



FIRST NATIONAL BANK MODARABA

Managed By:

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

HALF YEARLY REPORT
DECEMBER 31,
2022

First National Bank Modaraba

Half Yearly Report *December 31, 2022*

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CORPORATE INFORMATION

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

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

Directors' 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 half year ended December 31,2022.

During the period under review the focus of management remained on recovery. Settlement arrangements were made with some defaulter customers in FY 2022 and amount of Rs 15.274 million was realized from them during the period.

On the operations side the income in the half year under review as well as in the corresponding period last year stayed around Rs 12.641 Million. However due to increase in market interest rates the finance cost on on account of provisional mark-up charged on NBP RF Line amounting to Rs 17.472 Million as compared to Rs. 9.797 Million in the corresponding period. Despite general inflation operating expenses stood at Rs 6.698 Million when compared to Rs 7.156 million in the corresponding period last year. The net result was a profit after tax of Rs 4.749Million as against profit of Rs 11.130 Million earned in the corresponding half year. The earnings per certificate stood at Rs 0.19 as compared to to a profit of Rs 0.45 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 NBPLs as they mainly represent provisioning charged there against. Under the circumstances, apart from recapitalization as was decided earlier, the holding Bank NBP is also evaluating other options, in the best interest of all stakeholders.

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



Director



Director

Lahore: February 23, 2023

ڈائریکٹرز کی سہ ماہی جائزہ رپورٹ

فرسٹ نیشنل بینک مضاربہ (FNBM) کی انتظامی کمپنی نیشنل بینک مضاربہ منجمنٹ کمپنی لمیٹڈ (NBMMCL) کے بورڈ آف ڈائریکٹرز کی جانب سے، میں 31 دسمبر 2022ء کو اختتام پذیر سہ ماہی کے لئے FNBM کی سہ ماہی رپورٹ اور غیر پڑتال شدہ مالیاتی اسٹیٹمنٹس ازراہ مسرت پیش کرتا ہوں۔

زیر جائزہ مدت کے دوران انتظامیہ کی توجہ ریکوری پر رہی۔ مالی سال 2022 میں کچھ ڈیفالٹس صارفین کے ساتھ تصفیہ کے انتظامات کیے گئے تھے اور اس عرصے کے دوران ان سے 15.274 ملین روپے کی رقم وصول کی گئی تھی۔

آپریشنز کی جانب سے زیر جائزہ ششماہی کے ساتھ ساتھ پچھلے سال کی اسی مدت میں آمدنی تقریباً 12.641 ملین روپے رہی۔ تاہم مارکیٹ کی شرح سود میں اضافے کی وجہ سے NBP RF لائن پر لگائے جانے والے عارضی مارک اپ کی وجہ سے مالیاتی لاگت 17.472 ملین روپے کے مقابلے میں روپے ہے۔ اسی مدت میں 9.797 ملین۔ عام افراط زر کے باوجود آپریٹنگ اخراجات 6.698 ملین روپے رہے جب کہ گزشتہ سال کی اسی مدت میں 7.156 ملین روپے تھے۔ خالص نتیجہ 4.749 ملین روپے کا بعد از ٹیکس منافع تھا جبکہ اسی ششماہی میں کمائے گئے 11.130 ملین روپے کے منافع کے مقابلے میں۔ فی سرٹیفکیٹ کی آمدنی اسی مدت میں 0.45 روپے فی سرٹیفکیٹ کے منافع کے مقابلے میں 0.19 روپے رہی۔

نقصانات کی وجہ سے ایس ای سی پی نے مضاربہ کمپنیوں کے سیکشن 23(I)(ii)(b) اور مضاربہ (فلوئیشن اینڈ کنٹرول) آرڈیننس 1980 کے تحت FNBM کو سمیٹنے کے لیے مضاربہ ٹریبونل لاہور میں درخواست دائر کی ہے، تاہم یہ واضح کرنا ضروری ہے کہ یہ نقصانات حتمی نہیں ہیں اور NBPLs سے وصولیوں پر کافی حد تک واپسی جاسکتے ہیں کیونکہ وہ بنیادی طور پر وہاں کے خلاف چارج کی گئی فراہمی کی نمائندگی کرتے ہیں۔ ان حالات میں، جیسا کہ پہلے فیصلہ کیا گیا تھا، ری کپیڈلائزیشن کے علاوہ، ہولڈنگ بینک NBP تمام اسٹیک ہولڈرز کے بہترین مفاد میں دیگر آپشنز کا بھی جائزہ لے رہا ہے۔

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 رجسٹرار مضاربہ، SECP اور NBFIA اینڈ مضاربہ ایسوسی ایشن آف پاکستان کا ان کی مسلسل رہنمائی اور تعاون کے لیے تہہ دل سے شکریہ ادا کرتا ہے۔

برائے/منجانب بورڈ آف ڈائریکٹرز


ڈائریکٹر


ڈائریکٹر

لاہور: 23 فروری 2023ء



Independent Auditors' Review Report

To the Certificate Holders of First National Bank Modaraba

Report on Review of Interim Financial Statements

Introduction

We have reviewed the accompanying condensed interim balance sheet of **First National Bank Modaraba** (the Modaraba) as at 31 December 2022 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement, and notes to the financial statements for the six-month period then ended (here-in-after referred to as the "interim financial statements"). Management is responsible for the preparation and presentation of these interim financial statements in accordance with accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on these financial statements based on our review.

Scope of review

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

Conclusion

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

Emphasis of matter

We draw attention to note '1.2' to the condensed interim financial statements, describing circumstances which indicates that a material uncertainty exists that cast significant doubt on the Modaraba's ability to continue as a going concern. Particularly that its accumulated losses exceed its certificate capital by Rs. 98.112 million, its current liabilities exceed current assets by Rs. 107.347 million and winding up petition has been filed against the Modaraba by the Registrar Modaraba. Hence, these financial statements are prepared on the basis of estimated realizable/ settlement values of assets and liabilities respectively. Our conclusion is not modified in this regard.



Other matters

- a) The annual financial statements of the Modaraba for the year ended 30 June 2022 were audited by another firm of Chartered Accountants who expressed an unmodified opinion with emphasis of matter paragraph on those financial statements on 09 September 2022.
- b) The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the quarters ended 31 December have not been reviewed, as we are required to review only the cumulative figures for the half year.

The engagement partner on the review resulting in this independent auditors' review report is Mr. Adnan Rashid.

A handwritten signature in cursive script, appearing to read 'Rahman Sarfaraz'.

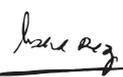
Rahman Sarfaraz Rahim Iqbal Rafiq
CHARTERED ACCOUNTANTS

Lahore: 23 FEB 2023
UDIN: RR202210701pa6sxYKcg

CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT 31 DECEMBER 2022

		December 31, 2022	June 30, 2022
	Note	Rupees (Unaudited)	Rupees (Audited)
ASSETS			
CURRENT ASSETS			
Cash and bank balances		12,946,906	1,455,894
Short term murabaha investments - secured	4	1,772,953	2,320,364
Accrued profit		3,945,751	3,049,548
Short term investments	5	178,630,467	172,510,582
Ijarah rentals receivable	6	20,709,913	30,866,563
Advances, prepayments and other receivables		8,086,238	7,045,707
Current portion of non-current assets	7	5,598,814	14,846,748
		231,691,042	232,095,406
NON-CURRENT ASSETS			
Net investment in ijarah finance	8	11,696,392	-
Diminishing musharaka financing - secured	9	-	-
Long term murabaha investments - secured	10	8,551,507	-
Long term deposits		39,500	39,500
Intangible asset	11	-	-
Fixed assets under ijarah arrangements	12	32,959,576	32,959,576
Fixed assets - own use	13	77,903	88,759
Deferred tax asset	14	-	-
		53,324,878	33,087,835
TOTAL ASSETS		285,015,920	265,183,241
LIABILITIES			
CURRENT LIABILITIES			
Accrued markup on short term borrowings		85,547,623	70,311,279
Short term borrowings - secured	15	217,063,388	217,063,388
Creditors, accrued and other liabilities	16	2,995,985	2,488,982
Unclaimed dividend		425,218	425,218
Security deposits against ijarah assets		33,006,276	33,006,276
TOTAL LIABILITIES		(339,038,490)	(323,295,143)
NET LIABILITIES		(54,022,570)	(58,111,902)
FINANCED BY:			
Certificate capital		250,000,000	250,000,000
Statutory reserve		44,936,568	44,699,137
Accumulated loss		(348,111,879)	(352,623,061)
		(53,175,311)	(57,923,924)
Unrealised loss on revaluation of sukus		(847,259)	(187,978)
TOTAL EQUITY AND RESERVES		(54,022,570)	(58,111,902)
CONTINGENCIES AND COMMITMENTS	17	-	-

The annexed notes 1 to 22 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: February 23, 2023

Half Yearly Report-December 31, 2022

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2022

	Note	For the half year ended		For the quarter ended	
		December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
		Rupees (Unaudited)	Rupees (Unaudited)	Rupees (Unaudited)	Rupees (Unaudited)
Income from operations					
Profit on bank deposits		153,162	78,131	79,531	31,390
Profit on short term investments		12,488,196	5,630,860	7,666,393	3,933,116
		12,641,358	5,708,991	7,745,924	3,964,506
Other income					
Reversal of provision charged for doubtful receivables - net	18	19,189,654	34,185,791	14,711,092	12,103,050
Suspension reversed during the year		2,015,635	1,151,081	2,015,635	-
Other income		2,404,408	287,990	2,404,408	286,032
		23,609,697	35,624,862	19,131,135	12,389,082
Total income		36,251,055	41,333,853	26,877,059	16,353,588
Expenses					
Operating expenses		(6,698,326)	(7,156,001)	(3,615,432)	(3,437,720)
Finance cost		(17,472,653)	(9,796,921)	(13,402,714)	(5,402,725)
Total expenses		(24,170,979)	(16,952,922)	(17,018,146)	(8,840,445)
Operating profit before provision and taxation		12,080,076	24,380,931	9,858,913	7,513,143
Provision charged for doubtful receivables - net		(5,593,432)	(9,176,980)	(5,593,432)	-
Profit/ (loss) before Modaraba Management Company's fee		6,486,644	15,203,951	4,265,481	7,513,143
Modaraba Management Company's fee		(648,664)	(1,520,395)	426,548	(751,314)
Provision for Workers' Welfare Fund		(116,760)	(273,671)	(76,779)	(135,236)
Profit/ (loss) before taxation		5,721,220	13,409,885	3,762,154	6,626,593
Taxation		(972,607)	(2,279,680)	(639,566)	(2,279,680)
Profit/ (loss) after taxation		4,748,613	11,130,205	3,122,588	4,346,913
Earning/ (loss) per modaraba certificate - basic and diluted	19	0.19	0.45	0.12	0.17

The annexed notes 1 to 22 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: February 23, 2023

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2022

	For the half year ended		For the quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	Rupees (Unaudited)	Rupees (Unaudited)	Rupees (Unaudited)	Rupees (Unaudited)
Profit/ (loss) after taxation	4,748,613	11,130,205	3,122,588	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)
Total comprehensive income/ (loss) for the period	4,089,332	10,987,091	3,122,588	4,203,799

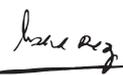
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National Bank Modaraba
Management Company Limited

Lahore: February 23, 2023

Half Yearly Report-December 31, 2022

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2022

	For the half year ended	
	December 31, 2022	December 31, 2021
	Rupees (Unaudited)	Rupees (Unaudited)
CASHFLOWS FROM OPERATING ACTIVITIES		
Profit after taxation	5,721,220	13,409,885
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	(12,488,196)	(5,630,860)
- Charge of provision against doubtful ijarah rentals receivable - net	5,593,432	9,176,980
- Other income	(2,404,408)	-
- Reversal of provision - net	(19,189,654)	(34,185,791)
- Suspension reversed during the year	(2,015,635)	(1,151,081)
- Workers' Welfare Fund	116,760	401,794
- Finance cost	17,472,653	9,796,921
- Profit on term deposit receipts and bank deposits	(153,162)	(78,131)
	(13,057,354)	(21,785,570)
Operating loss before working capital changes	(7,336,134)	(8,375,685)
Decrease/ (increase) in current assets:		
- Accrued profit	11,591,993	4,915,146
- Ijarah rentals receivable	10,899,761	790,421
- Advances, prepayments and other receivables	(265,609)	(179,080)
- Tax recoverable/ Adjustable	(774,922)	1,796,331
- Short term murabaha investments recovered	547,411	35,179,394
- 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	562,863	1,112,374
Net changes in working capital	26,430,278	45,714,586
Cash generated from operations	19,094,144	37,338,901
Finance cost paid	(4,521)	(21,833)
Income taxes paid/ deducted at source	(972,607)	(2,279,680)
Profit received on bank deposits	153,162	78,131
Net cash generated from operating activities	18,270,178	35,115,519
CASH FLOWS FROM INVESTING ACTIVITIES		
Short term investments - net	(6,779,166)	(33,229,166)
Long term desposits - net	-	(275,000)
Proceeds from disposal of ijarah assets	-	127,302
Net cash used in investing activities	(6,779,166)	(33,376,864)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net increase in cash and cash equivalents during the period	11,491,012	1,738,655
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	12,946,906	14,713,830

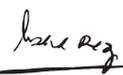
The annexed notes 1 to 22 form an integral part of these financial statements.



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Chief Financial Officer
National Bank Modaraba
Management Company Limited

Lahore: February 23, 2023

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE HALF YEAR PERIOD ENDED DECEMBER 31, 2022

Particulars	Certificate capital	Statutory reserve	Accumulated loss	Subtotal	Unrealised loss on revaluation of sukus	Total
-----Rupees-----						
Balance as at July 01, 2021	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)	-	-	-
Balance as at December 31, 2021	250,000,000	44,733,767	(344,136,886)	(49,403,119)	(1,704,949)	(51,108,068)
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 to statutory reserve	-	(34,630)	34,630	-	-	-
Balance as at June 30, 2022	250,000,000	44,699,137	(352,623,061)	(57,923,924)	(187,978)	(58,111,902)
Total comprehensive income for the period						
Profit after taxation	-	-	4,748,613	4,748,613	-	4,748,613
Other comprehensive loss	-	-	-	-	(659,281)	(659,281)
Total comprehensive income for the period	-	-	4,748,613	4,748,613	(659,281)	4,089,332
Transferred to statutory reserve	-	237,431	(237,431)	-	-	-
Balance as at December 31, 2022	250,000,000	44,936,568	(348,111,879)	(53,175,311)	(847,259)	(54,022,570)

The annexed notes 1 to 22 form an integral part of these financial statements.



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Chief Financial Officer
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Lahore: February 23, 2023

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2022

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*

The Modaraba has earned profit after taxation amounting to Rs. 4.749 million (December 31, 2021: Rs. 11.130 million) which is mainly due to reversal of provisions amounting to Rs. 19.190 million.

As at the reporting date, the Modaraba's current liabilities exceed its current assets by Rs. 107.347 million (June 30, 2022: Rs. 91.199 million) and its accumulated losses amount to Rs. 348.112 million (June 30, 2022: Rs. 352.623 million) which exceeds its total subscribed certificate capital by Rs. 98.112 million. The trading in the certificates of the 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 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 March 16, 2023.

Accumulated losses as on December 31, 2022 contain Rs. 271.624 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. 74.748 million on account of finance cost against this facility accumulating to Rs. 85.548 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

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 judgement 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

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.

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.

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4. SHORT TERM MURABAHA INVESTMENTS - SECURED	Note	December 31,	June 30,
		2022	2022
		Rupees	Rupees
		(Unaudited)	(Audited)
Short term murabaha investments - considered doubtful		144,973,587	166,994,579
Add: Deferred murabaha income		274,022	274,022
		145,247,609	167,268,601
Less: Provision for non-performing murabaha investments	4.1 and 4.2	(143,200,634)	(164,674,215)
Less: Suspended murabaha income		(274,022)	(274,022)
		<u>1,772,953</u>	<u>2,320,364</u>
<p>4.1 These represent investments under murabaha arrangements with 6 (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 the executing proceeding of decree are underway in the court.</p>			
<p>4.2 Provision for non-performing murabaha investments</p>			
Opening balance		164,674,215	201,878,010
Transferred to long term murabaha investments	10.1	(21,473,581)	-
Reversed during the period/ year		-	(37,203,795)
Closing balance		<u>143,200,634</u>	<u>164,674,215</u>
<p>5. SHORT TERM INVESTMENTS</p>			
<p>Investments in sukuk of Rs 100,000 each - fair value through OCI</p>			
		<u>Number of units</u>	
		550	550
	5.1	Neelum Jehlum Sukuk	21,901,059
			25,416,907
		200	200
	5.2	Byco Petroleum Pakistan Limited	1,729,408
			5,093,675
		<u>750</u>	<u>750</u>
			23,630,467
			30,510,582
Bankislami Pakistan Limited - Islami Aamdani Certificate - TDRs	5.3	155,000,000	22,000,000
National Bank Aitmaad - Term deposit certificates	5.4	-	120,000,000
		<u>178,630,467</u>	<u>172,510,582</u>
<p>5.1 The outstanding principal per unit is Rs. 39,820 (June 30, 2022: Rs. 42,000) having fair value of Rs. 106.96 (June 30, 2022: 110.0299) per unit as at the reporting date.</p>			
<p>5.2 The outstanding principal per unit is Rs. 8,640 (June 30, 2022: Rs. 25,000) having fair value of Rs. 100.08 (June 30, 2022: Rs. 101.8735) per unit as at the reporting date.</p>			
<p>5.3 These term deposits certificates yield profit at the rate of 14.50% TO 15.35% (June 30, 2022: 7% to 12.5%) per annum.</p>			
<p>5.4 These term deposits certificates yield profit at the rate of Nil (June 30, 2022: 10.5%) per annum.</p>			
<p>6. IJARAH RENTALS RECEIVABLE</p>			
Considered doubtful	6.1 and 6.2	91,277,038	102,176,799
Less: Provision for doubtful ijarah rentals receivable	6.3	(49,864,222)	(48,591,698)
Less: Profit held in suspense account		(20,702,903)	(22,718,538)
		<u>20,709,913</u>	<u>30,866,563</u>
<p>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 the execution proceeding of decree are underway in the court</p>			

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	Note	December 31, 2022	June 30, 2022
		Rupees (Unaudited)	Rupees (Audited)
6.2 Considered doubtful			
Opening balance		102,176,799	107,088,572
Less: Received during the period/ year		(10,899,761)	(1,200,000)
Considered doubtful - gross balance		91,277,038	105,888,572
Less: Receivable written off		-	(3,711,773)
Considered doubtful- net balance		91,277,038	102,176,799
6.3 Provision for doubtful ijarah rentals receivable			
Opening balance		48,591,698	38,701,759
Charged during the period/ year		4,710,671	9,889,939
Provision written back during the period/ year		(3,438,147)	-
Written off during the period/ year		-	-
Net charged during the period/ year		1,272,524	9,889,939
Closing balance		49,864,222	48,591,698
7. CURRENT PORTION OF NON-CURRENT ASSETS			
Net investment in ijarah finance	8	-	13,272,934
Diminishing musharaka financing	9	798,814	1,573,814
Long term morabaha investment	10	4,800,000	-
		5,598,814	14,846,748
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.			
8. NET INVESTMENT IN IJARAH FINANCE			
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	7	-	(13,272,934)
		11,696,392	-
8.1			
This investment represents ijarah arrangement entered into with Chenab Limited (the company) initially 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 14, 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.			
8.2 Provision for doubtful net investment in ijarah finance			
Opening balance		12,360,302	13,226,200
Charged during the period/ year		882,761	-
Reversal during the period/ year		-	865,898
Net charged reversal during the period/ year		882,761	865,898
Closing balance	18.2	13,243,063	12,360,302
9. DIMINISHING MUSHARAKA FINANCING - SECURED			
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.

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10. LONG TERM MURABAHA INVESTMENTS - SECURED	Note	December 31, 2022	June 30, 2022
		Rupees (Unaudited)	Rupees (Audited)
Considered good		-	-
Considered doubtful		78,667,630	59,594,049
		<u>78,667,630</u>	<u>59,594,049</u>
Add: Deferred murabaha income		29,388,304	29,388,304
		<u>108,055,934</u>	<u>88,982,353</u>
Less: Provision for doubtful murabaha investments		(65,316,123)	(59,594,049)
Less: Suspended murabaha income		(29,388,304)	(29,388,304)
		<u>13,351,507</u>	<u>-</u>
Less: Current portion		(4,800,000)	-
		<u>8,551,507</u>	<u>-</u>
10.1 Provision for doubtful murabaha investments			
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		(15,751,507)	-
Net charged/ adjusted during the period		<u>5,722,074</u>	<u>-</u>
Closing balance		<u>65,316,123</u>	<u>59,594,049</u>
11. INTANGIBLE ASSET			
Cost		1,131,300	1,131,300
Accumulated amortization		(1,131,300)	(1,131,300)
Net book value		<u>-</u>	<u>-</u>
This represents ERP software that is fully amortized but still in use of the Modaraba as at reporting period.			
12. FIXED ASSETS UNDER IJARAH ARRANGEMENTS			
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)
		<u>32,959,576</u>	<u>32,959,576</u>
Less: Depreciation charged during the period/ year		-	-
		<u>32,959,576</u>	<u>32,959,576</u>
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.			
13. FIXED ASSETS - OWN USE			
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>77,903</u>	<u>88,759</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.

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14. 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.

15. SHORT TERM BORROWINGS - SECURED	Note	December 31,	June 30,
		2022	2022
		Rupees	Rupees
		(Unaudited)	(Audited)
From banking company - Related party			
Running finance	15.1	217,063,388	217,063,388

15.1 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.

16. CREDITORS, ACCRUED AND OTHER LIABILITIES

Advances from customers		1,101,296	1,083,620
Accrued expenses		353,594	611,524
Payable to Modaraba Management Company		1,156,784	508,120
Workers' Welfare Fund payable	16.1	208,221	91,461
Sales tax payable		11,414	-
Charity payable		164,676	194,257
		<u>2,995,985</u>	<u>2,488,982</u>

16.1 Workers' Welfare Fund payable

Opening balance		91,461	27,301
Expense during the period/ year		116,760	64,160
Paid during the period/ year		-	-
Closing balance		<u>208,221</u>	<u>91,461</u>

17. CONTINGENCIES AND COMMITMENTS

17.1 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.

18. PROVISION FOR DOUBTFUL RECEIVABLES

Opening balance		285,220,264	313,400,018
Add: Charged during the period/ year	6.3	5,593,432	9,889,939
Less: Reversed during the period/ year	4.2, 6.3 and 8	(19,189,654)	(38,069,693)
Net provision reversed for the period/ year		<u>(13,596,222)</u>	<u>(28,179,754)</u>
Closing balance	18.2	<u>271,624,042</u>	<u>285,220,264</u>

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

18.2 Break up of closing balance

Provision against doubtful murabaha investments	10 and 4	208,516,757	224,268,264
Provision for doubtful ijarah rental receivables	6.3	49,864,222	48,591,698
Provision for doubtful net investment in ijarah finance	8	13,243,063	12,360,302
		<u>271,624,042</u>	<u>285,220,264</u>

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19. EARNING PER MODARABA CERTIFICATE - BASIC AND DILUTED		December 31,	December 31,
		2022	2021
		Rupees (Unaudited)	Rupees (Unaudited)
Earning attributable to certificates holders	Rupees	4,748,613	11,130,205
Weighted average number of certificates in issue	Numbers	25,000,000	25,000,000
Earning per certificate - basic and diluted	Rupees	0.19	0.45

No figure for diluted earnings per share has been presented as the Modaraba has not issued any instrument carrying options which would have an impact on loss per share when exercised.

20. 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:

20.1 Particulars	Nature of transaction	December 31,	December 31,
		2022	2021
		Rupees (Unaudited)	Rupees (Unaudited)
National Bank of Pakistan	Markup expense	17,472,653	9,796,921
National Bank Modaraba Management Company Limited	Management fee	648,664	1,520,395
National Bank of Pakistan (Aitemaad)	Profit on saving account	209,095	-
20.2 Balances outstanding at the reporting date		December 31, 2022	June 30, 2022
		Rupees (Unaudited)	Rupees (Audited)
National Bank of Pakistan	Bank accounts	240,505	317,629
	Short term borrowings	217,063,388	217,063,388
	Markup payable	85,547,623	70,311,279
National Bank Modaraba Management Company Limited	Management fee payable	1,156,784	508,120
20.3 Relationship			
National Bank of Pakistan		Holding Company of the Modaraba Management Company	
National Bank Modaraba Management Company Limited		Modaraba Management Company	

21. DATE OF AUTHORIZATION FOR ISSUE

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 February 23, 2023.

22. GENERAL

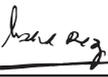
Figures in the financial statements have been rounded-off to the nearest rupees except where stated otherwise.



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: February 23, 2023

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