FINANCIAL STATEMENTS
OF
NATIONAL BANK MODARABA MANAGEMENT
COMPANY LIMITED
FOR THE YEAR ENDED
DECEMBER 31, 2023

BDO

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INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED

Report on the Audit of the Financial Statements

Qualified 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, 2023 and the statement of profit or loss and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information 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 , except for the effect of the matter described in the Basis for Qualified Opinion section of our report, and to the best of our information and according to the explanations given to us, 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 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, 2023 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Qualified Opinion

The financial statements of the Company include an amount due to the National Bank of Pakistan (a parent company) amounting to Rs. 105.081 million as at December 31, 2023 which is not reconciled with the audited financial statement of the Parent Company by an amount of Rs. 31.801 million. We have also not received independent balance confirmation from the parent company, in the absence of which we are unable to confirm the existence, accuracy, and completeness of balances aggregating to Rs. 105.081 million.

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 *Auditors' 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 these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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Emphasis of Matters

(i) Financial Statements prepared on a basis other than Going Concern

We draw attention to Note 3 to the financial statements which describe that the going concern basis has not been used in preparation of these financial statements. As a result, the financial statements for the year ended December 31, 2023, have been prepared by recording assets at estimated realizable values and liabilities at amounts payable. Our opinion is not modified in respect of this matter.

(ii) Appointment of Chief Executive Officer and approval and authentication of financial statements

The financial statements of the Company have been approved by two directors in the absence of the appointed Chief Executive Officer as disclosed in note 4 of these financial statements. Our opinion is not modified in respect of this matter.

Information Other than the Financial Statements and Auditors' Report Thereon

Management of the Company is responsible for the other information. The other information comprises the Directors' report, but does not include the financial statements and our auditors' 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, the 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.

Auditors' 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 auditors' 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. When such use is inappropriate and management uses an alternative basis of accounting, we conclude on the appropriateness of management's use of the alternative basis of accounting. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

- 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.

We also provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion except for the effects of the matter described in the Basis for Qualified Opinion section of our report:

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 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) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other matter

The financial statements of the Company for the year ended December 31, 2022 were audited by another firm of chartered accountants who had expressed an unmodified opinion thereon vide their report dated May 22, 2023.

The engagement partner on the audit resulting in this independent auditors' report is Muhammad Imran.

LAHORE

DATED: 0 9 MAY 2024

UDIN: AR202310131HGraAEkLp

BDO Ebrahim.

BDO EBRAHIM & CO.
CHARTERED ACCOUNTANTS

BDO

DIRECTORS' REPORT

Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), is pleased to present the directors report on the annual accounts of NBMMCL for the year ended December 31, 2023. These accounts have been audited by the statutory auditors of the Company and are accompanied by their audit report.

1. **Financial Results**:

(Amounts in Rupees)

	Year Ended December 31, 2023	Year Ended December 31, 2022	Year Ended December 31, 2021	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2018
Balance Sheet Size	124,577,677	110,914,594	105,324,773	116,915,555	112,869,935	123,131,867
Total Equity	17,270,356	9,638,092	6,185,905	19,502,721	16,854,038	28,266,138
Total Operating & Other Income	25,168,011	12,120,715	8,827,919	10,192,079	10,025,711	7,084,709
Operating Expenses.	11,004,513	8,477,348	7,111,850	7,000,437	(8,010,747)	(8,551,537)
Profit for the period before tax	9,832,331	4,156,912	(13,205,942)	3,190,551	(11,412,100)	(4,313,954)
Net profit after tax	7,632,234	3,452,188	(13,316,816)	2,648,683	(11,412,100)	(4,313,954)
Earning per certificate (Rs.)	0.73	0.33	(1.27)	0.25	(1.09)	(0.41)

Review of Operations of NBMMCL:

During the year under review, NBMMCL earned gross management fee of Rs 4.329 million from its managed Modaraba i.e First National Bank Modaraba as compared to reversal booked in gross management fee during 2022 by an amount of Rs 0.515 million due to excess fee booked in the previous year. Administrative expenses increased from Rs 8.477 million to Rs 11.005 million mainly on back of increase in Rent and utilities accrued during the year from Rs 1.849 million in 2022 to Rs 5.391 million in 2023 which are payable to parent bank i.e National Bank of Pakistan (NBP). Due to substantial increase in policy rate by State Bank of Pakistan during 2023 and simultaneously its proportionate impact on investment rates, Company earned higher return on its investments in term deposit receipts and Treasury bills as compared to the preceding year. Resultantly, other income earned by the Company incremented from Rs 12.565 million in 2022 to Rs 21.436 million in 2023 which mainly contributed towards growth in net profit during 2023. After charging provision amounting to Rs 4.329 million against doubtful management company fee receivable from its Modaraba and taking impact of taxation amounting to Rs 2.200 million, NBMMCL earned net profit of Rs 7.632 million in 2023 versus Rs 3.452 million earned during the preceding year

Balance sheet size increased from Rs 110.915 million as on 31-12-2022 to Rs 124.578 million as on 31-12-2023 mainly on back of growth in net profit earned during the year which was retained by the Company. Resultantly, accumulated losses reduced from Rs 95.362 million to Rs 87.730 million. On the assets side, current assets, which mainly comprised of short term investments in term deposit receipt and cash & bank balances enhanced from Rs 110.851 million to Rs 124.552

million. On the liabilities side, expenses payable to NBP increased from Rs 99.630 million to Rs 105.081 million with major increase in rent and utilities.

Future Outlook:

The Company's managed Modaraba "First National Bank Modaraba" suffered substantial losses since 2013 due to provisioning charged on classified accounts while no fresh business was undertaken by Modaraba since 2016. Management is primarily focused on recovery from its non-performing portfolio. As at December 31, 2023, the Modaraba posted profit before 'Modaraba Company's Management Fee' of Rs. 44.178 million which is mainly due to reversal of provision charged for doubtful receivables amounting to Rs. 54.574 million. As at December 31, 2023, current liabilities exceeded its current assets by Rs. 76.875 million (June 30 2023: Rs. 96.140 million) and its accumulated losses amounted to Rs. 317.647 million (June 30, 2023: Rs. 349.343 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. The challenge before NBMMCL is the recovery of classified portfolio of the Modaraba under its management. However, SECP has filed petition before the Modaraba Tribunal, Lahore u/s 23(1)(II)(b) of the Modaraba Floatation & Control Ordinance,1980 for winding up of the Modaraba. The Company will appropriately defend the case in Tribunal. Once its Modaraba becomes operational, NBMMCL would start earning management fee and its profitability will improve.

Corporate and Financial Reporting Framework:

- The Board has complied with the relevant principles of corporate governance in so far as they were applicable in respect of FNBM, the Modaraba being managed by the Company;
- The financial statements, prepared by the management of the Company, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements, and accounting estimates are based on reasonable and prudent judgment.
- International Financial Reporting Standards, International accounting standards, have been followed in preparation of financial statements.
- The system of internal control, which is sound in design is in place and is being continuously reviewed by internal audit. The process of review will continue and any weakness in controls will be removed.
- The Company has prepared its financial statements on a basis other than going concern thereby recording assets at realizable values and liabilities at amounts payable.
- There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding as on December 31, 2023 except those disclosed in the financial statements.

- During the year ended December 31, 2023, six (06), meetings of the Board of Directors of NBMMCL were held. Besides, four (04) Audit committee and one (01) HR Committee meetings were also held. Attendance by each directors is as follows:

Name	No. of Attendances		
	Board	Audit Committee	HR Committee
i. Mr. Muhammad Imran Malik	6	N/A	1
ii. Khawaja Waheed Raza	6	4	1
iii. Mr. Hakim Ali Leghari	6	4	1
iv. Syed Zubair Ahmed Shah	3	2	N/A
v. Mr. Saad Salman Dar	3	N/A	N/A
vi. Mr. Muhammad Iqbal Hussain	3	2	1
vii. Mr. Aamir Faraz	N/A	N/A	N/A

Leave of absence was granted to directors who could not attend some of the Board meetings.

Except for the CEO, all directors are non-executive directors and do not draw any salary. Directors are paid Rs. 50,000/- each for attending Board/Committee meetings. The details of salary and benefits of the CEO are mentioned in note 28 of the financial statements.

Pattern of Shareholding

No. of Shareholders	No. of Shares held	Percentage holding
2	1000	0.01%
1	10,499,000	99.99%

National Bank of Pakistan holds 99.99% shares of NBMMCL, the remaining are held by directors as per their entitlement.

2. <u>Auditors:</u>

The auditors, Messrs. BDO Ebrahim & Co. Chartered Accountants, were appointed for the year ending December 31, 2023.

3. <u>Acknowledgement:</u>

The Board would like to take this opportunity of expressing gratitude and thanks to our valued customers for their patronage and support, the Securities and Exchange Commission of Pakistan and Modaraba Association of Pakistan for their continuance support and guidance.

For and on Behalf of the Board

Director | **Director** | **Apr 29, 2024**

NATIONAL BANK MODARABA MANGEMENT COMPANY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2023

	Note	2023 Rupees	2022 Rupees
ASSETS			
NON CURRENT ASSETS			
Property and equipment	9	25,372	63,414
Investment in managed modaraba	10	-	-
		25,372	63,414
CURRENT ASSETS			
Short term investments - amortized cost	11	118,500,000	-
Advances, deposits, prepayments and other receivables	12	1,425,412	271,714
Management fee receivable	13	-	-
Cash and bank balances	14	4,626,893	110,579,466
		124,552,305	110,851,180
CURRENT LIABILITIES			
Trade and other payables	15	1,596,375	970,925
Payable to National Bank of Pakistan	16	105,080,903	99,630,092
Taxation - net	17	630,043	675,485
		107,307,321	101,276,502
WORKING CAPITAL		17,244,984	9,574,678
TOTAL CAPITAL EMPLOYED AND NET WORTH		17,270,356	9,638,092
REPRESENTED BY:			
SHARE CAPITAL AND RESERVES			
Authorized share capital	18	150,000,000	150,000,000
Issued, subscribed and paid up capital	18	105,000,000	105,000,000
Revenue reserves:			
Accumulated loss		(87,729,644)	(95,361,908)
		17,270,356	9,638,092
CONTINGENCIES AND COMMITMENTS	19		

The annexed notes from 1 to 35 form an integral part of these financial statements.

DIRECTOR **DIRECTOR**

NATIONAL BANK MODARABA MANGEMENT COMPANY LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 Rupees	2022 Rupees
Management fee	20	3,732,299	(444,211)
Other income	21	21,435,712	12,564,926
		25,168,011	12,120,715
Administrative expenses	22	(11,004,513)	(8,477,348)
(Provision for) / reversal of doubtful management fee	13.3	(4,329,311)	515,285
Bank charges		(1,856)	(1,740)
		(15,335,680)	(7,963,803)
Profit before taxation		9,832,331	4,156,912
Taxation	23	(2,200,067)	(704,724)
Profit after taxation		7,632,264	3,452,188
Earnings per share - basic and diluted	24	0.73	0.33

The annexed notes from 1 to 35 form an integral part of these financial statements.

DIRECTOR

DIRECTOR

NATIONAL BANK MODARABA MANGEMENT COMPANY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2023

	2023 Rupees	2022 Rupees
Profit after taxation	7,632,264	3,452,188
Other comprehensive income		
Items that will be reclassified to profit or loss	-	-
Items that will not be reclassified to profit or loss	-	-
	-	-
Total comprehensive income for the year	7,632,264	3,452,188

The annexed notes from 1 to 35 form an integral part of these financial statements.

DIRECTOR

DIRECTOR

NATIONAL BANK MODARABA MANGEMENT COMPANY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2023

	Issued, subscribed and paid-up share capital	Revenue reserves Accumulated losses	Total
	(Rupees)		
Balance as at January 01, 2022	105,000,000	(98,814,096)	6,185,904
Total comprehensive income for the year			
Profit for the year	-	3,452,188	3,452,188
Other comprehensive income	-	-	
	-	3,452,188	3,452,188
Balance as at December 31, 2022	105,000,000	(95,361,908)	9,638.092
Total comprehensive income for the year			
Profit for the year	-	7,632,264	7,632,264
Other comprehensive income	-	-	-
	-	7,632,264	7,632,264
Balance as at December 31, 2023	105,000,000	(87,729,644)	17,270,356

The annexed notes from 1 to 35 form an integral part of these financial statements.

DIRECTOR **DIRECTOR**

4 APPOINTMENT OF CEO AND APPROVAL AND AUTHENTICATION OF FINANCIAL STATEMENTS

As per section 187 “Appointment of subsequent chief executive” of Companies Act, 2017, the Company is required to appoint Chief Executive Officer (CEO) within fourteen days from date of election of directors or the office of the CEO falling vacant, as the case may be. However, the CEO of the Company resigned on January 09, 2023 and no CEO has been appointed till date.

Furthermore, as per section 232 “ Approval and authentication of Financial Statements” of Companies Act, 2017, the financial statements of the Company must be approved by the Board and signed on behalf of the Board by the Chief Executive and at least one director and if chief executive for the time being not available in Pakistan then the financial statement may be signed by at least two directors. However, in the given scenario, where no CEO has been appointed till date, the affairs of the Company are being run through an Operations Committee which comprises of three members (1. Chief Financial Officer, 2. Chief Risk Officer, 3. Team Leader-Credit). Accordingly, the financial statements have been signed by two directors in absence of Chief Executive Officer.

5 BASIS OF PREPARATION

5.1 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:

- 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.

5.2 Basis of preparation

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

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

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NATIONAL BANK MODARABA MANGEMENT COMPANY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Note	2023 Rupees	2022 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		9,832,331	4,156,912
Adjustments for non-cash items:			
Depreciation	9.1	38,042	38,042
Profit on bank deposits and short term investments	21	(21,435,712)	(12,564,926)
		(21,397,670)	(12,526,884)
Net cash flow before working capital changes		(11,565,339)	(8,369,972)
Decrease in current assets			
Advances, deposits, prepayments and other receivables		80,000	200,225
		80,000	200,225
Increase in current liabilities			
Trade and other payables		625,450	431,545
Payable to National Bank of Pakistan		5,450,811	1,118,100
		6,076,261	1,549,645
Cash used in operations		(5,409,078)	(6,620,102)
Taxes paid		(2,245,509)	(116,734)
Net cash used in operating activities		(7,654,587)	(6,736,836)
CASH FLOWS FROM INVESTING ACTIVITIES			
Profit received on bank deposits and short term investments		20,202,014	208,096
Purchase of short term investments		(563,495,579)	(412,974,413)
Sale of short term investments		444,995,579	528,772,687
Net cash (used in) / generated from investing activities		(98,297,986)	116,006,370
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash flow from financing activities		-	-
Net (decrease) / increase in cash and cash equivalents		(105,952,573)	109,269,534
Cash and cash equivalents at the beginning of the year		110,579,466	1,309,932
Cash and cash equivalents at the end of the year		4,626,893	110,579,466

The annexed notes from 1 to 35 form an integral part of these financial statements.

DIRECTOR **DIRECTOR**

NATIONAL BANK MODARABA MANGEMENT COMPANY LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2023

1 LEGAL STATUS AND NATURE OF BUSINESS

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 (now 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.

2 GEOGRAPHICAL LOCATION AND ADDRESSES OF BUSINESS UNITS

The registered office of the Company is situated at Ground Floor, NBP Regional Head Quarter Building, 26 - McLagan Road, Lahore.

3 GOING CONCERN ASSUMPTION

The Company's managed modaraba "First National Bank Modaraba" ("the Modaraba") is suffering from losses since 2013 as no new leasing agreements were executed by Modaraba. During the half year ended December 31, 2023, the Modaraba made profit before 'Modaraba Company's Management Fee' of Rs. 44.178 million which is primarily due to reversal of provision charged for doubtful receivables amounting to Rs. 54.574 million. Current liabilities exceeded its current assets by Rs. 76.875 million (June 2023: Rs. 96.140 million) and its accumulated losses amounted to Rs. 317.647 million (June 2023: Rs. 349.343 million). Furthermore short term running finance facility obtained by First National Bank Modaraba from National Bank of Pakistan (NBP) was expired on October 31, 2019 that has yet not been renewed and markup outstanding thereupon is still payable.

In purview of the consistent losses of the Modaraba, Winding up petition has been filed by the Registrar Modaraba on June 16, 2020 under section 23 (1)(ii)(b) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 before the Honorable Tribunal Lahore based on the grounds that as per audited accounts for the year ended June 30, 2017, 2018, 2019, the accumulated losses of the Modaraba had exceeded more than fifty percent of the total amount subscribed by the Modaraba Certificate holders. The case is pending in Banking Court and the next date of hearing is May 27, 2024. Further the trading in the certificates of Modaraba has already been suspended and the name of the Modaraba is included in the defaulter list at PSX. In this regard, the management of the Company is of view that it will continue the Modaraba as it believes that the Modaraba would earn sufficient profits in future to overcome the respective losses and accordingly defending the case against the Registrar's apprehensions.

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

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5.3 Basis of measurement

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

5.4 Functional and presentation currency

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

6 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with approved accounting and reporting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgment about carrying value of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by the management in the application of accounting and reporting standards, as applicable in Pakistan that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are documented in the following accounting policies and notes, and relate primarily to:

	Note
a) Provision for taxation	**8.7**
b) Useful life, residual values and method of depreciation of operating fixed assets	**8.1**
c) Impairment of non-financial / financial assets	**8.3**
d) Valuation of investment	**8.2**

7 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

7.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended December 31, 2023

The following standards, amendments and interpretations are effective for the year ended December 31, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or did not have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 Making Materiality Judgements- Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

The Company adopted the narrow-scope amendments to the International Accounting Standard (IAS) 1, Presentation of Financial Statements which have been effective for annual reporting periods beginning on or after 1 January 2023. Although the amendments did not result in any changes to accounting policy themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material' rather than 'significant' accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting the Company to provide useful entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and updates to the information disclosed in Note 8 Material accounting policies (2022: Significant accounting policies) in certain instances in line with the amendments and concluded that all its accounting policies are material for disclosure.

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

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

Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024

13no

	Effective date (annual periods beginning on or after)
Amendments to IAS 1 'Presentation of Financial Statements' - Non-current liabilities with covenants	January 01, 2024
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 21 'The Effects of Changes in Foreign Exchange Rates' - Lack of Exchangeability	January 01, 2025
IFRS 17 Insurance Contracts	January 01, 2026

IFRS 1 standard has been issued by IASB effective from 01, July 2009. However, it has not been adopted yet locally by Securities and Exchange Commission of Pakistan (SECP)

IFRS 17 - 'Insurance contracts' has been notified by the IASB to be effective for annual periods beginning on or after January 1, 2023. However SECP has notified the timeframe for the adoption of IFRS - 17 which will be adopted by January 01, 2026.

8 MATERIAL ACCOUNTING POLICIES

The principal accounting policies applied in the presentation of these financial statements are set out below. These policies have been consistently applied to all the years presented in these financial statements.

8.1 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 8 to these financial statements. Depreciation on additions is charged when the asset is available for use till its derecognition.

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.

8.2 Investments

Investment in managed modaraba is initially valued at cost. At subsequent reporting dates, the Company reviews the carrying amount of the investment to assess whether there is any indication that such investments have suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Where impairment loss subsequently reverses, the carrying amount of investment is increased to its revised recoverable amount but limited to the extent of initial cost of investment. Reversal of impairment losses are recognized in the profit or loss.

8.3 Impairment of non-financial assets

Assets that have an indefinite useful life, for example land, are not subject to depreciation / amortization and are tested annually for impairment. Assets that are subject to depreciation / amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash - generating units). Non - financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Where impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the carrying amount that would have been determined (net of amortization or depreciation) had no impairment loss been recognized. Reversal of impairment loss is recognized as income.

8.4 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.

8.5 Financial instruments

All the financial assets and financial liabilities are recognized at the time when the company becomes the party to the contractual provisions of the instruments. The company derecognizes a financial asset or a portion of financial asset when, and only when, the enterprise looses 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.

8.5.1 Financial assets

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

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

Classification of financial assets

a) Debt instruments measured at amortized cost

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

The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortized cost and effective interest method

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

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

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

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

Debt instruments whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding are measured subsequently at FVTOCI.

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

c) Equity instruments designated as at FVTOCI

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

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

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

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

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

Impairment of financial assets

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

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

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

Definition of default

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

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

Write-off policy

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

Derecognition of financial assets

The Company derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

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

8.5.2 Financial liabilities

Subsequent measurement of financial liabilities

Financial liabilities that are not:

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

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

Derecognition of financial liabilities

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

8.5.3 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.

8.6 Revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes and duties. The Company assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent.

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

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

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.

8.7 Taxation

Current tax

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 tax

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.

8.8 Provisions

Provisions are recognized when the Company has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

8.9 Management fee receivables

These are classified at amortized cost and are initially recognised when they are originated and measured at fair value of consideration receivable. An impairment allowance i.e. expected credit loss is calculated based on actual credit loss experience over the past years. The Company recognises a loss allowance based on lifetime ECLs at each reporting date. The impairment allowance is recognized in the statement of profit or loss. These assets are written off when there is no reasonable expectation of recovery.

8.10 Contingent liabilities

A contingent liability is disclosed when:

- there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company; or

- there is present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

8.11 Trade and other payables

Trade payables are obligations under normal short-term credit terms. These are measured at the undiscounted amount of cash to be paid.

8.12 Share capital

Share capital is classified as equity and recognized at the face value. Incremental costs, net of tax, directly attributable to the issue of new shares are shown as a deduction in equity.

8.13 Related party transactions

Transactions with related parties are based at arm's length that normal commercial rates on the same terms and conditions as applicable to third party transactions.

9 PROPERTY AND EQUIPMENT

The following is the statement of property, plant and equipment:

Description	Office equipment	Vehicles	Computer and accessories	Furniture and fittings	Total
	(Rupees)				
Net carrying value basis					
year ended December 31, 2023					
Opening net book value (NBV)	-	-	63,414	-	63,414
Depreciation charge	-	-	(38,042)	-	(38,042)
Closing net book value	-	-	25,372	-	25,372
Gross carrying value basis					
year ended December 31, 2023					
Cost	743,071	2,295,700	924,486	1,102,333	5,065,590
Accumulated depreciation	(743,071)	(2,295,700)	(899,114)	(1,102,333)	(5,040,218)
Net book value	-	-	25,372	-	25,372
Net carrying value basis					
year ended December 31, 2022					
Opening net book value (NBV)	-	-	101,456	-	101,456
Depreciation charge	-	-	(38,042)	-	(38,042)
Closing net book value	-	-	63,414	-	63,414
Gross carrying value basis					
year ended December 31, 2022					
Cost	743,071	2,295,700	924,486	1,102,333	5,065,590
Accumulated depreciation	(743,071)	(2,295,700)	(861,072)	(1,102,333)	(5,002,176)
Net book value	-	-	63,414	-	63,414
Depreciation rate % per annum	10-20%	20%	33%	10%	

9.1 Depreciation charge for the year has been allocated to administrative expenses.

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

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	Note	2023 Rupees	2022 Rupees
10 INVESTMENT IN MANAGED MODARABA			
Managed modaraba - First National Bank Modaraba (related party)			
7,500,000 (2022: 7,500,000) certificates of Rs. 10/- each		75,000,000	75,000,000
Accumulated impairment	10.1	(75,000,000)	(75,000,000)
		-	-

10.1 Accumulated impairment

		2023 Rupees	2022 Rupees
Opening balance		(75,000,000)	(75,000,000)
Impairment loss arising during the year		-	-
		(75,000,000)	(75,000,000)

10.2 The Company holds 30% (2022: 30%) of voting power in First National Bank Modaraba.

10.3 Due to reason stated in Note 3, whole amount of the investment was impaired in prior years.

10.4 Summarized financial information as at and six months ended December 31, 2023 of the First National Bank Modaraba is as follows:

	Note	(Un-audited) December 31, 2023 Rupees	(Audited) June 30, 2023 Rupees
Current assets		322,073,277	265,390,254
Non-current assets		53,594,767	40,561,302
Total assets		375,668,044	305,951,556
Total liabilities (all current)		398,948,139	361,530,339
Net assets		(23,280,095)	(55,578,783)
Income from operations		21,689,520	29,128,425
Profit for the period		32,342,697	4,100,537

11 SHORT TERM INVESTMENTS

	Note	2023 Rupees	2022 Rupees
At amortised cost			
Terms deposits receipts			
NBP Aitemad - Islamic Banking	11.1	118,500,000	-

11.1 This represents investment made in Term Deposit Receipts (TDRs) with NBP Aitemad - Islamic Banking. This investment will mature on March 12, 2024. These carry mark-up ranging from 18.6% to 20% per annum.

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	Note	2023 Rupees	2022 Rupees

12 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2023 Rupees	2022 Rupees
Advance against expenses		15,860	95,860
Accrued profit on bank deposits		1,290,052	56,354
Prepayments		94,500	94,500
Security deposit		25,000	25,000
		1,425,412	271,714

13 MANAGEMENT FEE RECEIVABLE

	Note	2023 Rupees	2022 Rupees
Unsecured			
Considered doubtful			
Gross fee	13.1	5,486,095	1,156,784
Less: Provision for doubtful debt	13.2	(5,486,095)	(1,156,784)
		-	-

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

13.2 Provision is booked for the whole amount receivable from First National Bank Modaraba due to the reasons disclosed in note 3 of the financial statements.

13.3 Movement in provision for doubtful debt

	2023 Rupees	2022 Rupees
Balance at the beginning of the year	1,156,784	1,672,069
Addition during the year	4,329,311	648,664
Reversal during the year	-	(1,163,949)
	4,329,311	(515,285)
Balance at end of the year	5,486,095	1,156,784

13.4 The aging of management fee receivable at the reporting date is as follows:

	2023 Rupees	2022 Rupees
Past due and impaired		
31-60 days	4,329,311	-
Above 60 days	1,156,784	1,156,784
	5,486,095	1,156,784

13.5 The maximum amount due from First National Bank Modaraba at the end of any month during the year was Rs. 5.486 million (2022: Rs. 1.157 million).

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	Note	2023 Rupees	2022 Rupees
14 CASH AND BANK BALANCES			
Cash in hand including call depository receipts		-	108,385,000
Cash at bank:			
Current account		15,146	15,146
Savings accounts			
National Bank of Pakistan - related party	14.1	1,757,699	10,255
NBP Aitemad Islamic Banking- related party	14.2	2,625,885	1,391
Others	14.3	228,163	2,167,674
		4,626,893	110,579,466

14.1 This carries markup at the rate ranging from 6.5% to 11.92% (2022: 4.6% to 6.5%) per annum.

14.2 This carries markup at the rate ranging from 5.5% to 8.65% (2022: 3.5% to 5.5%) per annum.

14.3 Rate of markup on other banks saving accounts ranges from 3.81% to 11.50% (2022: 5.2% to 7.2%) per annum.

15 TRADE AND OTHER PAYABLES

		2023 Rupees	2022 Rupees
Accrued expenses		839,807	811,369
Sales tax payable		756,568	159,556
		1,596,375	970,925

16 PAYABLE TO NATIONAL BANK OF PAKISTAN - RELATED PARTY

	Note	2023 Rupees	2022 Rupees
Opening balance		99,630,092	98,511,992
Rent and utilities		4,336,230	1,263,180
Communication		17,306	3,417
Janitorial Services		1,055,040	-
Repairs and maintenance		462,895	98,056
Miscellaneous expenses		246,840	127,322
		105,748,403	100,003,967
Payments made during the year		(667,500)	(373,875)
	16.1	105,080,903	99,630,092

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

17 TAXATION - NET

	Note	2023 Rupees	2022 Rupees
Opening balance		675,485	87,495
Add: Prior year adjustment	23	(119,498)	(1,951)
		555,987	85,544
Add: Charge for the year	23	2,319,565	706,675
		2,875,552	792,219
Less: Payment / adjustments against advance tax		(2,245,509)	(116,734)
		630,043	675,485

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18 SHARE CAPITAL

18.1 Authorized share capital

2023	2022		Note	2023 Rupees	2022 Rupees
Number of ordinary shares of Rs. 10/- each					
15,000,000	15,000,000			150,000,000	150,000,000

18.2 Issued, subscribed and paid-up

2023	2022			
Number of ordinary shares of Rs. 10/- each				
10,500,000	10,500,000	Fully paid in cash	105,000,000	105,000,000

18.2.1 Movement of share capital is as follows:

	Number of Shares	Rupees
Opening balance	10,500,000	105,000,000
Shares issued during the year	-	-
Closing balance	10,500,000	105,000,000

18.2.2 10,499,000 (2022: 10,499,000) ordinary shares of Rs. 10 each held by Parent Company, National Bank of Pakistan (NBP).

18.2.3 There is no shareholder agreement for voting rights, board selection, rights of first refusal and block voting.

19 CONTINGENCIES AND COMMITMENTS

19.1 Contingent liabilities

The order issued under section 161(1)of Income Tax Ordinance, 2001 for the tax year 2017 raising tax demand of Rs. 4,958,043/- and appeal was filed before Commissioner Inland Revenue (Appeals) against the said order, which is still pending before CIR(A) and the Company expects favorable outcome of it.

19.2 Commitments

There are no commitments as at the reporting date (2022: Nil).

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		Note	2023 Rupees	2022 Rupees
20	**MANAGEMENT FEE**			
	Gross revenue		4,329,311	(515,285)
	Less: Sales tax		(597,012)	71,074
			3,732,299	(444,211)

20.1 Management fee is charged to managed modaraba at the rate of 10% of profit before tax.

20.2 Timing of revenue recognition - net

	2023 Rupees	2022 Rupees
Goods and services transferred over time	3,732,299	(444,211)

20.3 Geographical market

	2023 Rupees	2022 Rupees
Pakistan	3,732,299	(444,211)

21 OTHER INCOME

	2023 Rupees	2022 Rupees
Markup earned from Shariah complaint Islamic banks		
Markup on term deposit receipts	12,268,614	-
Others		
Markup on deposit accounts	219,341	208,058
Markup on treasury bills	8,947,757	12,356,868
	21,435,712	12,564,926

22 ADMINISTRATIVE EXPENSES

	Note	2023 Rupees	2022 Rupees
Salaries and benefits		729,504	3,916,204
Directors' meeting fee		2,200,000	970,000
Travelling and conveyance		494,544	605,844
Rent and utilities	22.1	5,391,270	1,848,636
Communication		17,306	3,417
Legal and professional		359,941	260,584
Auditors' remuneration	22.2	345,000	295,000
Fee and subscription		56,500	82,488
Depreciation	9	38,042	38,042
Repair and maintenance		505,045	98,128
Miscellaneous		867,361	359,005
		11,004,513	8,477,348

22.1 This includes previous year rent amounting to Rs. 0.754 million which is charged during the year. As the amount is not material, accordingly the amount is charged in the current year.

		Note	2023 Rupees	2022 Rupees
22.2	**Auditors' remuneration**			
	Audit fee		300,000	275,000
	Out of pocket expense		20,000	15,000
	Code of corporate governance certification fee		25,000	5,000
			345,000	295,000

23 TAXATION

	2023 Rupees	2022 Rupees
Current	2,319,565	706,675
Prior year adjustment	(119,498)	(1,951)
	2,200,067	704,724

23.1 Relationship between tax expense and accounting profit

	2023 Rupees	2022 Rupees
Profit before taxation	9,832,331	4,156,912
Tax calculated at applicable rate of 29% (2022: 29%)	2,851,376	1,205,505
Utilization of deferred tax asset not recognized earlier	9,930	(594,770)
Deferred tax not recognized as asset during the year	(541,741)	95,940
Prior year tax charge	(119,498)	(1,951)
	2,200,067	704,724

23.2 Deferred tax asset

Deferred tax asset amounting of Rs. 23.345 million (2022: Rs. 23.887 million) has not been recognized in these financial statements due to uncertainty of recoverability in future. Detail is as follows:

	2023 Rupees	2022 Rupees
Deductible temporary difference on:		
Property and equipment	3,995	(2,172)
Provision for impaired investment in managed modaraba	21,750,000	21,750,000
Provision for doubtful management fee receivable	1,590,968	335,467
Business losses	-	1,216,537
Alternate corporate tax	-	586,872
	23,344,963	23,886,704

23.3 Expiry of tax losses and alternate corporate tax (ACT) is as follows:

Expiry Tax Year	Nature	2023	2022
2028	Business loss - 2022	-	4,194,954
2032	ACT - 2022	-	586,872
		-	4,781,826

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24 EARNING PER SHARE - BASIC AND DILUTED

Profit for the year (Rupees)	7,632,264	3,452,188
Weighted average number of ordinary shares outstanding during the year (Number)	10,500,000	10,500,000
Earning per share - basic and diluted (Rupees)	0.73	0.33

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

25 RELATED PARTY TRANSACTIONS

Related parties comprise parent company, other associated undertakings, modaraba, directors and key management personnel of the Company. Significant transactions and balances with related parties, other than those disclosed elsewhere in these financial statements are as follows:

Party Name	Nature of transaction	2023 Rupees	2022 Rupees
National Bank of Pakistan	Expenses incurred during the year	6,118,311	1,491,975
	Investment made in treasury bills / term deposit receipts	563,495,579	412,974,413
	Disposal of treasury bills / term deposit receipt	444,995,579	528,772,687
	Payment made during the year against reimbursable expenses	667,500	373,875
	Markup income on bank account	158,146	167,110
	Markup on treasury bills	8,947,757	12,356,868
	Markup on term deposit receipts	12,268,614	-
	Payable balance	105,080,903	99,630,092
First National Bank Modaraba	Revenue from management fee	3,732,299	(444,211)
	Balance due and impaired	5,486,095	1,156,784
Directors	Meeting fee	2,200,000	970,000

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

Name	Basis of relationship	Aggregate % of Shareholding
National Bank of Pakistan	Parent Company	100.00%
First National Bank Modaraba	Managed Modaraba	-
Directors	Key management personnel	-

26 FINANCIAL RISK MANAGEMENT

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

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

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

26.1 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.

26.1.1 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:

	2023 Rupees	2022 Rupees
Advances, deposits and other receivables	1,330,912	177,214
Short term investments	118,500,000	-
Cash and bank balances	4,626,893	110,579,466
	124,457,805	110,756,680

The maximum exposure to credit risk for management fee receivable at the balance sheet date by type of customer is as follows:

	2023	2022
Managed Modaraba	5,486,095	1,156,784

The aging of management fee receivable at the reporting date is:

	Weighted average loss rate	2023 Rupees	2022 Rupees
Past due and impaired			
Past due 1-60 days	100%	4,329,311	-
Past due above 60 days	100%	1,156,784	1,156,784
		5,486,095	1,156,784

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

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

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

26.2 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, 2023:

Description	Carrying amount	Contractual cash flows	Up to one year	More than one year
		..........Rupee..........		
Trade and other payables	1,596,375	1,596,375	1,596,375	-
Payable to National Bank of Pakistan	105,080,903	105,080,903	105,080,903	-
	106,677,278	106,677,278	106,677,278	-

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

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Description	Carrying amount	Contractual cash flows	Up to one year	More than one year
		..........Rupee.........		
Trade and other payables	970,925	970,925	970,925	-
Payable to National Bank of Pakistan	99,630,092	99,630,092	99,630,092	-
	100,601,017	100,601,017	100,601,017	-

26.3 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 exposed to following risks.

26.3.1 Interest rate risk

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

Financial assets	Effective interest rate (%)	2023 Rupees	2022 Rupees
Saving accounts	3.81% - 11.50%	4,611,747	2,179,320
Term deposit receipts	18.6% - 20%	118,500,000	-
		123,111,747	2,179,320

Cash flow sensitivity analysis for variable rate instruments

	Effect on profit / (loss) before tax 100 bps	
	Increase	Decrease
As at December 31, 2023		
Cash flow sensitivity - variable rate financial assets	1,231,117	(1,231,117)
As at December 31, 2022		
Cash flow sensitivity - variable rate financial assets	21,793	(21,793)

If the interest rate, at the reporting date, had fluctuated by 10% at the reporting date with all other variable remain constant the impact on the profit / (loss) for the year would have been Rs. 1.231 million (2022: 21,793) higher / lower, mainly as a result of interest rate fluctuation.

26.3.2 Equity price risk

Equity price risk arises from the possibility that equity security prices will fluctuate, affecting the value of equity securities and other instruments that drive their value from a particular stock, a defined basket of stocks, or a stock index. Company is not exposed to equity price risk as the fair value of equity investment in First National Bank Modaraba is measured at zero due to reasons mentioned in note 3 of the financial statements.

26.3.3 Currency risk

The Company is exposed to currency risk on trade receivable and sales that are denominated in a currency other than the respective functional currency of the Company. The company is not exposed to any currency risk as there is no transaction in foreign currency.

26.3.4 Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

Underlying the definition of fair value is the presumption that the Company is a going concern and there is no intention or requirement to curtail materiality the scale of its operations or to undertake a transaction on adverse terms.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

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

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

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

There were no financial instruments held by the Company which are measured at fair value as of December 31, 2023.

27 FINANCIAL INSTRUMENTS

	Fair value			
	1	Level 2	Level 3	Total
On-Balance sheet financial ins				
As at December 31, 2023				
Financial assets at cost or amo				
Short term investments - amorti		-	-	-
Advances, deposits, prepaymen		-	-	-
Bank balances		-	-	-
		-	-	-
Financial liabilities at amortise				
Trade and other payables		-	-	-
Payable to National Bank of Pal		-	-	-
		-	-	-
As at December 31, 2022				
Financial assets at cost or am				
Advances, deposits, prepaymen		-	-	-
Bank balances		-	-	-
		-	-	-
Financial liabilities at amortis				
Trade and other payables		-	-	-
Payable to National Bank of Pa		-	-	-
		-	-	-

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28 REMUNERATION OF CHIEF EXECUTIVE, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the year for remuneration, including all benefits, to the Chief Executive, Directors and Executives of the Company are as follows:

	Chief Executive		Directors		Executives	
	2023	2022	2023	2022	2023	2022
	----------	----------	----------	(Rupees)	----------	----------
Managerial remuneration	-	1,378,462	-	-	-	-
House rent allowance	-	689,236	-	-	-	-
Meeting fee	-	-	2,200,000	970,000	-	-
Other allowance	-	765,350	-	-	-	-
Bonus (Performance)	-	356,794	-	-	-	-
	-	3,189,842	2,200,000	970,000	-	-
Number of persons	-	1	5	5	-	-

29 CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitor the return on capital, which the Company defines as net profit after taxation divided by total shareholders' equity. The Board of Directors also monitor the level of dividend to ordinary shareholders. There were no changes to the Company's approach to capital management during the year and the Company is not subject to externally imposed capital requirements.

The Company's objectives when managing capital are:

(i) to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders, and

(ii) to provide an adequate return to shareholders.

The Company manages the capital structure in the context of economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may adjust the amount of dividends paid to shareholders, issue new shares, or sell assets to reduce debt.

The management at all times seeks to earn returns higher than its weighted average cost of capital, by increasing efficiencies in operations, so as to increase profitability.

The Company has no borrowing as at the balance sheet date, therefore, quantitative data has not been disclosed. The share capital has been disclosed in the relevant note to these financial statements.

30 NUMBER OF EMPLOYEES

	2023	2022
Number of employees as at December 31	2	2
Average number of employees during the period	2	3

Rmo

31 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary to reflect more appropriate presentation of events and transactions for the purpose of comparison in accordance with the accounting and reporting standards as applicable in Pakistan. However, no significant reclassification has been made during the year.

32 EVENTS AFTER THE DATE OF STATEMENT OF FINANCIAL POSITION

No significant events have occurred subsequent to December 31, 2023 other than those mentioned elsewhere in the financial statements.

33 RISK MANAGEMENT FRAMEWORK

The Board of Directors have overall responsibility for establishment and over sight of the Company's risk management framework. The executive management team is responsible for developing and monitoring the Company's risk management policies. The team regularly meets and any changes and compliance issues are reported to the Board of Directors. The Board oversees compliance by management with the Company's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Company.

34 DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on 29 APR 2024 by the Board of Directors of the Company.

35 GENERAL

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

DIRECTOR

DIRECTOR