



FIRST NATIONAL BANK MODARABA

Managed By:

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

**QUARTERLY
REPORT
MARCH 31,**

2020

First National Bank Modaraba

Quarterly Report *March 31, 2020*

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CORPORATE INFORMATION

Board of Directors	Mr. Muhammad Imran Malik Mr. Rehmat Ali Hasnie Syed Jamal Baquar Khawaja Waheed Raza Mr. Jamal Nasim Mr. Muhammad Iqbal Hussain Mr. Abbas Azam	Chairman Director Director Director Director Director CEO
Shari'ah Advisor	Mufti Ehsan Waquar Ahmed	
Chief Financial Officer/	Farah Aslam	
Company Secretary		
Audit Committee	Mr Jamal Nasim 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	HORWATH 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 H. 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 months ended March 31, 2020.

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. On the operations side the total income figured to Rs. 10.889 Million in the nine months under review as compared to Rs. 17.174 Million in the corresponding period last year. The operating expenses stood at Rs. 11.8 Million almost at the same level when compared to the corresponding period last year. The net result was a loss of Rs. (14.980) million as against a Rs. (24.240) Million in the corresponding period. The loss per certificate stood at Rs. (0.60) as compared to a Rs. (0.97) in the corresponding period.

The only liability against financing, amounting to Rs. 217 Million, is of RF line from the parent bank NBP which has expired on October 31, 2019. The renewal of the line and deferral in mark-up till NBP's implementation of its decision of June 22, 2018 of recapitalization of FNBM by Rs. 300 Million has been requested. In anticipation of NBP's approval the mark-up therefore has only been accrued up to the expiry date of the facility.

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 NBF & Modaraba Association of Pakistan for their continued guidance and support.

For and on behalf of the Board



Chief Executive Officer

Lahore: April 28, 2020

ڈائریکٹرز کی نو ماہی جائزہ رپورٹ

فرسٹ نیشنل بینک مضاربہ منجمنٹ کمپنی لمیٹڈ (NBMMCL) کے بورڈ آف ڈائریکٹرز کی جانب سے FNBM فرسٹ نیشنل بینک مضاربہ کی 31 مارچ 2020 کو اختتام پذیر شدہ ماہی رپورٹ بمعہ غیر پڑتال شدہ مالیاتی گوشورائے پیش کیے جا رہے ہیں۔


زیر جائزہ مدت میں انتظامیہ کی توجہ وصولی خصوصاً نادہندگان پر رہی۔ جہاں مختلف ذرائع استعمال کیے جا رہے ہیں بشمول قانونی چارہ جوئی کے ساتھ ساتھ تصفیہ کے لیے گفت و شنید وغیرہ آپریشن پر نظر دوڑائیں تو گزشتہ سال اسی مدت 17.174 ملین روپے کے مقابلہ میں زیر جائزہ رواں نو ماہی میں کل آمدن 10.889 ریکارڈ ہوئی۔ آپریشن اخراجات 11.8 ملین روپے گزشتہ سال اسی مدت کے اخراجات کے تقریباً برابر رہے۔ نتیجتاً گزشتہ اسی مدت کے خسارہ کے مقابلہ 24.240 ملین روپے کے مقابلہ میں رواں نو ماہی 14.980 ملین روپے رہا۔ گزشتہ مدت کے مقابلہ میں رواں مدت خسارہ فی سرٹیفیکٹ 0.97 کے مقابلہ میں 0.60 پر رہا۔

فنانسنگ کی 277 ملین کی رقم NBP کی RF لائین کی مدد میں واجب الادا ہے۔ اسی لائن کی معیاد 31 اکتوبر 2019 کو ختم ہوئی تھی۔ اس کی توسیع اور جب تک NBP اپنے 21 جولائی 2018 کے FNBM میں 300 ملین کو سرمایہ کاری کے فیصلے پر عمل درآمد نہیں کرتا۔ NBP سے مارک اپ کی چھوٹ کی درخواست دی گئی ہے۔ NBP سے منظوری کی توقع کے پیش نظر مارک اپ صرف اسی لائن کے معیاد کے اختتام تک لاگو کیا گیا ہے۔

بورڈ اپنے سرٹیفیکٹ ہولڈرز کے اعتماد اور مسلسل صبر کا شکر گزار ہے۔

علاوہ ازیں، بورڈ، رجسٹرار مضاربہ، SECP، اور NBFI مضاربہ ایسوسی ایشن آف پاکستان کی مسلسل حمایت اور رہنمائی کے شکر گزار ہیں۔

برائے/منجانب بورڈ آف ڈائریکٹرز


چیف ایگزیکٹو آفیسر

لاہور: اپریل 28، 2020ء

CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT MARCH 31, 2020

	Note	March 31, 2020 (Un-audited) Rupees	June 30, 2019 (Audited) Rupees (Restated)	June 30, 2018 (Audited) Rupees (Restated)
ASSETS				
CURRENT ASSETS				
Cash and bank balances		1,925,730	11,329,223	51,653,789
Short term murabaha investments - secured	5	5,638,222	16,138,222	16,308,001
Accrued profit		3,129,803	2,192,041	595,657
Short term investments	6	91,849,582	68,070,000	30,000,000
Ijarah rentals receivable	7	66,793,241	69,521,441	74,259,701
Advances, prepayments and other receivables		6,198,332	4,421,491	3,826,738
Current portion of non current assets	8	29,838,762	34,922,373	42,303,266
		205,373,672	206,594,791	218,947,152
NON-CURRENT ASSETS				
Net investment in ijarah finance	9	-	-	1,650,864
Diminishing musharaka financing - secured	10	-	-	1,977,113
Long term murabaha investments - secured	11	2,533,823	5,893,939	7,206,979
Long term loans and deposits		-	190,780	470,143
Intangible asset		-	-	-
Fixed assets under ijarah arrangements	12	48,366,593	83,900,189	124,871,458
Fixed assets - own use	13	77,747	39,747	47,612
Deferred tax asset	14	-	-	-
		50,978,163	90,024,655	136,224,169
TOTAL ASSETS		256,351,835	296,619,446	355,171,321
LIABILITIES				
CURRENT LIABILITIES				
Accrued profit		10,292,253	4,505,879	2,564,748
Short term finances - secured	15	217,063,388	217,063,388	217,063,388
Creditors, accrued and other liabilities		21,344,299	17,928,939	19,032,000
Current portion of non-current liabilities	16	49,123,192	82,555,415	104,053,372
		297,823,132	322,053,621	342,713,508
NON-CURRENT LIABILITIES				
Security deposits against ijarah assets	17	-	890,000	2,802,200
Deferred murabaha income		2,225,905	2,234,603	2,406,131
		2,225,905	3,124,603	5,208,331
TOTAL LIABILITIES		300,049,037	325,178,224	347,921,839
NET ASSETS		<u>(43,697,202)</u>	<u>(28,558,778)</u>	<u>7,249,482</u>
FINANCED BY:				
Certificate capital	18	250,000,000	250,000,000	250,000,000
Statutory reserves		43,955,189	43,955,189	43,955,189
Accumulated loss		(337,652,391)	(322,513,967)	(286,705,707)
CONTINGENCIES AND COMMITMENTS	20	-	-	-
TOTAL EQUITY AND RESERVES		<u>(43,697,202)</u>	<u>(28,558,778)</u>	<u>7,249,482</u>

The annexed notes from 1 to 25 form an integral part of these condensed interim financial information (un-audited).

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

Lahore: April 28, 2020

Quarterly Report-March 31, 2020

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

	Nine Months Ended		Quarter Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rupees	Rupees (Restated)	Rupees	Rupees (Restated)
INCOME FROM OPERATIONS				
Ijarah rentals earned / income from ijarah finance	2,133,153	10,610,913	691,428	4,731,129
Profit on diminishing musharaka financing	98,419	1,667,990	16,887	458,223
Profit on murabaha investments	34,855	-	-	-
Profit on bank deposits	240,466	871,999	45,197	36,101
Gain on disposal of ijarah and owned assets	227,219	(176,396)	-	(584,278)
Profit on short term investment	8,154,738	4,199,573	3,078,886	2,492,092
	10,888,850	17,174,079	3,832,398	7,133,267
OTHER INCOME				
Reversal of provision charged for doubtful receivables	1,902,510	170,944	-	-
Other income	40,596	32,965	2,847	4,255
	1,943,106	203,909	2,847	4,255
TOTAL INCOME	12,831,956	17,377,988	3,835,245	7,137,522
EXPENSES				
Depreciation on ijarah assets	(3,126,197)	(12,345,916)	(1,012,047)	(2,804,810)
Operating expenses	(11,769,131)	(11,867,375)	(3,458,083)	(3,407,774)
Finance cost	(10,318,516)	(15,656,300)	(850)	(5,791,301)
TOTAL EXPENSES	(25,213,844)	(39,869,591)	(4,470,980)	(12,003,885)
Operating Loss before Provisions and Taxation	(12,381,888)	(22,491,603)	(635,735)	(4,866,363)
Provision charged for doubtful receivables - net	(2,598,619)	(1,749,123)	-	-
Modaraba Company's management fee	(14,980,507)	(24,240,726)	(635,735)	(4,866,363)
Loss before Taxation	(14,980,507)	(24,240,726)	(635,735)	(4,866,363)
Taxation	-	-	-	-
Loss for the Period	(14,980,507)	(24,240,726)	(635,735)	(4,866,363)
LOSS PER CERTIFICATE - BASIC AND DILUTED	(0.60)	(0.97)	(0.03)	(0.19)

The annexed notes from 1 to 25 form an integral part of these condensed interim financial information (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
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Lahore: April 28, 2020

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2020**

	Nine Months Ended		Quarter Ended	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
	Rupees	Rupees (Restated)	Rupees	Rupees (Restated)
Net Loss for the Period	(14,980,507)	(24,240,726)	(635,735)	(4,866,363)
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>				
Deficit on revaluation of sukus	(157,917)	-	-	-
Other comprehensive loss for the period	(157,917)	-	-	-
Total Comprehensive Loss for the Period	<u>(15,138,424)</u>	<u>(24,240,726)</u>	<u>(635,735)</u>	<u>(4,866,363)</u>

The annexed notes from 1 to 25 form an integral part of these condensed interim financial information (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
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Lahore: April 28, 2020

Quarterly Report-March 31, 2020

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

	Nine Months Ended	
	March 31, 2020	March 31, 2019
	Rupees	Rupees (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss for the Period	(14,980,507)	(24,240,726)
Adjustment for:		
- Depreciation on fixed assets under own use	10,000	7,865
- Depreciation on fixed assets under ijarah arrangements	3,126,197	12,345,916
- Gain/Loss on termination of ijarah arrangements	(227,219)	1,277,643
- Gain on sale of fixed assets under owned use	-	(25,000)
- Profit on short term investments	(8,154,738)	(4,199,573)
- Charge of provision against doubtful ijarah rentals receivable - net	2,598,619	236,657
- Reversal of provision against doubtful other receivables - net	-	(1,247,191)
- Charge / (reversal) of provision against net investment in ijarah finance - net	-	1,512,466
- (Reversal) / charge of provision long term murabaha investments	(1,902,510)	-
- Finance cost	10,318,516	15,656,300
- Deferred murabaha income	-	(237,728)
- Profit on term deposit receipts and bank deposits	(240,466)	(871,999)
	<u>5,528,399</u>	<u>24,455,356</u>
Operating loss before working capital changes	(9,452,108)	214,630
Decrease / (Increase) in operating assets:		
- Accrued profit	7,216,976	2,662,678
- Ijarah rentals receivable	129,581	(2,284,083)
- Advances, prepayments and other receivables	(1,106,703)	1,570,366
- Short term murabaha investments	10,500,000	169,779
- Diminishing musharaka financing	1,039,957	7,474,250
- Long term murabaha investments	7,006,891	4,476,505
Decrease in operating liabilities:		
- Creditors, accrued and other liabilities	3,415,360	(1,599,311)
Net changes in working capital	<u>28,202,062</u>	<u>12,470,184</u>
Net Cash Generated from Operating Activities	<u>18,749,954</u>	<u>12,684,814</u>
Finance cost paid	(4,532,142)	(16,300,067)
Income taxes paid	(670,138)	(449,644)
Profit received on bank deposits	240,466	871,999
Long term loans and deposits - net	<u>233,800</u>	<u>345,896</u>
Net Cash Generated from / (Used in) Operating Activities	<u>14,021,940</u>	<u>(2,847,002)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed assets - own use	(48,000)	-
Short term investments -net	(23,937,499)	(42,852,776)
Proceeds from disposal of own assets	-	25,000
Proceeds from disposal of ijarah assets	<u>560,066</u>	<u>3,391,695</u>
Net Cash Used in Investing Activities	<u>(23,425,433)</u>	<u>(39,436,081)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net Decrease in Cash and Cash Equivalents	<u>(9,403,493)</u>	<u>(42,283,083)</u>
Cash and cash equivalents at the beginning of the period	<u>11,329,223</u>	<u>51,653,789</u>
Cash and Cash Equivalents at the End of the period	<u><u>1,925,730</u></u>	<u><u>9,370,706</u></u>

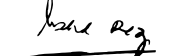
The annexed notes from 1 to 25 form an integral part of these condensed interim financial information (un-audited).



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 28, 2020

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE NINE MONTHS ENDED MARCH 31, 2020**

Particulars	Certificate Capital	Statutory Reserves	Accumulated Loss	Total Equity
	Rupees			
Balance as at June 30, 2018 - as previously reported	250,000,000	43,955,189	(285,810,707)	8,144,482
Correction of error	-	-	(895,000)	(895,000)
Balance as at June 30, 2018 - Restated	250,000,000	43,955,189	(286,705,707)	7,249,482
Total comprehensive income for the nine months period ended March 31, 2019				
Net loss for the period	-	-	(24,240,726)	(24,240,726)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	-	(24,240,726)	(24,240,726)
Balance as at March 31, 2019 - as Restated	250,000,000	43,955,189	(310,946,433)	(16,096,244)
Balance as at June 30, 2019 - as previously reported	250,000,000	43,955,189	(316,065,303)	(22,110,114)
Correction of error	-	-	(6,448,664)	(6,448,664)
Balance as at June 30, 2019 - Restated	250,000,000	43,955,189	(322,513,967)	(28,558,778)
Total comprehensive income for the nine months period ended March 31, 2020				
Net loss for the period	-	-	(14,980,507)	(14,980,507)
Other comprehensive income for the period	-	-	(157,917)	(157,917)
Total comprehensive loss for the period	-	-	(15,138,424)	(15,138,424)
Balance as at March 31, 2020	250,000,000	43,955,189	(337,652,391)	(43,697,202)

The annexed notes from 1 to 25 form an integral part of these condensed interim financial information (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
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Lahore: April 28, 2020

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2020

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 nine months period ended on March 31, 2020, the Modaraba made loss before 'Modaraba Company's Management Fee' of Rs. 14.980 million. As at the reporting date, its current liabilities exceed its current assets by Rs. 92.449 million (2019 - *Restated*: Rs. 115.458 million) and its accumulated losses amounted to Rs. 337.652 million (2019 - *Restated*: Rs. 322.513 million). Resultantly its net liabilities have exceeded its net assets by Rs. 43.693 millions as of the reporting date. Further as referred in Note 15, the short term running finance facility from NBP has expired on October 31, 2019 and in anticipation of NBP's renewal with deferment of mark-up the modaraba has not provided for finance cost on outstanding facility for the month of November to March estimated at Rs. 13,020,461 if calculated at the previous mark-up of the expired facility.

In pursuance of consistent losses the Registrar Modaraba has issued a show cause notice to the Modaraba 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.

National Bank of Pakistan has resolved in its meeting of Board of Directors dated June 22, 2018 to review and reverse its earlier decision of the cessation of the business of the Modaraba and recapitalize the Modaraba by injecting Rs. 300 million. In its extraordinary general meeting of certificate holders dated November 30, 2018, it was resolved to issue 30 million certificates of Rs 10 each, valuing Rs 300 million in aggregate, to NBP, as otherwise than right issue.

The Securities and Exchange Commission of Pakistan (SECP) has accorded its approval on December 03, 2018 for issuance of further certificates, other than right to NBP. Consequently, on January 23, 2019 NBP applied to SBP seeking approval of injection of Rs 300 Million in the equity of the Modaraba. The approval of injection of equity through the aforementioned arrangement is awaited from SBP.

Furthermore, 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 referred in previous paragraph, has passed an order dated October 31, 2019, for filing an application for winding up before the Modaraba Tribunal Lahore.

The accumulated losses are due to the provisioning of non performing portfolios. These provisions amount to Rs 333.04 Million and have been recognised as per the requirements of prudential regulations applicable to the Modaraba. The Management is confident that these provisions would get reversed on recoveries from classified clients.

However, in the absence of fresh equity, uncertainty of timing and extent of recoveries from non performing portfolios as of the reporting date and execution of business plans as intended by the management, the above factors indicate the existence of material uncertainty that casts significant doubts about Modaraba's ability to continue as a going concern, and therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Therefore, these financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively.

Note 2

Basis of Preparation

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

- 2.2** This financial information should be read in conjunction with annual audited financial statements for the year ended June 30, 2019. Comparative balance sheet is extracted from audited financial statements for the year ended June 30, 2019; 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 information for the period ended on March 31, 2019.
- 2.3** This information has 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.
- 2.4** This condensed interim financial information (un-audited) is presented in Pak Rupees, which is the Modaraba's functional and presentational 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 this condensed interim financial information (un-audited) are consistent with those applied in the preparation of annual audited financial statements of Modaraba for the year ended June 30, 2019.

Note 4

Restatement of Condensed Interim Financial Statements

4.1 Rectification of Prior Period Error

The Modaraba has corrected its financial statements in respect of error in calculation of value of its short term investments. The error has been corrected with retrospective effect in accordance with the requirements of IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' and comparative figures have been restated.

- 4.1.1** The Modaraba had incorrectly capitalized the transaction price in investments classified as fair value through other comprehensive income (previously investments available for sale). The transaction price should have been charged to profit and loss in accordance with the requirements of IFRS 9 (previously IAS 39).
- 4.1.2** The Modaraba has calculated fair value of investments at fair value through other comprehensive income (previously available for sale investments) incorrectly in the prior periods which is being rectified now to correct this error with retrospective effect.
- 4.1.3** There was a typographic error in quarterly profit & loss account of March 31, 2019 on account of Management fee which has now been corrected in the corresponding quarterly figures.

The effect of rectification of prior period errors and corresponding change in balances is as under:

	As at June 30, 2019			As at June 30, 2018		
	As previously reported on June 30, 2019	Adjustment	As restated on June 30, 2019	As previously reported on June 30, 2018	Adjustment	As restated on June 30, 2018
	-----Rupees-----					
<u>Effect on condensed interim balance sheet (un-audited)</u>						
Short term investments	74,518,664	(6,448,664)	68,070,000	30,895,000	(895,000)	30,000,000
<u>Effect on condensed statement of changes in equity (un-audited)</u>						
Accumulated loss	(316,065,303)	(6,448,664)	(322,513,967)	(285,810,707)	(895,000)	(286,705,707)
	Nine Months ended March 31, 2019					
	As previously reported on March 31, 2019	Adjustment	As restated on March 31, 2019			
	-----Rupees-----					
<u>Effect on condensed interim statement of profit and loss account (un-audited)</u>						
Operating expenses				(11,515,375)	(352,000)	(11,867,375)
	Quarter Ended March 31, 2019					
	As previously reported on March 31, 2019	Adjustment	As restated on March 31, 2019			
	-----Rupees-----					
Management Fee				486,636	(486,636)	-

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Note 5

Short Term Murabaha Investments - Secured

	March 31, 2020	June 30 2019
	(Un-audited) Rupees	(Audited) Rupees
Considered good	-	-
Considered doubtful	233,101,181	243,601,181
	233,101,181	243,601,181
Add: Deferred murabaha income	2,654,776	2,654,776
	235,755,957	246,255,957
Less: Provision for non-performing murabaha investments	(227,462,959)	(227,462,959)
Less: Suspended income	(2,654,776)	(2,654,776)
	5,638,222	16,138,222

Note 6

Short Term Investments

2020	2019	March 31, 2020	June 30, 2019
		Rupees	Rupees <i>Restated</i>

Investments in sukuk of Rs 100,000 each - fair value through OCI

550	550	Neelum Jehlum Sukuk	45,760,000	49,920,000
200	200	Byco Petroleum Pakistan Limited	13,089,582	18,150,000
750	750		58,849,582	68,070,000
			58,849,582	74,518,664
Bank Islami limited - Term deposits receipts			20,000,000	-
First Habib Modaraba-Term Deposit Certificate			13,000,000	
			91,849,582	68,070,000

Note 7

Ijarah Rentals Receivable

	March 31, 2020	June 30, 2019
	(Un-audited) Rupees	(Audited) Rupees
Considered good - secured	1,753,672	1,883,253
Considered doubtful	111,547,879	119,364,371
Less: Provision for doubtful ijarah rentals receivable	(23,789,772)	(29,007,645)
Less: Profit held in suspense account	(22,718,538)	(22,718,538)
	65,039,569	67,638,188
	66,793,241	69,521,441

7.1 This represents rentals receivable against assets leased out under ijarah arrangements.

Note 8

Current Portion of Non Current Assets

		March 31,2020	June 30, 2019
	Note	(Un-audited) Rupees	(Audited) Rupees
Net investment in ijarah finance	9	13,496,734	15,718,248
Diminishing musharaka financing	10	12,690,901	13,730,858
Long term murabaha investments	11	3,414,804	5,193,924
Long term loans and deposits		236,323	279,343
		<u>29,838,762</u>	<u>34,922,373</u>

Note 9

Net Investment in Ijarah Finance

Net Investment in Ijarah Finance	March 31,2020			June 30, 2019		
	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	50,840,981	-	50,840,981
Residual value of ijarah assets	46,700	-	46,700	2,268,214	-	2,268,214
Gross investment in ijarah finance	50,832,254	-	50,832,254	53,109,195	-	53,109,195
Less: Unearned finance income	(24,109,320)	-	(24,109,320)	(24,164,747)	-	(24,164,747)
Net investment in lease ijarah finance	26,722,934	-	26,722,934	28,944,448	-	28,944,448
Less: Provision for doubtful net investment in ijarah finance	(13,226,200)	-	(13,226,200)	(13,226,200)	-	(13,226,200)
	<u>13,496,734</u>	<u>-</u>	<u>13,496,734</u>	<u>15,718,248</u>	<u>-</u>	<u>15,718,248</u>
Less: Current portion (Note 8)		(13,496,734)			(15,718,248)	
		<u>-</u>			<u>-</u>	

Note 10

Diminishing Musharaka Financing - Secured

		March 31,2020	June 30, 2019
	Note	(Un-audited) Rupees	(Audited) Rupees
Considered good		8,353,267	9,393,224
Considered doubtful		4,337,634	4,337,634
Provision against doubtful diminishing musharaka		-	-
		<u>4,337,634</u>	<u>4,337,634</u>
		12,690,901	13,730,858
Less: Current portion	8	<u>(12,690,901)</u>	<u>(13,730,858)</u>
		<u>-</u>	<u>-</u>

Quarterly Report-March 31, 2020

Note 11

Long Term Murabaha Investments - Secured

		March 31,2020	June 30, 2019
	Note	(Un-audited) Rupees	(Audited) Rupees
Considered good		3,695,960	8,800,341
Considered doubtful		63,399,069	65,301,579
		67,095,029	74,101,920
Add: Deferred murabaha income		31,640,971	31,675,826
		98,736,000	105,777,746
Less: Provision for doubtful murabaha investments		(63,399,069)	(65,301,579)
Less: Suspension for doubtful murabaha investments		(29,388,304)	(29,388,304)
		5,948,627	11,087,863
Less: Current portion	8	(3,414,804)	(5,193,924)
		2,533,823	5,893,939

Note 12

Fixed Assets under Ijarah Arrangements

	March 31,2020	June 30, 2019
	(Un-audited) Rupees	(Audited) Rupees
Written down value at the beginning of the period / year	83,900,189	124,871,458
Less: Written down value of assets disposed off / adjusted	(32,407,399)	(26,176,015)
	51,492,790	98,695,443
Less: Depreciation charged during the period / year	(3,126,197)	(14,795,254)
	48,366,593	83,900,189

12.1 Written down value of assets disposed off / adjusted

Plant and machinery	8,565,787	379,172
Vehicle	23,841,612	25,796,843
	32,407,399	26,176,015

Note 13

Fixed Assets under Own Use

	March 31,2020	June 30, 2019
	(Un-audited) Rupees	(Audited) Rupees
Written down value at the beginning of the period / year	39,747	47,612
Additions at cost	48,000	-
	87,747	-
Less: Depreciation charged during the period / year	(10,000)	(7,865)
	77,747	39,747

Note 14

Deferred Tax Asset

The deferred income tax asset amounting to Rs. 130.804 million (June 30, 2019: Rs. 124.187 million) has not been recognized in this condensed interim financial information (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 15

Short Term Finance - Secured

	March 31, 2020	June 30, 2019
	(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>

- 15.1** The Modaraba has obtained running finance facility of Rs. 250 million (2019: Rs. 250 million) from the National Bank of Pakistan (Parent Bank) carrying mark-up / profit at 1 month KIBOR plus 0.50% (2019: 1 month KIBOR plus 1%) per annum payable monthly. The effective mark-up / profit rate charged during the period ranged from 13.37% to 14.68% (2019: 8.03% to 13.79%) 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 (2019: Rs 277.778 million). This facility expired on October 31, 2019 and has not yet been renewed subsequently. The Modaraba has applied to NBP for its renewal with deferment of mark-up. In anticipation of NBP's approval, Modaraba has not provided for any finance cost on the outstanding amount for the period from November 01, 2019 to March 31, 2020, which if calculated at facility's previous mark-up rate would amount to Rs. 13,020,461.

Note 16

Current Portion of Non-Current Liabilities

		March 31, 2020	June 30, 2019
	Note	(Un-audited) Rupees	(Audited) Rupees
Security deposits against ijarah assets	17	49,096,430	82,502,496
Deferred murabaha income		<u>26,762</u>	<u>52,919</u>
		<u>49,123,192</u>	<u>82,555,415</u>

Note 17

Security Deposits against Ijarah Assets

		March 31, 2020	June 30, 2019
	Note	(Un-audited) Rupees	(Audited) Rupees
Security deposits against ijarah assets		49,096,430	83,392,496
Less: Current portion	16	<u>(49,096,430)</u>	<u>(82,502,496)</u>
		<u>-</u>	<u>890,000</u>

Note 18

Certificate Capital

March 31, 2020	June 30, 2019		March 31, 2020	June 30, 2019
(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>

Note 19

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. Where such profits are not distributed, provision for tax is made on taxable income at the current tax rates applicable to Modaraba after taking into account the available tax exemptions and tax credits, if any. No provision for tax liability has been incorporated in this condensed interim financial information (un-audited) due to losses during the period.

Note 20

Contingencies and Commitments

Assistant Commissioner Inland Revenue (Appeals) raised demand of tax payables of Rs. 333.26 million for tax year 2011. Appeal was filed before the Commissioner Appeals Inland Revenue and the demand was deleted. The Department filed an appeal against the order of the Commissioner Appeals before the Appellate Tribunal. The notice of hearing is awaited from the Tribunal. Management is confident of a favorable decision in Tribunal.

Note 21

Financial Risk Management

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, 2019.

Note 22

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 are as follows:

			March 31,2020 (Un-audited) Rupees	June 30, 2019 (Audited) Rupees
22.1	Balances outstanding at the period / year end			
	Bank accounts with National Bank of Pakistan		154,957	341,188
	Finances from National Bank of Pakistan		217,063,388	217,063,388
	Markup payable to National Bank of Pakistan		10,292,253	4,505,879
			March 31,2020 (Un-audited) Rupees	June 30, 2019 (Audited) Rupees
22.2	Transactions during the period			
	Related party	Relationship	Nature of Transaction	
	National Bank of Pakistan	Modaraba Management Company's holding company	Mark up expense Mark up paid	10,292,253 4,505,879
	National Bank Modaraba Management Company Limited	Modaraba management company	Modaraba management company fee	-
	Remuneration to key Management personnel			5,922,959

Note 23

Segment Information

- 23.1** 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 has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.
- 23.2** 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.
- 23.3** 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, 2020, there was only one (June 30, 2019: one) certificate holder (National bank Modaraba Management Company Limited - the Modaraba's Management Company) who held more than 10% of the Modaraba's certificate capital. Its holding was 30% (June 30, 2019: 30%).

Note 24

Date Of Authorization For Issue

These condensed interim financial information (unaudited) have been approved by the Board of Directors of National Bank Modaraba Management Company Limited and authorized for issuance on April 28, 2020.

Note 25

General

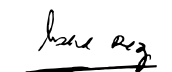
Comparative figures are re-arranged / re-classified, wherever necessary, to facilitate comparison. No such re-arrangements / re-classifications have been made in these condensed interim financial information (un-audited) except for those disclosed in Note 4.



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 28, 2020

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