

**National Bank Modaraba
Management Company
Limited**

**Financial Statements for the year ended
December 31, 2021**

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, 2021 and the statement of profit or 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 profit or loss, the statement of comprehensive income, the statement of changes in equity 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, 2021 and of the loss, 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 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.

Emphasis of Matter

The Company has prepared its financial statements on a basis other than going concern as disclosed in note 2.1.2 to the financial statements thereby recording assets at realizable values and liabilities at amounts payable. Our opinion is not modified in respect of this matter.

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

We understand there will be no other information accompanying the financial statements. Accordingly, we do not have any obligations to report on such information.

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:

- a) 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.
- b) 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.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) 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.
- e) 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, the statement of profit or loss and other 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) Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Other Matter

The financial statements of the Company for the year ended December 31, 2020 were audited by another firm of Chartered Accountants who vide their report dated February 27, 2021 expressed an unmodified opinion thereon.

The engagement partner on the audit resulting in this independent auditor's report is Nadeem Yousuf Adil.


Chartered Accountants

Place: Lahore

Date: May 13, 2022

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

	Note	2021 (Rupees)	2020 (Rupees)
Assets			
Non-current assets			
Property and equipment	6	101,456	-
Investment in associate (managed modaraba)	7	-	-
Long term deposits		25,000	25,000
		126,456	25,000
Current assets			
Short term investments - amortized cost	8	103,441,400	101,159,386
Advances and other receivables	9	446,985	331,693
Management fee receivable	10	-	-
Income tax refundable	11	-	13,218,292
Bank balances	12	1,309,932	2,215,102
		105,198,317	116,924,474
Total assets		105,324,773	116,949,474
Liabilities			
Current liabilities			
Trade and other payables	13	539,380	300,413
Payable to National Bank of Pakistan	14	98,511,992	97,112,421
Provision for taxation		87,495	33,919
		99,138,867	97,446,753
Total liabilities		99,138,867	97,446,753
Net assets		6,185,905	19,502,721
Finance by:			
Share capital	15	105,000,000	105,000,000
Accumulated loss		(98,814,095)	(85,497,279)
Total equity and reserves		6,185,905	19,502,721
Contingencies and commitments	16		

The annexed notes from 1 to 28 form an integral part of these financial statements.

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Chief Executive Officer


Director


NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 (Rupees)	2020 (Rupees)
Management fee	17	1,441,439	-
Other income	18	7,386,480	10,192,079
		8,827,919	10,192,079
Administrative expenses	19	(7,111,850)	(7,000,437)
Provision for doubtful debts	10	(1,672,069)	-
Provision for income tax refundable	11	(13,219,655)	-
Bank charges		(30,287)	(1,091)
		(22,033,861)	(7,001,528)
(Loss) / profit before taxation		(13,205,942)	3,190,551
Taxation	20	(110,874)	(541,869)
(Loss) / profit for the year		<u>(13,316,816)</u>	<u>2,648,683</u>
Earning per share - basic and diluted	21	<u>(1.27)</u>	<u>0.25</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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Chief Executive Officer

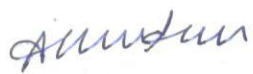

Director

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	2021 (Rupees)	2020 (Rupees)
(Loss) / profit for the year	(13,316,816)	2,648,683
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><u>(13,316,816)</u></u>	<u><u>2,648,683</u></u>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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Chief Executive Officer


Director


NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2021

	Share capital	Accumulated loss	Total
(Rupees).....		
Balance as at January 01, 2020	105,000,000	(88,145,962)	16,854,038
Profit for the year	-	2,648,683	2,648,683
Other comprehensive income for the year	-	-	-
Total comprehensive income for the year	-	2,648,683	2,648,683
Balance as at December 31, 2020	105,000,000	(85,497,279)	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	<u>105,000,000</u>	<u>(98,814,095)</u>	<u>6,185,905</u>

The annexed notes from 1 to 28 form an integral part of these financial statements.




Chief Executive Officer


Director

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2021

	Note	2021 (Rupees)	2020 (Rupees)
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) / profit before taxation		(13,205,942)	3,190,551
Adjustments for non-cash and other items:			
Depreciation	6	12,681	9,941
Provision for income tax refundable		13,219,655	-
Profit on bank deposits and short term investments		(7,386,480)	(10,192,079)
		5,845,856	(10,182,138)
Effect on cash flows due to working capital changes:			
(Increase) / decrease in current assets:			
Advances and other receivables		(158,500)	(30,845)
Increase / (decrease) in current liabilities:			
Trade and other payables		238,967	(188)
Payable to National Bank of Pakistan		1,399,571	1,397,125
		1,480,038	1,366,092
Taxes paid		(58,661)	(507,950)
Net cash used in operating activities		(5,938,708)	(6,133,445)
CASH FLOWS FROM INVESTING ACTIVITIES			
Profit received on bank deposits and short term investments		5,148,452	11,448,787
Purchase of property and equipment		(114,136)	-
Net increase in short term investments		(778)	(5,065,687)
Net cash generated from investing activities		5,033,538	6,383,100
Net (decrease) / increase in cash and cash equivalents		(905,170)	249,655
Cash and cash equivalents at the beginning of the year		2,215,102	1,965,447
Cash and cash equivalents at the end of year	12	1,309,932	2,215,102

The annexed notes from 1 to 28 form an integral part of these financial statements.

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Alimuddin
Chief Executive Officer

[Signature]
Director

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2021

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" is suffering from losses since 2013 as no new leasing agreements were executed by Modaraba. As at December 31, 2021, the Modaraba made profit before 'Modaraba Company's Management Fee' of Rs. 15.204 million which is primarily due to reversal of provision charged for doubtful receivables amounting to Rs. 34.186 million. Current liabilities exceeded its current assets by Rs. 84.123 million (June 2021: Rs. 95.187 million) and its accumulated losses amounted to Rs. 344.136 million (June 2021: Rs. 354.711 million). Furthermore short term running finance facility obtained from National Bank of Pakistan (NBP) was expired on October 31, 2019 that has yet not been renewed and markup outstanding thereupon is still payable.

In view 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 April 27, 2022. 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.

These conditions indicate existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. As the Company may be unable to realize its assets and discharge its liabilities in normal course of business, therefore, these financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively.

2 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 Consequent to the matters described in note 1.2, these financial statements have been prepared on a basis other than going concern thereby recording assets at realizable values and liabilities at settlement amounts.

2.3 New accounting standards / amendments and IFRSs interpretations that are effective for the year

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 01, 2021 but are considered not to be relevant or have any significant effect on the Company's financial reporting.

Standards	Effective date
Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
Amendments to IFRS 16 'Leases' - Provide lessees with an exemption from assessing whether a COVID-19 related rent concession is a lease modification	April 01, 2021
IBOR 2 'Interest Rate Benchmark Reform — Phase 2' Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) with amendments that address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates	January 01, 2021

2.4 New accounting standards, amendments and IFRSs interpretations 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
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	January 01, 2022
Annual Improvements to IFRS Standards 2018-2020 Cycle (related to IFRS 9, IFRS 16 and IAS 41)	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2022
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2022
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2022

Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.

January 01, 2022

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 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 "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 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.

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.

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 Loans 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 the allocation of expenses relating to combined offices shared with the Holding Company, which are on the actual basis.

6 Property and equipment

Description	December 31, 2021						WDV as at December, 31, 2021
	Cost		Depreciation		As at end of the year	WDV as at December, 31, 2021	
	As at beginning of the year	Addition	As at end of the year	Rate			
Office equipments	743,071	-	743,071	10-20	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

Description	December 31, 2020						WDV as at December, 31, 2020
	Cost		Depreciation		As at end of the year	WDV as at December, 31, 2020	
	As at beginning of the year	Addition	As at end of the year	Rate			
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	-	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
	4,951,454	-	4,951,454		4,941,513	9,941	4,951,454

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

	Note	2021 (Rupees)	2020 (Rupees)
7 Investment in associate (managed modaraba)			
Managed modaraba - First National Bank Modaraba (related party)			
7,500,000 (2020: 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>-</u>	<u>-</u>
		<u>(75,000,000)</u>	<u>(75,000,000)</u>

7.2 The company holds 30% (2020: 30%) of voting power in First National Bank 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 for six months ended December 31, 2021 of the First National Bank Modaraba is as follows:

	Note	(Un-audited) December 31, 2021 (Rupees)	(Un-audited) December 31, 2020 (Rupees)
Current assets		<u>228,354,309</u>	<u>196,838,083</u>
Non-current assets		<u>33,014,876</u>	<u>26,960,365</u>
Total assets		<u>261,369,185</u>	<u>223,798,448</u>
Total liabilities (all current)		<u>312,477,253</u>	<u>298,140,504</u>
Net assets		<u>(51,108,068)</u>	<u>(74,342,056)</u>

	Note	(Un-audited) Twelve months ended December 31, 2021 (Rupees)	(Un-audited) 2020 (Rupees)
Income from operations		<u>84,932,214</u>	<u>20,591,014</u>
Profit / (loss) for period		<u>23,431,717</u>	<u>(30,918,182)</u>

	Note	2021 (Rupees)	2020 (Rupees)
8 Short term investments - amortized cost			
Investment in treasury bills	8.1	103,441,400	-
Investment in term deposit receipts - related party	8.2	<u>-</u>	<u>101,000,000</u>
		<u>103,441,400</u>	<u>101,000,000</u>

8.1 This represents investment made in treasury bills and carry interest rate ranging from 7.11% to 7.35% per annum and have matured on February 02, 2022.

8.2 This represents investment made in term deposit receipts in previous year and carry mark up of 6.4% per year and were matured on January 22, 2021.

	Note	2021 (Rupees)	2020 (Rupees)
9 Advances and other receivables			
Accrued interest on short term investments		-	159,386
Advance against expenses		366,585	208,085
Accrued profit on bank deposits		56,400	99,608
Other receivables		24,000	24,000
		<u>446,985</u>	<u>491,079</u>

10 Management fee receivable

Gross fee	10.1	1,672,069	-
Less: Provision for doubtful debt	10.2	(1,672,069)	-
		<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 Modarba due to the reasons disclosed in note 1.2 of the financial statements.

	Note	2021 (Rupees)	2020 (Rupees)
11 Income tax refundable			
Income tax refundable		13,219,655	13,184,373
Less: Provision for income tax refunds	11.1	(13,219,655)	-
		<u>-</u>	<u>13,184,373</u>

11.1 Provision is booked for the whole amount of income tax refunds as they may not be recovered due to the reasons disclosed in note 1.2 of the financial statements.

	Note	2021 (Rupees)	2020 (Rupees)
12 Bank balances			
Current account		15,146	15,146
Savings accounts			
-National Bank of Pakistan - related party	12.1	1,267,886	2,173,787
-Others	12.2	26,900	26,169
		<u>1,309,932</u>	<u>2,215,102</u>

12.1 This carries markup at the rate of 7% to 7.5% (2020: 5.5% to 7.5%) per annum.

12.2 Rate of markup on other banks saving accounts ranges from 7% to 9% (2020: 6.5% to 8.5%) per annum.

	Note	2021 (Rupees)	2020 (Rupees)
13 Trade and other payables			
Accrued expenses		525,630	285,101
Withholding tax		13,750	15,312
		<u>539,380</u>	<u>300,413</u>

	Note	2021 (Rupees)	2020 (Rupees)
14 Payable to National Bank of Pakistan - related party			
Opening balance		97,112,421	95,715,296
Utilities		1,297,771	1,078,314
Communication		7,230	13,128
Fee and subscription		-	65,456
Repairs and maintenance		260,226	217,813
Miscellaneous expenses		208,219	22,414
		<u>98,885,867</u>	<u>97,112,421</u>
Payments made during the year		(373,875)	-
	14.1	<u><u>98,511,992</u></u>	<u><u>97,112,421</u></u>

14.1 This balance has been accumulated over the years on account of payments being made by National Bank of Pakistan on behalf of the Company.

		2021 (Rupees)	2020 (Rupees)
15 Share capital			
Authorized			
15,000,000 (2020: 15,000,000) ordinary shares of Rs. 10 each		<u>150,000,000</u>	<u>150,000,000</u>
Issued, subscribed and paid-up			
10,500,000 (2020: 10,500,000) ordinary shares of Rs. 10 each fully paid in cash		<u>105,000,000</u>	<u>105,000,000</u>

16 Contingencies and commitments

There are no contingencies and commitments as at the reporting date (2020: Nil).

	Note	2021 (Rupees)	2020 (Rupees)
17 Management fee			
Gross revenue	17.1	1,672,069	-
Less: Sales tax		(230,630)	-
		<u>1,441,439</u>	<u>-</u>

17.1 It is the management fee receivable from the **First National Bank Modaraba** at 10% of the net annual profit in accordance with the section 18 of the Modaraba Companies and Modaraba Floatation and Control Ordinance, 1980.

18 Other income

Markup earned from Shariah compliant Islamic banks

Markup on term deposit receipts 371,466 159,386

Others

Markup on deposit accounts 112,776 219,778

Markup on treasury bills 6,902,239 9,812,915

7,386,480 10,192,079

	Note	2021 (Rupees)	2020 (Rupees)
19 Administrative expenses			
Salaries and benefits		3,929,958	4,075,827
Directors' meeting fee		678,000	762,000
Travelling and conveyance		108,273	281,762
Utilities		1,297,771	1,099,096
Communication		7,230	13,128
Legal and professional		243,891	58,000
Auditors' remuneration	19.1	295,000	295,000
Fee and subscription		50,000	65,456
Depreciation	6	12,681	9,941
Repair and maintenance		260,226	217,813
Miscellaneous		228,820	122,414
		<u>7,111,850</u>	<u>7,000,437</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 Tax

-For the year		110,349	541,869
-For prior year		525	-
		<u>110,874</u>	<u>541,869</u>

20.1 Relationship between tax expense and accounting profit

(Loss) before taxation		(13,205,942)	3,190,551
Tax calculated at applicable rate of 29% (2020: 29%)		(3,829,723)	925,260
Utilization of deferred tax asset not recognized earlier		-	(925,260)
Difference of NTR and turnover tax / alternative corporate tax		110,349	541,869
Deferred tax not recognized as asset	20.1	3,829,723	-
Prior year		525	-
		<u>110,874</u>	<u>541,869</u>

20.1 Deferred tax asset of Rs.17,451,655 (2020: Rs. 20,118,301) has not been recognized in these financial statements due to uncertainty of recoverability in future.

	2021 (Rupees)	2020 (Rupees)
21 Earning per share - basic and diluted		
(Loss) / profit for the year attributable to ordinary shareholders	<u>(13,316,816)</u>	<u>2,648,683</u>
Weighted average number of ordinary shares outstanding during the year	<u>10,500,000</u>	<u>10,500,000</u>
Earning per share	<u>(1.27)</u>	<u>0.25</u>

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

	2021 (Rupees)	2020 (Rupees)
22 Remuneration of chief executive officer and directors		
Basic salary	1,554,660	1,554,660
Bonus	330,365	330,365
House rent allowance	777,336	777,336
Conveyance	428,667	428,667
Utilities	186,564	186,564
Others	31,486	30,000
	<u>3,309,078</u>	<u>3,307,592</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. 30,000 (2020: Rs. 30,000) as fee for attending each Board meeting.

23 Related party transactions

Related parties comprise parent company, other associated undertakings, modaraba, directors and key management personnel of the Company.

		2021 (Rupees)	2020 (Rupees)
Party Name	Nature of transaction		
	Expenses incurred during the year	1,773,446	1,397,125
	Investment made in treasury bills / term deposit receipts	103,441,400	101,000,000
National Bank of Pakistan	Payment made during the year against reimbursable expenses	373,875	-
	Markup income on bank account	105,252	196,765
	Markup on treasury bills	6,902,239	9,972,301
	Markup on term deposit receipts	371,466	-
First National Bank Modaraba	Revenue from management fee	1,441,439	-
	Management fee receivable	-	-
Directors	Meeting fee	678,000	762,000

24 Financial risk management

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

- 24.1 Credit risk
- 24.2 Liquidity risk
- 24.3 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:

	2021 (Rupees)	2020 (Rupees)
Long term deposits	25,000	25,000
Advances and other receivable	80,400	123,608
Short term investments	103,441,400	101,000,000
Bank balances	1,309,932	2,215,102
	<u>104,856,732</u>	<u>103,363,710</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	PACRA	A1	A
Bank Islami Pakistan Limited	PACRA	A1	A+
The Bank of Punjab	PACRA	A1+	AA+
NRSP Microfinance Bank Limited	PACRA	A1	A

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 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, 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>	-	-

The following are contractual maturities of financial liabilities as at December 31, 2020:

Description	Carrying amount	Less than one year	One to five years	More than five years
.....Rupee.....				
Trade and other payables	300,413.00	300,413.00	-	-
Payable to National Bank of Pakistan	97,112,421	97,112,421	-	-
	<u>97,412,834</u>	<u>97,412,834</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 and investment in treasury bills are subject to interest rate risk.

Cash flow sensitivity analysis for variable rate instruments

	Effect on loss before tax 100 bp	
	Increase	Decrease
As at December 31, 2021		
Cash flow sensitivity - variable rate financial assets	-	11,278
As at December 31, 2020		
Cash flow sensitivity - variable rate financial assets	-	21,978

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 (loss)/profit for the year would have been Rs. 11,271 (2020: 21,978) 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. 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. 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).

	December 31, 2021			Total
	Level 1	-----Rupees----- Level 2 Level 3		
Investment in associate	-	-	-	-
	-	-	-	-
	December 31, 2020			
	Level 1	-----Rupees----- Level 2 Level 3		Total
Investment in associate	-	-	-	-
	-	-	-	-

	2021 (Rupees)	2020 (Rupees)
Financial instruments by categories		
Assets as per statement of financial position		
Long term deposits	25,000	25,000
Short term investments - amortized cost	103,441,400	101,159,386
Advances and other receivables	446,985	331,693
Trade receivables	-	-
Bank balances	1,309,932	2,215,102

Liabilities as per statement of financial position

Trade and other payables	539,380	300,413
Payable to National Bank of Pakistan	98,511,992	97,112,421

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, 2021.

25 Number of employees

	2021	2020
Permanent employees at year end	3	3
Average number of employees during the year	3	3

26 Corresponding Figures

Corresponding figures have been rearranged and reclassified wherever necessary.

Reclassified from	Reclassified to	Amount (Rs.)	Reason
Income tax refundable	Provision for taxation	33,919	For better presentation
Miscellaneous expenses	Auditors' remuneration	15,000	For better presentation

27 General

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

28 Date of authorization

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




Chief Executive Officer


Director