



**QUARTERLY
REPORT
MARCH 31,
2021**

FIRST NATIONAL BANK MODARABA

Managed By:

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

First National Bank Modaraba

Quarterly Report

March 31, 2021

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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/ Company Secretary	Farah Aslam	
Audit Committee	Mr. Muhammad Iqbal Hussain Syed Jamal Baquar Khawaja Waheed Raza	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	Cornelius Lane & Mufti Advocates and Solicitors Nawa-i-Waqt House 4 - Shahrah-e-Fatima Jinnah, Lahore Tel.: 36360824, Fax: 36303301	
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	

Directors' Quarterly 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 am presenting the quarterly report, together with un-audited financial statements of FNBM for the quarter and nine month ended March 31, 2021.

During the period under review the focus of management remained on recovery, particularly from the classified portfolio, where various means are being employed, including legal suits as well as negotiation for settlement etc. As a result settlement arrangements were made with some defaulter customers and an amount of Rs.25.312 million was realized from them during the period and the related provisioning reversals are reflected in the interim accounts.

On the operations side the total income figured to Rs.9.5 Million in the half year under review as compared to Rs.10.8 Million in the corresponding period last year. The Financial cost on account of provisional mark-up charged on NBP RF line amounted to Rs.12.73 Million as compared to Rs.10.32 Millions in the corresponding period. Despite general inflation operating expenses stood at Rs.10.5 Million when compared to Rs.11.7 Million in the corresponding period last year. The net result was a profit of Rs.8.48 million as against a loss of Rs.14.98 Million in the corresponding nine months. The profit per certificate stood at Rs.0.34 as compared to a loss per certificate of Rs (0.60) 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 NBF1 & Modaraba Association of Pakistan for their continued guidance and support.

For and on behalf of the Board



Chief Executive Officer

Lahore: April 27, 2021

ڈائریکٹرز کی نو ماہی جائزہ رپورٹ


فرسٹ نیشنل بینک مضاربہ (FNBM) کی انتظامی کمپنی نیشنل بینک مضاربہ مینجمنٹ کمپنی لمیٹڈ (NBMMCL) کے بورڈ آف ڈائریکٹرز کی جانب سے میں 31 مارچ 2021ء کو اختتام پذیر نو ماہی کے لئے FNBM کی غیر پڑتال شدہ مالیاتی اسٹیٹمنٹس کے ہمراہ ماہی رپورٹ پیش کرتا ہوں۔

زیر جائزہ مدت کے دوران قانونی مقدمات اور تصفیہ کے لئے مذاکرات جیسے متعدد وسائل بروئے کار لاتے ہوئے خصوصاً کلاسیفائیڈ پورٹ فولیو سے بحالی پر انتظامی کمپنی کی بھرپور توجہ رہی۔ نتیجتاً چند نادا ہندہ صارفین کے ساتھ تصفیہ کیا گیا اور 25.312 ملین روپے کی رقم حاصل کی گئی جن کی عبوری کھاتوں میں عکاسی کی گئی ہے۔

آپریشنز کے لحاظ سے زیر جائزہ نصف سال میں کل آمدنی 9.5 ملین روپے درج کی گئی جو گذشتہ برس کی اسی مدت میں 10.8 ملین روپے تھی۔ NBP RF لائن پر مالیاتی لاگت کی مد میں پروڈنٹل مارک اپ 12.73 ملین روپے رہا جو گذشتہ برس کی اسی مدت کے دوران 10.32 ملین روپے تھا۔ افراط زر کے باوجود آپریٹنگ اخراجات گذشتہ برس کی اسی مدت میں 11.7 ملین کے مقابلہ میں 10.5 ملین رہے۔ گذشتہ برس میں 14.98 ملین روپے نقصان کے مقابلہ میں زیر جائزہ مدت کے دوران 8.48 ملین روپے منافع درج ہوا۔ گذشتہ برس میں (0.60) روپے فی حصص خسارہ کے مقابلہ میں زیر جائزہ مدت کے دوران 0.34 روپے فی حصص آمدنی درج ہوئی۔

بورڈ اس موقع پر اپنے تمام معزز سٹیکہولڈرز اور کلائینٹس کی معاونت اور مسلسل صبر کا شکریہ ادا کرنا چاہتا ہے۔ بورڈ رجسٹرار مضاربہ، SECP اور NBFI اور مضاربہ ایسوسی ایشن آف پاکستان کی جاری رہنمائی اور مدد کے لئے بھی تہہ دل سے شکر گزار ہے۔

برائے/منجانب بورڈ آف ڈائریکٹرز


چیف ایگزیکٹو آفیسر

لاہور: 27 اپریل، 2021ء

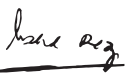
CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT MARCH 31, 2021

		March 31, 2021	June 30, 2020
	Note	(Un-audited) Rupees	(Audited) Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances		4,961,216	22,655,332
Short term murabaha investments - secured	4	5,638,223	5,638,222
Accrued profit		2,364,931	1,202,746
Short term investments	5	120,570,508	73,997,842
Ijarah rentals receivable	6	62,201,910	62,456,119
Advances, prepayments and other receivables		9,237,977	5,354,411
Current portion of non current assets	7	17,633,466	27,982,964
		222,608,231	199,287,636
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
Fixed assets under ijarah arrangements	11	26,192,707	39,565,335
Fixed assets - own use	12	44,977	59,234
Deferred tax asset	13	-	-
		26,277,184	39,664,069
TOTAL ASSETS		248,885,415	238,951,705
LIABILITIES			
CURRENT LIABILITIES			
Accrued profit		41,212,478	28,495,826
Short term finances - secured	14	217,063,388	217,063,388
Creditors, accrued and other liabilities		10,786,512	9,826,010
Security deposits against ijarah assets		33,451,676	44,440,011
Deferred murabaha income		1,037,126	2,287,522
TOTAL LIABILITIES		303,551,180	302,112,757
NET LIABILITIES		(54,665,765)	(63,161,052)
FINANCED BY:			
Certificate capital	15	250,000,000	250,000,000
Statutory reserves		43,955,189	43,955,189
Accumulated loss		(348,620,954)	(357,116,241)
CONTINGENCIES AND COMMITMENTS	17	-	-
TOTAL EQUITY AND RESERVES		(54,665,765)	(63,161,052)

The annexed notes from 1 to 23 form an integral part of 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: April 27, 2021

Quarterly Report-March 31, 2021

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2021

	Note	Nine Month Ended		Quarter Ended	
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
		Rupees	Rupees	Rupees	Rupees
Income from Operations					
Ijarah rentals earned / income from ijarah finance		2,321,200	2,133,153	1,334,007	691,428
Profit on diminishing musharaka financing		48,277	98,419	-	16,887
Profit on murabaha investments		1,250,396	34,855	-	-
Profit on bank deposits		97,554	240,466	35,785	45,197
(Loss) / gain on adjustment of ijarah and owned assets		-	227,219	-	-
Profit on short term investments		5,793,823	8,154,738	2,429,554	3,078,886
		9,511,250	10,888,850	3,799,346	3,832,398
Other Income					
Reversal of provision charged for doubtful receivables	18	23,836,566	1,902,510	23,312,563	-
Other income		569	40,596	569	2,847
		23,837,135	1,943,106	23,313,132	2,847
Total Income		33,348,385	12,831,956	27,112,478	3,835,245
Expenses					
Depreciation on ijarah assets		(1,585,213)	(3,126,197)	(683,181)	(1,012,047)
Operating expenses		(10,544,713)	(11,769,131)	(2,594,380)	(3,458,083)
Finance cost		(12,733,338)	(10,318,516)	(4,158,626)	(850)
Total Expenses		(24,863,264)	(25,213,844)	(7,436,187)	(4,470,980)
Operating Profit / (Loss) before Provisions and Taxation		8,485,121	(12,381,888)	19,676,291	(635,735)
Provision charged for doubtful receivables - net		-	(2,598,619)	-	-
		8,485,121	(14,980,507)	19,676,291	(635,735)
Modaraba Company's management fee		-	-	-	-
Profit / (Loss) before Taxation		8,485,121	(14,980,507)	19,676,291	(635,735)
Taxation		-	-	-	-
Profit / (Loss) for the Period		8,485,121	(14,980,507)	19,676,291	(635,735)
Profit / (Loss) per Certificate - Basic and Diluted		0.34	(0.60)	0.79	(0.03)

The annexed notes from 1 to 23 form an integral part of 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: April 27, 2021

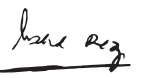
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2021

	Nine Month Ended		Quarter Ended	
	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
	Rupees	Rupees	Rupees	Rupees
Profit / (Loss) for the Period	8,485,121	(14,980,507)	19,676,291	(635,735)
Other Comprehensive Income:				
<i>Items that will not be reclassified to profit and loss</i>	-	-	-	-
<i>Items that may be reclassified subsequently to profit and loss</i>				
Surplus / (Deficit) on revaluation of sukuks	10,166	(157,917)	-	-
Other comprehensive income / (loss) for the period	10,166	(157,917)	-	-
Total Comprehensive Income / (Loss) for the Period	8,495,287	(15,138,424)	19,676,291	(635,735)

The annexed notes from 1 to 23 form an integral part of 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: April 27, 2021

Quarterly Report-March 31, 2021

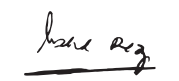
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2021

	Half Year Ended	
	March 31, 2021	March 31, 2020
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit / (Loss) for the Period	8,485,121	(14,980,507)
Adjustment for:		
- Depreciation on fixed assets under own use	14,257	10,000
- Depreciation on fixed assets under ijarah arrangements	1,585,213	3,126,197
- Loss / (gain) on termination of ijarah arrangements	(223,659)	(227,219)
- Profit on short term investments	(5,793,823)	(8,154,738)
- Charge of provision against doubtful ijarah rentals receivable - net	-	2,598,619
- Reversal of provision for doubtful finances	(23,836,566)	(1,902,510)
- Finance cost	12,733,338	10,318,516
- Profit on term deposit receipts and bank deposits	(97,554)	(240,466)
	(15,618,794)	5,528,399
Operating loss before working capital changes	(7,133,673)	(9,452,108)
Decrease / (Increase) in operating assets:		
- Accrued profit	4,631,638	7,216,976
- Ijarah rentals receivable	778,212	129,581
- Advances, prepayments and other receivables	(3,304,145)	(1,106,703)
- Short term murabaha investments	23,312,562	10,500,000
- Diminishing musharaka financing	7,687,624	1,039,957
- Long term murabaha investments	1,274,849	7,006,891
(Decrease) / Increase in operating liabilities:		
- Creditors, accrued and other liabilities	960,502	3,415,360
	35,341,242	28,202,062
Net changes in working capital	28,207,569	18,749,954
Net Cash Generated from Operations	27,845,645	14,021,940
Finance cost paid	(16,686)	(4,532,142)
Income taxes paid	(579,421)	(670,138)
Profit received on bank deposits	97,554	240,466
Long term loans and deposits - net	136,629	233,800
Net Cash Generated from Operating Activities	27,845,645	14,021,940
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets - own use	-	(48,000)
Short term investments -net	(46,562,500)	(23,937,499)
Proceeds from disposal of ijarah assets	1,022,739	560,066
Net Cash Used in Investing Activities	(45,539,761)	(23,425,433)
CASH FLOWS FROM FINANCING ACTIVITIES		
	-	-
Net Decrease in Cash and Cash Equivalents	(17,694,116)	(9,403,493)
Cash and cash equivalents at the beginning of the period	22,655,332	11,329,223
Cash and Cash Equivalents at the End of the period	<u>4,961,216</u>	<u>1,925,730</u>

The annexed notes from 1 to 23 form an integral part of these condensed interim financial statements (un-audited).



Chief Executive Officer
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Management Company Limited



Director
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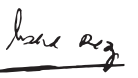
Lahore: April 27, 2021

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2021

Particulars	Certificate Capital	Statutory Reserves	Accumulated Loss	Total Equity
	Rupees			
Balance as at June 30, 2019	250,000,000	43,955,189	(322,513,967)	(28,558,778)
Total comprehensive loss for the nine months period ended March 31, 2020				
Net loss for the period	-	-	(14,980,507)	(14,980,507)
Other comprehensive loss for the period	-	-	(157,917)	(157,917)
Total comprehensive loss for the period	-	-	(15,138,424)	(15,138,424)
Transferred to statutory reserve	-	-	-	-
Balance as at March 31, 2020	<u>250,000,000</u>	<u>43,955,189</u>	<u>(337,652,391)</u>	<u>(43,697,202)</u>
Balance as at June 30, 2020	250,000,000	43,955,189	(357,116,241)	(63,161,052)
Total comprehensive income for the nine months period ended March 31, 2021				
Net profit for the period	-	-	8,485,121	8,485,121
Other comprehensive income for the period	-	-	10,166	10,166
Total comprehensive income for the period	-	-	8,495,287	8,495,287
Transferred to statutory reserve	-	-	-	-
Balance as at March 31, 2021	<u>250,000,000</u>	<u>43,955,189</u>	<u>(348,620,954)</u>	<u>(54,665,765)</u>



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: April 27, 2021

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 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

During the current period, the Modaraba made profit before 'Modaraba Company's Management Fee' of Rs. 8.485 million (March 2020: loss before management fee of Rs. 14.980 million). As at the reporting date, its current liabilities exceed its current assets by Rs. 80.942 million (June 2020: Rs. 102.825 million) and its accumulated losses amount to Rs. 348.620 million (June 2020: Rs. 357.116 million). As referred in Note 14, 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 still payable as at the reporting date.

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 the 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. The case has been registered in the Modaraba Tribunal and the next date of hearing is fixed for June 21, 2021.

Accumulated losses as on March 31, 2021 contain Rs. 308.585 million (June 30, 2020: 332.421 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 (June 30, 2020: 400.436 million) have been decreed in Modaraba's favor by the Honorable Banking Courts, against principal amount, that are pending execution. Moreover, total current liabilities amounting to Rs. 303.551 million (June 30, 2020: Rs. 302.112 million) include Rs. 258.275 million (June 30, 2020: Rs. 245.559 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. 33.452 million (June 30, 2020: Rs. 44.440 million) worth security deposits that are not repayable rather these 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, 2020. Comparative balance sheet is extracted from audited financial statements for the year ended June 30, 2020; 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 nine-month period ended on March 31, 2019.
- 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.
- 2.4** 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, 2020.

Note 4

Short Term Murabaha Investments - Secured

		March 31, 2021	June 30, 2020
	Note	(Un-audited) Rupees	(Audited) Rupees
Considered good		-	-
Considered doubtful		209,788,619	233,101,181
		<u>2,654,776</u>	<u>2,654,776</u>
Add: Deferred murabaha income		212,443,395	235,755,957
Less: Provision for non-performing murabaha investments	4.2 & 4.3	(204,150,396)	(227,462,959)
Less: Suspended income		<u>(2,654,776)</u>	<u>(2,654,776)</u>
		<u>5,638,223</u>	<u>5,638,222</u>

Quarterly Report-March 31, 2021

- 4.1 These represent investments under murabaha arrangements on deferred payment basis at specified profit margins. These investments carried profit ranging from 8.36% to 14.64% (June 30, 2020: 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	227,462,959	227,462,959
Reversed during the period / year	(23,312,563)	-
Closing balance	204,150,396	227,462,959

- 4.3 This represents receivable from 9 (June 30, 2020: 9) customers under Murabaha finance. Legal proceedings against these customers are in process in the Honorable Courts of Law. Courts have awarded decree in favour of Modaraba in 8 (June 30, 2020: 8) cases for recovery of Rs. 256.12 million (June 30, 2020: 256.12 million), while the order to execute decree is awaited.

Note 5

Short Term Investments

	2020	2020		March 31, 2021	June 30, 2020
	Number	Number	Note	(Un-audited) Rupees	(Audited) Rupees
Investments in sukuk of Rs. 100,000 each - fair value through OCI					
	550	550	Neelum Jehlum Sukuk	5.1	38,946,875
	200	200	Byco Petroleum Pakistan Limited	5.2	11,623,633
	750	750		50,570,508	53,997,842
BankIslami Limited - Term Deposits Receipts			5.3	70,000,000	20,000,000
				120,570,508	73,997,842

- 5.1 The principal per unit is Rs. 68,750 (June 30, 2020: Rs. 75,000) having fair value of Rs. 103.00 (June 30, 2020: 102.55) per unit as at the reporting date.
- 5.2 The principal per unit is Rs. 58,334 (June 30, 2020: Rs. 58,334) having fair value of Rs. 99.63 (June 30, 2020: Rs. 100.25) per unit as at the reporting date.
- 5.3 These term deposits certificates yields profit at the rate of 7.00% per annum (June 30, 2020: 12.75%).

Note 6

Ijarah Rentals Receivable

		March 31, 2021	June 30, 2020
	Note	(Un-audited) Rupees	(Audited) Rupees
Considered good - secured		215,830	643,924
Considered doubtful	6.1	108,392,108	108,742,226
Less: Provision for doubtful ijarah rentals receivable	6.3	(23,687,490)	(24,211,493)
Less: Profit held in suspense account		(22,718,538)	(22,718,538)
		61,986,080	61,812,195
		62,201,910	62,456,119

First National Bank Modaraba

6.1 This represents receivables from various customers under ijarah finance. Legal proceedings against 7 (June 30, 2020: 7) customers are in process in the Honorable Courts of Law. Courts have awarded decree in favour of Modaraba in 6 (June 30, 2020: 6) cases for recovery of Rs. 141.67 million (June 30, 2020: 141.67 million), while the order to execute decree is awaited.

6.2 The collaterally held assets have forced sale valued Rs. 82,585,900 as of March 31, 2021 (June 30, 2020: Rs. 84,758,000).

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

Opening balance	24,211,493	29,007,645
Charged during the period / year	-	3,020,340
Provision reversed during the period	(524,003)	(7,816,492)
Net (reversal) / charged during the period / year	(524,003)	(4,796,152)
Closing balance	23,687,490	24,211,493

Note 7

Current Portion of Non Current Assets

		March 31, 2021	June 30, 2020
	Note	(Un-audited) Rupees	(Audited) Rupees
Net investment in ijarah finance	8	13,496,734	13,496,734
Diminishing musharaka financing	9	4,122,081	11,809,705
Long term murabaha investments	10	-	2,525,245
Long term loans and deposits		14,651	151,280
		17,633,466	27,982,964

Note 8

Net Investment in Ijarah Finance

Net Investment in Ijarah Finance	March 31, 2021			June 30, 2020		
	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)
			-			-

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- 8.1 This represents receivable from 1 customer (June 30, 2020: 1) under the ijarah finance. 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.

Note 9

Diminishing Musharaka Financing - Secured

	Note	March 31, 2021 (Un-audited) Rupees	June 30, 2020 (Audited) Rupees
Considered good	9.1	-	7,472,071
Considered doubtful	9.1	4,122,081	4,337,634
Provision against doubtful diminishing musharaka		-	-
		4,122,081	4,337,634
		4,122,081	11,809,705
Less: Current portion	7	(4,122,081)	(11,809,705)
		-	-

- 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 carried profit at rates ranging between 11.04% to 15.04% (June 30, 2020: 11.04% to 15.04%) 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. 5.329 million by the management as of June 30, 2020. The management estimates that the fair value has not changed significantly any further as of March 31, 2021.

Note 10

Long Term Murabaha Investments - Secured

	Note	March 31, 2021 (Un-audited) Rupees	June 30, 2020 (Audited) Rupees
Considered good		225,493	237,723
Considered doubtful		62,136,450	63,399,069
		62,361,943	63,636,792
Add: Deferred murabaha income		30,425,430	31,675,826
		92,787,373	95,312,618
Less: Provision for doubtful murabaha investments		(63,399,069)	(63,399,069)
Less: Suspension for doubtful murabaha investments		(29,388,304)	(29,388,304)
		-	2,525,245
Less: Current portion	7	-	(2,525,245)
		-	-

10.1 These represent investments under murabaha arrangements on deferred payment basis at a profit margin ranging from 9.38% to 15.50% (June 30, 2020: 9.38% to 15.50%) per annum. These investments are secured against charge over fixed and current assets, registered and equitable mortgage of properties, personal guarantees of the directors of customer companies, demand promissory notes and post-dated cheques varying from case to case.

10.2 This represents receivable from 3 (June 30, 2020: 3) customers under the Murabaha finance. Legal proceedings against 2 (June 30, 2020: 2) customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of the Modaraba in 2 (June 30, 2020: 2) cases for recovery of Rs. 64.22 million (June 30, 2020: 64.22 million) and their execution is pending.

10.3 Provision for doubtful murabaha investments

Opening balance	63,399,069	65,301,579
Reversed during the period / year	-	(1,902,510)
Closing balance	<u>63,399,069</u>	<u>63,399,069</u>

Note 11

Fixed Assets under Ijarah Arrangements

	March 31, 2021	June 30, 2020
	(Un-audited)	(Audited)
	Rupees	Rupees
Written down value at the beginning of the period / year	39,565,335	83,900,189
Less: Written down value of assets disposed off / adjusted	<u>(11,787,415)</u>	<u>(37,698,646)</u>
	27,777,920	46,201,543
Less: Depreciation charged during the period / year	<u>(1,585,213)</u>	<u>(6,636,208)</u>
	<u>26,192,707</u>	<u>39,565,335</u>

11.1 Written down value of assets disposed off / adjusted

Plant and machinery	4,228,085	10,672,736
Vehicle	<u>7,559,330</u>	<u>27,025,910</u>
	<u>11,787,415</u>	<u>37,698,646</u>

11.2 General description of significant ijarah arrangements (IFAS-2)

The Modaraba has entered into various Ijarah agreements for periods ranging from 3 to 14 years (June 30, 2020: 3 to 14 years). Security deposits ranging from 0% to 60% (June 30, 2020: 0% to 60%) are obtained at the time of disbursement. The rate of profit implicit in Ijarah ranges from 9.87% to 16.55% (June 30, 2020: 9.87% to 16.55%) per annum.

11.3 During the period, the Modaraba has adjusted these written down value of certain assets against their respective security deposits to streamline its receivables. However, the title of the assets has yet not been transferred.

Note 12

Fixed Assets under Own Use

	March 31, 2021	June 30, 2020
	(Un-audited)	(Audited)
	Rupees	Rupees
Written down value at the beginning of the period / year	59,234	39,747
Additions at cost	-	48,000
	59,234	-
Less: Depreciation charged during the period / year	<u>(14,257)</u>	<u>(28,513)</u>
	<u>44,977</u>	<u>59,234</u>

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Note 13

Deferred Tax Asset

Deferred tax asset amounting to Rs. 75.967 million (June 30, 2020: Rs. 157.046 million) has not been recognized in these condensed interim financial statements (un-audited) as the temporary differences are not expected to reverse in foreseeable future and taxable profits may not be available against which the temporary differences can be utilized.

Note 14

Short Term Finance - Secured

	March 31, 2021	June 30, 2020
	(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>

- 14.1 The Modaraba has obtained running finance facility of Rs. 250 million (June 2020: Rs. 250 million) from National Bank of Pakistan carrying mark-up / profit at 1 month KIBOR plus 0.50% (June 2020: 1 month KIBOR plus 0.5%) per annum payable monthly. The effective mark-up / profit rate charged during the period ranged from 7.83% to 7.93% (June 2020: 8.83% to 13.34%) 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 2020: Rs 277.778 million). This facility expired on October 31, 2019 and has yet not been renewed .

Note 15

Certificate Capital

March 31, 2021	June 30, 2020		March 31, 2021	June 30, 2020
(Un-audited) Number of certificates	(Audited) Number of certificates		(Un-audited) Rupees	(Audited) 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>

- 15.1 7,500,000 (June 30, 2020: 7,500,000) certificates of the Modaraba are held by National Bank Modaraba Management Company Limited, the modaraba management company.

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

Note 16

Taxation

Under the current tax law, the income of non-trading modarabas is exempt from tax provided that they distribute ninety (90) percent of their profits as cash dividend to the certificate holders out of current period's total profit after appropriating statutory reserves. This exemption is available under Section 37 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, which is still operative and the exemption specified under Clause 100 of Part 1 of the Second Schedule to the Income Tax Ordinance, 2001, has been removed by Tax Law (Second Amendment) Ordinance, 2021. No provision for tax liability has been incorporated in this condensed interim financial statements (un-audited) due to accumulated tax losses.

Note 17

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 year ended 30 June 2020.

Note 18

Reversal of Provision Charged for Doubtful Receivables

	March 31, 2021	March 31, 2020
	(Un-audited) Rupees	(Un-audited) Rupees
Provision for short term non-performing murabaha investments	23,312,563	-
Provision for doubtful ijarah rentals receivable	524,003	-
Provision for long term doubtful murabaha investments	-	1,902,510
	<u>23,836,566</u>	<u>1,902,510</u>

Note 19

Financial Risk Management

19.1 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 year ended June 30, 2020.

19.2 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).

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- 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:

	March 31, 2021			June 30, 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	-----Rupees-----					
Assets						
Short term investments	50,570,508	-	-	53,997,842	-	-

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.

Note 20

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:

			March 31, 2021	March 31, 2020
			(Un-audited)	(Audited)
			Rupees	Rupees
20.1 Transactions during the period / year				
	Related party	Relationship		
		Nature of Transaction		
	National Bank of Pakistan	Modaraba Management	12,733,338	10,292,253
		Company's holding	-	4,505,879
		company		
20.2 Balances outstanding as at period / year				
			March 31, 2021	June 30, 2020
			(Un-audited)	(Audited)
			Rupees	Rupees
	Bank accounts with National Bank of Pakistan		77,340	169,518
	Finances from National Bank of Pakistan		217,063,388	217,063,388
	Markup payable to National Bank of Pakistan		41,212,478	28,495,826
	Management fee payable to National Bank Modaraba Management Company		-	-

Note 21

Segment Information

21.1 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.

21.2 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.

21.3 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 March 31, 2021, there were two (June 30, 2020: two) certificate holder.

Note 22

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 April 27, 2021.

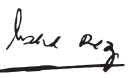
Note 23

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: April 27, 2021

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