<b>March 31, 2023</b>	<b>June 30, 2022</b>
	<b>Note</b>	Rupees (Unaudited)	Rupees (Audited)
Considered good		-	-
Considered doubtful		78,667,630	59,594,049
		78,667,630	59,594,049
Add: Deferred murabaha income		29,388,304	29,388,304
		108,055,934	88,982,353
Less: Provision for doubtful murabaha investments		(64,016,123)	(59,594,049)
Less: Suspended murabaha income		(29,388,304)	(29,388,304)
		14,651,507	-
Less: Current portion	7	(4,800,000)	-
		9,851,507	-

These represent investments under murabaha arrangements on deferred payment basis at expected profit margin ranging from 9.85% to 14.61% (2022: 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.

This represents receivable from 3 (2022: 3) customers under the Murabaha finance. Legal proceedings against 3 (2022: 2) customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in 3 (2022: 2) cases for recovery of Rs. 106.93 million (2022: 83.068 million), while the order to execute decree is awaited.

<b>10.1 Provision for doubtful murabaha investments</b>		<b>March 31, 2023</b>	<b>June 30, 2022</b>
		Rupees	Rupees
Opening balance		59,594,049	59,594,049
Transferred from short term murabaha investments	4.2	21,473,581	-
Charged during the period		-	-
Reversed during the period		(17,051,507)	-
Net charged/ adjusted during the period		4,422,074	-
Closing balance		64,016,123	59,594,049

<b>11 FIXED ASSETS UNDER IJARAH ARRANGEMENTS</b>		<b>March 31, 2023</b>	<b>June 30, 2022</b>
		Rupees	Rupees
Written down value at the beginning of the period/ year		32,959,576	33,024,976
Less: Written down value of asset disposed off/ adjusted		-	(65,400)
		32,959,576	32,959,576
Less: Depreciation charged during the period/ year		-	-
		32,959,576	32,959,576

The ijarah assets are adjusted against their security deposits.

The Modaraba had entered into various Ijarah agreements for periods ranging from 3 to 14 years (June 30, 2022: 3 to 14 years). Security deposits ranging from 0% to 71% (June 30, 2022: 0% to 71%) were obtained at the time of disbursement. The expected rate of profit implicit in ijarah ranges from 9.87% to 16.99% (June 30, 2022: 9.87% to 16.99%) per annum. These ijarahs are fully matured and no further rentals are receivable against these in future, except for those disclosed in the financial statements (Note 8). These ijarah assets would be adjusted against the security deposits received from customers.

# First National Bank Modaraba

<b>12 FIXED ASSETS - OWN USE</b>	<b>March 31, 2023</b>	<b>June 30, 2022</b>
	Rupees	Rupees
Written down value at the beginning of the period/ year	88,759	27,700
Additions	-	87,030
Disposal	-	(39,000)
	<u>88,759</u>	<u>75,730</u>
Less: Depreciation charged during the period/ year	(10,856)	(25,971)
Depreciation on disposal	-	39,000
	<u><u>77,903</u></u>	<u><u>88,759</u></u>

These contain fully depreciated assets of Rs. 3,507,904/- (June 30, 2022: Rs. 3,507,904/-) that are still in use by the Modaraba.

## **13 DEFERRED TAX ASSET**

The deferred tax asset of Rs. 17.552 million (June 30, 2022: Rs. 108.682 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.

<b>14 SHORT TERM BORROWINGS - SECURED</b>	<b>Note</b>	<b>March 31, 2023</b>	<b>June 30, 2022</b>
		Rupees (Unaudited)	Rupees (Audited)
<b>From banking company - Related party</b>			
Running finance		<u>217,063,388</u>	<u>217,063,388</u>

**14.1** The Modaraba has obtained running finance facility of Rs. 250 million (June 30, 2022: Rs. 250 million) from the National Bank of Pakistan carrying markup at 1 month KIBOR plus 1% (June 30, 2022: 1 month KIBOR plus 1%) per annum payable monthly. The markup rate charged during the year ranged from 14.66% to 17.11% (June 30, 2022: 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 (June 30, 2022: Rs 277.778 million). This facility was expired on October 31, 2019 and has yet not been renewed and repaid.

<b>15 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>		<b>March 31, 2023</b>	<b>June 30, 2022</b>
		Rupees	Rupees
Advances from customers		2,933,702	1,083,620
Accrued expenses		243,594	611,524
Payable to Modaraba Management Company		592,749	508,120
Workers' Welfare Fund payable	15.1	106,694	91,461
Sales tax payable		8,911	-
Charity payable		183,823	194,257
		<u>4,069,473</u>	<u>2,488,982</u>
<b>15.1 Workers' Welfare Fund payable</b>			
Opening balance		91,461	27,301
Expense during the period/ year		15,233	64,160
Paid during the period/ year		-	-
Closing balance		<u>106,694</u>	<u>91,461</u>
<b>15.2</b> The reconciliation is as follows:			
Opening balance		194,257	313,209
Additions during the year		20,419	331,083
Charity paid during the year		(50,000)	(450,035)
Closing balance		<u>164,676</u>	<u>194,257</u>

## Quarterly Report-March 31, 2023

Note 16

### Security Deposits against Ijarah Assets

	March 31, 2023	June 30, 2022
	Rupees	Rupees
Opening balance	33,006,276	33,071,676
Receipts during the year	-	-
Adjusted during the year	-	(65,400)
Closing balance	<u>33,006,276</u>	<u>33,006,276</u>

Note 17

### Deferred Murabaha Income

		March 31, 2023	June 30, 2022
	Note	Rupees	Rupees
Deferred murabaha income	10	29,388,304	29,388,304
Suspended income		<u>(29,388,304)</u>	<u>(29,388,304)</u>
		<u>-</u>	<u>-</u>

Note 18

### Certificate Capital

	2022	2022		March 31, 2023	June 30, 2022
				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>
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#### 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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18.1 7,500,000 (2021: 7,500,000) certificates of the Modaraba are held by National Bank Modaraba Management Company Limited, the modaraba management company.

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

18.3 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. Voting and other rights are in proportion to the shareholding.

Note 19

## 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 period Rs. 30,977 (2022: Rs. 521,880) are transferred in the statutory reserves owing to net profit for the year.

## 20 CONTINGENCIES AND COMMITMENTS

20.1 There is no significant change in the status of contingencies and commitments as reported in the annual audited financial statements of the Modaraba for the year ended 30 June 2022.

## 21 PROVISION FOR DOUBTFUL RECEIVABLES

	March 31, 2023	June 30, 2022
	Rupees	Rupees
Opening balance	285,220,264	313,400,018
Add: Charged during the period/ year	5,593,432	9,889,939
Less: Reversed during the period/ year	(20,489,654)	(38,069,693)
Net provision reversed for the period/ year	(14,896,222)	(28,179,754)
Closing balance	<u>270,324,042</u>	<u>285,220,264</u>

No figure for diluted earnings per share has been presented as the Modaraba has not issued any instrument carrying options which would

## 22 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies, the 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:

22.1 Particulars	Nature of transaction	March 31, 2023	March 31, 2022
		Rupees (Unaudited)	Rupees (Unaudited)
National Bank of Pakistan	Markup expense	27,252,636	8,574,712
National Bank Modaraba Management Company Limited	Management fee	84,629	1,520,395

22.2 Balances outstanding at the reporting date		March 31, 2023	June 30, 2022
		Rupees (Unaudited)	Rupees (Audited)
National Bank of Pakistan	Bank accounts	17,133	317,629
	Short term borrowings	217,063,388	217,063,388
	Markup payable	95,367,127	70,311,279
National Bank Modaraba Management Company Limited	Management fee payable	592,749	508,120

# Quarterly Report-March 31, 2023

## 23 DATE OF AUTHORIZATION FOR ISSUE

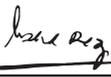
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These condensed interim financial statements (unaudited) have been approved by the Board of Directors of National Bank Modaraba Management Company Limited and authorized for issuance on April 28, 2023.

## 24 GENERAL

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Figures in the financial statements have been rounded-off to the nearest rupees except where stated otherwise.

  
\_\_\_\_\_  
**Director**  
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: April 28, 2023

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