

Statement of financial position
As at December 31, 2019

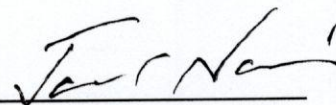
	Note	2019 (Rupees)	2018 (Rupees)
EQUITY AND LIABILITIES			
Share capital and reserves			
Share capital	6	105,000,000	105,000,000
Accumulated loss		(88,145,962)	(76,733,862)
Total equity		16,854,038	28,266,138
Liabilities			
Current liabilities			
Trade and other payables	7	300,601	442,976
Payable to National Bank of Pakistan	8	95,715,296	94,422,753
Total current liabilities		96,015,897	94,865,729
Total liabilities		96,015,897	94,865,729
Total equity and liabilities		112,869,935	123,131,867
Contingencies and commitments	9		
ASSETS			
Non-current assets			
Property and equipment	10	9,941	36,841
Investment in associate (managed modaraba)	11	-	13,425,000
Long term deposits		25,000	25,000
Total non-current assets		34,941	13,486,841
Current assets			
Short term Investments - amortised cost	12	95,934,313	91,995,828
Advances and other receivables	13	1,716,942	2,509,452
Income tax refundable - net		13,218,292	11,724,326
Bank balances	14	1,965,447	3,415,420
Total current assets		112,834,994	109,645,026
Total assets		112,869,935	123,131,867

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

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CHIEF EXECUTIVE OFFICER



DIRECTOR

Statement of profit or loss
For the year ended December 31, 2019

	Note	2019 (Rupees)	2018 (Rupees)
Revenue	15	-	-
Administrative expenses	16	(8,010,747)	(8,551,537)
Bank charges		(2,064)	(10,768)
Other income	17	10,025,711	7,084,709
Other expenses	18	-	(136,358)
Fair value loss / impairment on long term investment		(13,425,000)	(2,700,000)
(Loss) before taxation		(11,412,100)	(4,313,954)
Provision for taxation	19	-	-
(Loss) after taxation		(11,412,100)	(4,313,954)
Earnings per share:			
(Loss) per share - basic and diluted	20	(1.09)	(0.41)
(Loss) per share		(1.09)	(0.41)

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

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CHIEF EXECUTIVE OFFICER

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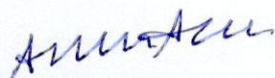
DIRECTOR

Statement of other comprehensive income
For the year ended December 31, 2019

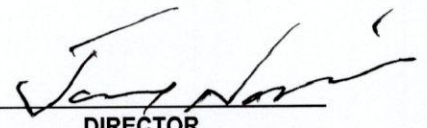
	2019 (Rupees)	2018 (Rupees)
(Loss) after taxation	(11,412,100)	(4,313,954)
Other comprehensive income		
Items that may be reclassified to profit or loss subsequently	-	-
Items that will not be reclassified to profit or loss subsequently	-	-
Other comprehensive income for the year	-	-
Total comprehensive loss for the year	(11,412,100)	(4,313,954)

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





CHIEF EXECUTIVE OFFICER



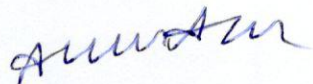
DIRECTOR

Statement of cash flows
For the year ended December 31, 2019

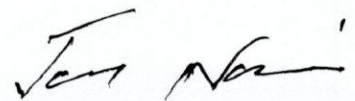
	Note	2019 (Rupees)	2018 (Rupees)
Cash flows from operating activities			
Loss before taxation		(11,412,100)	(4,313,954)
Adjustments:			
Depreciation	16	26,900	29,150
Unrealized loss on revaluation of long term investment		13,425,000	2,700,000
Profit on bank deposits and short term investments		(167,206)	(58,296)
		13,284,694	2,670,854
Operating cash flows before working capital changes		1,872,594	(1,643,100)
Working capital changes:			
(Increase) / decrease in current assets:			
Advances and other receivables		792,510	(963,307)
Increase / (decrease) in current liabilities:			
Trade and other payables		(142,375)	183,501
Payable to National Bank of Pakistan		1,292,543	1,550,112
Net changes in working capital		1,942,678	770,306
Cash generated from / (used in) operations		3,815,272	(872,794)
Income tax paid		(1,493,966)	(771,582)
Net cash from / (used in) operating activities	A	2,321,306	(1,644,376)
Cash flows from investing activities			
Profit received on bank deposits and short term investments		167,206	650,352
Net (increase) / decrease in investment		(3,938,485)	1,004,172
Net cash (used in) / from investing activities	B	(3,771,279)	1,654,524
Net (decrease) / increase in cash and cash equivalents	(A+B)	(1,449,973)	10,148
Cash and cash equivalents at beginning of year		3,415,420	3,405,272
Cash and cash equivalents at end of year		1,965,447	3,415,420

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

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CHIEF EXECUTIVE OFFICER



DIRECTOR

Statement of changes in equity
For the year ended December 31, 2019

	Paid-up capital (Rupees)	Accumulated loss (Rupees)	Total equity (Rupees)
Balance as at January 1, 2018	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
Loss for the year	-	(11,412,100)	(11,412,100)
Other comprehensive loss for the year	-	-	-
Balance as at December 31, 2019	105,000,000	(88,145,962)	16,854,038

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

Signature

Signature

CHIEF EXECUTIVE OFFICER

Signature

DIRECTOR

Notes to the financial statements

For the year ended December 31, 2019

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. 11.412 million and accumulated loss amount to Rs. 88.145 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. Further, during the year, the Company received an order for winding up of First National Bank Modaraba (FNBM) by the Registrar Modaraba Companies and Modarabas on October 31, 2019 based on the grounds that as per audited accounts for the year ended June 30, 2017, 2018, 2019, the accumulated losses of the Madaraba had been exceeded more than fifty percent of the total amount subscribed by the Modaraba Certificate holders. These conditions indicate existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as going concern. Therefore, the company may be unable to realize its assets and discharge its liabilities in normal course of business. Continuation of the Company as a going concern is dependent on its ability to attain satisfactory levels of profitability in the future through continued support from sponsors of the company and future going concern status along with profitability of the Modaraba.

These financial statements have been prepared on going concern basis on the grounds that the Company would be able to achieve satisfactory levels of profitability in the future based on the plans drawn up by the management. To substantiate its going concern assumption, the Board of Directors of the holding company (NBP) in its meeting held on June 22, 2018, has also resolved that First National Bank Modaraba would be recapitalized subject to approval of its Regulators (i.e SECP, SBP & PSX) with Rs. 300 million at Rs. 10 per certificate to enhance its paid up capital. The approval of SECP has been obtained by NBP whereas approval from SBP is pending. The management of the Company expects completion of such recapitalization during 2020. NBP has also explicitly provided a commitment to the Company for financial sustainability of the Company. The company has also approached NBP for challenging recent decision of SECP for proposed winding up of Modaraba due to planned recapitalization of the Modaraba in near future.

2 STATEMENT OF COMPLIANCE

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

2.1 New Standards, amendments to the Approved Accounting Standards and Interpretations Standards, amendments or interpretations that became effective during the year

There are certain new standards, interpretations and amendments to approved accounting standards which are mandatory for the Company's accounting periods beginning on or after Jan 1, 2019 but are considered not to be relevant or have any significant effect on the Company's financial reporting, except as mentioned below:

In addition to the above, the following two new standards have become applicable to the Company w.e.f Jan 1, 2019:

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Notes to the financial statements For the year ended December 31, 2019

IFRS 9 'Financial instruments' – This standard replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. It also includes an expected credit losses model that replaces IAS 39 incurred loss impairment model. On Jan 1, 2019 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories (i.e. mainly financial assets previously classified as 'available for sale', 'loans and receivables' have now been classified as 'fair value through OCI' and 'amortised cost' respectively).

The changes laid down by these standards do not have any significant impact on these financial statements of the Company except certain additional disclosures and few changes in accounting policies.

2.2 Standards that are not yet effective

There are new standards, amendments and interpretations to the approved accounting and reporting standards that will be mandatory for the Company's annual accounting periods beginning on or after July 1, 2019. However, these will not have any significant impact on the financial reporting of the Company and, therefore, have not been disclosed in these financial statements.

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

5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

5.1 Property and equipment

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

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

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

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

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Notes to the financial statements For the year ended December 31, 2019

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 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.

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.

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Notes to the financial statements

For the year ended December 31, 2019

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

Interest on treasury bills is recognized on time proportion basis.

5.6 Taxation

Current

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

Deferred

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

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

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

5.7 Loan and advances

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

5.8 Related party transactions

Transactions with related parties are made at arm's length price determined in accordance with the comparable uncontrolled price method except for 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, 2019

	Note	2019 (Rupees)	2018 (Rupees)
6 Share capital			
Authorized			
15,000,000 (2018: 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 (2018: 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		300,601	442,976
Total		300,601	442,976
8 Payable to National Bank of Pakistan - (related party)			
Opening balance		94,422,753	92,872,641
Salaries and benefits		-	375,078
Utilities		1,053,767	990,117
Rent		-	-
Communication		10,124	-
Fee and subscription		48,564	-
Repairs and maintenance		145,759	597,978
Miscellaneous expenses		34,329	71,439
		95,715,296	94,907,253
Payments during the year		-	(484,500)
Total	8.1	95,715,296	94,422,753

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:

	2019 (Rupees)	2018 (Rupees)
Upto 1 year	1,292,543	2,034,612
1 to 2 year	2,034,612	1,948,783
2 to 3 year	1,948,783	6,796,036
More than 3 years	90,439,358	83,643,322

8.3 Maximum aggregate amount of payable to related party at the end of any month during the year amounts to Rs. 94,422,753 (2018: Rs. 92,388,141).

9 Contingencies and commitments

9.1 There are no contingencies at the reporting date (2018: Nil).

9.2 Commitments as at date of statement of financial position amount to Rs. Nil (2018: Rs. Nil).

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Notes to the financial statements
For the year ended December 31, 2019

10 Property and equipment

2019

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

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

10.1 Fixed assets amounting to Rs. 4,674,954 (2018: Rs. 4,674,954) are fully depreciated.

	Note	2019 (Rupees)	2018 (Rupees)
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11 Investment in associate - Fair value through OCI

Managed modaraba - First National Bank Modaraba (related party)

7,500,000 (2018: 7,500,000) certificates of Rs. 10/- each

		75,000,000	75,000,000
Accumulated impairment	11.1	(75,000,000)	(61,575,000)
Total		-	13,425,000

11.1 Accumulated impairment

Opening balance

(61,575,000) (58,875,000)

Fair value loss arising during year

(13,425,000) (2,700,000)

Total

(75,000,000) (61,575,000)

11.2 The company holds 30% (2018: 30%) of voting power in First National Bank Modaraba.

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

11.4 Summarized interim financial information for six months ended 31 December 2019 of the First National Bank Modaraba is as follows:

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Notes to the financial statements
For the year ended December 31, 2019

	31-Dec 2019 (Rupees)	31-Dec 2018 (Rupees)
Total assets	262,916,057	316,513,022
Total liabilities	307,783,234	327,317,955
(Loss) / Profit after taxation	(16,150,482)	(18,949,415)
Revenue	70,056,452	10,308,414

12 Short term investments - Amortised Cost

Investment in Treasury Bills - related party	12.1	95,934,313	91,995,828
Total		95,934,313	91,995,828

12.1 This represents investment made in treasury bills and carry interest rate ranging from 12.5% to 13.2% (2018: 8.5% to 8.7%) per annum and will mature on various dates, latest by March 12, 2020. The Company intends to hold these investments till maturity.

	Note	2019 (Rupees)	2018 (Rupees)
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13 Advances and other receivables

Due from First National Bank Modaraba - (related party)	13.1	-	-
Advance against expenses		177,240	164,240
Other receivables		24,000	14,000
Accrued profit on bank deposits and investment		77,413	1,275,019
Accrued interest on treasury bills - related party		1,438,289	1,056,193
Total		1,716,942	2,509,452

13.1

	2019 (Rupees)	2018 (Rupees)
Due from First National Bank Modaraba - (related party)	-	136,358
Less: Written off during the year	-	(136,358)
Total	-	-

13.1.1 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.

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

	2019 (Rupees)	2018 (Rupees)
Upto 1 year	-	-
1 to 2 year	-	136,358

13.1.3 The maximum aggregate amount of receivable due from related party at the end of any month during the year amounts to Rs. Nil (2018: Rs. 136,358).

	Note	2019 (Rupees)	2018 (Rupees)
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14 Bank balances

Current account		15,147	15,146
Deposit and saving accounts	14.1, 14.2 & 14.3	1,950,300	3,400,274
Total		1,965,447	3,415,420

14.1 This includes an amount of Rs. 1,925,786 (2018: Rs. 609,628) maintained with the Holding Company (related party) and carries markup at the rate of 5.25% to 7% (2018: 3.11% to 5.25%) per annum.

14.2 Rate of markup/profit on other banks saving accounts ranges from 5.55% to 8.5% (2018: 3.5% to 5.04%) per annum.

14.3 Out of this, an aggregate of Rs. 2,669 (2018: Rs. 2.77 million) has been deposited with Shariah compliant islamic banks.

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Notes to the financial statements
For the year ended December 31, 2019

	Note	2019 (Rupees)	2018 (Rupees)
15 Revenue			
Gross revenue		-	-
Less: Sales tax		-	-
Total		-	-
16 Administrative expenses			
Salaries and benefits		4,181,861	4,145,854
Directors' meeting fee		1,050,000	1,140,000
Traveling and conveyance		450,229	688,824
Utilities		1,093,595	1,198,292
Communication		10,124	-
Legal and professional charges		663,820	400,000
Auditors' remuneration	16.1	280,000	275,000
Fee and subscription		48,564	71,439
Depreciation	10	26,900	29,150
Repairs and maintenance		145,759	597,978
Miscellaneous expenses		59,895	5,000
Total		8,010,747	8,551,537
16.1 Auditors' remuneration			
Audit fee		275,000	275,000
Other certification - CCG		5,000	-
Total		280,000	275,000

	2019 (Rupees)	2018 (Rupees)
17 Other income		
Income from financial assets		
Other income	-	1,106
Markup earned from Shariah complaint Islamic banks		
Markup / Profit on musharika certificates & TDRs	-	4,114,714
Markup / Profit on bank saving accounts	244,619	58,296
Others		
Interest on treasury bills	9,781,092	2,910,593
Total	10,025,711	7,084,709

18 Other expenses
This represents receivables written off from First National Bank Modaraba as management fee recognized during 2017 on the profit or loss of interim accounts of the Modaraba. But in annual audited accounts for the year ended June 30, 2018, modaraba suffered net loss as a result this was not receivable.

	2019 (Rupees)	2018 (Rupees)
19 Taxation		
Current tax	-	-
Total	-	-

19.1 Deferred tax asset amounting to Rs. 20,210,818 (2018: 19,762,823) 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 not taxable.



Notes to the financial statements
For the year ended December 31, 2019

	2019 (Rupees)	2018 (Rupees)
20 Earnings per share - basic and diluted		
(Loss) after taxation attributable to ordinary shareholders	(11,412,100)	(4,313,954)
Weighted average number of ordinary shares outstanding during the year	10,500,000	10,500,000
(Loss) per share	(1.09)	(0.41)

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	2019	2018
	Chief executive officer	Chief executive officer
Managerial remuneration	1,591,675	1,529,064
Bonus	339,929	314,634
House rent allowance	795,847	717,645
Conveyance	383,836	339,383
Utilities	190,995	230,370
Others	28,045	25,569
Total	3,330,326	3,156,665
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 entitled to receive an amount of Rs. 30,000 (2018: 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 parent company, other associated undertakings, modarabas, directors and key management personnel of the Company. Balances with related parties are disclosed in respective notes. Transactions with related parties, except for remuneration of key management personnel as disclosed in note 21, are as follows:

Relationship	Nature and description of related party transactions and balances	2019 (Rupees)	2018 (Rupees)
Holding company	Expenses incurred by Holding Company on behalf of the Company during the year (Reimbursement of expenses)	1,292,543	2,034,612
Holding company	Investment made in treasury bills	95,934,313	91,995,828
Holding company	Payment made to the Holding Company during the year against reimbursable expenses	-	484,500
Directors	Meeting fee	1,050,000	1,140,000
Holding company	Markup Income	243,133	42,780
Holding company	Markup on treasury bills	9,781,092	2,910,593

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.

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Notes to the financial statements

For the year ended December 31, 2019

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 statement of financial position date was:

	2019 (Rupees)	2018 (Rupees)
Security deposits	25,000	25,000
Accrued profit	1,515,702	3,102,230
Other receivables	24,000	178,240
Short term investment	95,934,313	91,995,828
Bank balances	1,965,447	3,415,420
Total	99,464,462	98,716,718

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	2019 Rupees	2018 Rupees
	Short term	Long term			
National Bank of Pakistan	A1+	AAA	PACRA	1,925,786	609,628
Bank Alfalah Limited	A1+	AA+	PACRA	19,127	18,125
Albaraka Bank Pakistan Limited	A1	A	PACRA	715	994
Faysal Bank Limited	A1+	AA	PACRA	-	26
Bank Islami Pakistan Limited	A1	A+	PACRA	1,953	2,769,022
Dubai Islamic Bank Limited	A-1+	AA	JCR- VIS	1	1
Bank of Punjab	A1+	AA	PACRA	15,146	15,146
NRSP Microfinance Bank Limited	A1	A	PACRA	2,719	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. However concentration of credit risk is high.

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 2019:

Description	Carrying amount Rupees	Less than one year	One to five years	More than five years
		Rupees	Rupees	Rupees
Trade and other payables	300,601	295,601	-	-
Payable to Holding Company	95,715,296	95,715,296	-	-
Total	96,015,897	96,010,897	-	-

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

Description	Carrying amount Rupees	Less than one year	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	-	-

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Notes to the financial statements

For the year ended December 31, 2019

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, 2019		
Cash flow sensitivity - variable rate financial assets	24,462	(24,462)
As at December 31, 2018		
Cash flow sensitivity - variable rate financial assets	5,830	(5,830)

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

	Effect on loss	
	Increase	Decrease
As at December 31, 2019		
Cash flow sensitivity - equity price	-	-
As at December 31, 2018		
Cash flow sensitivity - equity price	1,342,500	(1,342,500)

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

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

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

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Notes to the financial statements

For the year ended December 31, 2019

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

Rupees in thousand	Carrying amount				Fair Value			
	FVTPL	Amortised cost	Fair value through OCI	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----								
December 31, 2019								
Financial assets measured at fair value								
Investment in Modaraba	-	-	-	-	-	-	-	-
Financial assets not measured at fair value								
Non-current assets								
Long term deposits	-	25,000	-	25,000	-	-	-	-
Current assets								
Short term investments	-	95,934,313	-	95,934,313	-	-	-	-
Advances and other receivables	-	1,716,942	-	1,716,942	-	-	-	-
Bank balances	-	1,965,447	-	1,965,447	-	-	-	-
	-	99,641,702	-	99,641,702	-	-	-	-

Rupees in thousand	Carrying amount					Fair Value			
	Cash and cash equivalents	Loans and receivables	Available for sale instruments	Others	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----									
December 31, 2018									
Financial assets measured at fair value									
Investment in Modaraba	-	-	13,425,000	-	13,425,000	13,425,000	-	-	13,425,000
Financial assets not measured at fair value									
Non-current assets									
Long term deposits	-	25,000	-	-	25,000	-	-	-	-
Current assets									
Short term investments	-	-	-	91,995,828	91,995,828	-	-	-	-
Advances and other receivables	-	2,509,452	-	-	2,509,452	-	-	-	-
Bank balances	3,415,420	-	-	-	3,415,420	-	-	-	-
	3,415,420	2,534,452	13,425,000	91,995,828	111,370,700	13,425,000	-	-	13,425,000

Rupees in thousand	Carrying amount				Fair Value			
	FVTPL	Amortised cost	Fair value through OCI	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----								
December 31, 2019								
Financial liabilities measured at fair value								
	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value								
Non-current liabilities								
Current liabilities								
Trade and other payables	-	300,601	-	300,601	-	-	-	-
Payable to National Bank of Pakistan	-	95,715,296	-	95,715,296	-	-	-	-
	-	96,015,897	-	96,015,897	-	-	-	-

Rupees in thousand	Carrying amount					Fair Value			
	Cash and cash equivalents	Loans and receivables	Available for sale instruments	Others	Total	Level 1	Level 2	Level 3	Total
----- Rupees -----									
December 31, 2018									
Financial liabilities measured at fair value									
	-	-	-	-	-	-	-	-	-
Financial liabilities not measured at fair value									
Non-current liabilities									
Current liabilities									
Trade and other payables	-	-	-	442,976	442,976	-	-	-	-
Payable to National Bank of Pakistan	-	-	-	94,422,753	94,422,753	-	-	-	-
	-	-	-	94,865,729	94,865,729	-	-	-	-

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Notes to the financial statements

For the year ended December 31, 2019

23.3.5 Capital risk management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended December 31, 2019.

24 Number of Employees

	2019	2018
Permanent employees at year end	3	3
Average no. of employees during the year	3	3

25 General

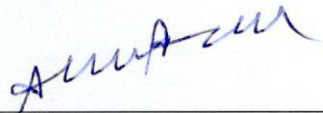
25.1 Figures have been rounded off to the nearest rupee unless otherwise stated.

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

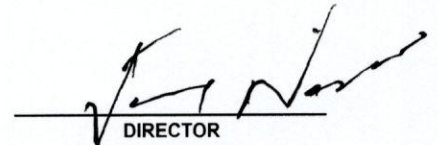
26 Date of authorization

These financial statements were authorized for issue on Feb 26, 2020 by the Board of Directors of the Company.

AM



CHIEF EXECUTIVE OFFICER



DIRECTOR