

INDEPENDENT AUDITOR'S REPORT

To the members of National Bank Modaraba Management Company Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of *National Bank Modaraba Management Company Limited* ("the Company") which comprise the statement of financial position as at **December 31, 2020**, and statement of profit and loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of income and expenditure, the statement of comprehensive income, the statement of changes in funds and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at **December 31, 2020** and of the profit, other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1.2 to the annexed financial statements, which states that as on 31 December, 2020, the Company's accumulated loss amounts to Rs. 84.95 million and the Company's only managed First National Bank Modaraba is also suffering from losses since 2013 and is, currently, defending its winding up petition filed by the Registrar Modaraba on June 16, 2020 before the Honorable Modaraba Tribunal Lahore. These conditions indicate existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as going concern. These financial statements have, however, been prepared on a going concern basis for the reasons, as more fully explained in note 1.2 to the financial statements. Our opinion is not modified in respect of this matter.

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Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the Directors' Report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, statement of profit and loss, statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditor's report is Imran Afzal.


CHARTERED ACCOUNTANTS
Chartered Accountants
Lahore

Dated: February 27, 2021

Statement of financial position
As at December 31, 2020

	Note	2020 (Rupees)	2019 (Rupees)
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	6	105,000,000	105,000,000
Accumulated loss		(85,497,279)	(88,145,962)
Total equity		19,502,721	16,854,038
Liabilities			
Current liabilities			
Trade and other payables	7	300,413	300,601
Payable to National Bank of Pakistan	8	97,112,421	95,715,296
Total current liabilities		97,412,834	96,015,897
Total liabilities		97,412,834	96,015,897
Total equity and liabilities		116,915,555	112,869,935
Contingencies and commitments	9		
ASSETS			
Non-current assets			
Property and equipment	10	-	9,941
Investment in associate (managed modaraba)	11	-	-
Long term deposits		25,000	25,000
Total non-current assets		25,000	34,941
Current assets			
Short term Investments - amortised cost	12	101,000,000	95,934,313
Advances and other receivables	13	491,080	1,716,942
Income tax refundable - net		13,184,373	13,218,292
Bank balances	14	2,215,102	1,965,447
Total current assets		116,890,555	112,834,994
Total assets		116,915,555	112,869,935

The annexed notes 1 to 26 form an integral part of these financial statements.

Signature

Signature

CHIEF EXECUTIVE OFFICER

Signature

DIRECTOR

Statement of profit or loss
For the year ended December 31, 2020

	Note	2020 (Rupees)	2019 (Rupees)
Administrative expenses	15	(7,000,437)	(8,010,747)
Finance cost	16	(1,091)	(2,064)
Other income	17	10,192,079	10,025,711
Impairment of long term investment		-	(13,425,000)
Profit / (Loss) before taxation		3,190,551	(11,412,100)
Taxation	18	(541,869)	-
Profit / (Loss) after taxation		2,648,683	(11,412,100)
Earnings per share:			
Profit / (Loss) per share - basic and diluted	19	0.25	(1.09)
Profit / (Loss) per share		0.25	(1.09)

The annexed notes 1 to 26 form an integral part of these financial statements.

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Amir Khan

CHIEF EXECUTIVE OFFICER

Dr. N. J.

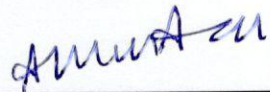
DIRECTOR

Statement of other comprehensive income
For the year ended December 31, 2020

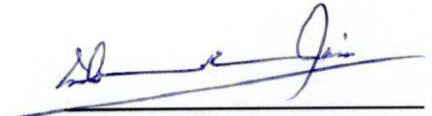
	2020 (Rupees)	2019 (Rupees)
Profit / (Loss) after taxation	2,648,683	(11,412,100)
Other comprehensive income		
Items that may be reclassified to profit or loss subsequently	-	-
Items that will not be reclassified to profit or loss subsequently	-	-
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	2,648,683	(11,412,100)

The annexed notes 1 to 26 form an integral part of these financial statements.





CHIEF EXECUTIVE OFFICER



DIRECTOR

Statement of cash flows
For the year ended December 31, 2020

	Note	2020 (Rupees)	2019 (Rupees)
Cash flows from operating activities			
Profit / (Loss) before taxation		3,190,551	(11,412,100)
Adjustments:			
Depreciation	10	9,941	26,900
Unrealized loss on revaluation of long term investment		-	13,425,000
Profit on bank deposits and short term investments		(10,192,079)	(167,206)
Operating cash flows before working capital changes		(6,991,587)	1,872,594
Working capital changes:			
(Increase) / decrease in current assets:			
Advances and other receivables		(30,845)	792,510
Increase / (decrease) in current liabilities:			
Trade and other payables		(188)	(142,375)
Payable to National Bank of Pakistan		1,397,125	1,292,543
Net changes in working capital		1,366,092	1,942,678
Cash generated from / (used in) operations		(5,625,495)	3,815,272
Income tax paid / deducted		(507,950)	(1,493,966)
Net cash from / (used in) operating activities	A	(6,133,445)	2,321,306
Cash flows from investing activities			
Profit received on bank deposits and short term investments		11,448,787	167,206
Net increase in investments		(5,065,687)	(3,938,485)
Net cash (used in) / from investing activities	B	6,383,100	(3,771,279)
Net (decrease) / increase in cash and cash equivalents	(A+B)	249,655	(1,449,973)
Cash and cash equivalents at beginning of year		1,965,447	3,415,420
Cash and cash equivalents at end of year		2,215,102	1,965,447

The annexed notes 1 to 26 form an integral part of these financial statements.

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Amir Ali

CHIEF EXECUTIVE OFFICER

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DIRECTOR

Statement of changes in equity
For the year ended December 31, 2020

	Paid-up capital (Rupees)	Accumulated loss (Rupees)	Total equity (Rupees)
Balance as at January 01, 2019	105,000,000	(76,733,862)	28,266,138
Loss for the year	-	(11,412,100)	(11,412,100)
Other comprehensive loss for the year	-	-	-
Balance as at December 31, 2019	105,000,000	(88,145,962)	16,854,038
Profit for the year	-	2,648,683	2,648,683
Other comprehensive loss for the year	-	-	-
Balance as at December 31, 2020	105,000,000	(85,497,279)	19,502,721

The annexed notes 1 to 26 form an integral part of these financial statements.

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CHIEF EXECUTIVE OFFICER

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DIRECTOR

Notes to the financial statements

For the year ended December 31, 2020

1 STATUS AND NATURE OF BUSINESS

- 1.1** National Bank Modaraba 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 - McLagon Road, Lahore.
- 1.2** The Company is managing First National Bank Modaraba (the Modaraba) which is suffering losses since 2013 as no new leasing agreements are executed by the Modaraba. During the year 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 Modaraba 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 exceeded fifty percent of the total amount subscribed by the Modaraba Certificate Holders. These conditions indicate existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as going concern. Therefore, the Company may be unable to realize its assets and discharge its liabilities in normal course of business. Continuation of the Company as a going concern is dependent on its ability to attain satisfactory levels of profitability in the future through continued support from sponsors of the Company and future going concern status along with profitability of the Modaraba. These financial statements have been prepared on going concern basis on the grounds that the Company would be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management. To substantiate its going concern assumption, the Board of Directors of the holding company (NBP) in its meeting held on June 22, 2018, has also resolved that First National Bank Modaraba would be recapitalized subject to approval of its Regulators (i.e SECP, SBP & PSX) with Rs. 300 million at Rs. 10 per certificate to enhance its paid up capital. The approval of SECP has been obtained by NBP whereas approval from SBP is pending. NBP has also explicitly provided a commitment to the Company for financial sustainability of the Company.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017 which has resulted into additional disclosures. In case requirements differ, the provisions of or directives issued under the Companies Act, 2017 shall prevail.

2.1 New standards, interpretations and amendments applicable to the financial statements for the year ended 31 December, 2020

There are certain new standards, interpretations and amendments to approved accounting standards which are mandatory for the Company's accounting periods beginning on or after Jan 1, 2020 but are considered not to be relevant or don't have any significant effect on the Company's financial reporting and therefore not detailed in these financial statements.

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Notes to the financial statements

For the year ended December 31, 2020

2.2 Standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standards or Interpretations	Effective date (annual periods beginning on or after)
IAS 37 Provisions, Contingent Liabilities and Contingent Assets — (Amendments)	1 January 2022
Annual improvements to IFRS Standards 2018-20	1 January 2022

3 BASIS OF PREPARATION

3.1 Basis of measurement

These financial statements have been prepared under historical cost convention 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 10 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.

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Notes to the financial statements

For the year ended December 31, 2020

5.2 Investments

Investment in the First National Bank Modaraba

Investment in managed Modaraba is stated at fair value, not through equity method due to exception available in accounting financial reporting standards. Any gain or loss on re-measurement is charged to other comprehensive income unless the asset is impaired.

Held to maturity investments

Non- derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the company has positive intention and ability to hold them to maturity. After initial measurement, held to maturity investments are measured at amortized cost using the effective interest rate less impairment.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs. The amortization is included as finance income in the statement of profit or loss. The losses arising from impairment are recognized in the statement of profit or loss.

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 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.

5.4.1 Impairment of Asset

The carrying amount of the Company's financial assets are reviewed at each date of statement of financial position to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of such assets is estimated. An impairment is recognized wherever the carrying amount of the asset exceeds its recoverable amount. Impairment is recognized in statement of profit or loss. A previously recognized impairment is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since last impairment was recognized. Such reversal is recognized through statement of profit or loss.

5.4.2 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.

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Notes to the financial statements

For the year ended December 31, 2020

5.5 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.

5.6 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.

5.7 Loan and advances

These are recognized and carried at cost less provision for any un-collectable amount. The management expects that time value of money is insignificant and no discounting of loans and advances is made by the Company.

5.8 Related party transactions

Transactions with related parties are made at arm's length price determined in accordance with the comparable uncontrolled price method except for allocation of expenses relating to combined offices shared with the Holding Company, which are on actual basis.

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Notes to the financial statements
For the year ended December 31, 2020

	Note	2020 (Rupees)	2019 (Rupees)
6 Share capital			
Authorized			
15,000,000 (2019: 15,000,000) ordinary shares of Rs. 10 each		150,000,000	150,000,000
Total		150,000,000	150,000,000
Issued, subscribed and paid-up			
10,500,000 (2019: 10,500,000) ordinary shares of Rs. 10 each fully paid in cash		105,000,000	105,000,000
Total		105,000,000	105,000,000
7 Trade and other payables			
Accrued expenses		285,101	300,601
Withholding tax		15,312	-
Total		300,413	300,601
8 Payable to National Bank of Pakistan - (related party)			
Opening balance		95,715,296	94,422,753
Add:			
Utilities		1,078,314	1,053,767
Communication		13,128	10,124
Fee and subscription		65,456	48,564
Repairs and maintenance		217,813	145,759
Miscellaneous expenses		22,414	34,329
		97,112,421	95,715,296
Less:			
Payments during the year		-	-
Total	8.1	97,112,421	95,715,296

8.1 This balance has been accumulated due to payments made by National Bank of Pakistan on behalf of the Company.

8.2 Aging analysis of such payable to related party is as follows:

	2020 (Rupees)	2019 (Rupees)
Upto 1 year	1,397,125	1,292,543
1 to 2 year	1,292,543	2,034,612
2 to 3 year	2,034,612	1,948,783
More than 3 years	92,388,141	90,439,358

8.3 Maximum aggregate amount of payable to related party at the end of any month during the year amounts to Rs. 97,112,421 (2019: Rs. 95,715,296).

9 Contingencies and commitments

9.1 There are no contingencies at the reporting date (2019: Nil).

9.2 Commitments as at date of statement of financial position amount to Rs. Nil (2019: Rs. Nil).

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Notes to the financial statements
For the year ended December 31, 2020

10 Property and equipment

2020

Description	Cost				Depreciation				Written down value as at December 31, 2020
	As at January 01, 2020	Additions	Deletions	As at December 31, 2020	Rate	As at January 01, 2020	For the year	As at December 31, 2020	
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	
Office equipment	743,071	-	-	743,071	10% - 20%	743,071	-	743,071	-
Vehicles	2,295,700	-	-	2,295,700	20%	2,295,700	-	2,295,700	-
Computer and accessories	810,350	-	-	810,350	33%	810,350	-	810,350	-
Furniture and fittings	1,102,333	-	-	1,102,333	10%	1,092,392	9,941	1,102,333	-
Total	4,951,454	-	-	4,951,454		4,941,513	9,941	4,951,454	-

2019

Description	Cost				Depreciation				Written down value as at December 31, 2019
	As at January 01, 2019	Additions	Deletions	As at December 31, 2019	Rate	As at January 01, 2019	For the year	As at December 31, 2019	
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	
Office equipment	743,071	-	-	743,071	10% - 20%	742,321	750	743,071	-
Vehicles	2,295,700	-	-	2,295,700	20%	2,295,700	-	2,295,700	-
Computer and accessories	810,350	-	-	810,350	33%	810,350	-	810,350	-
Furniture and fittings	1,102,333	-	-	1,102,333	10%	1,066,242	26,150	1,092,392	9,941
Total	4,951,454	-	-	4,951,454		4,914,613	26,900	4,941,513	9,941

10.1 The Company is utilising fully depreciated asset i.e. office equipment, vehicles, computer and accessories.

	2020	2019
	Note	(Rupees)
		(Rupees)

11 Investment in associate - Fair value through OCI

Managed modaraba - First National Bank Modaraba (related party)		
7,500,000 (2019: 7,500,000) certificates of Rs. 10/- each		75,000,000
Accumulated impairment	11.1	(75,000,000)
Total		-

11.1 Accumulated impairment

Opening balance	(75,000,000)	(61,575,000)
Fair value loss arising during year	-	(13,425,000)
Total	(75,000,000)	(75,000,000)

11.2 The Company holds 30% (2019: 30%) of voting power in First National Bank Modaraba.

11.3 Due to reason stated in Note 1.2, whole amount of the investment is impaired during prior year.

11.4 Following figures are extracted from annual audited accounts of First National Bank Modaraba as at June 30, 2020, and reviewed accounts of First National Bank Modaraba as at December 31, 2020:

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Notes to the financial statements
For the year ended December 31, 2020

	31-Dec 2020 (Rupees)	31-Dec 2019 (Rupees)
Total assets	223,798,448	238,951,705
Total liabilities	298,140,504	302,112,757
(Loss) / Profit after taxation	(28,227,062)	(32,202,904)
Revenue	12,309,694	16,167,006

12 Short term investments - Amortised Cost

Investment in Treasury Bills - related party	12.1	-	95,934,313
Investment in Term Deposit Receipt - related party (Islamic Shariah Compliant)	12.2	101,000,000	-
Total		101,000,000	95,934,313

12.1 This represents investment made in treasury bills and carried interest rate ranging from 7.09% to 13.2% (2019: 12.5% to 13.2%) per annum and matured during the year on December 22, 2020.

12.2 This represents investment made in term deposit receipt and carries mark up 6.4% per year and will mature on January 22, 2021.

	Note	2020 (Rupees)	2019 (Rupees)
13 Advances and other receivables			
Advance against expenses		208,085	177,240
Other receivables		24,000	24,000
Accrued profit on deposits accounts		99,608	77,413
Accrued interest on investments - related party		159,386	1,438,289
Total		491,080	1,716,942

14 Bank balances

	Note	2020 (Rupees)	2019 (Rupees)
Current account		15,146	15,147
Deposit accounts			
- National Bank of Pakistan (related party)	14.1	2,173,787	1,925,786
- Other Banks	14.2 & 14.3	26,169	24,514
Total		2,215,102	1,965,447

14.1 This carries markup at the rate of 5.5% to 7.5% (2019: 5.25% to 7%) per annum.

14.2 Rate of markup/profit on these accounts ranges from 6.5% to 8.5% (2019: 5.55% to 8.5%) per annum.

14.3 Out of this, an aggregate of Rs. 2,892 (2019: Rs. 2,719) has been deposited with Shariah compliant Islamic banks.

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Notes to the financial statements
For the year ended December 31, 2020

	Note	2020 (Rupees)	2019 (Rupees)
15 Administrative expenses			
Salaries and benefits		4,075,827	4,181,861
Directors' meeting fee		762,000	1,050,000
Traveling and conveyance		281,762	450,229
Utilities		1,099,096	1,093,595
Communication		13,128	10,124
Legal and professional charges		58,000	663,820
Auditors' remuneration	15.1	280,000	280,000
Fee and subscription		65,456	48,564
Depreciation	10	9,941	26,900
Repair and maintenance		217,813	145,759
Miscellaneous expenses		137,414	59,895
Total		7,000,437	8,010,747
15.1 Auditors' remuneration			
Audit fee		275,000	275,000
Other certification - CCG		5,000	5,000
Total		280,000	280,000
		2020 (Rupees)	2019 (Rupees)
16 Finance Cost			
Bank Charges		1,091	2,064
Total		1,091	2,064
17 Other income			
Markup earned from Shariah compliant Islamic investment			
Markup / Profit on TDRs		159,386	-
Others			
Markup / Profit on deposit accounts		219,778	244,619
Interest on treasury bills		9,812,915	9,781,092
Total		10,192,079	10,025,711
		2020 (Rupees)	2019 (Rupees)
18 Taxation			
Current tax		541,869	-
Total		541,869	-

18.1 Deferred tax asset amounting to Rs.20,118,301 (2019: Rs. 20,741,408) has not been recognized in these financial statements due to uncertainty of recoverability in future.

18.2 Income tax reconciliation is not produced as income of the Company is not taxable under normal tax regime.

GAAR

Notes to the financial statements
For the year ended December 31, 2020

	2020 (Rupees)	2019 (Rupees)
19 Earnings per share - basic and diluted		
Profit / (Loss) after taxation attributable to ordinary shareholders	2,648,683	(11,412,100)
Weighted average number of ordinary shares outstanding during the year	10,500,000	10,500,000
Profit / (Loss) per share	0.25	(1.09)

19.1 There is no dilutive effect on the basic earnings per share of the Company.

20 Remuneration of chief executive officer and directors

Particulars	2020	2019
	Chief executive officer	Chief executive officer
Managerial remuneration	1,554,660	1,591,675
Bonus	330,365	339,929
House rent allowance	777,336	795,847
Conveyance	364,065	383,835
Utilities	186,564	190,995
Others	28,155	28,045
Total	3,241,145	3,330,326
No. of persons	1	1

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

20.2 Non-executive directors of the Company are not drawing any salary.

20.3 The directors are entitled to receive an amount of Rs. 30,000 (2019: Rs. 30,000) as fee for attending each Board meeting.

20.4 There is no executive in the Company as per definition of Executive given in the Companies Act, 2017.

21 Related party transactions

Related parties comprise parent company, other associated undertakings, modarabas, directors and key management personnel of the Company. Balances with related parties are disclosed in respective notes. Transactions with related parties, except for remuneration of key management personnel as disclosed in note 20, are as follows:

Relationship	Nature and description of related party transactions and balances	2020 (Rupees)	2019 (Rupees)
National Bank of Pakistan - Holding company	Expenses incurred by Holding Company on behalf of the Company during the year (Reimbursement of expenses)	1,397,125	1,292,543
National Bank of Pakistan - Holding company	Investment made in term deposit receipts	101,000,000	95,934,313
National Bank of Pakistan - Holding company	Payment made to the Holding Company during the year against reimbursable expenses	-	-
Directors	Meeting fee	762,000	1,050,000
National Bank of Pakistan - Holding company	Markup Income on bank account	196,765	243,133
National Bank of Pakistan - Holding company	Markup on treasury bills / term deposit receipts	9,972,301	9,781,092

22 Financial risk management

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

- Credit risk
- Liquidity risk
- 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.

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Notes to the financial statements

For the year ended December 31, 2020

22.1 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.

22.1.1 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:

	2020 (Rupees)	2019 (Rupees)
Security deposits	25,000	25,000
Accrued profit	258,995	1,515,702
Other receivables	24,000	24,000
Short term investment	101,000,000	95,934,313
Bank balances	2,215,102	1,965,447
Total	103,523,097	99,464,462

The credit quality of the Company's bank balances and TDRs/ musharika certificates held with banks can be assessed with reference to the external credit ratings as follows:

Banks	Rating		Agency	2020	2019
	Short term	Long term		Rupees	Rupees
National Bank of Pakistan - related party	A-1+	AAA	PACRA	2,173,787	1,925,786
Bank Alfalah Limited	A-1+	AA+	PACRA	19,581	19,127
Albaraka Bank Pakistan Limited	A-1	A	PACRA	1,709	715
Bank Islami Pakistan Limited	A-1	A+	PACRA	2,000	1,953
Dubai Islamic Bank Limited	A-1+	AA	JCR- VIS	1	1
Bank of Punjab - related party	A-1+	AA	PACRA	15,146	15,146
NRSP Microfinance Bank Limited - related party	A-1	A	PACRA	2,878	2,719
Total				2,215,102	1,965,447

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.

22.2 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 on 31 December 2020:

Description	Carrying amount Rupees	Less than one year	One to five years	More than five years
		Rupees	Rupees	Rupees
Trade and other payables	300,413	300,413	-	-
Payable to Holding Company	97,112,421	97,112,421	-	-
Total	97,412,834	97,412,834	-	-

The following are contractual maturities of financial liabilities as on 31 December 2019:

Description	Carrying amount Rupees	Less than one year	One to five years	More than five years
		Rupees	Rupees	Rupees
Trade and other payables	300,601	300,601	-	-
Payable to Holding Company	95,715,296	95,715,296	-	-
Total	96,015,897	96,015,897	-	-

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Notes to the financial statements
For the year ended December 31, 2020

22.3 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 Company's value of its financial instruments. The Company is materially exposed to market risk.

22.3.1 Markup/Interest/Profit rate risk

Markup/Profit/Interest rate risk is the risk that fair value or future cash flows of a financial instrument will fluctuate due to changes in market markup/interest/profit rate. The Company has no borrowing. However, term deposit receipts, musharika certificates and saving accounts with commercial banks are subject to interest/markup/profit rate risk.

Cash flow sensitivity analysis for variable rate instruments

	Effect on loss before tax 100 bp	
	Increase	Decrease
As at December 31, 2020		
Cash flow sensitivity - variable rate financial assets		21,978
As at December 31, 2019		
Cash flow sensitivity - variable rate financial assets		24,462

22.3.2 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. The company is exposed to equity price risk as it holds investments in First National Bank Modaraba. Equity price changes as the volatility of equity prices changes. The cash flow sensitivity analysis is given as follows:

	Effect on loss	
	Increase	Decrease
As at December 31, 2020		
Cash flow sensitivity - equity price	-	-
As at December 31, 2019		
Cash flow sensitivity - equity price	-	-

22.3.3 Currency risk

The company is not exposed to currency risk.

22.3.4 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 a going concern without any intention requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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).

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Notes to the financial statements
For the year ended December 31, 2020

The following table shows the categories as well as carrying amounts and fair values of financial assets and financial liabilities according to their respective category, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is reasonable approximation of their fair values:

Rupees in thousand	Carrying amount				Fair Value			
	FVTPL	Amortised cost	Fair value through OCI	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----								
December 31, 2020								
Financial assets measured at fair value								
Investment in Modaraba	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Non-current assets								
Long term deposits	-	25,000	-	25,000	-	-	-	-
Current assets								
Short term investments	-	101,000,000	-	101,000,000	-	-	-	-
Advances and other receivables	-	491,080	-	491,080	-	-	-	-
Bank balances	-	2,215,102	-	2,215,102	-	-	-	-
	-	103,731,182	-	103,731,182	-	-	-	-

December 31, 2019

Financial assets measured at fair value

Investment in Modaraba

Financial assets not measured at fair value

Non-current assets

Long term deposits

Current assets

Short term investments

Advances and other receivables

Bank balances

Rupees in thousand	Carrying amount	
	2020	2019
----- Rupees -----		

Financial liabilities measured at fair value

Financial liabilities not measured at fair value

Trade and other payables

Payable to National Bank of Pakistan

22.3.5 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, 2020.

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Notes to the financial statements
For the year ended December 31, 2020

23 Number of Employees

	2020	2019
Permanent employees at year end	3	3
Average no. of employees during the year	3	3

24 Impact of Covid-19

The pandemic of COVID-19 has not only endangered human lives but has also adversely impacted the global economy. On March 23, 2020, the Government of the Punjab announced a temporary lock down as a measure to reduce the spread of the COVID-19. The Company's operations were not affected adversely as it fell under the exemption provided by the Government of Punjab to providers of essential services. Management has assessed accounting implications of such developments on these financial statements. According to management's assessment, there is no significant accounting impact of COVID-19 on these financial statements.

25 General

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

25.2 Corresponding figures have been re-arranged and/or reclassified, wherever considered necessary for the purpose of better presentation. However, no significant reclassification has been made in these financial statements.

26 Date of authorization

These financial statements were authorized for issue on _____ by the Board of Directors of the Company.

GP

Amir Azam

CHIEF EXECUTIVE OFFICER

[Signature]

DIRECTOR