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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, 2018, and the statement of profit or loss, statement of other 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, (here-in-after referred to as "the financial statements") 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, the statement of profit or loss, the statement of 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, 2018 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 (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to note 1.2 to the financial statements, which indicates that as at December 31, 2018, the Company's loss for the year amounts to Rs. 4.314 million and its accumulated loss stood at Rs. 76.73 million. These conditions indicate existence of a material uncertainty that may cast significant doubt about the entity's ability to continue as a going concern. These financial statements have, however, been prepared on a going concern basis for the reasons, as more fully explained in note 1.2 to the financial statements. Our opinion is not modified in respect of this matter.

Chartered Accountants

Member of Grant Thornton International Ltd

Offices in Karachi & Islamabad

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

The management is responsible for the other information. The other information comprises the director's report for the year ended December 31, 2018, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Report on Other Legal and Regulatory Requirements


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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017(XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of 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 National Bank Modaraba Management Company Limited for the year ended December 31, 2017, were audited by another auditor who expressed an unmodified opinion on those financial statements on August 07, 2018.

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


Grant Thornton Anjum Rahman
Chartered Accountants

Lahore

Date: April 25, 2019

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED

Statement of financial position
As at December 31, 2018

	Note	2018 (Rupees)	2017 (Rupees)
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	6	105,000,000	105,000,000
Accumulated loss		(76,733,862)	(72,419,908)
Total equity		28,266,138	32,580,092
Liabilities			
Current liabilities			
Trade and other payables	7	442,976	259,475
Payable to National Bank of Pakistan	8	94,422,753	92,872,641
Total current liabilities		94,865,729	93,132,116
Total liabilities		94,865,729	93,132,116
Total equity and liabilities		123,131,867	125,712,208
Contingencies and commitments	9		
ASSETS			
Non-current assets			
Property and equipment	10	36,841	65,991
Investment in associate (managed modaraba)	11	13,425,000	16,125,000
Long term deposits		25,000	25,000
Total non-current assets		13,486,841	16,215,991
Current assets			
Short term Investments - held to maturity	12	91,995,828	93,000,000
Advances and other receivables	13	3,280,470	2,138,201
Income tax refundable - net		10,953,308	10,952,744
Bank balances	14	3,415,420	3,405,272
Total current assets		109,645,026	109,496,217
Total assets		123,131,867	125,712,208

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED

Statement of profit or loss
For the year ended December 31, 2018

	Note	2018 (Rupees)	2017 (Rupees)
Revenue	15	-	136,358
Administrative expenses	16	(8,551,537)	(10,837,653)
Bank charges		(10,768)	(1,877)
Other income	17	7,084,709	4,234,771
Other expenses	18	(136,358)	-
Fair value loss on long term investment		(2,700,000)	(7,350,000)
(Loss) before taxation		(4,313,954)	(13,818,401)
Provision for taxation	19	-	(1,704)
(Loss) after taxation		(4,313,954)	(13,820,105)
Earnings per share:			
(Loss) per share - basic and diluted	20	(0.41)	(1.32)
(Loss) per share		(0.41)	(1.32)

The annexed notes 1 to 27 form an integral part of these financial statements. *C.V.*

[Signature]

CHIEF EXECUTIVE OFFICER

[Signature]

DIRECTOR

Statement of other comprehensive income
For the year ended December 31, 2018

	Note	2018 (Rupees)	2017 (Rupees)
(Loss) after taxation		(4,313,954)	(13,820,105)
Other comprehensive income			
Items that may be reclassified to profit or loss subsequently		-	-
Items that will not be reclassified to profit or loss subsequently		-	-
Other comprehensive income for the year		-	-
Total comprehensive loss for the year		-4,313,954	-13,820,105

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



CHIEF EXECUTIVE OFFICER



DIRECTOR

NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED

Statement of cash flows
For the year ended December 31, 2018

	Note	2018 (Rupees)	2017 (Rupees)
Cash flows from operating activities			
Loss before taxation		(4,313,954)	(13,818,401)
Adjustments:			
Depreciation	16	29,150	100,685
Unrealized loss on revaluation of long term investment		2,700,000	7,350,000
Profit on bank deposits and short term investments	17	(58,296)	(65,069)
		2,670,854	7,385,616
Loss before taxation		(1,643,100)	(6,432,785)
Working capital changes:			
(Increase) in current assets:			
Advances and other receivables		(1,734,325)	(201,275)
Increase in current liabilities:			
Trade and other payables		183,501	7,600
Payable to National Bank of Pakistan		1,550,112	1,948,783
Net changes in working capital		(712)	1,755,108
Cash used in operations		(1,643,812)	(4,677,677)
Income tax paid		(564)	(767,907)
Net cash used in operating activities	A	(1,644,376)	(5,445,584)
Cash flows from investing activities			
Profit received on bank deposits and short term investments		650,352	1,471,476
Net decrease in investment		1,004,172	5,000,000
Net cash from investing activities	B	1,654,524	6,471,476
Net increase in cash and cash equivalents	(A+B)	10,148	1,025,892
Cash and cash equivalents at beginning of year		3,405,272	2,379,380
Cash and cash equivalents at end of year		3,415,420	3,405,272

The annexed notes 1 to 27 form an integral part of these financial statements. *C.M.*



CHIEF EXECUTIVE OFFICER



DIRECTOR

Statement of changes in equity
For the year ended December 31, 2018

	Paid-up capital (Rupees)	Accumulated loss (Rupees)	Fair value reserve (Rupees)	Total equity (Rupees)
Balance as at January 1, 2017	105,000,000	(58,599,803)	11,625,000	58,025,197
Loss for the year	-	(13,820,105)	-	(13,820,105)
Other comprehensive loss for the year	-	-	-	-
Transferred to statement of profit or loss during the year	-	-	(11,625,000)	(11,625,000)
Balance as at December 31, 2017	105,000,000	(72,419,908)	-	32,580,092
Loss for the year	-	(4,313,954)	-	(4,313,954)
Other comprehensive loss for the year	-	-	-	-
Balance as at December 31, 2018	105,000,000	(76,733,862)	-	28,266,138

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

[Signature]

CHIEF EXECUTIVE OFFICER

[Signature]

DIRECTOR

Notes to the financial statements

For the year ended December 31, 2018

1 STATUS AND NATURE OF BUSINESS

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

1.2 The Company has suffered loss amounting to Rs. 4.314 million and accumulated loss amount to Rs. 76.73 million at the year end. The company's manage modaraba "First National Bank Modaraba" is also suffering from losses since past few years as no new leasing agreements are executed by modaraba since past years. These conditions indicate existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as going concern. Therefore, the company may be unable to realize its assets and discharge its liabilities in normal course of business. Continuation of the Company as a going concern is dependent on its ability to attain satisfactory levels of profitability in the future through continued support from sponsors of the company and future profitability of Modaraba.

These financial statements have been prepared on going concern basis on the grounds that the Company would be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management. To substantiate its going concern assumption, the Board of Directors of the holding company (NBP) in its meeting held on June 22, 2018, has also resolved that First National Bank Modaraba would be recapitalized subject to approval of its Regulators (i.e SECP & PSX) with Rs. 300 million at Rs. 10 per certificate to enhance its paid up capital. The management of the Company expects such recapitalization during 2019. NBP has also explicitly provided a commitment to the Company for financial sustainability of the Company.

2 STATEMENT OF COMPLIANCE

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

2.1 Standards, amendments or interpretations that became effective during the year

The fourth schedule to the Companies Act, 2017 became applicable to the Company for the first time for the preparation of these financial statements. The Companies Act, 2017 (including its fourth schedule) forms an integral part of the statutory financial reporting framework applicable to the Company and amongst others, prescribes the nature and content of disclosures in relation to various elements of the financial statements. The Company has also adopted following new standards and amendments to published standards during the year:

Standard or Interpretation	IASB effective date
IFRS 2 Share-based Payment – Classification and Measurement of Share based Payment Transactions	1-Jan-18
IFRS 4 Insurance Contracts – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts - (Amendments)	1-Jan-18
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1-Jan-18
IAS 40 - Transfer of Investment Property (Amendments to IAS 40)	1-Jan-18

Notes to the financial statements

For the year ended December 31, 2018

2.2 Standards, amendments and interpretations to the approved accounting standards that are relevant but not yet effective

The following 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;

Standard or interpretation	IASB effective date
IFRS 9 Prepayment Features with Negative Compensation (Amendments to IFRS 9)	1-Jan-19
IFRS 9 Financial Instruments	1-Jul-18
IFRS 15 Revenue from Customers	1-Jul-18
Annual Improvements to IFRSs 2015-2017 Cycle	1-Jan-19
IAS-28 Long-term Interests in Associates and Joint Ventures (Amendments to IAS - 28)	1-Jan-19
IAS 19 Plan Amendment, Curtail or Settlement (Amendments to IAS 19)	1-Jan-19
HFRIC 23 Uncertainty Over Income Tax Treatment	1-Jan-19
IFRS 16 Leases	1-Jan-19

The Company is in process of assessing impact of these new standards, amendments to the published standards and interpretations on the financial statements of the Company.

2.3 Standards, amendments and interpretations to the published standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP)

In addition to the above, following standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan;

Standard or interpretation	IASB effective date
IFRS 14 Regulatory Deferral Accounts	1-Jan-16
IFRS 17 Insurance Contracts	1-Jan-21

3 BASIS OF PREPARATION

3.1 Basis of measurement

These financial statements have been prepared under historical cost convention except for investment in associate which is measured at fair value.

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

Notes to the financial statements

For the year ended December 31, 2018

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Property and equipment

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

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

Depreciation is charged to statement of profit or loss by applying straight line method at the rates specified in note 10 to these financial statements. Depreciation on additions is charged from the month in which an asset is acquired or capitalized while no depreciation is charged for the month in which the asset is disposed off.

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

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

5.2 Investments

Investment in the First National Bank Modaraba

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

Held to maturity investments

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

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

Notes to the financial statements For the year ended December 31, 2018

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

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.

Notes to the financial statements

For the year ended December 31, 2018

Deferred

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

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

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

5.7 Loan and advances

These are recognized and carried at cost less provision for any uncollectable 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.

Notes to the financial statements
For the year ended December 31, 2018

	Note	2018 (Rupees)	2017 (Rupees)
6 Share capital			
Authorized			
15,000,000 (2017: 15,000,000) ordinary shares of Rs. 10 each		150,000,000	150,000,000
Total		150,000,000	150,000,000
Issued, subscribed and paid-up			
10,500,000 (2017: 10,500,000) ordinary shares of Rs. 10 each fully paid in cash		105,000,000	105,000,000
Total		105,000,000	105,000,000
7 Trade and other payables			
Accrued expenses		442,976	259,475
Total		442,976	259,475
8 Payable to National Bank of Pakistan - (related party)			
Opening balance		92,872,641	90,923,858
Salaries and benefits		375,078	250,337
Utilities		990,117	2,085,220
Rent		-	960,000
Communication		-	10,616
Repairs and maintenance		597,978	388,065
Miscellaneous expenses		71,439	286,169
		94,907,253	94,882,265
Payments during the year		(484,500)	(2,009,624)
Total	8.1	94,422,753	92,872,641

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

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

	2018 (Rupees)	2017 (Rupees)
Upto 1 year	2,034,612	1,948,783
1 to 2 year	1,948,783	6,796,036
2 to 3 year	6,796,036	8,056,065
More than 3 years	83,643,322	76,071,757

8.3 This maximum aggregate amount of payable to related party at the end of any month during the year amounts to Rs. 92,388,141 (2017: Rs. 92,872,641).

9 Contingencies and commitments

9.1 There are no contingencies at the reporting date. (2017: Nil).

9.2 Commitments as at date of statement of financial position amounts to Rs. (2017: Nil)

Notes to the financial statements
For the year ended December 31, 2018

10 Property and equipment

2018

Description	Cost				Depreciation				Written down value as at December 31, 2018
	As at January 01, 2018	Additions	Deletions	As at December 31, 2018	Rate	As at January 01, 2018	For the year	As at December 31, 2018	
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	
Office equipment	743,071	-	-	743,071	10% - 20%	739,321	3,000	742,321	750
Vehicles	2,295,700	-	-	2,295,700	20%	2,295,700	-	2,295,700	-
Computer and accessories	810,350	-	-	810,350	33%	810,350	-	810,350	-
Furniture and fittings	1,102,333	-	-	1,102,333	10%	1,040,092	26,150	1,066,242	36,091
Total	4,951,454	-	-	4,951,454		4,885,463	29,150	4,914,613	36,841

2017

Description	Cost				Depreciation				Written down value as at December 31, 2017
	As at January 01, 2017	Additions	Deletions	As at December 31, 2017	Rate	As at January 01, 2017	For the year	As at December 31, 2017	
	Rupees	Rupees	Rupees	Rupees	%	Rupees	Rupees	Rupees	
Office equipment	743,071	-	-	743,071	10% - 20%	714,304	25,017	739,321	3,750
Vehicles	2,295,700	-	-	2,295,700	20%	2,246,182	49,518	2,295,700	-
Computer and accessories	810,350	-	-	810,350	33%	810,350	-	810,350	-
Furniture and fittings	1,102,333	-	-	1,102,333	10%	1,013,942	26,150	1,040,092	62,241
Total	4,951,454	-	-	4,951,454		4,784,778	100,685	4,885,463	65,991

10.1 Fixed assets amounting to Rs. 4,674,954 (2017: Rs. 4,674,954) are fully depreciated.

	Note	2018 (Rupees)	2017 (Rupees)
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11 Investment in associate - Available for sale

Managed modaraba - First National Bank Modaraba (related party)			
7,500,000 (2017: 7,500,000) certificates of Rs. 10/- each		75,000,000	75,000,000
Accumulated impairment	11.1	(61,575,000)	(58,875,000)
Total		13,425,000	16,125,000

11.1 Accumulated impairment

Opening balance	(58,875,000)	(39,900,000)
Fair value loss arising during year	(2,700,000)	(18,975,000)
Total	(61,575,000)	(58,875,000)

11.2 The company holds 30% (2017: 30%) of voting power in First National Bank Modaraba.

11.3 Investment in the First National Bank Modaraba is stated at fair value based on public quotation of Pakistan Stock Exchange.

11.4 Break-up value of investments in the First National Bank Modaraba, based on its condensed interim financial information for the period ended December 31, 2018 reviewed by its statutory auditors, amounted to Rs. -0.43 per certificate (2017: Rs. 0.69 per certificate).

11.5 Summarized interim financial information for six months ended 31 December 2018 of the First National Bank Modaraba is as follows:

Notes to the financial statements
For the year ended December 31, 2018

	31-Dec 2018 (Rupees)	31-Dec 2017 (Rupees)
Total assets	316,513,022	428,129,009
Total liabilities	327,317,955	410,777,349
(Loss) / Profit after taxation	(18,949,415)	1,018,590

12 Short term investments - Held to maturity

Investment with Shariah complaint Islamic banks

Term deposit certificates	-	50,000,000
Musharika certificates	-	43,000,000
12.1	-	93,000,000

Others

Investment in Treasury Bills - related party	12.2	91,995,828	-
Total		91,995,828	93,000,000

12.1 This represented investment made in musharika and term deposit certificates of First Habib Modaraba and Bank Islami Pakistan Limited. These certificates carry markup/profit Nil (2017: 5.4% to 6.2%) per annum.

12.2 This represents investment made in treasury bills and carry interest rate ranging from 8.5% to 8.7%(2017: Nil) per annum.

	Note	2018 (Rupees)	2017 (Rupees)
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13 Advances and other receivables

Advances to employees - considered good - unsecured	13.1	-	69,768
Due from First National Bank Modaraba - (related party)	13.2	-	136,358
Other receivables		178,240	85,000
Accrued profit on bank deposits and investment		1,275,019	1,867,075
Accrued interest on treasury bills - related party		1,827,211	-
Total		3,280,470	2,138,201

13.1 This represents loans extend to employees against salary.

13.2

	2018 (Rupees)	2017 (Rupees)
Due from First National Bank Modaraba - (related party)	136,358	136,358
Less: Written off during the year	(136,358)	-
Total	-	136,358

13.2.1 This represents amount receivable from First National Bank Modaraba on account of management fee, which is no more receivable due to reason mentioned in Note 18.

13.2.2 Aging analysis of such receivable due from related party is as follows:

	2018 (Rupees)	2017 (Rupees)
Upto 1 year	-	136,358
1 to 2 year	136,358	-

13.2.3 The maximum aggregate amount of receivable due from related party at the end of any month during the year amounts to Rs. 136,358. (2017: Rs. 136,358)

Notes to the financial statements
For the year ended December 31, 2018

	Note	2018 (Rupees)	2017 (Rupees)
14 Bank balances			
National Income Daily Account (NIDA)		15,146	105,295
Deposit and saving accounts	14.1, 14.2 & 14.3	3,400,274	3,299,977
Total		3,415,420	3,405,272
14.1	This includes an amount of Rs. 609,628 (2017: Rs. 427,703) maintained with the Holding Company (related party) and carries markup at the rate of 3.11% to 5.25% (2017: 3.90% to 3.95%) per annum.		
14.2	Rate of markup/profit on other banks saving accounts ranges from 3.5% to 5.04% (2017: 3.5% to 3.75%) per annum.		
14.3	Out of this, an aggregate of Rs. 2.77 million (2017: Rs. 2.94 million) has been deposited with Shariah compliant islamic banks.		
	Note	2018 (Rupees)	2017 (Rupees)
15 Revenue			
Gross revenue		-	162,331
Less: Sales tax		-	(25,973)
Total		-	136,358
16 Administrative expenses			
Salaries and benefits		4,145,854	3,578,370
Directors' meeting fee		1,140,000	1,896,000
Traveling and conveyance		688,824	749,203
Utilities		1,198,292	2,085,221
Communication		-	10,616
Rent expenses		-	960,000
Legal and professional charges		400,000	158,350
Auditors' remuneration	16.1	275,000	267,950
Fee and subscription		71,439	125,050
Depreciation	10	29,150	100,685
Repairs and maintenance		597,978	613,608
Miscellaneous expenses		5,000	292,600
Total		8,551,637	10,837,653
16.1 Auditor's remuneration			
Audit fee		275,000	267,950
Total		275,000	267,950
17 Other income			
Income from financial assets			
Other income		1,106	2,168
Markup earned from Shariah complaint Islamic banks			
Markup / Profit on musharika certificates & TDRs		4,114,714	4,167,534
Markup / Profit on bank saving accounts		58,296	65,069
Others			
Interest on treasury bills		2,910,593	-
Total		7,084,709	4,234,771

Notes to the financial statements
For the year ended December 31, 2018

- 18 This represents receivables written off from First National Bank Modaraba as management fee recognized during last year on the profit or loss of interim accounts of the Modaraba. This is not now receivable as the Modaraba has suffered net loss in annual audited accounts for the year ended June 30, 2018.

	2018 (Rupees)	2017 (Rupees)
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19 Taxation

Current tax	-	1,704
Total	-	1,704

19.1 Deferred tax asset amounting to Rs. has not been recognized in these financial statements due to uncertainty of recoverability in future.

19.2 Income tax reconciliation is not produced as income of the company is taxable under Section 113 (Minimum tax regime).

	2018 (Rupees)	2017 (Rupees)
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20 Earnings per share - basic and diluted

(Loss) after taxation attributable to ordinary shareholders	(4,313,954)	(13,820,105)
Weighted average number of ordinary shares outstanding during the year	10,500,000	10,500,000
(Loss) per share	(0.41)	(1.32)

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

21 Remuneration of chief executive officer and directors

Particulars	2018		2017	
	Chief executive officer		Chief executive officer	
Managerial remuneration	1,529,064		1,491,976	
House rent allowance	717,645		745,988	
Conveyance	339,383		261,716	
Utilities	230,370		179,041	
Others	340,203		348,699	
Total	3,156,665		3,027,420	
No. of persons	1		1	

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

21.2 Non-executive directors of the company are not drawing any salary.

21.3 The directors are entitle to receive an amount of Rs. 30,000 (2017: Rs. 30,000) as fee for attending each Board meeting.

21.4 There is no executive in the company as per definition of Executive given in the Companies Act 2017.

22 Related party transactions

Related parties comprise group companies, associated undertakings, associate, directors and key management personnel of the company. Transactions with related parties, except for remuneration of key management personnel as disclosed in note 21, are as follows:

Relationship	Nature and description of related party transactions and balances	2018 (Rupees)	2017 (Rupees)
Holding company	Expenses incurred by Holding Company on behalf of the Company during the year (Reimbursement of expenses)	2,034,612	3,958,407
Holding company	Payment made to the Holding Company during the year against reimbursable expenses	484,500	2,009,624
Associate	Management fee charged to the First National Bank Modaraba on profit before taxation	-	136,358
Directors	Meeting fee	1,140,000	1,896,000
Holding company	Interest Income	42,780	-
Holding company	Interest on treasury bills	2,910,593	-

Notes to the financial statements For the year ended December 31, 2018

23 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.

23.1 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.

23.1.1 Exposure to credit risk

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

	2018 (Rupees)	2017 (Rupees)
Security deposits	25,000	25,000
Advances to employees	-	69,768
Accrued profit	3,102,230	1,867,075
Due from First National Bank Modaraba	-	136,358
Other receivables	178,240	65,000
Short term investment	91,995,828	93,000,000
Bank balances	3,415,420	3,405,272
Total	98,716,718	98,568,473

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

Banks	Rating		Agency	2018 Rupees	2017 Rupees
	Short term	Long term			
National Bank Of Pakistan	A 1+	AAA	PACRA	609,628	427,703
Meezan Bank Limited	A 1+	AA+	JCR- VIS	-	19,454
Bank Alfalah Limited	A 1+	AA+	PACRA	18,125	18,005
Albaraka Bank Pakistan Limited	A 1	A	PACRA	994	1,093
Faysal Bank Limited	A 1+	AA	PACRA	26	26
Bank Islami Pakistan Limited	A 1	A+	PACRA	2,769,022	52,923,845
Dubai Islamic Bank Limited	A 1	AA-	JCR- VIS	1	-
Bank of Punjab	A 1+	AA	PACRA	16,146	15,146
First Habib Modaraba	A 1+	AA+	PACRA	-	43,000,000
NRSP Microfinance Bank Limited	A 1	A	PACRA	2,479	-

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.

23.2 Liquidity risk

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

The following are contractual maturities of financial liabilities as on 31 December 2018:

Description	Carrying amount Rupees	On demand	One to five years	More than five years
		Rupees	Rupees	Rupees
Trade and other payables	442,976	442,976	-	-
Payable to Holding Company	94,422,753	94,422,753	-	-
Total	94,865,729	94,865,729	-	-

Notes to the financial statements

For the year ended December 31, 2018

The following are contractual maturities of financial liabilities as on 31 December 2017:

Description	Carrying amount	On demand	One to five years	More than five years
	Rupees	Rupees	Rupees	Rupees
Trade and other payables	259,475	259,475	-	-
Payable to Holding Company	92,872,641	92,872,641	-	-
Total	93,132,116	93,132,116	-	-

23.3 Market risk

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

23.3.1 Markup/Interest/Profit rate risk

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

Cash flow sensitivity analysis for variable rate instruments

	Effect on loss before tax 100 bp	
	Increase	Decrease
As at December 31, 2018		
Cash flow sensitivity - variable rate financial assets	5,830	(5,830)
As at December 31, 2017		
Cash flow sensitivity - variable rate financial assets	6,507	(6,507)

23.3.2 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 derive their value from a particular stock, a defined basket of stocks, or a stock index. The company is exposed to equity price risk as it holds investments in First National Bank Modaraba. Equity price changes as the volatility of equity prices changes. The cash flow sensitivity analysis is given as follows:

	Effect on loss	
	Increase	Decrease
As at December 31, 2018		
Cash flow sensitivity - equity price	1,342,500	(1,342,500)
As at December 31, 2017		
Cash flow sensitivity - equity price	1,612,500	(1,612,500)

23.3.3 Currency risk

The company is not exposed to currency risk.

23.3.4 Fair value of financial instruments

Fair value is the amount that would be received on sale of an asset or paid on transfer of a liability in an orderly transaction between market participants at the measurement date. Consequently, differences can arise between carrying values and fair value estimates. Underlying the definition of fair value is the presumption that the Company is a going concern without any intention requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

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

Level 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).