



FIRST NATIONAL BANK MODARABA

Managed By:

National Bank Modaraba Management Company Limited
(A wholly owned subsidiary of National Bank of Pakistan)

QUARTERLY REPORT
SEPTEMBER 30,
2021

First National Bank Modaraba

Quarterly Report
September 30, 2021

CONTENTS

Corporate Information	4
Directors' Review Report	5
Condensed Interim Balance Sheet	6
Condensed Interim Profit and Loss Account	7
Condensed Interim Statement of Comprehensive Income	8
Condensed Interim Cash Flow Statement	9
Condensed Interim Statement of Changes in Equity	10
Notes to the Condensed Interim un-audited Financial Statements	11

CORPORATE INFORMATION

Board of Directors	Mr. Muhammad Imran Malik Mr. Rehmat Ali Hasnie Syed Jamal Baquar Khawaja Waheed Raza Mr. Muhammad Iqbal Hussain Mr. Abbas Azam	Chairman Director Director Director Director CEO
Shari'ah Advisor	Mufti Ehsan Waquar Ahmed	
Chief Financial Officer/	Farah Aslam	
Company Secretary		
Audit Committee	Mr. Muhammad Iqbal Hussain Khawaja Waheed Raza Syed Jamal Baquar	Chairman Member Member
HR & Remuneration Committee	Khawaja Waheed Raza Mr. Muhammad Iqbal Hussain Mr. Rehmat Ali Hasnie	Chairman Member Member
Auditors	CROWE HUSSAIN CHAUDHURY & CO. Chartered Accountants	
Bankers	National Bank of Pakistan Bank Alfalah Limited Al Baraka Islamic Bank Habib Bank Limited MCB Bank Limited Bank Islami Pakistan Limited	
Legal Advisor	Muhammad Aqeel Malik Advocates Supreme Court Aqeel & Associates, Advocate/Legal Consultants Office No. 12, 1st Floor, Khawaja Arcade Wahdat Road, Lahore Tel.: 042-35462464	
Shares Registrar	Hameed Majeed Associates (Pvt.) Limited 1H. M. House, 7 - Bank Square, Lahore Tel: 37235081-2, Fax: 37358817	
Registered Office	Ground Floor, NBP RHQs Building, 26 - McLagon Road, Lahore Tel: 042-99211200, Fax: 042-99213247 URL: http://www.nbmodaraba.com E-mail: info@nbmodaraba.com	

* Mr. Jamal Nasim resigned and the casual vacancy is yet to be filled.

Directors' Review Report

On behalf of the Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the Management Company of First National Bank Modaraba (FNBM), I present the quarterly report, together with un-audited financial statements of FNBM for the quarter ended September 30, 2021.

During the period under review, the management remained focused on recovery. Some more legal ground was covered in proceedings of the recovery suits filed against non-performing portfolio. The total income figured to Rs. 1.7 Million in the quarter under review as compared to Rs. 2.9 Million in the corresponding period last year. Financial cost remained at Rs. 4.39 Million compared to Rs. 4.33 Millions in the corresponding period. The operating expenses, despite prevailing inflation, slightly declined to Rs. 3.6 Million compared to Rs.4.2 Million in the corresponding quarter. There was a cash recovery amounting to Rs. 23 Million resulting in a reversal in provisioning by the same amount. While a further provisioning amounting to Rs.9.1 million has been charged against an old defaulter due to impairment of leased held assets. The net result was a profit of Rs.6.7 million as against a loss of Rs. 4.57 Million in the corresponding quarter last year.

As a result of aforesaid the profit per certificate stood at Rs. 0.27 as compared to a loss per certificate of Rs.(0.17) in the corresponding quarter.

The Board would like to take this opportunity to thank its valued certificate holders and clients for their patronage and consistent patience. Besides, the Board extends its sincere gratitude to Registrar Modarabas, SECP and NBFI & Modaraba Association of Pakistan for their continued guidance and support.

For and on behalf of the Board



Chief Executive Officer

Lahore: October 26, 2021

ڈائریکٹرز جائزہ رپورٹ

نیشنل بینک مضا ربہ منجمنٹ کمپنی لمیٹڈ (NBMMCL) کے بورڈ آف ڈائریکٹرز کی جانب سے فرسٹ نیشنل بینک مضا ربہ (FNBM) کی منجمنٹ کمیٹی کی طرف سے 30 ستمبر 2021ء کو ختم ہونے والی سہ ماہی کیلئے ایف این بی ایم کے غیر آڈٹ شدہ مالی بیانات کے ساتھ سہ ماہی رپورٹ پیش کرتا ہوں۔

جائزہ کے دوران اس مدت میں یہ بات سامنے آئی کہ اس مدت کے دوران غیر فعال پورٹ فولیو کے خلاف دائر وصولی کے مقدمات کی کارروائی میں کچھ اور قانونی بنیادوں کا احاطہ کیا گیا۔ نظر ثانی شدہ سہ ماہی میں کل آمدنی 1.7 ملین روپے تک پہنچ گئی جبکہ پچھلے سال کی اسی مدت میں 2.9 ملین روپے تھی۔ مالیاتی لاگت 4.39 ملین روپے رہی جو کہ اسی عرصے میں 4.33 ملین روپے تھی۔ موجودہ افراط زر کے باوجود آپریٹنگ اخراجات قدرے کم ہو کر 3.6 ملین روپے رہ گئے جو کہ اسی سہ ماہی میں 4.2 ملین روپے تھے۔ کلاسیفائیڈ کمیز میں 23 ملین روپے کی وصولی ہوئی جس کے نتیجے میں اتنی ہی رقم پروزننگ میں سے نکالی گئی اور ایک اور ناندہندہ کی مد میں 9.1 ملین مزید پروزننگ کی گئی۔ خالص نتیجہ 6.7 ملین روپے کا منافع تھا جبکہ گزشتہ سال کی اسی سہ ماہی میں 4.57 ملین روپے کا نقصان ہوا تھا۔

مذکورہ بالا کے نتیجے میں فی سرٹیفکیٹ منافع 0.27 روپے رہا جبکہ اسی سہ ماہی میں فی سرٹیفکیٹ (0.17) کا نقصان ہوا تھا۔

بورڈ اپنے قیمتی سرٹیفکیٹ ہولڈرز اور گاہکوں کی سہولتوں اور مستقل مزاجی کا شکریہ ادا کرنے کیلئے اس موقع سے فائدہ اٹھانا چاہتا ہے۔ اس کے علاوہ بورڈ رجسٹرار مضا ربہ، ایس ای سی پی اور این بی ایف آئی اور مضا ربہ ایسوسی ایشن آف پاکستان کی مسلسل رہنمائی اور مدد کیلئے ان کا تہہ دل سے مشکور ہے۔

منجانب بورڈ (کے لئے)



چیف ایگزیکٹو آفیسر

لاہور: 26 اکتوبر، 2021

Quarterly Report-September 30, 2021

BALANCE SHEET (UNAUDITED) AS AT SEPTEMBER 30, 2021

	Note	SEPTEMBER 2021 Rupees	JUNE 2021 Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances		6,848,808	12,975,175
Short term murabaha investments - secured		3,638,222	3,638,222
Accrued profit		1,686,795	1,445,282
Short term investments	5	145,411,726	117,078,393
Ijarah rentals receivable	6	36,500,874	45,668,275
Advances, prepayments and other receivables		6,626,449	6,563,679
Current portion of non current assets	7	18,697,036	18,697,036
		219,409,910	206,066,062
NON-CURRENT ASSETS			
Net investment in ijarah finance	8	-	-
Diminishing musharaka financing - secured	9	-	-
Long term murabaha investments - secured	10	-	-
Long term loans and deposits		39,500	39,500
Intangible asset		-	-
Fixed assets under ijarah arrangements	11	33,024,976	33,024,976
Fixed assets - own use	12	27,700	27,700
		33,092,176	33,092,176
TOTAL ASSETS		252,502,086	239,158,238
LIABILITIES			
CURRENT LIABILITIES			
Accrued profit on short term financing		51,189,412	46,806,932
Short term finances - secured	13	217,063,388	217,063,388
Creditors, accrued and other liabilities		6,064,259	3,886,183
Unclaimed dividend		425,218	425,218
Security deposits against ijarah assets		33,071,676	33,071,676
Deferred murabaha income		-	-
		307,813,953	301,253,397
TOTAL LIABILITIES		307,813,953	301,253,397
NET LIABILITIES		(55,311,867)	(62,095,159)
FINANCED BY:			
Certificate capital	14	250,000,000	250,000,000
Statutory reserve		45,533,915	44,177,257
Accumulated loss		(349,283,947)	(354,710,581)
		(53,750,032)	(60,533,324)
Unrealised loss on revaluation of sukus		(1,561,835)	(1,561,835)
TOTAL EQUITY AND RESERVES		(55,311,867)	(62,095,159)
CONTINGENCIES AND COMMITMENTS		-	-

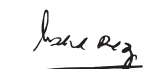
The annexed notes from 1 to 21 form an integral part of these financial statements.



Chief Executive Officer
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Lahore: October 26, 2021

First National Bank Modaraba

PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2021

	SEPTEMER 2021	SEPTEMBER 2020
Note	Rupees	Rupees
INCOME FROM OPERATIONS		
Ijarah rentals earned / income from ijarah finance	-	577,030
Profit on diminishing musharaka financing	-	34,088
Profit on murabaha income	-	-
Profit on bank deposits	46,741	44,204
Profit on short term investment	1,697,744	2,185,311
	1,744,485	2,840,633
OTHER INCOME		
Reversal of provision charged for doubtful receivables - net	22,082,741	1,900,000
Suspension reversed during the year	1,151,081	-
Gain on termination of ijarah assets	1,958	118,011
Other income	-	46,707
	23,235,780	2,064,718
TOTAL INCOME	24,980,265	4,905,351
EXPENSES		
Depreciation on ijarah assets	-	(923,847)
Operating expenses	(3,589,021)	(4,230,681)
Loss on termination of Diminishing Musharika Assets	(129,260)	-
Finance cost	(4,394,196)	(4,326,274)
TOTAL EXPENSES	(8,112,477)	(9,480,802)
OPERATING PROFIT / (LOSS) BEFORE PROVISIONS AND TAXATION	16,867,788	(4,575,451)
Provision charged for doubtful receivables - net	(9,176,980)	-
PROFIT / (LOSS) BEFORE MANAGEMENT COMPANY'S FEE	7,690,808	(4,575,451)
Modaraba Company's management fee	(769,081)	-
Provision for Worker's Welfare Fund	(138,435)	-
PROFIT / (LOSS) BEFORE TAXATION	6,783,292	(4,575,451)
Taxation	-	-
NET PROFIT / (LOSS) FOR THE YEAR	6,783,292	(4,575,451)
EARNINGS / (LOSS) PER MODARABA CERTIFICATE - BASIC AND DILUTED	0.27	(0.18)

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Lahore: October 26, 2021

Quarterly Report-September 30, 2021

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2021

	SEPTEMBER 2021	SEPTEMBER 2020
	Rupees	Rupees
NET PROFIT / (LOSS) FOR THE PERIOD	6,783,292	(4,575,451)
Other Comprehensive Income:		
<i>Items that will not be reclassified to profit and loss account</i>	-	-
<i>Items that may be reclassified subsequently to profit and loss account</i>		
- (Deficit) / surplus on revaluation of sukuks	-	-
Other comprehensive (loss) / income for the period	-	-
Total Comprehensive Income / (Loss) for the period	<u>6,783,292</u>	<u>(4,575,451)</u>

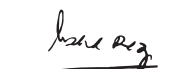
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CASH FLOW STATEMENT (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2021

	SEPTEMBER 2021	SEPTEMBER 2020
	Rupees	Rupees
Net Profit / (loss) for the Period	6,783,292	(4,575,451)
Adjustment for:		
- Depreciation on fixed assets under own use	-	923,847
- Depreciation on fixed assets under ijarah arrangements	-	-
- Loss on termination of ijarah assets	(1,958)	-
- Profit on short term investments	(1,697,744)	-
- Charge of provision against doubtful ijarah rentals receivable - net	9,176,980	-
- Balances written off	-	-
- Liabilities written back	-	-
- Reversal of provision long term murabaha investments - net	(22,082,741)	1,900,000
- Suspension reversed during the year	(1,151,081)	-
- Finance cost	4,394,196	4,326,274
- Provision for Worker's Welfare Fund	138,435	-
- Profit on term deposit receipts and bank deposits	(46,741)	-
	(11,270,654)	7,150,121
Operating loss before working capital changes	(4,487,362)	2,574,670
Decrease / (Increase) in operating assets:		
- Accrued profit	1,456,231	(2,709,454)
- Ijarah rentals receivable	634,345	5,283,285
- Advances, prepayments and other receivables	(55,000)	(1,746,753)
- Short term murabaha investments	22,617,199	-
- Diminishing musharaka financing	-	-
- Long term murabaha investments	-	2,369,591
Decrease in operating liabilities:		
- Creditors, accrued and other liabilities	2,150,775	(5,747,342)
Net changes in working capital	26,803,550	(2,550,673)
Cash Generated from Operations	22,316,188	23,997
Finance cost paid	(11,716)	23,200
Income taxes paid / deducted at source	(7,770)	-
Profit received on bank deposits	46,741	-
Long term loans recovered	-	-
Net Cash Generated from Operating Activities	22,343,443	47,197
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets - own use acquired	-	-
Short term investments acquired	(30,000,000)	(19,289,153)
Short term investments redeemed	1,666,667	-
Proceeds from disposal of ijarah assets	-	(46,390)
Proceeds from disposal of ijarah assets	1,958	-
Net Cash Used in Investing Activities	(28,331,375)	(19,335,543)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net (Decrease) / Increase in Cash and Cash Equivalents	(6,126,367)	(19,288,346)
Cash and cash equivalents at the beginning of the year	12,975,175	22,655,322
Cash and Cash Equivalents at the End of the Period	6,848,808	3,366,976

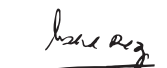
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Lahore: October 26, 2021

Quarterly Report-September 30, 2021

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE PERIOD ENDED SEPTEMBER 30, 2021

Particulars	Certificate Capital	Statutory Reserve	Accumulated Loss	Total Equity
	Rupees			
Balance as at June 30, 2020 - restated	250,000,000	43,955,189	(355,598,855)	(61,643,666)
Net loss for the period	-	-	(4,575,451)	(4,575,451)
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	(4,575,451)	(4,575,451)
Transferred to statutory reserve	-	-	-	-
Balance as at September 30, 2020	<u>250,000,000</u>	<u>43,955,189</u>	<u>(360,174,306)</u>	<u>(66,219,117)</u>
Balance as at June 30, 2021	250,000,000	44,177,257	(354,710,581)	(60,533,324)
Net profit for the period	-	-	6,783,292	6,783,292
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	-	-	6,783,292	6,783,292
Transferred to statutory reserve	-	1,356,658	(1,356,658)	-
Balance as at September 30, 2021	<u>250,000,000</u>	<u>45,533,915</u>	<u>(349,283,947)</u>	<u>(53,750,032)</u>

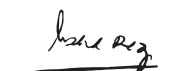
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Lahore: October 26, 2021

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2021

Note 1

Legal Status and Nature of Business

1.1 First National Bank Modaraba ("the Modaraba") is a multi-purpose, perpetual and multi-dimensional Modaraba formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Rules framed thereunder. The Modaraba is managed by National Bank Modaraba Management Company Limited (a wholly owned subsidiary of the National Bank of Pakistan (NBP)), incorporated in Pakistan under the repealed Companies Ordinance, 1984 (now the Companies Act, 2017) and registered with the Registrar of Modaraba Companies. The registered office of the Modaraba is situated at Ground Floor, National Bank of Pakistan, Regional Headquarters Building, 26-Mc Lagon Road, Lahore.

The Modaraba is listed on Pakistan Stock Exchange Limited (PSX). It commenced its operations on December 4, 2003 and is currently engaged in various Islamic modes of financing and operations including ijarah, musharaka and murabaha arrangements.

1.2 Going concern assumption

As at the reporting date, the Modaraba's current liabilities exceed its current assets by Rs. 55,311 million (2020: Rs. 67,736 million) and its accumulated losses amount to Rs. 349,283 million (2020: Rs. 361,691 million). Further as referred in Note 13, the 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 also yet to be paid. 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 purview of the consistent losses of the Modaraba, the Registrar Modaraba issued a show cause notice to it as to why should the proceedings to wind up the Modaraba not be initiated in terms of Section 23(1)(ii)(b) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Later, the Registrar Modaraba in exercise of powers conferred under Section 23(1)(ii)(b) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and show cause notice, has passed an order dated October 31, 2019, for filing an application for winding up before the Modaraba Tribunal, Lahore. Subsequent to order dated October 31, 2019 of Registrar Modaraba, the winding up petition has been filed on June 16, 2020 under section 23(1)(ii)(b) before the Honorable Modaraba Tribunal, Lahore. However the case is pending for initial hearing in Banking Court and the next date of hearing is Nov 10, 2021.

Accumulated losses as on Sep 30, 2021 contain Rs. 287.27 million (2021: Rs. 300.174 million) against provision for doubtful receivables; the management believes that these amounts are notional in nature and these provisions are reversible in future to the extent of actual cash recoveries, as and when realized, from the defaulter clients. The Modaraba has filed legal suits for recovery against all its defaulter clients and Rs. 400.436 million have been decreed in Modaraba's favor by the Honorable Banking Courts, against principal amount, that are pending execution. Total current liabilities amounting to Rs. 307.813 million (2021: Rs. 301.253 million) include Rs. 268.25 (2021: Rs. 263.870 million) payable to National Bank of Pakistan (NBP) on account of outstanding principal and mark-up on short term running finance facility that the management believes is not readily payable. Further, the current liabilities also include Rs. 33.072 (2021: Rs. 33.071 million) worth security deposits that are not immediately repayable rather shall be adjusted against the residual value of ijarah assets.

However, the winding up petition filed by the Registrar Modaraba indicates the existence of material uncertainty that casts significant doubts about the Modaraba's ability to continue as a going concern, and therefore, it may be unable to realize its assets and discharge its liabilities in the normal course of business. Therefore, these condensed interim financial statements (un-audited) have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively.

Note 2

Basis of Preparation

2.1 These condensed interim financial statements (un-audited) have been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan (SECP) and are in compliance with the International Accounting Standard - 34 (Interim Financial Reporting) and being submitted to certificate holders as required under law.

2.2 These condensed interim financial statements (un-audited) should be read in conjunction with annual audited financial statements for the year ended June 30, 2021. Comparative balance sheet is extracted from audited financial statements for the year ended June 30, 2021; whereas, comparative profit and loss account, statement of comprehensive income, cash flows statement and statement of changes in equity are extracted from unaudited interim financial statements for the three-month period ended on Sep 30, 2021.

Quarterly Report-September 30, 2021

2.3 These condensed interim financial statements (un-audited) have been prepared on the basis other than going concern using estimated realizable / settlement values of the assets and liabilities respectively. In realizable / settlement value basis, assets are carried at amount of cash and cash equivalents that could currently be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values, that is the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business. These realizable / settlement values are based on management judgement and other available evidence; however, these may change on actual realization of assets / settlement of liabilities.

These condensed interim financial statements (un-audited) are presented in Pak Rupees, which is the Modaraba's functional and presentation currency. All the figures have been rounded off to the nearest Pak Rupees unless stated otherwise.

Note 3

Accounting Policies

The accounting policies adopted for the preparation of these condensed interim financial statements (un-audited) are consistent with those applied in the preparation of annual audited financial statements of the Modaraba for the year ended June 30, 2021.

Note 4

Short Term Murabaha Investments - Secured

	Note	Sep 30, 2021 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
Considered good		-	-
Considered doubtful		183,433,491	205,516,232
		273,874	1,424,955
Add: Deferred murabaha income		183,707,365	206,941,187
		(179,795,269)	(201,878,010)
Less: Provision for non-performing murabaha investments		(273,874)	(1,424,955)
Less: Suspended income		3,638,222	3,638,222
4.1			
These represent investments under murabaha arrangements on deferred payment basis at specified profit margins. These investments carry profit ranging from 8.36% to 14.64% (June 30, 2021: 8.36% to 14.64%) per annum and are secured against charge over fixed and current assets, personal guarantees of directors of customer companies, registered and equitable mortgage of properties, demand promissory notes and post dated cheques varying from case to case.			
4.2			
Provision for non-performing murabaha investments			
Opening balance		201,878,010	227,462,959
Reversed during the period / year		(22,082,741)	(25,584,949)
Closing balance		179,795,269	201,878,010

Note 5

Short Term Investments

2020	2020		Note	Sep 30, 2021 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
Number	Number				
Investments in sukuk of Rs. 100,000 each - fair value through OCI					
550	550	Neelum Jehlum Sukuk	5.1	35,406,250	35,406,250
200	200	Byco Petroleum Pakistan Limited	5.2	10,005,476	11,672,143
<u>750</u>	<u>750</u>			45,411,726	47,078,393
		BankIslami Limited - Term Deposits Receipts	5.3	100,000,000	70,000,000
				145,411,726	117,078,393

Note 6

Ijarah Rentals Receivable

	Note	Sep 30, 2021 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
Considered good - secured			
Considered doubtful	6.1	107,098,151	107,088,572
Less: Provision for doubtful ijarah rentals receivable	6.3	(47,878,739)	(38,701,759)
Less: Profit held in suspense account		(22,718,538)	(22,718,538)
		36,500,874	45,668,275
		36,500,874	45,668,275

First National Bank Modaraba

6.1 This represents receivables from various customers under the Ijarah finance. Legal proceedings against 7 (2021: 7) customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in 6 (2021: 6) cases for recovery of Rs. 141.67 million (2021: 141.67 million), while the order to execute decree is awaited.

6.3 Movement in provision against doubtful ijarah rentals receivable are as follows:

Opening balance	38,701,759	24,211,493
Charged during the period / year	9,176,980	14,490,266
Provision reversed during the period	-	-
Net (reversal) / charged during the period / year	9,176,980	14,490,266
Closing balance	47,878,739	38,701,759

Note 7

Current Portion of Non Current Assets

	Sep 30, 2021	June 30, 2021
	(Un-audited)	(Audited)
	Rupees	Rupees
Net investment in ijarah finance	13,496,734	13,496,734
Diminishing musharaka financing	5,200,302	5,200,302
Long term murabaha investments	-	-
Long term loans and deposits	-	-
	18,697,036	18,697,036

Note 8

Net Investment in Ijarah Finance

Net Investment in Ijarah Finance	Sep 30, 2021			June 30, 2021		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	-----Rupees-----					
	------(Un-Audited)-----			------(Audited)-----		
Minimum ijarah rentals receivable	50,785,554	-	50,785,554	50,785,554	-	50,785,554
Residual value of ijarah assets	46,700	-	46,700	46,700	-	46,700
Gross investment in ijarah finance	50,832,254	-	50,832,254	50,832,254	-	50,832,254
Less: Unearned finance income	(24,109,320)	-	(24,109,320)	(24,109,320)	-	(24,109,320)
Net investment in lease ijarah finance	26,722,934	-	26,722,934	26,722,934	-	26,722,934
Less: Provision against doubtful receivables	(13,226,200)	-	(13,226,200)	(13,226,200)	-	(13,226,200)
	13,496,734	-	13,496,734	13,496,734	-	13,496,734
Less: Current portion (Note 7)			(13,496,734)			(13,496,734)
			-			-

8.1 This investment represents ijarah arrangement entered with a customer for a period of 10 years at an implicit profit rate of 8.7% against security deposits of Rs. 46,700 (2021: 46,700). Legal proceedings against the customer are in process in the Honorable Court of Law. The Court has yet not awarded decree in favour of the Modaraba, while the liquidator has been appointed on the customer for its winding up. The customer has presented scheme/plan for restructuring/rescheduling and revival of business to the honourable Lahore High Court (the Court) with the consent of 90.4% of secured creditors, the scheme was approved, adopted and agreed.

Note 9

Diminishing Musharaka Financing - Secured

	Sep 30, 2021	June 30, 2021
	(Un-audited)	(Audited)
	Rupees	Rupees
Considered good	862,668	862,668
Considered doubtful	4,337,634	4,337,634
Provision against doubtful diminishing musharaka	-	-
	4,337,634	4,337,634
	5,200,302	5,200,302
Less: Current portion	(5,200,302)	(5,200,302)
	-	-

9.1 This represents diminishing musharaka financing arrangement entered for a term of three to four years. The Modaraba has provided financing to the extent of 23.69% to 90% of the value of musharaka assets. This financing is secured by first charge on all present and future fixed assets of the client, personal guarantee of directors, registered and equitable mortgage on properties, post dated cheques and joint ownership of musharaka assets. These carry profit at rates ranging between 9.05% to 17.41% (June 30, 2021: 9.05% to 17.41%) per annum and are repayable on monthly basis.

9.2 The provision against doubtful diminishing musharaka financing has not been incorporated as the forced sale value of collaterally held assets is greater than the amount receivable from the respective parties. The collaterally held asset is valued at Rs. 5.678 million by the management as of June 30, 2021. The management estimates that the fair value has not changed significantly further as of Sep 30, 2021.

Quarterly Report-September 30, 2021

Note 10

Long Term Murabaha Investments - Secured

	Sep 30, 2021	June 30, 2021
Note	(Un-audited) Rupees	(Audited) Rupees
Considered good	-	-
Considered doubtful	59,594,049	59,594,049
	<u>59,594,049</u>	<u>59,594,049</u>
Add: Deferred murabaha income	29,388,304	29,388,304
	<u>88,982,353</u>	<u>88,982,353</u>
Less: Provision for doubtful murabaha investments	(59,594,049)	(59,594,049)
Less: Suspension for doubtful murabaha investments	(29,388,304)	(29,388,304)
	<u>-</u>	<u>-</u>
Less: Current portion	-	-
	<u>-</u>	<u>-</u>
10.1 Provision for doubtful murabaha investments		
Opening balance	59,594,049	63,399,069
Reversed during the period / year	-	(3,805,020)
Closing balance	<u>59,594,049</u>	<u>59,594,049</u>

Note 11

Fixed Assets under Ijarah Arrangements

	Sep 30, 2021	June 30, 2021
	(Un-audited) Rupees	(Audited) Rupees
Written down value at the beginning of the period / year	33,024,976	39,565,335
Less: Written down value of assets disposed off / adjusted	-	(7,687,400)
	<u>33,024,976</u>	<u>31,877,935</u>
Less: Depreciation charged during the period / year	-	1,147,041
	<u>33,024,976</u>	<u>33,024,976</u>

Note 12

Fixed Assets under Own Use

	Sep 30, 2021	June 30, 2021
	(Un-audited) Rupees	(Audited) Rupees
Written down value at the beginning of the period / year	27,700	59,234
Additions at cost	-	-
	<u>27,700</u>	<u>-</u>
Less: Depreciation charged during the period / year	-	(31,534)
	<u>27,700</u>	<u>27,700</u>

Note 13

Short Term Finance - Secured

	Sep 30, 2021	June 30, 2021
	(Un-audited) Rupees	(Audited) Rupees
From banking companies		
Running finance from associated undertaking - National Bank of Pakistan	<u>217,063,388</u>	<u>217,063,388</u>

13.1 The Modaraba has obtained running finance facility of Rs. 250 million (June 2021: Rs. 250 million) from National Bank of Pakistan carrying mark-up / profit at 1 month KIBOR plus 0.50% (June 2021: 1 month KIBOR plus 0.5%) per annum payable monthly. The effective mark-up / profit rate charged during the period ranged from 8.00% to 8.02% (June 2021: 8.33% to 8.53%) per annum. This facility is secured by way of first joint pari passu hypothecation charge on all present and future receivables, leased assets and related lease receivables and present and future assets of the Modaraba to the extent of Rs 277.778 million (June 2021: Rs 277.778 million). This facility expired on October 31, 2019 and has yet not been renewed .

First National Bank Modaraba

Note 14

Certificate Capital

Sep 30, 2021		June 30, 2021		Sep 30, 2021	June 30, 2021
(Un-audited)	(Audited)	(Un-audited)	(Audited)	(Un-audited)	(Audited)
Number of certificates	Number of certificates	Rupees	Rupees		
Authorized:					
<u>60,000,000</u>	<u>60,000,000</u>	Modaraba certificates of Rupees 10 each		<u>600,000,000</u>	<u>600,000,000</u>
Issued, subscribed and paid-up certificate capital:					
<u>25,000,000</u>	<u>25,000,000</u>	Modaraba certificates of Rupees 10 each		<u>250,000,000</u>	<u>250,000,000</u>

14.1 7,500,000 (June 30, 2021: 7,500,000) certificates of the Modaraba are held by National Bank Modaraba Management Company Limited, the modaraba management company.

14.2 No certificates of the Modaraba have been issued / cancelled during the period / year.

Note 15

Taxation

Under the Finance Bill 2021, tax exemption available to Modarabas have been withdrawn. However due to accumulated tax losses normal taxation is not expected to arise. Any minimum Tax liability under Section 113 of Income Tax Ordinance 2001 will be assessed at year end.

Note 16

Contingencies and Commitments

There is no significant change in the status of contingencies and commitments as reported in the annual audited financial statements of the Modaraba for the period ended 30 June 2021.

Note 17

Financial Risk Management

17.1 Financial risk factors

The Modaraba's financial risk management objectives and policies are consistent with those disclosed in preceding audited annual financial statements for the period ended Sep 30, 2021.

17.2 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The following table presents the Modaraba's assets and liabilities that are measured at fair value as at:

	Sep 30, 2021			June 30, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets	-----Rupees-----					
Short term investments	45,411,726	-	-	47,078,393	-	-

During the current period ended March 31, 2021, there were no significant changes in the business or economic circumstances that affect the fair value of the Modaraba's financial assets and financial liabilities. Furthermore, there were no reclassifications of financial assets and there were no changes in valuation techniques during the period.

Quarterly Report-September 30, 2021

Note 18

Balances and Transactions with Related Parties

Related parties comprise associated companies, modaraba management company and its holding undertaking, directors of the Modaraba management company and key management personnel. Detail of transactions with related parties and balances outstanding with them at the period / year end except of remuneration to key management personnel are as follows:

			Sep 30, 2021	Sep 30, 2020
			(Un-audited)	(Audited)
			Rupees	Rupees
18.1	Transactions during the period / year			
	Related party	Relationship	Nature of Transaction	
	National Bank of Pakistan	Modaraba Management Company's holding company	Mark up expense Mark up paid	4,382,480 -
				4,307,074 -
18.2	Balances outstanding as at period / year		Sep 30, 2021	Jun 30, 2021
			(Un-audited)	(Audited)
			Rupees	Rupees
	Bank accounts with National Bank of Pakistan		235,723	151,399
	Finances from National Bank of Pakistan		217,063,388	217,063,388
	Markup payable to National Bank of Pakistan		51,189,412	46,806,932
	Management fee payable to National Bank Modaraba Management Company		920,755	-

Note 19

Segment Information

- 19.1** As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer (CEO) of the Modaraba is identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.
- 19.2** The CEO is responsible for the Modaraba's entire product portfolio and considers the business as a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.
- 19.3** The internal reporting provided to the CEO for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting and reporting standards as applicable in Pakistan. The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investment in entities incorporated in Pakistan. The Modaraba also has a diversified certificate holder population. As at Sep 30, 2021, there is only one (June 30, 2021: one) certificate holder. (NBMMCL) who held more than 10% of the Modaraba Certificate Capital. Its Holding is 30% (2021:30%)

Note 20



Date of Authorization for Issue

These condensed interim financial statements (un-audited) have been approved by the Board of Directors of National Bank Modaraba Management Company Limited and authorized for issuance on October 26, 2021.

Note 21

General

Comparative figures are re-arranged / re-classified, wherever necessary, to facilitate comparison. No such re-arrangements / re-classifications have been made in these condensed interim financial statements (un-audited).

			
Chief Executive Officer National Bank Modaraba Management Company Limited	Director National Bank Modaraba Management Company Limited	Director National Bank Modaraba Management Company Limited	Chief Financial Officer National Bank Modaraba Management Company Limited

Lahore: October 26, 2021