

National Bank Modaraba Management
Company Limited
Audit for the year ended
December 31, 2022

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022

	Note	2022 Rupees	2021 Rupees
NON-CURRENT ASSETS			
Property and equipment	6	63,414	101,456
Investment in managed modaraba	7	-	-
		63,414	101,456
CURRENT ASSETS			
Short term investments - amortized cost	8	-	103,441,400
Advances, deposits, prepayments and other receivables	9	271,714	471,985
Management fee receivable	10	-	-
Income tax refundable	11	-	-
Cash and bank balances	12	110,579,466	1,309,932
		110,851,180	105,223,317
CURRENT LIABILITIES			
Trade and other payables	13	970,925	539,380
Payable to National Bank of Pakistan	14	99,630,092	98,511,992
Provision for taxation		675,485	87,495
		101,276,502	99,138,867
Working capital		9,574,678	6,084,450
Total capital employed		9,638,092	6,185,906
CONTINGENCIES AND COMMITMENTS			
Net worth	16	9,638,092	6,185,906
Represented by:			
SHARE CAPITAL AND RESERVES			
Share capital	15	105,000,000	105,000,000
Accumulated loss		(95,361,908)	(98,814,094)
		9,638,092	6,185,906

The annexed notes from 1 to 27 form an integral part of these financial statements.

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Director



Director

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	2022 Rupees	2021 Rupees
Management fee	17	(444,211)	1,441,439
Other income	18	12,564,926	7,386,480
		12,120,715	8,827,919
Administrative expenses	19	(8,477,348)	(7,111,850)
Reversal of / (provision for) doubtful debt	10.3	515,285	(1,672,069)
Provision for income tax refundable	11	-	(13,219,655)
Bank charges		(1,740)	(30,287)
		(7,963,803)	(22,033,861)
Profit / (loss) before taxation		4,156,912	(13,205,942)
Taxation	20	(704,724)	(110,874)
Profit / (loss) for the year		3,452,188	(13,316,816)
Earning per share - basic and diluted	21	0.33	(1.27)

The annexed notes from 1 to 27 form an integral part of these financial statements.

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 Director

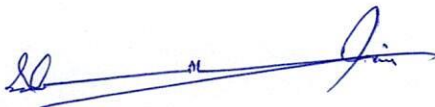

 Director

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2022

	2022 (Rupees)	2021 (Rupees)
Profit / (loss) for the year	3,452,188	(13,316,816)
Other comprehensive income		
Items that will not be reclassified to profit or loss	-	-
Items that may be reclassified subsequently to profit or loss	-	-
Total comprehensive income for the year	<u>3,452,188</u>	<u>(13,316,816)</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

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Director




Director

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
 STATEMENT OF CHANGES IN EQUITY
 FOR THE YEAR ENDED DECEMBER 31, 2022

	Share capital	Accumulated loss	Total
(Rupees).....		
Balance as at January 01, 2021	105,000,000	(85,497,280)	19,502,721
Loss for the year	-	(13,316,816)	(13,316,816)
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	(13,316,816)	(13,316,816)
Balance as at December 31, 2021	105,000,000	(98,814,096)	6,185,905
Total comprehensive income for the year			
Profit for the year	-	3,452,188	3,452,188
Other comprehensive income for the year	-	-	-
	-	3,452,188	3,452,188
Balance as at December 31, 2022	<u>105,000,000</u>	<u>(95,361,908)</u>	<u>9,638,092</u>

The annexed notes from 1 to 27 form an integral part of these financial statements.

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NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2022

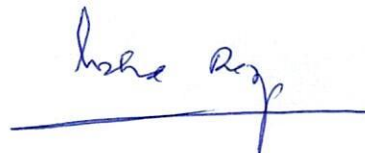
	Note	2022 (Rupees)	2021 Rupees
Cash flows from operating activities			
Profit / (loss) before taxation		4,156,912	(13,205,942)
Adjustments for non-cash items:			
Depreciation	6	38,042	12,681
Provision for income tax refundable		-	13,219,655
Profit on bank deposits and short term investments		(12,564,926)	(7,386,480)
		(12,526,884)	5,845,856
Effect on cash flows due to working capital changes:			
(Increase) / decrease in current assets:			
Advances and other receivables		200,225	(158,500)
Increase / (decrease) in current liabilities:			
Trade and other payables		431,545	238,967
Payable to National Bank of Pakistan		1,118,100	1,399,571
		1,749,870	1,480,038
Taxes paid		(116,734)	(58,661)
Net cash used in operating activities		(6,736,836)	(5,938,709)
Cash flows from investing activities			
Profit received on bank deposits and short term investments		208,096	315,370
Purchase of property and equipment		-	(114,136)
Purchase of short-term investments		(412,974,413)	(407,438,013)
Sale of short term-investments		528,772,687	412,270,318
Net cash generated from investing activities		116,006,370	5,033,539
Net Increase / (decrease) in cash and cash equivalents		109,269,534	(905,170)
Cash and cash equivalents at the beginning of the year		1,309,932	2,215,102
Cash and cash equivalents at the end of year	12	110,579,466	1,309,932

The annexed notes from 1 to 27 form an integral part of these financial statements.

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Director



Director

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

1 STATUS AND NATURE OF BUSINESS

1.1 National Bank Moradabad Management Company Limited ("the Company") was incorporated on August 06, 1992 in Pakistan as a public limited company under the repealed Companies Ordinance, 1984 (The Companies Act, 2017). The Company is a wholly-owned subsidiary of National Bank of Pakistan ("the Holding Company"). The purpose of the Company is to float modarabas and manage modarabas funds. The Company has floated " First National Bank Modaraba " in December 2003. The registered office of the Company is situated at 5th Floor, NBP Regional Head Quarter Building, 26 - McLagan Road, Lahore.

1.2 Going concern assumption

The Company's managed modaraba "First National Bank Modaraba" ("the Modaraba") is suffering from losses since 2013 as no new leasing agreements were executed by Modaraba. During the half year ended December 31, 2022, the Modaraba made profit before 'Modaraba Company's Management Fee' of Rs. 6.486 million which is primarily due to reversal of provision charged for doubtful receivables amounting to Rs. 19.189 million. Current liabilities exceeded its current assets by Rs. 107.347 million (June 2022: Rs. 91.199 million) and its accumulated losses amounted to Rs. 348.112 million (June 2022: Rs. 352.623 million). Furthermore short term running finance facility obtained by First National Bank Modaraba from National Bank of Pakistan (NBP) was expired on October 31, 2019 that has yet not been renewed and markup outstanding thereupon is still payable.

In purview of the consistent losses of the Modaraba, Winding up petition has been filed by the Registrar Modaraba on June 16, 2020 under section 23 (1)(ii)(b) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 before the Honorable Tribunal Lahore based on the grounds that as per audited accounts for the year ended June 30, 2017, 2018, 2019, the accumulated losses of the Modaraba had exceeded more than fifty percent of the total amount subscribed by the Modaraba Certificate holders. The case is pending in Banking Court and the next date of hearing is May 08, 2023. Further 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 this regard, the management of the Company is of view that it will continue the Modaraba as it believes that the Modaraba would earn sufficient profits in future to overcome the respective losses and accordingly defending the case against the Registrar's apprehensions.

Since, the only business of the Company is to manage the Modaraba and keeping in view above legal proceedings initiated by the Registrar may likely result against the Modaraba. Consequently, the management has prepared the financial statements on non-going concern basis and has used the estimated realizable / settlement values of the assets and liabilities respectively.

2 STATEMENT OF COMPLIANCE

2.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017; and
- Provisions of and directives issued under the Companies Act, 2017, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and The Modaraba Companies and Modaraba Rules, 1981.

In case requirements differ, Provisions of and directives issued under the Companies Act, 2017, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and The Modaraba Companies and Modaraba Rules, 1981 shall prevail.

2.2 Basis of preparation

These are the separate financial statements of the Company in which investment in managed modaraba is accounted for on the basis of direct equity interest rather than on the basis of reported results and net assets of the investee. The Company applies exemption with respect to preparation of consolidated financial statements as provided in paragraph 4 of "IFRS 10 - Consolidated Financial Statements" as National Bank of Pakistan ("the Ultimate Parent Company") has consolidated the financial statements of the managed modaraba as the Ultimate Parent Company

Accordingly, the consolidated financial statements of the Company have not been prepared and these separate financial statements are the only financial statements of the Company

2.3 New accounting standards / amendments and IFRS interpretations that are effective for the period ended December 31, 2022

The following standards, amendments and interpretations are effective for the year ended December 31, 2022.

	Effective from accounting period beginning on or after
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022

2.4 New accounting standards, amendments and interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Company's operations or are not expected to have significant impact on the Company's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023
Amendments to IFRS 16 'Leases' - Lease Liability in a Sale and Leaseback	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current Liabilities with Covenants	January 01, 2024
Amendments to IFRS 10 and 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred indefinitely
Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:	
- IFRS 1 – First Time Adoption of International Financial Reporting Standards	
- IFRS 17 – Insurance Contracts	

3 BASIS OF MEASUREMENT AND CURRENCY

3.1 Basis of measurement

These financial statements have been prepared under realizable value basis except as disclosed otherwise in these financial statements.

3.2 Functional and presentation currency

These financial statements are presented in Pakistan Rupees which is the Company's functional and presentation currency.

4 USE OF ESTIMATES AND JUDGMENTS

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical

experience, including expectation of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are discussed below:

- valuation of investment;
- impairment of assets;
- recognition of income taxes; and
- disclosure and assessment of provision for contingencies.

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Property and equipment

Property and equipment are stated at cost less accumulated depreciation and impairment, if any. Cost of property and equipment consists of historical cost and directly attributable costs of bringing assets to their present location and condition.

Subsequently property, and equipment are measured using cost model at cost less subsequent accumulated depreciation and impairment, if any.

Depreciation is charged to statement of profit or loss by applying straight line method at the rates specified in note "6" to these financial statements. Depreciation on additions is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.

Normal repairs and maintenance are taken to statement of profit or loss, as and when incurred. Major replacements are capitalized and the assets so replaced, if any, are retired. Gain and loss on disposal of assets is taken to the statement of profit or loss.

The carrying values of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. If any such indication exists and where the carrying values exceed the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts.

5.2 Investments

Investment in First National Bank Modaraba

Investments in managed modaraba is accounted for using the equity method of accounting. Under the equity method, an investment in a managed modaraba is recognized initially in the statement of financial position at cost and adjusted thereafter to recognize the Company's share of the profit or loss and other comprehensive income of the managed modaraba, dividends received and impairment losses, if any. When the Company's share of losses of an managed modaraba exceeds the Company's interest in that managed modaraba (which includes any long-term interests that, in substance, form part of the Company's net investment in the managed modaraba), the Company discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Company has incurred legal or constructive obligations or made payments on behalf of the managed modaraba.

5.3 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

5.4 Impairment of non - financial assets

Non - financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation / amortization and are tested annually for impairment. Assets that are subject to depreciation / amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows

(cash - generating units). Non - financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

5.5 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the company becomes the party to the contractual provisions of the instruments. The company derecognizes a financial asset or a portion of financial asset when, and only when, the enterprise loses control of the contractual rights that comprise the financial asset or portion of financial asset. While a financial liability or part of financial liability is derecognized from the statement of financial position when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets are investments, advances, deposits, other receivables, cash and bank balances. Except for held to maturity investment, these are stated at the fair value as reduced by impairment, if any.

Financial liabilities are classified according to the substance of the contractual arrangements. Significant financial liabilities are balances due towards the Holding Company and accrued and other liabilities. These liabilities are stated at their amortized cost.

5.5.1 Financial assets

All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognized financial assets are measured subsequently in their entirety at either amortized cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

a) Debt instruments measured at amortized cost

Debt instruments that meet the following conditions are measured subsequently at amortized cost:

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 interest on the principal amount outstanding.

Amortized cost and effective interest method

The amortized cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. The gross carrying amount of a financial asset is the amortized cost of a financial asset before adjusting for any loss allowance.

The effective interest method is a method of calculating the amortized cost of a debt instrument and of allocating interest income over the relevant period. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset.

As at reporting date, the Company carries cash and cash equivalents and trade receivables at amortized cost.

b) Debt instruments measured at fair value through other comprehensive income (FVTOCI)

Debt instruments 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 interest on the principal amount outstanding are measured subsequently at FVTOCI.

As at reporting date, the Company does not hold any debt instrument classified as at FVTOCI.

c) Equity instruments designated as at FVTOCI

On initial recognition, the Company may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

As at reporting date, the Company carries investments in self managed securities at FVTOCI.

d) Financial assets measured subsequently at fair value through profit or loss (FVTPL)

By default, all other financial assets are measured subsequently at FVTPL.

As at reporting date, the Company carries investments in securities classified at FVTOCI.

Impairment of financial assets

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost or at FVTOCI, as well as on financial guarantee contracts. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Company always recognizes lifetime ECL for trade receivables by using simplified approach. For all other financial instruments, the Company recognizes lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Company measures the loss allowance for that financial instrument at an amount equal to 12-months ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-months ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables.

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Company's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information.

Definition of default

The Company considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that financial assets that meet either of the following criteria are generally not recoverable:

- a) when there is a breach of financial covenants by the debtor; or
- b) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Company, in full (without taking into account any collateral held by the Company).

Write-off policy

The Company writes off financial assets when there is information indicating that the amount is not recoverable due to the conflict in invoices with customer. Financial assets written off may still be subject to enforcement activities under the Company's recovery procedures, taking into account legal advice where appropriate. Any recoveries made against financial assets written-off are recognized in profit or loss.

De-recognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an

associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of a financial asset measured at amortized cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognized in the statement of profit or loss.

5.5.2 Financial liabilities

Subsequent measurement of financial liabilities

Financial liabilities that are not;

- a) contingent consideration of an acquirer in a business combination,
- b) held for trading, or
- c) designated as at FVTPL, are measured subsequently at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortized cost of a financial liability.

Derecognition of financial liabilities

The Company derecognizes financial liabilities when, and only when, the Company's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

5.6 Offsetting of financial assets and financial liabilities

A financial asset and financial liability is offset and the net amount is reported in the statement of financial position if the Company has a legal enforceable right to set off the transaction and also intends either to settle on a net basis or to realize assets and settle liabilities simultaneously.

5.7 Revenue recognition

Interest on bank accounts/ deposits is recognized using effective interest rate method.

Management fee is recognized when the right to receive has been established based on profit before tax of managed modaraba.

Dividend income is recognized when the right to receive has been established based on profit of managed modaraba.

Interest on treasury bills is recognized on time proportion basis.

5.8 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after considering rebates and tax credits available, if any. The charge for the current tax also includes adjustments where necessary, relating to prior periods which arise from assessment framed / finalized during the period.

Deferred

Deferred tax is provided using the balance sheet liability method for all temporary differences at the date of statement of financial position between tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax asset is recognized for all deductible temporary differences and carry forward of unused tax losses and tax credits, if any, to the extent that it is probable that taxable profits will be available against which such temporary differences and tax losses/credits can be utilized. Deferred tax liabilities are recognized for all major taxable temporary differences.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted at the date of statement of financial position. Deferred tax is charged or credited to the statement of profit or loss, except in the case of items credited or charged to equity in which case it is included in equity.

6 Property and equipment

Description	Cost			Depreciation			WDV as at December, 31, 2022
	As at beginning of the year	Addition	As at end of the year	Rate %	As at beginning of the year	For the year	
Rupees.....			%		Rupees.....
Office equipments	743,071	-	743,071	10-20	743,071	-	743,071
Vehicles	2,295,700	-	2,295,700	20	2,295,700	-	2,295,700
Computers and accessories	924,486	-	924,486	33	823,031	38,042	861,072
Furniture and fittings	1,102,333	-	1,102,333	10	1,102,333	-	1,102,333
	5,065,590	-	5,065,590		4,964,135	38,042	5,002,176
							63,414

Description	Cost			Depreciation			WDV as at December, 31, 2021
	As at beginning of the year	Addition	As at end of the year	Rate %	As at beginning of the year	For the year	
Rupees.....			%		Rupees.....
Office equipments	743,071	-	743,071	10-20	743,071	-	743,071
Vehicles	2,295,700	-	2,295,700	20	2,295,700	-	2,295,700
Computers and accessories	810,350	114,136	924,486	33	810,350	12,681	823,031
Furniture and fittings	1,102,333	-	1,102,333	10	1,102,333	-	1,102,333
	4,951,454	114,136	5,065,590		4,951,454	12,681	4,964,135
							101,456

6.1 The Company is utilizing fully depreciated assets including office equipments, vehicles, computers and accessories and furniture and fittings during the year.

	Note	2022 (Rupees)	2021 (Rupees)
7 INVESTMENT IN MANAGED MODARABA			
Managed modaraba - First National Bank Modaraba (related party) 7,500,000 (2021: 7,500,000) certificates of Rs. 10/- each		75,000,000	75,000,000
Accumulated impairment	7.1	<u>(75,000,000)</u>	<u>(75,000,000)</u>
		<u>-</u>	<u>-</u>
7.1 Accumulated impairment			
Opening balance		(75,000,000)	(75,000,000)
Impairment loss arising during the year		-	-
		<u>(75,000,000)</u>	<u>(75,000,000)</u>
7.2 The Company exercises control over First National Bank Modaraba ("the Modaraba") as its management company and also holds 30% (2021: 30%) of voting power in the Modaraba.			
7.3 Due to reason stated in Note 1.2, whole amount of the investment was impaired in prior years.			
7.4 Summarized financial information as at and six months ended December 31, 2022 of the First National Bank Modaraba is as follows:			
	Note	(Un-audited) December 31, 2022 (Rupees)	(Audited) June 30, 2022 (Rupees)
Current assets		231,691,042	232,095,406
Non-current assets		53,324,878	33,087,835
Total assets		<u>285,015,920</u>	<u>265,183,241</u>
Total liabilities (all current)		<u>339,038,490</u>	<u>323,295,143</u>
Net assets		<u>(54,022,570)</u>	<u>(58,111,902)</u>
		(Un-audited) Six months ended 2022 (Rupees)	(Audited) For the year ended June 30, 2022 (Rupees)
Income from operations		12,641,358	20,944,555
Profit for the period		<u>4,748,613</u>	<u>(3,772,192)</u>
8 SHORT TERM INVESTMENTS - AMORTIZED COST			
Investment in treasury bills	8.1	-	103,441,400
		<u>-</u>	<u>103,441,400</u>
8.1 This represented investment made in treasury bills. All investments were matured during the year, rate ranging from 7.11% to 7.35% per annum in 2021.			
9 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES	Note	2022 (Rupees)	2021 (Rupees)
Advance against expenses		95,860	272,085
Accrued profit on bank deposits		56,354	56,400
Prepayments		94,500	94,500
Security deposit		25,000	25,000
Other receivables		-	24,000
		<u>271,714</u>	<u>471,985</u>
10 MANAGEMENT FEE RECEIVABLE			
Gross fee	10.1	1,156,784	1,672,069
Less: Provision for doubtful debt	10.2 & 10.3	<u>(1,156,784)</u>	<u>(1,672,069)</u>
		<u>-</u>	<u>-</u>

10.1 It is management fee receivable from the related company First National Bank Modaraba.

10.2 Provision is booked for the whole amount receivable from First National Bank Modaraba due to the reasons disclosed in note 1.2 of the financial statements.

16 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments as at the reporting date (2021: Nil).

		2022 (Rupees)	2021 (Rupees)
17	MANAGEMENT FEE		
	Gross revenue	17.1 (515,285)	1,672,069
	Less: Sales tax	71,074	(230,630)
		<u>(444,211)</u>	<u>1,441,439</u>
17.1	The Modarba earned a profit of Rs. 15.2 million during the period from July 01, 2021 to December 31, 2021 (first half year). However, due to losses incurred during the second half of the year (period from January 01, 2022 to June 30, 2022), the total profit of the Modaraba was reduced to Rs. 3.6 million. Accordingly, the excess gross revenue booked in the previous year has been reversed.		
		2022 (Rupees)	2021 (Rupees)
18	OTHER INCOME		
	Markup earned from Shariah complaint Islamic banks		
	Markup on term deposit receipts	-	371,466
	Others		
	Markup on deposit accounts	208,058	112,776
	Markup on treasury bills	12,356,868	6,902,238
		<u>12,564,926</u>	<u>7,386,480</u>
19	ADMINISTRATIVE EXPENSES		
	Salaries and benefits	3,916,204	3,929,958
	Directors' meeting fee	970,000	678,000
	Travelling and conveyance	605,844	108,273
	Rent and utilities	1,848,636	1,297,771
	Communication	3,417	7,230
	Legal and professional	260,584	243,891
	Auditors' remuneration	19.1 295,000	295,000
	Fee and subscription	82,488	50,000
	Depreciation	6 38,042	12,681
	Repair and maintenance	98,128	260,226
	Miscellaneous	359,005	228,820
		<u>8,477,348</u>	<u>7,111,850</u>
19.1	Auditors' remuneration		
	Audit fee	275,000	275,000
	Out of pocket expense	15,000	15,000
	Code of corporate governance certification fee	5,000	5,000
		<u>295,000</u>	<u>295,000</u>
20	TAXATION		
	Current		
	- For the year	706,675	110,349
	- For prior year	(1,951)	525
		<u>704,724</u>	<u>110,874</u>
20.1	Relationship between tax expense and accounting profit		
	Profit / (loss) before taxation	4,156,912	(13,205,942)
	Tax calculated at applicable rate of 29% (2021: 29%)	1,205,505	(3,829,723)
	Utilization of deferred tax asset not recognized earlier	(594,770)	-
	Deferred tax not recognized as asset during the year	95,940	3,940,072
	Prior year tax charge	(1,951)	525
		<u>704,724</u>	<u>110,874</u>

20.2 Deferred tax asset of Rs.17,783,769 (2021: Rs.17,451,655) has not been recognized in these financial statements due to uncertainty of recoverability in future.

	2022 (Rupees)	2021 (Rupees)
21 EARNING PER SHARE - BASIC AND DILUTED		
Profit / (loss) for the year attributable to ordinary shareholders	3,452,188	(13,316,816)
Weighted average number of ordinary shares outstanding during the year	10,500,000	10,500,000
	<u>0.33</u>	<u>(1.27)</u>

21.1 There is no dilutive effect on the basic earning per share of the Company.

	2022 (Rupees)	2021 (Rupees)
22 REMUNERATION OF CHIEF EXECUTIVE OFFICER		
Basic salary	1,378,462	1,554,660
Bonus	356,794	330,365
House rent allowance	689,236	777,336
Conveyance	573,897	428,667
Utilities	165,416	186,564
Others	26,037	31,486
	<u>3,189,842</u>	<u>3,309,078</u>
Number of persons	<u>1</u>	<u>1</u>

22.1 In addition to the above, Chief Executive Officer is also provided with the company maintained vehicle.

22.2 Non-executive directors of the company are not drawing any salary. The directors are entitled to receive an amount of Rs. 50,000 (2021: Rs. 30,000) as fee for attending each Board meeting. Total amount of Rs. 970,000 was paid during the year as meeting fee to the directors.

23 RELATED PARTY TRANSACTIONS

The Company in the normal course of business carries out transactions with various related parties which comprise of parent company, managed modaraba and key management personnel. Detail of transactions with related parties, other than those which have been disclosed elsewhere in these financial statements, are as follows:

Relationship	Nature of transaction	2022 (Rupees)	2021 (Rupees)
Parent company	Expenses incurred during the year	1,491,975	1,773,446
	Aggregate of investments made in treasury bills / term deposit receipts	412,974,413	407,438,013
	Aggregate of disposals of treasury bills / term deposit receipts	528,772,687	412,270,318
	Payment made during the year against reimbursable expenses	373,875	373,875
	Markup income on bank account	167,110	105,252
	Markup on term deposit receipts	-	371,466
Managed modaraba	Revenue from management fee	(444,211)	1,441,439
	Management fee receivable	-	-
Key management personnel	Meeting fee	970,000	678,000

Following are the related parties with whom the Company had entered into transactions or have arrangements / agreements in place.

Name	Basis of relationship	Aggregate % of Shareholding
National Bank of Pakistan	Parent company	100.00%
First National Bank Modaraba	Managed modaraba	0.00%
Directors	Key management personnel	0.00%

24 FINANCIAL RISK MANAGEMENT

The Company has exposures to the following risks from its use of financial instruments:

- a) Credit risk
- b) Liquidity risk
- c) Market risk

The Board of Directors have overall responsibility for the establishment and oversight of the Company's risk management framework. The Board is also responsible for developing and monitoring the Company's risk management policies.

24.1 Credit risk

Credit risk represents the financial loss that would be recognized at the reporting date if the counter parties fail completely to perform as contracted. Credit risk arises principally from bank balances, investments and due from related party.

24.1.1 Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the statement of financial position date was:

	2022 (Rupees)	2021 (Rupees)
Advances, deposits and other receivables	177,214	377,485
Short term investments	-	103,441,400
Cash and bank balances	110,579,466	1,309,932
	<u>110,756,680</u>	<u>105,128,817</u>

The credit quality of the Company's bank balances and terms deposit receipts held with banks can be assessed with reference to the external credit ratings as follows:

Banks	Agency	Rating	
		Short term	Long term
National Bank of Pakistan - related party	PACRA	A1+	AAA
Bank Alfalah Limited	PACRA	A1+	AA+
Albaraka Bank Pakistan Limited	JCR-VIS	A1	A+
Bank Islami Pakistan Limited	PACRA	A1	A+
The Bank of Punjab	PACRA	A1+	AA+

Due to the Company's long standing relationships with these counterparties and after giving due consideration to their strong financial standing, the management does not expect non performance by these counterparties on their obligations to the Company. Accordingly, the credit risk is minimal. However, the concentration of credit risk is high.

24.2 Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its obligations when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company uses different methods which assists it in monitoring cash flow requirements. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a reasonable period, including the servicing of financial obligations, if any.

The following are contractual maturities of financial liabilities as at December 31, 2022:

Description	Carrying amount	Less than one year	One to five years	More than five years
.....Rupee.....				
Trade and other payables	970,925	970,925	-	-
Payable to National Bank of Pakistan	99,630,092	99,630,092	-	-
	<u>100,601,017</u>	<u>100,601,017</u>	<u>-</u>	<u>-</u>

The following are contractual maturities of financial liabilities as at December 31, 2021:

Description	Carrying amount	Less than one year	One to five years	More than five years
.....Rupee.....				
Trade and other payables	539,380	539,380	-	-
Payable to National Bank of Pakistan	98,511,992	98,511,992	-	-
	<u>99,051,372</u>	<u>99,051,372</u>	<u>-</u>	<u>-</u>

24.3 Market Risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest / markup rates and equity prices will affect the value of its financial instruments. The company is materially exposed to market risk.

24.3.1 Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market interest rate. The Company has no borrowing. However, saving accounts with commercial banks are subject to interest rate risk.

Cash flow sensitivity analysis for variable rate instruments

	Effect on profit / (loss) before tax 100 bp	
	Increase	Decrease
As at December 31, 2022		
Cash flow sensitivity - variable rate financial assets	20,806	-
As at December 31, 2021		
Cash flow sensitivity - variable rate financial assets	-	11,278

If the interest rate, at the reporting date, had fluctuated by 10% at the reporting date with all other variable remain constant the impact on the profit / (loss) for the year would have been Rs. 20,806 (2021: 11,278) higher / lower, mainly as a result of interest rate fluctuation.

24.3.2 Equity price risk

Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments that drive their value from a particular stock, a defined basket of stocks, or a stock index. Company is not exposed to equity price risk as the fair value of equity investment in First National Bank Modaraba is measured at zero due to reasons mentioned in note 1.2 of the financial statements.

24.3.3 Currency risk

The company is not exposed to any currency risk as there is no transaction in foreign currency.

24.3.4 Fair value of financial instruments

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is not a going concern.

IFRS 13, 'Fair value Measurements' requires the Company to classify fair value measurements using fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the assets or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: inputs for the assets or liability that are not based on observable market data (unobservable inputs).

There are no assets measured at fair values.

	2022 (Rupees)	2021 (Rupees)
Financial instruments by categories		
Assets as per statement of financial position - at amortized cost		
Short term investments - amortized cost	-	103,441,400
Advances, deposits and other receivables	271,714	471,985
Bank balances	110,579,466	1,309,932
Liabilities as per statement of financial position - at amortized cost		
Trade and other payables	970,925	539,380
Payable to National Bank of Pakistan	99,630,092	98,511,992

24.3.5 Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended December 31, 2022.


25	NUMBER OF EMPLOYEES	2022	2021
	Permanent employees at year end	2	3
	Average number of employees during the year	3	3

26 GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.

27 DATE OF AUTHORIZATION

These financial statements were authorized for issue on 28 APR 2023 by the Board of Directors of the Company.

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Director


Director