



*Annual Report*  
**2024**

**FIRST NATIONAL BANK MODARABA**

**Managed By:**

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

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## CORPORATE INFORMATION

<b>Board of Directors*</b>	<b>Mr. Muhammad Imran Malik</b> <b>Mr. Fouad Farrukh</b> <b>Khawaja Waheed Raza</b> <b>Mr. Hakim Ali Leghari</b> <b>Syed Zubair Ahmad Shah</b>	<b>Chairman</b> <b>Director</b> <b>Director</b> <b>Director</b> <b>Director</b>
<b>Audit Committee</b>	<b>Syed Zubair Ahmad Shah</b> <b>Mr. Hakim Ali Leghari</b> <b>Khawaja Waheed Raza</b>	<b>Chairman</b> <b>Member</b> <b>Member</b>
<b>HR &amp; Remuneration Committee</b>	<b>Khawaja Waheed Raza</b> <b>Mr. Muhammad Imran Malik</b> <b>Mr. Hakim Ali Leghari</b>	<b>Chairman</b> <b>Member</b> <b>Member</b>
<b>Shari'ah Advisor</b>	<b>Mufti Ehsan Waquar Ahmed</b>	
<b>Company Secretary (A)</b>	<b>Ms. Nadia Jalil</b>	
<b>Chief Financial Officer (A)**</b>	<b>Ms. Shafqat Tahira Virk</b>	
<b>Auditors</b>	<b>Rahman Sarfaraz Rehim Iqbal Rafiq</b> <b>Chartered Accountants</b>	
<b>Bankers</b>	<b>National Bank of Pakistan</b> <b>Bank Alfalah Limited</b> <b>Al Baraka (Pakistan) Limited</b> <b>Habib Bank Limited</b> <b>MCB Bank Limited</b> <b>Bank Islami Pakistan Limited</b>	
<b>Legal Advisor</b>	<b>Muhammad Aqeel Malik</b> <b>Advocates Supreme Court</b> <b>Aqeel &amp; Associates, Advocate/Legal Consultants</b> <b>Office No. 12, 1st Floor, Khawaja Arcade</b> <b>Wahdat Road, Lahore</b> <b>Tel.: 042-35462464</b>	
<b>Shares Registrar</b>	<b>Hameed Majeed Associates (Pvt.) Limited</b> <b>H. M. House, 7 - Bank Square, Lahore</b> <b>Tel: 37235081-2, Fax: 37358817</b>	
<b>Registered Office</b>	<b>Ground Floor, NBP-RHQ Building,</b> <b>26 - McLagon Road, Lahore</b> <b>Tel: 042-99211200, Fax: 042-99213247</b> <b>URL: <a href="http://www.nbmodaraba.com">http://www.nbmodaraba.com</a></b>	

\*Office of Chief Executive Officer (CEO) is vacant and hiring of new CEO is in process.

\*\*Board of Directors has appointed Mr. Naeem Tariq as Chief Financial Officer in place of Ms. Shafqat Tahira Virk w.e.f September 05, 2024.

## NOTICE OF 21ST ANNUAL REVIEW MEETING & BOOK CLOSURE

Notice is hereby given that the 21<sup>st</sup> Annual Review Meeting of certificate holders of First National Bank Modaraba ("Company") will be held on Monday, October 28, 2024 at 11:30 a.m. at Ground Floor, NBP RHQs Building, 26-McLagon Road, Lahore and virtually through a video-link facility to review the performance of the Company for the year ended June 30, 2024.

### **SPECIAL BUSINESS:**

To consider and, if thought fit, pass the following resolution as Ordinary Resolution to enable and authorize the Company to circulate its annual balance sheet and profit and loss account, auditor's report and directors report, etc. ("annual audited financial statements") to its Certificate Holders through QR enabled code and weblink as allowed by the Securities and Exchange Commission of Pakistan ("SECP") through its S.R.O No. 389(I)/2023 dated 21 March 2023.

"Resolved that pursuant to section 223(6) of the Companies Act, 2017 read with S.R.O No. 389(1) 2003 dated March 21, 2023 issued by Securities Exchange Commission of Pakistan, certificate holders of the Company do hereby convey their consent and authorize the Company to circulate its annual audited financial statements to its certificate holders through QR enabled code and weblink subject to fulfilment of requirements under S.R.O No. 389(1) 2003 dated March 21, 2023. Dispatch of annual audited financial statements by the Company to its certificate holders by post will be discontinued simultaneously"

### **Note:**

-The Certificate Transfer Book will remain closed from October 21, 2024 to October 28, 2024 (both days inclusive) for the purpose of eligibility to attend the Annual Review Meeting.

-The certificate holders whose names appear on the Register of Certificate Holders of *the Company* at the close of business as on October 20, 2024 will be eligible to attend the Annual Review Meeting. All transfers received in order, up to the close of business on October 20, 2024 at our Registrar's Office, Hameed Majeed Associates (Pvt.) Limited, H.M House, 7-Bank Square, Lahore will be considered in time.

-In case a certificate holder desires to attend the meeting virtually, *the Company* has made adequate arrangements for the certificate holders to participate seamlessly via video-link. To attend the Annual Review Meeting via video link, certificate holders are required to email their names, folio number, valid email address and number of shares held in their names to the following email address at least 48 hours before the date of Annual Review Meeting:

**nadia@nbmodaraba.com**. The certificate holders will receive video-link login credentials following the provision of the requisite details.

-Annual audited financial statements shall be circulated by *the Company* through email in case email address has been provided by the certificate holder to *the Company*.

-A certificate holder may request *the Company* to provide a hard copy of Annual Audited Financial Statements, and the same will be provided at certificate holder's registered address free of cost, within one week, if a request has been made by the certificate holders on the standard request form available on the website of *the Company*.

**STATEMENT OF MATERIAL FACTS UNDER SECTION 134 (3) OF THE COMPANIES ACT 2017** Securities and Exchange Commission of Pakistan ("SECP") through S.R.O No. 389(I)/2023 dated March 21, 2023 has allowed companies to circulate the annual balance sheet and profit and loss account, auditor's report and directors report etc. ("Annual Audited Financial Statements") to its members through QR enabled code and weblink. Approval of the certificate holders is to be obtained in the Annual Review Meeting of the Company to circulate Annual Audited Financial Statements to its certificate holders through QR enabled Code and weblink.

None of the directors of the Company have any personal interest in the aforesaid special business.

### **By Order of the Board**



**Nadia Jalil**  
Company Secretary  
National Bank Modaraba Management Company Limited  
Managers of First National Bank Modaraba:  
Lahore: September 27, 2024

**Vision:**

To offer Shariah compliant Islamic Financial Products in the financial market so as to achieve optimum customer satisfaction and develop sustainable business relationships.

**Mission:**

Promote an Islamic Financial Institution where values of management excellence, professionalism, human resource development are promoted such that interests of all stakeholders are safeguarded.



## Annual Shari'ah Advisor's Report

I have conducted the Shari'ah review of First National Bank Modaraba managed by National Bank Modaraba Management Company Limited (NBMMCL), a wholly-owned subsidiary of the National Bank of Pakistan for the financial year ended June 30, 2024, in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

- i. The Modaraba has introduced a mechanism for Shari'ah compliance and the systems, procedures, and policies adopted by the Modaraba are in line with the Shari'ah principles;
- ii. No significant developments took place during the year.
- iii. The financing agreement(s) entered by the Modaraba is Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board and all the related conditions have been met;
- iv. To the best of my information and according to the explanations given to me, the core business transactions undertaken by the Modaraba and all other matters during the period incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas
- v. The earnings that have been realized from the sources or by means prohibited by Shari'ah have been credited to charity accounts.

### Observation(s)

During my review, it has been found that no fresh financial activity took place, so observations remain the same as previous:

- i. FNBM maintains bank accounts with a conventional Bank.
- ii. Financing from conventional Bank(s) has been secured.

### Recommendation(s)

Following are some recommendations:

- i. FNBM must maintain account(s) in Islamic Banks/Islamic Windows of Conventional Banks only.
- ii. The matter arising from the previous report is that all credit lines with conventional banks were instructed to be replaced with Islamic banking facilities. It is still outstanding and the management needs to resolve this as soon as possible.

### Conclusion

Based on the above-mentioned fact, I believe that the business operations of First National Bank Modaraba are Shariah compliant to the best of my knowledge.

### Signature

Mufti Ehsan Waqar Shari'ah Advisor  
Dated: September 05, 2024

## DIRECTORS' REPORT

Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the management Company of First National Bank Modaraba (FNBM), is pleased to present the directors report on the 21st annual accounts of FNBM for the period ended June 30, 2024. These accounts have been audited by the statutory auditors of the Modaraba and are accompanied by their audit report.

### **1. Economic and Sector Outlook:**

The financial year 2023-24, was marked with wide swinging uncertain political scenarios; however, the holding of general elections in February 2024 was a positive sign towards stabilizing the political, economic & social domains and low but positive growth is expected in 2024 – 2025. The drop in SBP policy rates and gradually easing out the import and currency restrictions is paving the way for growth in businesses as well as the financial sectors. It is positive that the government is aiming for a new and longer IMF program.

During FY 2024, Pakistan's economy registered moderate recovery reflected by a GDP growth of 2.38 percent against previous year's contraction of 0.21 percent. The fiscal sector progressed towards stability, propelled by consolidation efforts and targeted reforms.

With reduction in SBP policy rates and the changing economic environments the Modaraba sector can also advantageously position itself using its Islamic image and doing innovations in Islamic financial products.

### **2. Going Concern Assumption**

SECP issued an order on October 31, 2019 under section 23(1)(ii)(b) of Modaraba Companies and Modaraba (Floatation & Control) Ordinance 1980 that an application may be filed with the Modaraba Tribunal Lahore for winding up of the Modaraba, on account of accumulated losses surpassing the tolerance level. The said application/petition has been filed by SECP on June 16, 2020 and is under adjudication.

On the advice of our external auditors, these financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively as fully explained in note 1.2 to the financial statements. However, under the prevailing circumstances, the parent bank NBP, may evaluate and decide a better course of action in the best interest of all stakeholders especially of the Modaraba certificate holders.

### **3. Financial Results (FY 2023-24)**

During FY 2024, the management remained focused on recovery from non-performing portfolio against defaulters against whom decrees have been issued in Modaraba's favor by the relevant Banking Courts. FY 2024 closed in a positive note due to recoveries and income generated through investments. The Net Profit for the year is Rs. 34.760 million as compared to Rs. 4.100 million of the previous year. During the year Rs.73.918 million (FY '23: Rs.23.316 million) were recovered from the defaulters which resulted in reversal of provision of Rs. 59.527 million; while total income earned, including profit on investment was Rs. 115.936 million (FY '23: Rs. 64.180 million). Provisions for all expenses have been provided for. Despite high general inflation the operating expenses were kept under control and decreased from Rs. 13.655 million last year to Rs.13.227 million this year. Earning per certificate was better at Rs.1.39 as against Rs. 0.16 in the corresponding year. The return on assets and current ratios also improved considerably.

FNBM ensures conformity with the Sharia'h compliance and Sharia'h audit mechanism for Modarabas. In this respect Sharia'h Advisor's report is attached

#### **4. Dividends**

Board in its meeting held on September 27, 2024 did not declare any dividends due to the aforementioned reasons.

#### **5. Future Outlook:**

One of the main tasks ahead for the Modaraba is to recover its NPLs. All of the recovery suits filed against defaulter parties have been decreed by the honorable Banking Courts in favor of the Modaraba and their execution proceedings are underway. Besides litigations, settlements/restructurings on favorable terms are also being negotiated with the defaulter clients. With the help of parent bank NBP, the Modaraba is expecting to recover substantial portion of its accumulated losses that were mainly incurred due to charge of provisioning on NPLs, and hence become compliant with the applicable laws/regulations regarding equity.

Different options for revival of Modaraba are under consideration of the Board and most suitable option would be opted in the best interest of the stakeholders when overall economic conditions improve.

#### **6. Corporate and Financial Reporting Framework:**

- I. The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- ii. Proper books of accounts of the Modaraba have been maintained.
- iii. Accounting policies have been applied consistently, unless otherwise stated in financial statements, in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- iv. International Financial Reporting Standards, International accounting standards, and Islamic Financial Accounting Standards as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements.
- v. The system of internal control, which is sound in design is in place and is being continuously reviewed by internal audit. The process of review will continue and any weakness in controls will be removed.
- vi. These financial statements have been prepared on "the going concern assumption" as per note 1.2 to the Financial Statements.
- vii. There has been no material departure from the best practices of corporate governance as detailed in the listing regulations except for those specifically mentioned in the statement of compliance with the CCG.
- viii. There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding as on June 30, 2024 except those disclosed in the financial statements.
- ix. During the year ended June 30, 2024 seven (07) meetings of the Board of Directors were held. Besides (04) four Audit committee and One (01) HR & Remuneration Committee meeting were also held.



- The composition of the Board as on June 30, 2024 is as under:

Independent Director	Syed Zubair Ahmed Shah
Non-Executive Directors	Muhammad Imran Malik
	Fouad Farrukh
	Khawaja Waheed Raza
	Hakim Ali Leghari
Executive Director	Nil

- Attendance by each directors is as follows:

Name	No. of Attendance			
	Board	Audit Committee	HR & Remuneration Committee	Risk Management Committee
Mr. Muhammad Imran Malik	7	N/A	1	-
Mr. Fouad Farrukh	1	N/A	N/A	N/A
Khawaja Waheed Raza	7	4	1	-
Hakim Ali Leghari	7	4	1	N/A
Syed Zubair Ahmad Shah	7	4	N/A	N/A
Mr. Saad Salman Dar*	3	N/A	N/A	N/A

\*Mr. Saad Salman Dar was replaced by Mr. Fouad Farrukh on May 09, 2024.

- The remuneration of the CEO and meeting fee of the non-executive members of the Board of directors are paid by the management company, NBMCL as per approved policy of the Board.x

x. The pattern of certificate holders is annexed.

## 7. **Auditors:**

The auditors M/s. Rahman Sarfaraz Rahim Iqbal Rafiq, Chartered Accountants, have consented to act the Auditor for the FY 2024-25. Their appointment has been confirmed by the Board, subject to approval by the Registrar, Modaraba Companies and Modarabas SECP.

## 8. Acknowledgement:

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 and appreciates staff members of FNBM for their efforts and dedication.

For and on Behalf of the Board

September 27, 2024

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

## ڈائریکٹرز کی رپورٹ

فرسٹ نیشنل بینک مضاربہ (FNBM) کی انتظامی کمپنی نیشنل بینک مضاربہ مینجمنٹ کمپنی لمیٹڈ (NBMMCL) کے بورڈ آف ڈائریکٹرز 30 جون 2024ء کو اختتام پذیر دورانیہ کے لئے FNBM کے اکیسویں سالانہ کھاتوں پر ڈائریکٹرز کی رپورٹ ازراہ مسرت پیش کرتے ہیں۔ مضاربہ کے مجاز آڈیٹرز نے ان کھاتوں کی پڑتال کی ہے جو ان کی آڈٹ رپورٹ کے ساتھ منسلک ہیں۔

### 1. معاشی و شعبہ جاتی منظر نامہ

مالیاتی سال 2023-2024 غیر یقینی سیاسی منظر نامے کی وجہ سے ہلچل کا شکار رہا البتہ فروری 2024ء میں عام انتخابات کا انعقاد سیاسی، معاشی اور سماجی استحکام کے لئے مثبت علامت تھی لیکن سال 2024-2025 کے دوران مثبت نمو کی توقع ہے۔ SBP پالیسی ریٹ میں کمی اور درآمدات میں بتدریج نرمی اور کرنسی کے استحکام نے کاروباری و مالیاتی شعبوں میں نمو کے لئے راہ ہموار کی ہے۔ یہ مثبت امر ہے کہ حکومت تازہ ترین اور طویل مدتی آئی ایم ایف پروگرام کے لئے کوشاں ہے۔

مالیاتی سال 2024ء کے دوران پاکستان کی معیشت میں معتدل بحالی سامنے آئی جو گذشتہ برس 0.21 فی صد تک سکڑنے کے مقابلے میں 2.38 فی صد GDP نمو کی عکاسی کرتی ہے۔ مالیاتی شعبہ استحکام کی جانب بڑھا جو ٹھوس اقدامات اور مربوط اصلاحات کے باعث ممکن ہوا۔ SBP پالیسی ریٹ میں کمی اور بدلتے ہوئے معاشی ماحول کے ساتھ مضاربہ کا شعبہ اپنی اسلامی ساکھ کو استعمال کرتے ہوئے اور اسلامی مالیاتی پروڈکٹس میں جدت کے ذریعے اس سے مستفید ہو سکتا ہے۔

### 2. کاروباری رکھنے کی توقعات

SECP نے مضاربہ کمپنیز اور مضاربہ (فلوٹیشن اینڈ کنٹرول) آرڈیننس 1980ء کے سیکشن (b)(ii)(i) 23 کے تحت 31 اکتوبر 2019ء کو ایک حکم جاری کیا کہ مجموعی خسارہ ناقابل قبول سطح سے تجاوز ہونے پر مضاربہ کی تحلیل کے لئے مضاربہ ٹریبونل لاہور میں درخواست دائر کی جائے۔ 16 جون 2020ء کو SECP نے مذکورہ درخواست / پٹیشن دائر کی جواز پر التوا ہے۔

ہمارے بیرونی آڈیٹرز کے مشورے سے اثاثہ جات اور واجبات کی اندازاً واجب الوصول / سیٹلمنٹ قیمت کی بنیاد پر یہ مالیاتی اسٹیٹمنٹس تیار کی گئی ہیں جن کا ذکر ان مالیاتی اسٹیٹمنٹس کے نوٹ 1.2 میں کیا گیا ہے۔ البتہ، موجودہ حالات میں مرکزی بینک NBP تمام اسٹیک ہولڈرز خصوصاً مضاربہ برٹیکلیٹ ہولڈرز کے بہترین مفاد میں بہتر طریق عمل کا تعین اور فیصلہ کرے گا۔

### 3. مالیاتی نتائج (مالیاتی سال 2023-2024)

مالیاتی سال 2024ء کے دوران، انتظامیہ نے دیوالیہ شعبوں کے مقابلے میں غیر فعال پورٹ فولیو کی بحالی پر توجہ جاری رکھی جن کے فیصلے متعلقہ بینکنگ عدالتوں کی جانب سے مضاربہ کے حق میں آئے ہیں۔ مالیاتی سال 2024ء وصولیوں اور سرمایہ کاری پر حاصل آمدنی کے باعث مثبت نوٹ پر بند ہوا۔ مذکورہ سال کے لئے خالص منافع 34.760 ملین روپے رہا جبکہ گذشتہ برس یہی منافع 4.100 ملین روپے تھا۔ مذکورہ سال کے دوران ناہندگان سے 73.918 ملین روپے کی وصولی ہوئی (مالیاتی سال 2023ء 23.316 ملین روپے) جس کے نتیجے میں 59.527 ملین روپے ریورس کئے گئے جب کہ کل آمدنی بشمول سرمایہ کاری سے نفع 115.936 ملین روپے رہا (مالیاتی سال 2023ء 64.180 ملین روپے)۔ تمام اخراجات کی ادائیگی کی گئی۔ افراط زر کی بلند شرح کے باوجود، آپریٹنگ اخراجات کنٹرول میں رکھے گئے جو گذشتہ برس میں

13.655 ملین روپے کے مقابلے میں 13.227 ملین روپے تک کم ہو گئے۔ فی سٹیٹیکٹ آڈٹ میں گذشتہ برس میں 0.16 روپے کے مقابلے میں 1.39 روپے بہتری آئی۔ اثاثہ جات اور حالی تناسب پر ریٹرن بھی واضح طور پر بہتر ہوا۔

FNBM شریعہ کمپلائنس اور شریعہ آڈٹ میکنزم برائے مضاربہ کی تعمیل کو یقینی بناتا ہے۔ اس بابت شریعہ ایڈوائزر کی رپورٹ لف ہذا ہے۔

#### 4. منافع منقسمہ

بورڈ نے اپنے اجلاس منعقدہ 27 ستمبر، 2024ء میں مذکورہ بالا وجوہات کی بنا پر کسی منافع منقسمہ کا اعلان نہیں کیا ہے۔

#### 5. مستقبل کا منظر نامہ

NPLs کی ریکوری مضاربہ کے سرفہرست کاموں میں سے ایک ہے۔ فاضل بینکنگ کورٹس کی جانب سے ناہندگان کے خلاف وصولی کے لئے دائر تمام مقدمات کا فیصلہ مضاربہ کے حق میں آیا ہے اور ان پر عمل درآمد جاری ہے۔ قانونی کارروائی کے علاوہ، سازگار شرائط پر سمجھوتہ/ری سٹرکچرنگ کی بابت ناہندہ کلائنٹس کے ساتھ مذاکرات جاری ہیں۔ مرکزی بینک NBP کی مدد سے مضاربہ اپنے مجموعی خساروں کا نمایاں حصہ وصول کرنے کی توقع رکھتا ہے جو NPLs پر پرویشن کی وجہ سے ہوا۔ لہذا ایکویٹی کی بابت مروجہ قوانین و ضوابط کی تعمیل کی گی۔

بورڈ نے مضاربہ کی بحالی کے لئے مختلف آپشنز پر غور کیا اور مجموعی معاشی حالات بہتر ہونے پر سٹیک ہولڈرز کے بہترین مفاد میں سب سے سازگار آپشن کو اختیار کیا جائے گا۔

#### 6. کاروباری و مالیاتی رپورٹنگ و فریم ورک

i. مضاربہ کی انتظامیہ کی تیار کردہ مالیاتی اسٹیٹمنٹس اپنے کاروباری امور، آپریشنز کے نتائج، کیش فلوا اور ایکویٹی میں تبدیلی کی بالکل درست عکاسی کرتی ہیں۔

ii. مضاربہ کے کھاتوں کی باقاعدہ کتابیں تیار کی گئی ہیں۔

iii. مالیاتی اسٹیٹمنٹس کی تیاری میں معقول اکاؤنٹنگ پالیسیوں کا لگاتار اطلاق کیا گیا ہے جب تک کہ دوسری صورت میں مالیاتی بیانات میں بیان نہ کیا گیا ہو اور اکاؤنٹنگ تخمینہ جات معقول اور موزوں فیصلوں کی بنیاد پر لگائے گئے ہیں۔

iv. ان مالیاتی اسٹیٹمنٹس کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات، بین الاقوامی اکاؤنٹنگ معیارات اور اسلامی مالیاتی اکاؤنٹنگ کے معیارات جو پاکستان میں مضاربہ پر لاگو ہوتے ہیں، کی پیروی کی گئی ہے۔

v. اندرونی نظم و ضبط کا ایک مربوط سسٹم موجود ہے اور جس پر اندرونی آڈٹ متواتر نظر ثانی کرتا ہے۔ نظر ثانی کا عمل جاری رہے گا اور کنٹرولز میں کسی بھی کمزوری کو ختم کیا جائے گا۔

vi. یہ مالیاتی اسٹیٹمنٹس ”جاری کاروبار کے مفروضہ“ کی بنیاد پر تیار کی گئی ہیں جن کا ذکر مالیاتی اسٹیٹمنٹس کے نوٹ 1.2 میں کیا گیا ہے۔

vii. لسٹنگ ضوابط میں درج کاروباری نظم و ضبط کے بہترین اطلاق میں کوئی ٹھوس بے ضابطگی نہیں ہے۔ ماسوائے ان کے جنہیں CCG کے تعمیلی اعلامیہ میں خاص طور پر بیان کیا گیا ہے۔

viii. ٹیکس، ڈیوٹی، لیوی اور چارجز کی مد میں کوئی قانونی ادائیگی ایسی نہیں جو 30 جون 2024ء کو واجب الادا تھی ماسوائے ان ادائیگیوں کے جن کا ذکر مالیاتی اسٹیٹمنٹس میں کیا گیا ہے۔

## Annual Report 2024

.ix 30 جون 2024ء کو اختتام پذیر سال کے دوران بورڈ آف ڈائریکٹرز کے سات (7)، آڈٹ کمیٹی کے چار (04) اور ایچ آر اینڈ

ریہوزیشن کمیٹی کا ایک (01) اجلاس منعقد ہوا۔

● بورڈ کی ترکیب حسب ذیل ہے:

سیدز میر احمد شاہ	خود مختار ڈائریکٹر
محمد عمران ملک فواد فرخ خواجہ وحید رضا حاکم علی لغاری	نان ایگزیکٹو ڈائریکٹرز
-	ایگزیکٹو ڈائریکٹر

● ہر ڈائریکٹر کی حاضری حسب ذیل ہے:

حاضریوں کی تعداد				نام
بورڈ	آڈٹ کمیٹی	ایچ آر اینڈ ریہوزیشن کمیٹی	رسک مینجمنٹ کمیٹی	
7	N/A	1	-	جناب محمد عمران ملک
1	N/A	N/A	N/A	جناب فواد فرخ
7	4	1	-	جناب خواجہ وحید رضا
7	4	1	N/A	جناب حاکم علی لغاری
7	4	N/A	N/A	جناب سیدز میر احمد شاہ
3	N/A	N/A	N/A	جناب سعد سلمان ڈار

\* جناب سعد سلمان ڈار کو مئی 2024ء میں جناب فواد فرخ سے تبدیل کیا گیا۔

● CEO کا معاوضہ اور بورڈ آف ڈائریکٹرز کے نان ایگزیکٹو اراکین کی اجلاس فیس انتظامی کمپنی، NBMMCL نے بورڈ کی منظور شدہ

پالیسی کے مطابق ادا کی۔

.x پیٹرن آف شیئر ہولڈنگ لف ہذا ہے۔

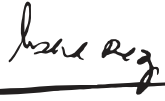
7. آڈیٹرز

آڈیٹرز میسرز رحمن سرفراز رحیم اقبال رفیق چارٹرڈ اکاؤنٹنٹس نے مالیاتی سال 2024-2025 کے لئے بطور آڈیٹرز تقرری پر رضامندی کا اظہار کیا ہے۔ بورڈ نے ان کی تقرری کی توثیق کی ہے جو رجسٹرار، مضار کیمپینیز اور مضار بایا SECP کی منظوری سے مشروط ہے۔

8. اظہار تشکر

بورڈ اس موقع کا فائدہ اٹھاتے ہوئے اپنے معزز سرٹیفکیٹ ہولڈرز اور کلائنٹس کی حمایت اور مستقل مزاجی کے لئے شکریہ ادا کرنا چاہتا ہے۔ علاوہ ازیں، بورڈ رجسٹرار مضاربہ، SECP اور NBFI اور مضاربہ ایسوسی ایشن آف پاکستان کی مسلسل رہنمائی اور سپورٹ کے لئے بھی تہہ دل سے شکر گزار ہے۔ بورڈ FNBM کے عملہ کی کاوشوں اور جذبے کو بھی سراہتا ہے۔

منجانب / برائے بورڈ



ڈائریکٹر



ڈائریکٹر

27 ستمبر، 2024ء

## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 of First National Bank Modaraba For the year ended June 30, 2024

National Bank Modaraba Management Company (hereafter referred to as the Company), managing the First National Bank Modaraba (the Modaraba) has complied with the requirements of the Regulations in the following manner:-

1. The total number of directors are five (5) as per the following:
  - a) Male: 5
  - b) Female: 0
2. The composition of the Board of Directors (the Board) is as follows:

Category	Names
i. Independent Director	Syed Zubair Ahmed Shah
ii. Non-Executive Directors (NEDs)	Muhammad Imran Malik (Chairman)
	Fouad Farrukh
	Khawaja Waheed Raza
	Hakim Ali Laghari
iii. Executive Director	-
vii. Female / Independent Director	-

\*Mr. Amir Faraz (Non-Executive Director) resigned from directorship on July 11, 2023, Mr. Saad Salman Dar (Non-Executive Director) was appointed on September 14, 2023 and later Mr. Fouad Farrukh replaced him on May 09, 2024.

\*\*Presently there are two casual vacancies on the Board including Chief Executive Officer (CEO) and no female director has been appointed. Further there is only one independent director appointed on the Board instead of two or one third of the Board, whichever is higher.

3. The directors have confirmed that none of them is serving as a Director on more than seven listed companies, including this Company;
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures;
5. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Company. The Board has ensured that complete record of particulars of the significant policies along with their date of approval or updating is maintained by the Company;
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board / certificate holders as empowered by the relevant provisions of the Act and the Regulations;
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of the Act and the Regulations with respect to frequency, recording and circulating minutes of meetings of the Board;
8. The Board have a formal policy and transparent procedures for remuneration of directors in accordance with the Act and the Regulations;
9. Three directors of the Company are exempted from the requirement of Directors' Training Program (DTP) on the basis of exemption criteria. Furthermore, the Company is in the process of procuring their respective exemption certificate(s) from SECP. Being a responsible and compliant Company, the remaining two directors are expected to attain DTP certification in due course;

10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary (on acting basis till appointment of regular CFO and Company Secretary), and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations;
11. CFO and CEO duly endorsed the financial statements before approval of the Board; (Presently an additional director signs in view of vacancy in CEO office)
12. The Board has formed committees comprising of members given below:
  - a) **Audit Committee (AC)**

Chairman	Syed Zubair Ahmed Shah
Member (NED)	Khawaja Waheed Raza
Member (NED)	Hakim Ali Leghari
  - b) **Human Resource and Remuneration Committee (HR & RC)**

Chairman (NED)	Khawaja Waheed Raza
Member (NED)	Muhammad Imran Malik
Member (NED)	Hakim Ali Leghari
  - c) **Risk Management Committee (RMC)**

Chairman (NED)	Khawaja Waheed Raza
Member (NED)	Muhammad Imran Malik
13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;
14. The frequency of meetings (quarterly/half yearly/yearly) of the committees were as per following:
  - a) **Audit Committee** **4 (Quarterly)**
  - b) **Human Resource and Remuneration Committee** **1 (Annually-As per need)**
  - c) **Risk Management Committee** **Nil (As per need)**
  - d) **Nomination Committee** **N/A**
15. The Board has set up an effective internal audit function to those who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company;
16. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan and registered with Audit Oversight Board of Pakistan, that they and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and they and the partners of the firm involved in the audit are not a close relative (spouse, parent, dependent and non-dependent children) of the CEO, CFO, Head of Internal Audit, Company Secretary or director of the Company;
17. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the auditors have confirmed that they have observed IFAC guidelines in this regard;
18. We confirm that all requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with except for the following:

Statement of Compliance para reference	Regulation Ref. no.	Non-compliance
1	3	The Board consists of five directors as against required seven directors on the Board of the Company.
2	6	There is only one independent director appointed on the Board instead of two or one third of the board whichever is higher.
2	8	Currently, no Executive director/ CEO has been appointed on the Board.
2	7	No female director has been appointed on the Board, as against the requirement of at least one female director.



19. Explanation for non-compliance with requirements, other than regulations 3, 6, 7, 8, 27, 32, 33 and 36 are below:

Statement of Compliance para reference	Regulation Ref. no.	Requirement	Explanation of non-compliance
9	19	By June 30, 2022 all the directors on the Board should have acquired the prescribed certification under any director training program offered by institutions, local or foreign, that meet the criteria specified by the Commission and approved by it.	Company has planned to arrange the DTP certification specified by the Commission for the remaining directors by next financial year.
11	25	The CEO and the CFO shall duly endorse the quarterly, half-yearly and annual financial statements under their respective signatures prior to placing and circulating the same for consideration and approval of the Board.	Due to resignation of CEO and prevailing vacancy in his office, the financial statements of the Company were only endorsed by CFO prior to placing and circulating the same for consideration and approval of the Board.  The Board is taking measures to fill the casual vacancy of CEO at the earliest possible.
12	28 (2)	The Chairman of the HR & RC shall be an independent director.	The matter is under consideration by the Board and will be resolved at earliest possible.
12	29 (1)	The Board may constitute a separate committee, designated as the nomination committee, of such number and class of directors, as it may deem appropriate in its circumstances.	The board has not formed the Nomination Management Committee as the responsibility of this committee is being taken care of at the Board Level as and when required. Therefore, a need for separate formation of this committee does not exist. The management ensure for compliance in the next year.



**Signature**  
**Chairman**



**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
CHARTERED ACCOUNTANTS

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## INDEPENDENT AUDITORS' REVIEW REPORT

To the Certificate Holders of First National Bank Modaraba


### Review Report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) prepared by the Board of Directors of First National Bank Modaraba Management Company Limited (the Company) managing First National Bank Modaraba (the Modaraba) for the year ended June 30, 2024 in accordance with the requirements of Regulation 36 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended June 30, 2024. 

Page 1 of 2



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Further, we highlight below instances of non-compliance with the requirements of the Regulations as reflected in the paragraph reference where these are stated in the Statement of Compliance:

Sr. No.	Paragraph reference	Description
1	18	The Board of Directors of the Company consists of five directors as against required seven directors.
2	18	The requirement of minimum independent directors (i.e. two or one third of the Board of Directors whichever is higher) has not been complied with.
3	18	Currently, no Executive director/ CEO has been appointed on the Board.
4	18	The Board of Directors does not have a female director.
5	19	Two directors do not have the required Directors' Training Program (DTP) certification.
6	19	Due to prevailing vacancy of Chief Executive Officer, Chief Financial Officer presented the financial statements for the year ended 30 June, 2023, period ended 30 September 2023, half year ended December 31, 2023 and period ended March 31, 2024 to the Board of Directors.
7	19	The Chairman of the Human Resource and Remuneration Committee (HR & RC) is not an independent director.

2.

*Rahman Sarfaraz*

Rahman Sarfaraz Rahim Iqbal Rafiq,  
Chartered Accountants  
Engagement partner: Adnan Rasheed  
Lahore

UDIN: CR202410701qvyX6KWp9



**RAHMAN SARFARAZ RAHIM IQBAL RAFIQ**  
CHARTERED ACCOUNTANTS

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## INDEPENDENT AUDITORS' REPORT

To the certificate holders of First National Bank Modaraba

Report on the Audit of the Financial Statements

### Opinion

We have audited the annexed financial statements of **First National Bank Modaraba** (the Modaraba) which comprise the statement of financial position as at **30 June 2024**, and the statement of profit and loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at **30 June 2024** and of the profit and other comprehensive loss, the changes in equity and its cash flows for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Modaraba and Modaraba Company (National Bank Modaraba Management Company Limited) in accordance with the International Ethics Standards Board for Accountants 'Code of Ethics for Professional Accountants' as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Emphasis of Matter

We draw attention to note 1.2 of the accompanied financial statements, which indicates that the Modaraba's current liabilities exceeded its current assets by Rs. 72.805 million, its net liabilities amounted to Rs. 20.845 million and its accumulated losses amounted to Rs. 314.583 million which exceeds its total





subscribed certificate capital by Rs. 64,583 million. Further, short term running finance facility obtained from the National Bank of Pakistan (NBP) was expired on 31 October 2019 that has yet not been renewed and markup outstanding thereupon is also outstanding. Furthermore, after the issuance of order dated 31 October 2019 of Registrar Modaraba, the winding up petition has been filed on 16 June 2020 before the Honorable Modaraba Tribunal, Lahore. This situation indicates that a material uncertainty exists that may cast significant doubt on the Modaraba's ability to continue as going concern. Therefore, these financial statements have been prepared on the basis of estimated realizable/ settlement values of assets and liabilities respectively. Estimated realizable/ settlement values are based on the management's best estimate. Estimation involves judgment based on the latest available, reliable information, historical experience and other factors, including expectation of future events that are believed to be reasonable under the circumstances. In future, these estimates may need revision if changes occur in the circumstances on which the estimates are based or as a result of new information. Hence, the ultimate values at which assets will be realized and liabilities will be settled may be different from those carried in these financial statements. Our opinion is not qualified in respect of this matter.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following is the key audit matter:

S. No.	Key audit matter	How matter was addressed in our audit
1	<p><b>Provision against non-performing assets (refer note 6, 9, 12, 13 and 14 to the Statement of financial position)</b></p> <p>Management has made provision against non-performing short term murabaha investments, ijara rentals receivable, net investment in ijara finance, diminishing mushrika financing, and long term murabaha investments on the basis of prudential regulations of NBFC and Notified Entities Regulations 2008 that require significant judgements including estimates of Forced Sale Value of assets held as collateral and subjective evaluation after considering the current situation, that the Modaraba may not be able to continue as a going concern.</p>	<p>Our audit procedures to verify provision against non-performing assets, amongst others, include the following:</p> <ul style="list-style-type: none"> <li>We obtained an understanding of the process and controls implemented by management over the assessment of non-performing assets and the related provision.</li> <li>We tested the design and implementation of controls around the credit risk assessment and monitoring process, including controls over the calculation of the provision.</li> </ul>



	<p>We considered this matter as a key audit matter in view of the significant judgment involved in determining that the Forced Sale Value of the investments/ receivable.</p>	<ul style="list-style-type: none"> <li>• For non-performing receivables eligible for Forced Sale Value benefit of mortgaged properties held as a security, we evaluated whether valuation reports are available and valid.</li> <li>• We examined that the reversal of provision has been made as per specified condition in the NBFC and Notified Entities Regulations 2008.</li> <li>• We inspected mortgage deeds to substantiate existence of assets held as collateral.</li> </ul>
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### Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditors' report thereon.

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

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

### Responsibilities of management and Board of Directors of the modaraba company for the financial statements

Management of the Modaraba Company is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and for such internal control as management of the Modaraba Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. 




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

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

### **Auditors' responsibilities for the audit of the financial statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Modaraba's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Modaraba Company;
- Conclude on the appropriateness of the management of the Modaraba Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Modaraba's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Modaraba to cease to continue as a going concern; and 



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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


We also provide the board of directors of the Modaraba Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors of the Modaraba Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other legal and regulatory requirements

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

- a) proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980);
- b) the statement of financial position, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and are in agreement with the books of account;
- c) business conducted, investments made, expenditure incurred and guarantees extended during the year by the Modaraba were in accordance with the objects, terms and conditions of the Modaraba; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

The engagement partner on the audit resulting in this independent auditors' report is Mr. Adnan Rasheed. 



**Rahman Sarfaraz Rahim Iqbal Rafiq**  
Chartered Accountants  
Lahore:  
UDIN: AR2024107011WLMpEHOV



# Annual Report 2024

## STATEMENT OF FINANCIAL POSITION AS AT JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances	5	9,710,250	10,298,604
Short term murabaha investments - secured	6	1,772,953	1,772,953
Accrued profit	7	8,501,794	5,856,727
Short term investments	8	295,843,359	194,074,491
Ijarah rentals receivable	9	13,605,448	25,560,916
Prepayments and other receivables	10	960,524	1,830,087
Income tax recoverable/ adjustable		15,352,338	9,600,084
Current portion of non-current assets	11	4,800,000	16,396,392
		<b>350,546,666</b>	<b>265,390,254</b>
<b>NON-CURRENT ASSETS</b>			
Net investment in ijarah finance	12	11,696,392	-
Diminishing musharaka financing - secured	13	-	-
Long term murabaha investments - secured	14	7,073,581	7,300,000
Long term deposit		39,500	39,500
Intangible asset	15	-	-
Fixed assets under ijarah arrangements	16	32,959,576	32,959,576
Fixed assets under own use	17	190,627	262,226
		<b>51,959,676</b>	<b>40,561,302</b>
<b>TOTAL ASSETS</b>		<b>402,506,342</b>	<b>305,951,556</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued profit on short term financing		156,818,419	107,243,673
Short term financing - secured	18	217,063,388	217,063,388
Creditors, accrued and other liabilities	19	8,727,321	2,951,915
Unclaimed dividend		425,218	425,218
Security deposits against ijarah assets	20	33,006,276	33,006,276
Deferred murabaha income	21	-	-
Provision for taxation	30	7,310,716	839,869
		<b>(423,351,338)</b>	<b>(361,530,339)</b>
<b>TOTAL LIABILITIES</b>		<b>(423,351,338)</b>	<b>(361,530,339)</b>
<b>NET LIABILITIES</b>		<b>(20,844,996)</b>	<b>(55,578,783)</b>
<b>FINANCED BY:</b>			
Certificate capital	22	250,000,000	250,000,000
Statutory reserve	23	45,519,244	45,519,244
Accumulated loss		<b>(314,583,212)</b>	<b>(349,342,631)</b>
		<b>(19,063,968)</b>	<b>(53,823,387)</b>
Unrealised loss on revaluation of sukuks		<b>(1,781,028)</b>	<b>(1,755,396)</b>
<b>TOTAL EQUITY AND RESERVES</b>		<b>(20,844,996)</b>	<b>(55,578,783)</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	24	-	-

The annexed notes 1 to 37 form an integral part of these financial statements.

			
Director 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: September 27, 2024

## STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2024

	Note	2024 Rupees	2023 Rupees
<b>INCOME FROM OPERATIONS</b>			
Profit on bank deposits		476,943	312,344
Profit on short term investments		49,704,703	28,816,081
		<b>50,181,646</b>	29,128,425
<b>OTHER INCOME</b>			
Reversal of provision charged for doubtful receivables	28	59,527,191	28,430,580
Suspension reversed during the year		3,000,000	3,636,571
Excess liabilities written back		-	2,474,169
Other income	25	3,226,846	510,871
		<b>65,754,037</b>	35,052,191
<b>TOTAL INCOME</b>		<b>115,935,683</b>	64,180,616
<b>EXPENSES</b>			
Operating expenses	26	(13,227,446)	(13,654,624)
Finance cost	27	(49,595,160)	(39,170,012)
<b>TOTAL EXPENSES</b>		<b>(62,822,606)</b>	(52,824,636)
<b>OPERATING PROFIT BEFORE PROVISIONS AND TAXATION</b>		<b>53,113,077</b>	11,355,980
Provision charged for doubtful receivables	28	(4,355,468)	(5,754,612)
<b>PROFIT BEFORE MANAGEMENT COMPANY'S FEE</b>		<b>48,757,609</b>	5,601,368
Modaraba Management Company's fee	29	(4,875,761)	(560,137)
Provision for Worker's Welfare Fund	19.1	(877,637)	(100,825)
<b>PROFIT BEFORE TAXATION</b>		<b>43,004,211</b>	4,940,406
Taxation	30	(8,244,792)	(839,869)
<b>PROFIT FOR THE YEAR</b>		<b>34,759,419</b>	4,100,537
<b>OTHER COMPREHENSIVE LOSS - NET OF INCOME TAX</b>			
<b>Items that may be reclassified subsequently to the statement of profit or loss</b>		-	-
<b>Items that will not be reclassified subsequently to the statement of profit or loss</b>			
- Unrealised loss on revaluation of sukus		(25,632)	(1,567,418)
Other comprehensive loss for the year		(25,632)	(1,567,418)
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		<b>34,733,787</b>	<b>2,533,119</b>
<b>EARNINGS PER MODARABA CERTIFICATE - BASIC AND DILUTED</b>	31	<b>1.39</b>	0.16

The annexed notes 1 to 37 form an integral part of these financial statements.

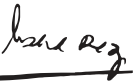



			
Director National Bank Modaraba Management Company Limited	Director National Bank Modaraba Management Company Limited	Director National Bank Modaraba Management Company Limited	Chief Financial Officer National Bank Modaraba Management Company Limited

Lahore: September 27, 2024

## STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2024

	2024 Rupees	2023 Rupees
<b>CASH FLOWS FORM OPERATING ACTIVITIES</b>		
<b>Profit for the year before taxation</b>	43,004,211	4,940,406
Adjustments for:		
- Depreciation on fixed assets under own use	89,599	28,633
- Gain on disposal of fixed assets under own use	(6,000)	(45,000)
- Profit on short term investments	(49,704,703)	(28,816,081)
- Charge of provision against doubtful ijarah rentals receivable - net	4,355,468	4,710,671
- Charge of provision against doubtful net investment in ijarah finance	(1,686,610)	882,761
- Charge of provision against doubtful diminishing musharaka financing	-	161,180
- Liabilities written back	-	(2,474,169)
- Reversal of provision ijarah rentals receivable - net	-	(11,530,580)
- Reversal of provision charged on short term murabaha investments	(53,267,000)	-
- Reversal of provision long term murabaha investments - net	(4,573,581)	(16,900,000)
- Suspension reversed during the year	(3,000,000)	(3,636,571)
- Finance cost	49,595,160	39,170,012
- Provision for Worker's Welfare Fund	877,637	100,825
- Modaraba Company's management fee	4,875,761	560,137
- Profit on term deposit receipts and bank deposits	(476,943)	(312,344)
	<u>(52,921,212)</u>	<u>(18,100,526)</u>
<b>Operating loss before working capital changes</b>	(9,917,001)	(13,160,120)
<b>Changes in working capital:</b>		
Decrease/ (increase) in current assets:		
- Accrued profit	52,857,052	26,008,902
- Ijarah rentals receivable	10,600,000	15,699,761
- Advances, prepayments and other receivables	869,563	(277,107)
- Short term murabaha investments - secured	53,267,000	547,411
- Diminishing musharaka financing	-	1,412,634
- Income tax recoverable/ adjustable	(5,752,254)	(3,572,901)
- Long term murabaha investments - secured	4,700,000	4,900,000
- Net investment in ijara financing	1,686,610	693,781
Decrease in current liabilities:		
- Creditors, accrued and other liabilities	(5,775,406)	(98,157)
<b>Net changes in working capital</b>	<u>112,452,565</u>	<u>45,314,324</u>
	102,535,564	32,154,204
Finance cost paid	(20,416)	(5,830)
Income taxes paid	(1,773,945)	(381,831)
Profit received on bank deposits	476,943	312,344
<b>Net cash generated from operating activities</b>	<u>101,218,146</u>	<u>32,078,887</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment made in fixed assets - under own use	(18,000)	(202,100)
Proceeds from disposal of fixed assets - under own use	6,000	97,250
Short term investments - net	(101,794,500)	(23,131,327)
<b>Net cash used in investing activities</b>	<u>(101,806,500)</u>	<u>(23,236,177)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>	-	-
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<u>(588,354)</u>	<u>8,842,710</u>
Cash and cash equivalents at the beginning of the year	10,298,604	1,455,894
<b>Cash and cash equivalents at the end of the year</b>	<u>9,710,250</u>	<u>10,298,604</u>

The annexed notes 1 to 37 form an integral part of these financial statements.

			
Director 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: September 27, 2024

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2024

Particulars	Certificate capital	Statutory reserve	Accumulated loss	Total equity
	Rupees			
<b>Balance as at 01 July 2022</b>	250,000,000	44,699,137	(352,623,061)	(57,923,924)
Profit for the year	-	-	4,100,537	4,100,537
Other comprehensive loss for the year *	-	-	-	-
Total comprehensive income for the year	-	-	4,100,537	4,100,537
Transferred to statutory reserve (note 23)	-	820,107	(820,107)	-
<b>Balance as at 30 June 2023</b>	250,000,000	45,519,244	(349,342,631)	(53,823,387)
Profit for the year	-	-	34,759,419	34,759,419
Other comprehensive loss for the year *	-	-	-	-
Total comprehensive income for the year	-	-	34,759,419	34,759,419
Transferred to statutory reserve (note 23)	-	-	-	-
<b>Balance as at 30 June 2024</b>	250,000,000	45,519,244	(314,583,212)	(19,063,968)

\* As per circular no. SC/ M/ PRDD/ PRs 2017-259 the (loss)/ surplus on revaluation of investments has not been included in the equity.

The annexed notes 1 to 37 form an integral part of these financial statements.



Director  
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: September 27, 2024

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2024

### 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 (the Modaraba Management Company), 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 4 December 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 year, the Modaraba earned profit after taxation amounting to Rs. 34.759 million (2023: Rs. 4.101 million) which is mainly due to reversal of provisions amounting to Rs. 59.527 million (2023: Rs. 28.431 million).

As at the reporting date, the Modaraba's current liabilities exceed its current assets by Rs. 72.805 million (2023: Rs. 96.140 million) and its accumulated loss amounts to Rs. 314.583 million (2023: Rs. 349.343 million) which exceeds its total subscribed certificate capital by Rs. 64.583 million (2023: Rs. 99.343 million). The trading in the certificates of Modaraba has already been suspended and the name of the Modaraba is included in the defaulter list of PSX.

Accumulated loss as on 30 June 2024 contain Rs. 207.211 million (2023: Rs. 262.544 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. Besides fully charging provisioning in accordance with the Modaraba Regulations, 2021 issued by SECP, the Modaraba has also subjectively assessed the carrying value of its classified receivables and incorporating as much additional provisioning in the light of applicable regulations and management judgment. Accordingly, additional provision of Rs. 4.355 million (2023: Rs. 5.593 million) was incorporated in these financial statements. These assessments were made on the basis of relevant factors, including the expectation of reaching restructuring arrangements with respective parties for outstanding amounts within next one year or so.

The Modaraba has filed legal suits for recoveries against all its defaulter clients and Rs. 431.157 million (2023: 431.157 million) have been decreed in the Modaraba's favor by the Honorable Banking Courts, against principal amount, that are pending execution. Further as referred in note 18.1 and note 27.1, the short term running finance facility obtained from NBP was expired on 31 October 2019 that has yet not been renewed while markup outstanding thereupon is also yet to be paid. Outstanding markup on this facility upto 31 October 2019 was Rs. 10.800 million. However, NBP is accruing markup beyond that date in its books; accordingly, the Modaraba, while its request of waiver/ reduction of markup is in pendency, has also accrued a further amount of Rs. 146.018 million on account of finance cost against this facility accumulating to Rs. 156.818 million (2023: Rs. 107.244 million) as at the reporting date. Total current liabilities amounting to Rs. 423.351 million (2023: Rs. 361.530 million) include Rs. 373.882 million (2023: Rs. 324.307 million) payable to National Bank of Pakistan (NBP) on account of outstanding principal and markup on short term running finance facility that the management believes is not readily payable. Further, the current liabilities also include Rs. 33.006 million (2023: Rs. 33.006 million) worth security deposits that are not immediately repayable rather shall be adjusted against the residual value of ijarah assets. Furthermore, the Modaraba has recovered Rs. 73.918 million (2023: Rs. 23.316 million) from certain customers against non-performing finances during the current year.

In purview of the consistent losses of the Modaraba, the Registrar Modaraba issued a show cause notice to the Modaraba as to why should the proceedings to wind it up not be initiated in terms of Section 23(1)(ii)(b) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Further, 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 aforementioned show cause notice, has passed an order dated 31 October 2019, for filing an application for winding up before the Modaraba Tribunal, Lahore. Subsequent to the order dated 31 October 2019 of Registrar Modaraba, the winding up petition has been filed by Registrar Modaraba on 16 June 2020 under section 23(1)(ii)(b) before the Honorable Modaraba Tribunal, Lahore. However, the case is pending before the court and next date of hearing has been fixed on 24 September 2024.

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 financial statements have been prepared on the basis of estimated realizable/ settlement values of assets and liabilities respectively.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS) and Islamic Financial Accounting Standards (IFASs) as are notified under the provisions of the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017, Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Modaraba Regulations 2021 issued by the Securities and Exchange Commission of Pakistan (hereinafter referred to as the relevant laws).

Where the requirements of the approved accounting standards differ from the relevant laws, provisions of and directives issued under the relevant laws have been followed.

### **2.2 Accounting convention**

These financial statements have been prepared on the basis other than going concern using estimated realizable/ settlement values of 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 amount of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business.

### **2.3 Functional and presentation currency**

These financial statements are prepared and presented in Pak Rupees which is also the Modaraba's functional and presentation currency. All financial information presented in Pak Rupees is rounded off to the nearest rupee unless otherwise stated.

### **2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with the approved accounting standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under circumstances, results of which form the basis of making judgment about carrying amounts of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which estimates are revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

Judgments made by the management that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year comprise:

- Provision against non performing financing (note 4.3, 4.5, 4.6, 6, 9, 12, 13 and 14)
- Impairment of other financial assets (note 4.4)
- Short term investments (note 8)
- Likelihood of outcome of future events related to assessment of contingencies (note 4.14, 24)
- Provision for taxation (note 4.11, 30)

### **2.5 Estimated realizable/ settlement values of assets and liabilities respectively**

Based on the management's best estimate, as on the reporting date, carrying values of assets and liabilities reflect estimated realizable and settlement values respectively. The Modaraba has recognized provision for doubtful short term murabaha investments, provision for ijarah rentals receivables and provision for long term murabaha investment on the basis of modaraba regulations and subjective evaluation of non-performing receivables/ assets after considering the current situation, that the Modaraba may not be able to continue as a going concern. These provisions are made in addition to the time based criteria given in the regulation of classification and provisioning for non-performing assets in Modaraba Regulations, 2021 issued by SECP. Based on the guidelines issued by the Institute of Chartered Accountants of Pakistan (ICAP) for preparing financial statements that are not considered to be on a going concern basis, the analysis shows that an upside of Rs. nil (2023: Rs. nil) has not been recognized in the statement of profit and loss and other comprehensive income for the Modaraba, as disclosed in note 13.2 to these financial statements. The cumulative effect of this upside not recognized in the statement of profit and loss for the Modaraba for the year-end amounts to Rs. nil (2023: Rs. nil).

### 3 INITIAL APPLICATION OF A STANDARD, AMENDMENT OR AN INTERPRETATION TO AN EXISTING STANDARD AND FORTHCOMING REQUIREMENTS

#### a) Standards and interpretations that became effective but not relevant to the Modaraba

The following standards (revised or amended) and interpretations became effective for the current financial year but are either not relevant or do not have any material effect on the financial statements of the Modaraba other than increased disclosure in certain cases:

- IAS 1 - Presentation of financial statements - Amendments regarding the classification of debt with covenants.
- IAS 1 - Presentation of financial statements - Amendments regarding the classification of liabilities.
- IAS 7 - Statement of cash flows - Amendments regarding supplier finance arrangements.
- IFRS 7 - Financial Instruments - Amendments regarding supplier finance arrangements.
- IFRS 16 - Leases - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions.

#### b) Forthcoming requirements not effective in current year and not considered relevant:

- IFRS 7 - Amendments regarding the classification and measurement of financial instruments - (applicable on Annual periods beginning on or after 1 January 2026).
- IFRS 9 - Amendments regarding the classification and measurement of financial instruments - (applicable on Annual periods beginning on or after 1 January 2026).
- IFRS 17 - Insurance Contracts - (initial application on Annual periods beginning on or after 1 January 2026).

#### c) Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 18 – Presentation and Disclosure in Financial Statements
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures
- IFRS S1 – General Requirements for Disclosure of Sustainability-related Financial Information
- IFRS S2 – Climate-related Disclosures

### 4 MATERIAL ACCOUNTING POLICY INFORMATION

The Company adopted disclosure of Accounting Policies (narrow- scope Amendments to IAS 1 and IFRS practice statements 2 'Making Materiality Judgments') from 01 July, 2023. Although amendments did not result in any changes to the accounting policies themselves, they impact the accounting policy information disclosed in the financial statements.

The amendments require disclosure of 'material', rather than 'significant' accounting policies. The amendments also provide the guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful entity specific accounting policy information that user need to understand other information in the financial statements.

The material accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### 4.1 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, and other short term highly liquid investments with original maturities of three months or less. Short term finance facilities availed by the Company, which are payable on demand and form an integral part of the Company's cash management are included as part of cash and cash equivalents for the purpose of statement of cash flows.

#### 4.2 Receivables

Receivables are due on normal trade terms. These are carried at original invoice amount less provision for doubtful debts, if any. Balances considered bad and irrecoverable are written off when identified.

#### 4.3 Murabaha investment

Murabaha investments are stated net of provision. Provision is recognized for murabaha investments in accordance with the time based criteria mentioned in the Modaraba Regulations, 2021 issued by SECP and subjective evaluation of management. Outstanding balances are written off when there is no realistic prospect of recovery.

Murabaha receivables are recorded by the Modaraba at the invoiced amount and disclosed as such in the statement of financial position. Purchases and sales under murabaha and the resultant profit are accounted for on the culmination of murabaha transaction.

The profit on that portion of sales revenue not due for payment are deferred by accounting for a debit to "unearned murabaha income" account with the corresponding credit to "deferred murabaha income" account and shown in the balance sheet as a liability.

## 4.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

### 4.4.1 Financial assets

All financial assets are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognized and derecognized, as applicable, using trade-date accounting or settlement date accounting.

#### Classification

The Modaraba classifies its financial assets in the following categories: at amortized cost, at fair value through other comprehensive income (FVTOCI) and at fair value through profit or loss (FVTPL). The classification is based on its business model for managing the financial assets and the contractual cash flow characteristics of the financial asset. The management determines the classification of its financial assets at the time of initial recognition.

#### a) Financial assets at amortized cost

A financial asset is measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

#### b) Financial assets at fair value through other comprehensive income

A financial asset is measured at fair value through other comprehensive income if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and profit on the principal amount outstanding.

#### c) Financial assets at fair value through profit and loss

A financial asset is measured at fair value through profit and loss unless it is measured at amortized cost or at fair value through other comprehensive income.

#### Reclassification

When the Modaraba changes its business model for managing financial assets, it reclassifies all affected financial assets accordingly. The Modaraba applies the reclassification prospectively from the reclassification date.

In case of reclassification out of the "amortized cost" to "fair value through profit and loss", fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair value is recognized in the statement of profit and loss.

In case of reclassification out of "fair value through profit and loss" to the "amortized cost", fair value of the financial asset at the reclassification date becomes its new gross carrying amount.

In case of reclassification out of the "amortized cost" to "fair value through other comprehensive income", fair value of the financial asset is measured at the reclassification date. Any gain or loss arising from a difference between the previous amortized cost and fair value is recognized in other comprehensive income. The effective markup rate and the measurement of expected credit losses are not adjusted as a result of the reclassification.

In case of reclassification out of "fair value through profit and loss" to "fair value through other comprehensive income", the financial asset continues to be measured at fair value.

In case of reclassification out of "fair value through other comprehensive income" to "fair value through profit and loss", the financial asset continues to be measured at fair value. The cumulative gain or loss previously recognized in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment at the reclassification date.

#### Initial recognition and measurement

All financial assets are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument. Regular purchases and sales of investments are recognized on trade date – the date on which the Modaraba commits to purchase or sell the asset. The Modaraba initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit and loss, transaction costs.

#### Subsequent measurement

Financial assets carried at amortized cost are subsequently measured using the Effective Interest Rate (EIR) method.

When the contractual cash flows of a financial asset are renegotiated or otherwise modified and the renegotiation or modification does not result in the derecognition of that financial asset, the Modaraba recalculates the gross carrying amount of the financial asset and recognizes a modification gain or loss in the statement of profit and loss.



Financial assets 'at fair value through other comprehensive income' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognized in other comprehensive income. Markup calculated using the EIR method is credited to the statement of profit and loss. Dividends on equity instruments are credited to the statement of profit and loss when the Modaraba's right to receive payments is established.

Financial assets 'at fair value through profit and loss' are marked to market using the closing market rates and are carried in the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the statement of profit and loss in the period in which these arise.

Fair values of quoted investments are based on current prices. If the market for a financial asset is not active (and for unlisted securities), the Modaraba measures the investments at cost less impairment in value, if any.

## **Derecognition**

Financial assets are derecognized when:

- the contractual rights to receive cash flows from the assets have expired; or
- the Modaraba has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
  - a) the Modaraba has transferred substantially all the risks and rewards of the asset; or
  - b) the Modaraba has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The difference between the carrying amount and the consideration received is recognized in the statement of profit and loss and other comprehensive income.

If the Modaraba transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognizes either a servicing asset or a servicing liability for that servicing contract.

When the Modaraba has transferred its rights to receive cash flows from an asset or has entered into a pass through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Modaraba continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Modaraba also recognizes an associated liability which cannot be offset with the related asset. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Modaraba has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Modaraba could be required to repay.

If the Modaraba's continuing involvement is in only a part of a financial asset, the Modaraba allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the consideration received for the part no longer recognized is recognized in the statement of profit and loss and other comprehensive income.

## **Impairment of financial assets**

The Modaraba directly reduces the gross carrying amount of a financial asset when it has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. The Modaraba recognizes the impairment at each reporting date for outstanding Ijarah, murabaha and musharakah receivables on the basis of Modaraba Regulations, 2021.

### **4.4.2 Financial liabilities**

#### **Initial recognition and measurement**

All financial liabilities are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument.

Financial liabilities are classified, at initial recognition, as financial liabilities at amortized cost except for financial liabilities at fair value through profit and loss, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

The Modaraba does not reclassify any of its financial liabilities.

Financial liabilities are initially recognized at fair value minus transaction costs for all financial liabilities not carried at fair value through profit and loss. Financial liabilities carried at fair value through profit and loss are initially recognized at fair value and transaction costs are recognized in the statement of profit and loss.

The Modaraba's financial liabilities include trade and other payables and loans and borrowings etc.

## **Subsequent measurement**

The measurement of financial liabilities depends on their classification, as described below:

### **Financial liabilities at fair value through profit and loss**

Financial liabilities at fair value through profit and loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss. The Modaraba has not designated any financial liability as at fair value through profit and loss.

### **All other liabilities**

All other financial liabilities are measured at amortized cost EIR method. Gains and losses are recognized in the statement of profit and loss when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance cost in the statement of profit and loss.

### **Derecognition**

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in respective carrying amounts is recognized in the statement of profit and loss. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the statement of profit and loss.

If the Modaraba repurchases a part of a financial liability, the Modaraba allocates the previous carrying amount of the financial liability between the part that continues to be recognized and the part that is derecognized based on the relative fair values of those parts on the date of the repurchase. The difference between the carrying amount allocated to the part derecognized and the consideration paid, including any non-cash assets transferred or liabilities assumed, for the part derecognized is recognized in the statement of profit and loss.

#### **4.4.3 Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amount and the Modaraba intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously.

#### **4.5 Diminishing musharaka financing**

Diminishing musharaka financing is stated net of provision for doubtful receivables. Provision for doubtful musharaka receivables is recognized in accordance with the Modaraba Regulations, 2021 issued by SECP or on the estimate of management, whichever is higher. Bad debts are written off when identified.

#### **4.6 Lease (ijarah) accounting**

The Modaraba provides assets to its clients under ijarah agreements as approved by the Religious Board. Ijarah arrangements up to 30 June 2008 have been recorded in the books of accounts as finance lease in line with IAS-17 (Leases) and arrangements beginning on or after 1 July 2008 have been recorded in the books of accounts under IFAS-2 (Ijarah).

Under the ijarah arrangements up to 30 June 2008, amount due from lessees under finance leases are recorded as receivables at the amount of the net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the net investment outstanding in respect of the leases.

As per the requirements of IFAS-2, the Modaraba has presented assets subject to ijarah in its statement of financial position according to the nature of the asset, distinguished from the assets in own use. Income from ijarah is recognized on accrual basis, unless another systematic basis is more representative of the time pattern in which benefit of use derived from the leased asset is diminished. Costs, including depreciation, incurred in earning the ijarah income are recognized as an expense.

Net investment in ijarah is stated at present value of minimum ijarah payments. Impairment losses on non-performing ijarah are recognized at higher of provision required in accordance with the Modaraba Regulations, 2021 issued by SECP or at a level which in the judgment of the management is adequate to provide for potential ijarah losses. These losses can be reasonably anticipated as the difference between the carrying amount of receivables and present value of expected cash flows discounted at the rates implicit in the ijarah agreement.

## 4.7 Fixed assets

### 4.7.1 Fixed assets under ijarah arrangements

Assets given to customers under ijarah arrangements on or after 1 July 2008 are accounted for as operating lease and are stated at cost less accumulated depreciation and impairment loss, if any. Assets under ijarah arrangements are depreciated using the straight line basis over the shorter of ijarah term or asset's useful life. In respect of additions and transfers during the year, depreciation is charged proportionately to the period of ijarah.

### 4.7.2 Assets in own use - Tangible

Tangible fixed assets are stated at cost less accumulated depreciation and impairment loss, if any. Cost in relation to the assets comprises acquisition and other directly attributable costs. Subsequent costs are included in assets' carrying amounts when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. Carrying amount of parts so replaced, if any, is derecognized. All other repairs and maintenance are charged to the statement of profit and loss as and when incurred. Gain/ loss on disposals are carried to the statement of profit and loss in the year of disposal.

Depreciation is charged to the statement of profit and loss using the straight line method at the rates as specified in note 17 to these financial statements so as to write off the cost of assets over their estimated useful lives without taking into account any residual value. Depreciation on additions to tangible fixed assets is charged from the month in which an asset is available for use while no depreciation is charged from the month in which the asset is disposed off.

Carrying amounts of the Modaraba's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated and impairment loss is recognized in the profit or loss account. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised recoverable amount but limited to the extent of the initial cost of the asset. A reversal of the impairment loss is recognized as income in the profit or loss account.

### 4.7.3 Assets in own use - Intangible

Expenditure incurred on intangible asset is capitalized and stated at cost less accumulated amortization and any identified impairment loss. Intangible asset is amortized on straight line basis over a period of three years.

## 4.8 Provisions

Provisions are recognized when the Modaraba has a present, legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Future operating losses are not provided for.

## 4.9 Borrowing costs

Borrowing costs on long term finances are capitalized up to the date of commissioning of respective qualifying assets acquired out of the proceeds of such long term finances. All other borrowing costs are recognized in the statement of profit and loss.

## 4.10 Revenue recognition

For lease (ijarah) agreements executed on or before 30 June 2008, the unearned finance income is deferred and amortized to income over the term of ijarah, applying the annuity method to produce a constant rate of return on net investment in ijarah. Unrealized ijarah income on potential lease losses is excluded from the income from ijarah operations in accordance with the requirements of the Modaraba Regulations, 2021 issued by the SECP.

For lease (ijarah) agreements executed on or after 1 July 2008 lease rentals are recognized as income on accrual basis, as and when the rental becomes due over the ijarah period.

The deferred murabaha income i.e. the excess of aggregate murabaha installments over the cost of the asset under murabaha investment is deferred and then amortized over the term of the murabaha, so as to produce a constant rate of return on murabaha investment. Documentation charges, front-end fee and other murabaha income are recognized as income on receipt basis.

Return on deposits with banks is recognized on time proportionate basis.

Profit on diminishing musharaka financing is recognized under the effective markup rate method based on the amount outstanding.

## 4.11 Taxation

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of profit or loss, except to the extent that it relates to items recognised directly in equity or in other comprehensive income, in which case it is recognised in equity or in other comprehensive income respectively. In making the estimates for income taxes currently payable by the Company, the management considers the current income tax law and the decisions of appellate authorities on certain issues in the past.

### 4.11.1 Current

The charge for current taxation is based on the taxable income for the year, determined in accordance with the prevailing law for taxation on income, using prevailing tax rates after taking into account tax credits and rebates available, if any. Current tax assets and tax liabilities are offset where the Company has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 4.11.2 Deferred

Deferred tax is provided using liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amounts of assets and liabilities, using the current rates of taxation. Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are only recognised to the extent that it is probable that future taxable profits will be available against which the assets can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Deferred tax is charged to income except in case of items credited or charged to equity in which case it is included in the equity.

### 4.11.3 Levies

Tax charged under the Income Tax Ordinance, 2001 which is not based on taxable income or any amount paid/ payable in excess of the calculation based on taxable income or any minimum tax which is not adjustable against future income tax liability is classified as levy in the statement of profit or loss and other comprehensive income as these levies fall under the scope of IFRIC 21/ IAS 37.

## 4.12 Profit distribution

Profit distribution to certificate holders is recognized as a liability in the period in which such distribution is announced.

## 4.13 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (the Chief Executive Officer of the Modaraba). Segment results, assets and liabilities include items directly attributable to a segment. Segment capital expenditure is the total cost incurred during the year to acquire fixed assets and intangible assets.

## 4.14 Contingent liabilities

Contingent liability is disclosed when there is a possible obligation that arises from past events and whose existence is confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Modaraba.

A contingent liability is also disclosed when there is a present obligation that arises from past events but it is not probable that an outflow of resources embodying economic benefits would be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

## 4.15 Related party transactions

Transactions in relation to business activities with related parties are made at arm's length prices determined in accordance with the Modaraba's policy.

## 4.16 Earnings per certificate

The Modaraba presents basic and diluted earnings per certificate (EPC). Basis EPC is calculated by dividing the profit and loss attributable to ordinary certificate holders of the Modaraba by the weighted average number of modaraba certificates outstanding during the year. Diluted EPC is determined by adjusting the profit or loss attributable to modaraba certificate holders and the weighted average number of modaraba certificates outstanding for the effects of all dilutive potential modaraba certificates, if any.

## 4.17 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Modaraba has access at that date. The fair value of a liability reflects the effect of non-performance risk. When applicable, the Modaraba measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When measuring fair value, the Modaraba takes into account the characteristics of asset or liability which include the condition and location of the asset and restrictions, if any, on the sale or use of the asset.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Modaraba uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Valuation techniques used to measure fair value are applied consistently unless a change in a valuation technique or its application results in a measurement that is equally or more representative of fair value in the circumstances. Revisions resulting from a change in the valuation technique or its application are accounted for as a change in accounting estimate.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within different levels of the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

Fair value hierarchy categorizes into following three levels the inputs to valuation techniques used to measure fair value:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Modaraba can access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 — Unobservable inputs for the asset or liability.

For the purpose of fair value disclosures, the Modaraba has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

## 5 CASH AND BANK BALANCES

	Note	2024 Rupees	2023 Rupees
Cash in hand		-	-
Current accounts:			
Associated undertaking - National Bank of Pakistan		3,196	3,196
Others		10,942	10,996
		14,138	14,192
Saving accounts:			
Associated undertaking - National Bank of Pakistan	5.1	239,359	146,859
Others	5.1	9,456,753	10,137,553
		9,696,112	10,284,412
		9,710,250	10,298,604

5.1 These carry markup at the rates of 19.5% to 20.5% (2023: 2.5% to 19.5%) per annum.

5.2 There is nil (2023: nil) balance in the dividend account maintained by the Modaraba. Further, during the year no amount has been transferred to and paid from this account.

5.3 The above figures of cash and bank balances reconcile to the amount of cash and cash equivalents shown in the cash flow statement, as at the reporting date.

## 6 SHORT TERM MURABAHA INVESTMENTS - SECURED

	Note	2024 Rupees	2023 Rupees
Short term murabaha investments (considered doubtful)	6.1	91,706,587	166,447,168
Less: Transferred to long term morabaha investments	14.1	-	(21,473,581)
		91,706,587	144,973,587
Add: Deferred murabaha income		274,022	274,022
		91,980,609	145,247,609
Less: Provision for non-performing murabaha investments	6.2	(89,933,634)	(143,200,634)
Less: Suspended income		(274,022)	(274,022)
		1,772,953	1,772,953

6.1 These represent investments under murabaha arrangements from 6 (2023: 6) customers on deferred payment basis at expected profit rates ranging from 8.36% to 14.64% (2023: 8.36% to 14.64%) per annum. These investments are secured against charge over fixed and current assets, personal guarantees of directors of customers companies, registered and equitable mortgage of properties, demand promissory notes and post-dated cheques varying from case to case. Legal proceedings against these customers are in process in Honorable Courts of Law. The Courts have awarded decree in favour of the Modaraba in above cases for recovery of Rs. 174.431 million (2023: Rs. 174.431 million), while the execution of decree proceedings is underway in the court.

### 6.2 Provision for non-performing murabaha investments

Opening balance		143,200,634	164,674,215
Transferred to long term murabaha investments	14.3	-	(21,473,581)
Reversed during the year	6.3	(53,267,000)	-
Closing balance	28	89,933,634	143,200,634

6.3 During the year, the Modaraba recovered Rs. 53.267 million (2023: Rs. nil) and consequently equivalent amount of provision was reversed.

## 7 ACCRUED PROFIT

### Profit on diminishing musharaka receivables

- Profit receivable on musharaka finances		884,539	884,539
- Less: Suspended income		(780,729)	(780,729)
		103,810	103,810
Profit receivable on short term investments		8,397,984	5,752,917
		8,501,794	5,856,727

## 8 SHORT TERM INVESTMENTS

	2024	2023				
	Number of units					
Investments in sukuk of Rs. 100,000 each - Fair Value Through Other Comprehensive Income (FVTOCI)						
	550	550	Neelum Jehlum Hydropower (Pvt.) Ltd. Sukuk	8.1	12,273,859	18,074,491
National Bank Aitmaad - term deposit certificates				8.2	283,569,500	176,000,000
					295,843,359	194,074,491

8.1 The outstanding principal per unit is Rs. 22,087 (2023: Rs. 32,457) having fair value of Rs. 101.0390 (2023: Rs. 101.2500) per unit as at the reporting date.

8.2 These term deposits certificates yield profit at the rates ranging from 18.6% to 20.0% (2023: 10.6% to 18.6%) per annum.

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9 IJARAH RENTALS RECEIVABLE	Note	2024 Rupees	2023 Rupees
Considered doubtful	9.2	91,775,166	102,375,166
Less: Provision for doubtful ijarah rentals receivable	9.3	(46,127,257)	(41,771,789)
Less: Profit held in suspense account		(32,042,461)	(35,042,461)
		<u>13,605,448</u>	<u>25,560,916</u>
9.1 This represents receivables from various customers under the ijarah finance. Legal proceedings against 7 (2023: 7) customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in above cases for recovery of Rs. 118.036 million (2023: 118.036 million), while the execution of decree proceedings is underway in the court.			
9.2 Considered doubtful			
Opening balance		102,375,166	102,176,799
Add: Restructuring adjustment		-	15,898,128
Less: Received during the year		(10,600,000)	(15,699,761)
Considered doubtful		<u>91,775,166</u>	<u>102,375,166</u>
9.3 Provision for doubtful ijarah rentals receivable			
Opening balance		41,771,789	48,591,698
Charged during the year	28	4,355,468	4,710,671
Written back during the year	28	-	(11,530,580)
Net charged/ (reversed) during the year		4,355,468	(6,819,909)
Closing balance	28	<u>46,127,257</u>	<u>41,771,789</u>
10 PREPAYMENTS AND OTHER RECEIVABLES			
Prepayments		151,474	40,780
Other receivables - considered good		809,050	1,789,307
		<u>960,524</u>	<u>1,830,087</u>
11 CURRENT PORTION OF NON-CURRENT ASSETS			
Net investment in ijarah finance	12	-	11,696,392
Long term murabaha investments - secured	14	4,800,000	4,700,000
		<u>4,800,000</u>	<u>16,396,392</u>
12 NET INVESTMENT IN IJARAH FINANCE			
Minimum ijarah rentals receivable		47,315,465	49,002,075
Add: Residual value of ijarah assets		46,700	46,700
Gross investment in ijarah finance		47,362,165	49,048,775
Less: Unearned finance income		(24,109,320)	(24,109,320)
Net investment in ijarah finance		23,252,845	24,939,455
Less: Provision for doubtful net investment in ijarah finance	12.1	(11,556,453)	(13,243,063)
		11,696,392	11,696,392
Less: Current portion	11	-	(11,696,392)
		<u>11,696,392</u>	<u>-</u>
12.1 Provision for doubtful net investment in ijarah financing			
Opening balance		13,243,063	12,360,302
(Reversed)/ charged during the year	28	(1,686,610)	882,761
Closing balance	28	<u>11,556,453</u>	<u>13,243,063</u>

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**12.2** This investment represents ijarah arrangement entered into with Chenab Limited (the company) for a period of 10 years at an implicit profit rate of 8.7% per annum against security deposits of Rs. 46,700 (2023: Rs. 46,700). The Lahore High Court has approved the scheme of arrangement of the company on 14 September 2021 for rehabilitation of the company, which has been implemented. The scheme is binding on all the creditors of the company. As per approved scheme of arrangement, recovery suit has been decreed in the Modaraba's favor through consent decree on 29 June 2022 and the execution proceedings have been adjourned in the court. The Modaraba has so far recovered pro rata share of Rs. 3.470 million (2023: Rs. 1.783 million) under the scheme through sale of non-core assets of the company.

<b>13 DIMINISHING MUSHARAKA FINANCING - SECURED</b>	<b>Note</b>	<b>2024 Rupees</b>	<b>2023 Rupees</b>
Considered doubtful		<b>161,180</b>	<b>161,180</b>
		<b>161,180</b>	<b>161,180</b>
Less: Provision for doubtful musharaka financing	<b>28</b>	<b>(161,180)</b>	<b>(161,180)</b>
		<b>-</b>	<b>-</b>

**13.1** This represented diminishing musharaka financing arrangements entered into for a term of three to four years. The Modaraba had provided financing to the extent of 23.69% to 90% of the value of musharaka assets. This financing was 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 on case to case basis. These carried profit at rates ranging between 9.05% to 17.41% (2023: 9.05% to 17.41%) per annum and has been repaid.

## **14 LONG TERM MURABAHA INVESTMENTS - SECURED**

Considered doubtful	<b>14.1</b>	<b>71,467,630</b>	76,167,630
Add: Deferred murabaha income	<b>21</b>	<b>29,388,304</b>	29,388,304
	<b>14.2</b>	<b>100,855,934</b>	105,555,934
Less: Provision for doubtful murabaha investments	<b>14.3</b>	<b>(59,594,049)</b>	(64,167,630)
Less: Suspension for doubtful murabaha investments	<b>21</b>	<b>(29,388,304)</b>	(29,388,304)
		<b>11,873,581</b>	12,000,000
Less: Current portion	<b>11</b>	<b>(4,800,000)</b>	(4,700,000)
		<b>7,073,581</b>	<b>7,300,000</b>

### **14.1 Movement in the account of long term murabaha investments Considered doubtful**

Opening balance		<b>76,167,630</b>	59,594,049
Add: Transferred from short term murabaha investments	<b>6</b>	-	21,473,581
Less: Received during the year		<b>(4,700,000)</b>	(4,900,000)
Closing balance		<b>71,467,630</b>	76,167,630

**14.2** These represent investments under murabaha arrangements on deferred payment basis at expected profit margin ranging from 9.85% to 14.61% (2023: 9.85% to 14.61%) 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 customers companies, demand promissory notes and post-dated cheques varying from case to case.

The amount is receivable from 3 (2023: 3) customers under the murabaha finance. Legal proceedings against 3 (2023: 3) customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of the Modaraba in above cases for recovery of Rs. 106.928 million (2023: 106.928 million), while the execution of decree proceedings is under way in the court.



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	Note	2024 Rupees	2023 Rupees
<b>14.3 Provision for doubtful murabaha investments</b>			
Opening balance		64,167,630	59,594,049
Transferred from short term murabaha investments	6.2	-	21,473,581
Reversed during the year	28	(4,573,581)	(16,900,000)
Net provision (reversed)/ charged during the year		(4,573,581)	4,573,581
Closing balance	28	59,594,049	64,167,630
<b>15 INTANGIBLE ASSET</b>			
Cost		1,131,300	1,131,300
Accumulated amortization		(1,131,300)	(1,131,300)
Net book value		-	-

15.1 This represents ERP software. As at the reporting date, the intangible asset is fully amortized but still in use of the Modaraba.

## 16 FIXED ASSETS UNDER IJARAH ARRANGEMENTS

Description	Plant and machinery	Vehicles	Total
-----Rupees-----			
<b>Year ended 30 June 2024</b>			
<b>Cost</b>			
Balance as at 1 July 2023	194,297,972	11,110,520	205,408,492
Additions	-	-	-
Disposals/ adjustments	-	-	-
Balance as at 30 June 2024	194,297,972	11,110,520	205,408,492
<b>Depreciation</b>			
Balance as at 1 July 2023	148,198,554	4,979,003	153,177,557
Charged for the year	-	-	-
Disposals/ adjustments	-	-	-
Balance as at 30 June 2024	148,198,554	4,979,003	153,177,557
<b>Impairment loss</b>			
Balance as at 1 July 2023	17,106,617	2,164,742	19,271,359
Impairment charged during the year	-	-	-
Balance as at 30 June 2024	17,106,617	2,164,742	19,271,359
<b>Carrying amounts as at 30 June 2024</b>	<b>28,992,801</b>	<b>3,966,775</b>	<b>32,959,576</b>
<b>Year ended 30 June 2023</b>			
<b>Cost</b>			
Balance as at 1 July 2022	194,297,972	11,110,520	205,408,492
Additions	-	-	-
Disposals	-	-	-
Balance as at 30 June 2023	194,297,972	11,110,520	205,408,492
<b>Depreciation</b>			
Balance as at 1 July 2022	148,198,554	4,979,003	153,177,557
Charged for the year	-	-	-
Disposals	-	-	-
Balance as at 30 June 2023	148,198,554	4,979,003	153,177,557
<b>Impairment loss</b>			
Balance as at 1 July 2022	17,106,617	2,164,742	19,271,359
Impairment charged during the year	-	-	-
Balance as at 30 June 2023	17,106,617	2,164,742	19,271,359
<b>Carrying amounts as at 30 June 2023</b>	<b>28,992,801</b>	<b>3,966,775</b>	<b>32,959,576</b>
<b>Rate (%)</b>	<b>20 - 33.33</b>	<b>20 - 33.33</b>	

## 16.1 General description of significant ijarah arrangements (IFAS-2)

The Modaraba had entered into various Ijarah agreements for periods ranging from 3 to 14 years (2023: 3 to 14 years). Security deposits ranging from 0% to 71% (2023: 0% to 71%) were obtained at the time of disbursement. The rate of expected rate of profit implicit in ijarah ranges from 9.87% to 16.99% (2023: 9.87% to 16.99%) per annum. These ijarahs are fully matured and no further rentals are receivable against these in future, except for those disclosed in financial statements (note 9). These ijarah assets would be adjusted against the security deposits received from customers (note 20).

## 17 FIXED ASSETS UNDER OWN USE

Description	Vehicle	Computers and accessories	Electrical equipment	Total
----- Rupees -----				
<b>Year ended 30 June 2024</b>				
Cost				
Balance as at 1 July 2023	1,427,712	1,820,558	518,014	3,766,284
Additions	-	18,000	-	18,000
Disposals/ adjustments	-	(21,600)	-	(21,600)
Balance as at 30 June 2024	1,427,712	1,816,958	518,014	3,762,684
Depreciation				
Balance as at 1 July 2023	1,364,501	1,820,558	318,999	3,504,058
Charged for the year	15,306	5,500	68,793	89,599
Disposals/ adjustments	-	(21,600)	-	(21,600)
Balance as at 30 June 2024	1,379,807	1,804,458	387,792	3,572,057
<b>Carrying amounts as at 30 June 2024</b>	<b>47,905</b>	<b>12,500</b>	<b>130,222</b>	<b>190,627</b>
<b>Year ended 30 June 2023</b>				
Cost				
Balance as at 1 July 2022	1,427,712	1,820,558	368,164	3,616,434
Additions	-	-	202,100	202,100
Disposals/ adjustments	-	-	(52,250)	(52,250)
Balance as at 30 June 2023	1,427,712	1,820,558	518,014	3,766,284
Depreciation				
Balance as at 1 July 2022	1,349,195	1,820,558	357,922	3,527,675
Charged for the year	15,306	-	13,327	28,633
Disposals/ adjustments	-	-	(52,250)	(52,250)
Balance as at 30 June 2023	1,364,501	1,820,558	318,999	3,504,058
<b>Carrying amounts as at 30 June 2023</b>	<b>63,211</b>	<b>-</b>	<b>199,015</b>	<b>262,226</b>
<b>Rate (%)</b>	<b>20</b>	<b>33.33</b>	<b>20 - 33.33</b>	

17.1 These contain depreciated assets of Rs. 3,455,554 (2023: Rs. 3,477,154) that are still in use by the Modaraba.

18 SHORT TERM FINANCING - SECURED	Note	2024 Rupees	2023 Rupees
<b>From banking company - related party</b>			
Running finance	18.1	217,063,388	217,063,388

18.1 The Modaraba, during the financial year ended 30 June 2018, obtained running finance facility of Rs. 250 million from the National Bank of Pakistan carrying markup at 1 month KIBOR plus 0.5% per annum payable monthly. The markup rate charged during the year ranged from 22.04% to 23.27% (2023: 14.66% to 22.20%) 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 (2023: Rs. 277.778 million). This facility expired on 31 October 2019 and has yet not been renewed and repaid.

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19 CREDITORS, ACCRUED AND OTHER LIABILITIES	Note	2024 Rupees	2023 Rupees
Advances from customers		1,095,534	1,040,404
Accrued expenses		463,933	465,233
Payable to Modaraba Management Company		5,944,018	1,068,257
Worker's Welfare Fund payable	19.1	897,637	192,286
Sales tax payable		-	1,901
Charity payable	19.2	326,199	183,834
		<u>8,727,321</u>	<u>2,951,915</u>
<b>19.1 Worker's Welfare Fund payable</b>			
Opening balance		192,286	91,461
Expense during the year		877,637	100,825
Paid during the year		(172,286)	-
Closing balance		<u>897,637</u>	<u>192,286</u>
<b>19.2</b> The reconciliation is as follows:			
Opening balance		183,834	194,257
Additions during the year		142,365	39,577
Charity paid during the year	19.3	-	(50,000)
Closing balance		<u>326,199</u>	<u>183,834</u>
<b>19.3</b> None of the directors and employees of the Modaraba Management Company have any interest in the organisation/ individual to whom charity was paid.			
<b>20 SECURITY DEPOSITS AGAINST IJARAH ASSETS</b>		<u>33,006,276</u>	<u>33,006,276</u>
<b>21 DEFERRED MURABAHA INCOME</b>			
Deferred murabaha income		29,388,304	29,388,304
Suspended income	14	(29,388,304)	(29,388,304)
		<u>-</u>	<u>-</u>
<b>22 CERTIFICATE CAPITAL</b>			
<b>2024</b>	<b>2023</b>		
<b>Number of certificates</b>			
<b>Authorized certificate capital</b>			
<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>
<b>Issued, subscribed and paid-up certificate capital</b>			
<u>25,000,000</u>	<u>25,000,000</u>	Modaraba certificates of Rupees 10 each fully paid in cash	<u>250,000,000</u> <u>250,000,000</u>
<b>22.1</b>	7,500,000 (2023: 7,500,000) certificates of the Modaraba are held by the Modaraba Management Company.		
<b>22.2</b>	No certificates of the Modaraba have been issued / cancelled during the year.		
<b>22.3</b>	All certificates rank equally with regard to residual assets of the Modaraba. Certificate holders are entitled to receive all distributions including profit distributions and other entitlements in the form of bonus and right certificates as and when declared by the Modaraba. Voting and other rights are in proportion to the certificate holding.		

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## 23 STATUTORY RESERVE

Statutory reserves represent profits set aside in compliance with the requirements of Modaraba Regulations, 2021 issued by the SECP. These regulations require the Modarabas to create reserve fund to which shall be credited an amount of its after-tax profits or any part thereof. A modaraba, which is not compliant with minimum equity requirements provided in these regulations, shall create reserve fund to which shall be credit an amount equivalent to one hundred per cent of its annual after-tax profit till such time the minimum equity requirements are complied with. During the year Rs. nil (2023: Rs. 820,107) is transferred in the statutory reserve owing to net profit for the year.

## 24 CONTINGENCIES AND COMMITMENTS

**24.1** The entity received a notice with reference no. AEOI-LHR/RFI/173 dated 27 June 2022 for enrollment on FBR AEOI portal. The Deputy Commissioner Inland Revenue passed an order of penalty U/S 182 of the Income Tax Ordinance, 2001 amounting to Rs. 710,000/-. The legal council of the Modaraba filed an appeal before the Commissioner Inland Revenue and is of the opinion that the decision will come in favour of the entity.

**24.2** The entity received an order with reference no. 100000196719203 dated 31 May 2024 passed under section 161(1) of the Income Tax Ordinance, 2001 for tax year 2018 creating a default of Rs. 566,998. The legal council of the Modaraba has filed an appeal under section 127(4) of the Income Tax Ordinance, 2001 and is of the opinion that the decision will come in favour of the entity.

25 OTHER INCOME	Note	2024 Rupees	2023 Rupees
Miscellaneous income		3,220,846	465,871
Gain on disposal of fixed assets under own use		6,000	45,000
		<b>3,226,846</b>	<b>510,871</b>
<b>26 OPERATING EXPENSES</b>			
Salaries, allowances and other benefits	26.1	9,926,182	10,102,886
Legal and professional charges		774,919	1,054,536
Fees and subscription		596,112	302,250
Stationery and printing		448,005	530,252
Auditors' remuneration	26.2	385,000	375,000
Communication		215,147	227,603
Repairs and maintenance		146,162	221,320
Entertainment		281,191	170,005
Vehicles' running expenses		58,060	59,330
Advertisement		71,000	51,200
Postage and stamps		54,270	71,523
Insurance		86,279	81,346
Travelling and conveyance		23,785	400
Depreciation on fixed assets under own use	17	89,599	28,633
Other sundry expenses		71,735	378,340
		<b>13,227,446</b>	<b>13,654,624</b>

### 26.1 Salaries, allowances and other benefits

The aggregate amounts charged for remuneration including all benefits to the officers and employees of the Modaraba are as under:

	2024			2023		
	Officers	Employees	Total	Officers	Employees	Total
	----- Rupees -----					
Basic salary	1,773,591	1,536,600	3,310,191	1,914,816	1,966,200	3,881,016
House rent allowance	886,806	768,300	1,655,106	431,016	609,755	1,040,771
Utilities	212,829	184,392	397,221	229,776	618,312	848,088
Bonus	359,823	304,427	664,250	666,466	412,227	1,078,693
Fuel allowance	2,427,404	1,020,617	3,448,021	2,288,709	610,445	2,899,154
Others	132,492	318,901	451,393	118,475	236,689	355,164
	<b>5,792,945</b>	<b>4,133,237</b>	<b>9,926,182</b>	<b>5,649,258</b>	<b>4,453,628</b>	<b>10,102,886</b>
Number of persons	<b>2</b>	<b>5</b>	<b>7</b>	<b>3</b>	<b>5</b>	<b>8</b>

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**26.1.1** Total number of employees at the year end was 7 (2023: 8). Average number of employees during the year was 7 (2023: 10). All employees are on contract.

**26.1.2** All employees are entitled for reimbursement of fuel expenses up to certain limits.

	Note	2024 Rupees	2023 Rupees
<b>26.2 Auditors' remuneration</b>			
Audit fee		263,200	253,200
Half yearly review fee		96,800	96,800
Certifications		25,000	25,000
		<b>385,000</b>	<b>375,000</b>

**26.3** Office space, utilities and related expenditure are borne by the Modaraba Management Company.

## 27 FINANCE COST

	Note	2024 Rupees	2023 Rupees
Markup accrued on short term financing	27.1	49,574,746	39,164,182
Bank and other charges		20,414	5,830
		<b>49,595,160</b>	<b>39,170,012</b>

**27.1** The Modaraba has requested NBP for renewal of the facility with waiver/ reduction in markup, and for deferral in payment of accrued markup, upto NBP injects Rs. 300 million equity approved by NBP's Board on 22 June 2018. However as of the reporting date, the request is still under process with NBP. The provisional finance cost is calculated using the facility's previous markup rate.

## 28 PROVISION FOR DOUBTFUL RECEIVABLES

Note	6.2	14.3	9.3	12.1	13	2024 Rupees	2023 Rupees
	Short term morabaha investments	Long term morabaha investments	Ijara rental receivables	Net investment in ijara financing	Diminishing musharaka financing		
Opening balance	143,200,634	64,167,630	41,771,789	13,243,063	-	262,383,116	285,220,264
Add: Charged during the year		-	4,355,468	-	-	4,355,468	5,593,432
Less: Reversed during the year	(53,267,000)	(4,573,581)	-	(1,686,610)	-	(59,527,191)	(28,430,580)
Net provision (reversed)/ charged during the year	(53,267,000)	(4,573,581)	4,355,468	(1,686,610)	-	(55,171,723)	(22,837,148)
Closing balance	89,933,634	59,594,049	46,127,257	11,556,453	-	207,211,393	262,383,116

**28.1** This represents the provisions recognized during the year on the basis of subjective evaluation of non-performing ijara rentals receivable in accordance with the Modaraba Regulations, 2021 issued by SECP.

	Note	2024 Rupees	2023 Rupees
<b>29 MODARABA MANAGEMENT COMPANY'S FEE</b>	29.1	<b>4,875,761</b>	<b>560,137</b>

**29.1** In accordance with section 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, management fee @ 10% of annual profits is paid to the Modaraba Management Company.

## 30 TAXATION

	2024 Rupees	2023 Rupees
Current year	7,310,716	839,869
Prior year	934,076	-
	<b>8,244,792</b>	<b>839,869</b>

**30.1** Tax charge for the current year represents Alternate Corporate Tax under section 113C of the Income Tax Ordinance, 2001.

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30.2 Deferred tax Asset/ (liability)	Note	2024 Rupees	2023 Rupees
<b>Deductible/ (taxable) temporary differences on:</b>			
Deferred tax asset has originated relating to the following:			
Accelerated tax depreciation		(912,982)	(9,138,865)
Carry forward tax losses		52,905,392	123,914,649
Revaluation surplus on sukuks		(36,543)	64,711
		<u>51,955,867</u>	<u>114,840,495</u>
Less: Deferred tax asset not recognized	30.2.1	<u>(51,955,867)</u>	<u>(114,840,495)</u>
		<u>-</u>	<u>-</u>

30.2.1 The deferred tax asset has not been recognized in these financial statements as the temporary differences are not expected to reverse in foreseeable future; taxable profits may not be available against which the temporary differences can be utilized.

## 31 EARNINGS PER MODARABA CERTIFICATE - BASIC AND DILUTED

Earnings attributable to certificates holders (profit for the year)	Rupees	<u>34,759,419</u>	<u>4,100,537</u>
Weighted average number of certificates outstanding during the year	Numbers	<u>25,000,000</u>	<u>25,000,000</u>
Earnings per modaraba certificate	Rupees	<u>1.39</u>	<u>0.16</u>

31.1 Basic earnings per modaraba certificate have been computed by dividing profit for the year as stated above with weighted average number of modaraba certificates in issue during the year.

31.2 There is no dilution in earnings per modaraba certificate as the Modaraba has not issued any instrument which would have an impact on its earnings per modaraba certificate.

## 32 BALANCES AND TRANSACTIONS WITH RELATED PARTIES

Related parties comprise associated companies, Modaraba Management Company and its holding undertaking, directors of the Modaraba Management Company, their close relatives and key management personnel. Detail of transactions with related parties and balances outstanding with them as at the reporting dates, except for remuneration to offices are as follows:

### 32.1 Transactions during the year:

Related party	Relationship	Nature of transaction	2024 Rupees	2023 Rupees
National Bank of Pakistan	Modaraba Management Company's holding company	Markup expense	49,574,746	39,164,182
		Profit on short term investments	45,784,453	28,816,081
		Profit on bank deposits	142,365	39,577
National Bank Modaraba Management Company Limited	Modaraba Management Company	Management fee expense	4,875,761	560,137

### 32.2 Balances outstanding at the reporting date

National Bank of Pakistan	Modaraba Management Company's holding company	Bank accounts with National Bank of Pakistan	242,555	150,055
		Financing from National Bank of Pakistan	217,063,388	217,063,388
		Markup payable	156,818,419	107,243,673
		National Bank Aitmaad - term deposit certificates	283,569,500	176,000,000
National Bank Modaraba Management Company Limited	Modaraba Management Company	Management fee payable	5,944,018	1,068,257

## 33 FINANCIAL RISK MANAGEMENT

The Modaraba's activities expose it to a variety of financial risks: market risk (including currency risk, other price risk and profit rates risk), credit risk and liquidity risk. The Modaraba's overall risk management focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

The Board of Directors of the Modaraba Management Company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

The Modaraba's overall risk management procedures, to minimize the potential adverse effects of financial market on the Modaraba's performance, are as follows:

### 33.1 Market risk

Market risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate because of changes in foreign currency, profit rates, equity price that will affect the Modaraba's income or the value of its holdings of financial instruments. The Modaraba is exposed to unfavorable changes in fair values of investments as a result of changes in prices of securities.

#### 33.1.1 Currency risk

Currency risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Modaraba is not exposed to currency risk as it is not involved in foreign currency transactions.

#### 33.1.2 Profit rate risk

This represents the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market interest/ profit rates.

The Modaraba's interest/ profit rates risk arises mainly from short term finances, bank balances in savings accounts, net investment in ijarah finance, diminishing musharaka, short term investments and murabaha investments. Short term finances, short term investments (other than investments in Sukuks), diminishing musharaka financing, ijara rental receivables, net investment in ijara financing and balances in savings accounts are at variable rates, that expose the Modaraba to cash flow interest/ profit rate risks. As at the reporting date the interest/ profit rate profile of the Modaraba's interest bearing financial instruments was as follows:

	Note	2024 Rupees	2023 Rupees
<b>Financial assets:</b>			
<b>Fixed rate instruments</b>			
Short term murabaha investments - secured	6	1,772,953	1,772,953
Short term investments	8	283,569,500	176,000,000
		<u>285,342,453</u>	<u>177,772,953</u>
<b>Floating rate instruments</b>			
Ijarah rentals receivable		13,605,448	25,560,916
Bank balances	5	9,710,250	10,298,604
Diminishing musharaka financing - secured	13	-	-
Net investment in ijarah finance	12	11,696,392	11,696,392
Short term investments	8	12,273,859	18,074,491
		<u>47,285,949</u>	<u>65,630,403</u>
<b>Financial liabilities:</b>			
Short term financing - secured	18	217,063,388	217,063,388

#### Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in profit rate at the reporting date would not affect profit or loss of the Modaraba.

#### Cash flow sensitivity analysis for variable rate instruments

If profit rates, as at the reporting date, fluctuates by 1% higher/ lower with all other variables held constant, profit before taxation for the year would have been Rs. 1.715 million (2023: Rs. 1.514 million) lower/ higher owing to affect of financial instruments carrying profit/ markup at floating rate. This analysis is prepared assuming the amounts of floating rate instruments outstanding as at the reporting date were outstanding for the entire year.

### 33.1.3 Other price risk

Other price risk represents the risk that the fair values or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest/ profit rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instrument traded in the market. The Modaraba is not exposed to commodity price risk and equity price risk.

### 33.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss to the Modaraba by failing to discharge an obligation. The risk is generally limited to principal amounts and accrued profit thereon, if any. The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Modaraba Regulations. The carrying amounts of the following financial assets represent the maximum credit exposure as at the reporting date:

Financial assets	Note	2024	2023
		Rupees	Rupees
Bank balances	5	9,710,250	10,298,604
Short term murabaha investments - secured	6	1,772,953	1,772,953
Accrued profit	7	8,501,794	5,856,727
Short term investments	8	295,843,359	194,074,491
Ijarah rentals receivable	9	13,605,448	25,560,916
Other receivables	10	809,050	1,789,307
Net investment in ijarah finance	12	11,696,392	11,696,392
Long term murabaha investments - secured	14	11,873,581	12,000,000
Long term deposits		39,500	39,500
		<b>353,852,327</b>	<b>263,088,890</b>

#### 33.2.1 Credit quality of banks

The credit quality of the Modaraba's bank balances can be assessed with reference to external credit ratings as follows:

	Rating				
	Short term	Long term	Agency		
National Bank of Pakistan	A1+	AAA	PACRA	242,555	150,055
Al Baraka Bank (Pakistan) Ltd.	A-1	A+	JCR-VIS	17,074	16,119
Habib Bank Ltd.	A-1+	AAA	JCR-VIS	10,942	10,942
BankIslami Pakistan	A1	AA-	PACRA	9,439,679	10,121,488
				<b>9,710,250</b>	<b>10,298,604</b>

#### 33.2.2 Description of collateral held

The Modaraba's ijarah arrangements are secured against ijarah assets, demand promissory notes, post dated cheques and personal guarantees varying from case to case. In a few arrangements additional collateral is also obtained in the form of charge on fixed assets. Murabaha investments are secured against charge over fixed and current assets, registered and equitable mortgage of properties, personal guarantees of directors of customer companies, demand promissory notes and post dated cheques varying from case to case. Diminishing musharaka financings are secured by first charge on all present and future fixed assets of the clients, registered and equitable mortgage on properties, personal guarantee of directors, post dated cheques and joint ownership of musharaka assets varying from case to case.

#### 33.2.3 The aging of murabaha, musharakah and lease/ ijarah rental net of impairment loss as at the reporting date was as follows:

##### Aging of murabaha, musharakah and ijarah rental receivables

Not past due	-	-
Past due 1 - 180 days	-	-
Past due 181 days - 1 year	-	-
Past due 1 - 2 years	-	-
More than 2 years	38,948,374	51,030,261
	<b>38,948,374</b>	<b>51,030,261</b>

Provisions are recognized by the Modaraba on the basis of time based criteria given under Modaraba Regulations, 2021 issued by SECP for modarabas and subjective evaluation carried out on an ongoing basis.



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33.2.4 The Modaraba manages credit risk and its concentration through diversification of activities to avoid undue concentration of risks with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for individuals and industrial sectors. Breakup of credit risk exposure by class of business is as follows:

2024				
Net investment in finance lease	Ijarah finances	Murabaha finances	Long term murabaha investments	Total
----- Rupees -----				
Industrial sectors:				
Textiles	10,009,782	-	-	10,009,782
Food	-	-	1,772,953	1,772,953
Sugar and allied	-	13,432,821	-	13,432,821
Steel	-	98,938	-	98,938
Individuals	-	73,689	-	73,689
Other	-	-	-	11,873,581
	<b>10,009,782</b>	<b>13,605,448</b>	<b>1,772,953</b>	<b>11,873,581</b>
				<b>37,261,764</b>

2023				
Net investment in finance lease	Ijarah finances	Murabaha finances	Long term murabaha investments	Total
----- Rupees -----				
Industrial sectors:				
Textiles	11,696,392	-	-	11,696,392
Food	-	-	1,772,953	1,772,953
Sugar and allied	-	25,388,289	-	25,388,289
Steel	-	98,938	-	98,938
Individuals	-	73,689	-	73,689
Other	-	-	-	12,000,000
	<b>11,696,392</b>	<b>25,560,916</b>	<b>1,772,953</b>	<b>12,000,000</b>
				<b>51,030,261</b>

Geographically all credit exposure is concentrated in Pakistan. The Modaraba's income is not primarily dependent on a single customer and operating revenue earned from any customer is not more than 10% of total revenue.

### 33.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or damages to the Modaraba's reputation. The following are the contractual maturities of financial liabilities, including interest / profit payments:

2024					
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
----- Rupees -----					
<b>Non-derivative financial liabilities</b>					
Accrued profit on short term financing	156,818,419	156,818,419	156,818,419	-	-
Short term financing - secured	217,063,388	217,063,388	217,063,388	-	-
Creditors, accrued and other liabilities	7,631,787	7,631,787	7,631,787	-	-
<b>Total</b>	<b>381,513,594</b>	<b>381,513,594</b>	<b>381,513,594</b>	<b>-</b>	<b>-</b>
----- Rupees -----					
2023					
	Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
----- Rupees -----					
<b>Non-derivative financial liabilities</b>					
Accrued profit on short term financing	107,243,673	107,243,673	107,243,673	-	-
Short term financing - secured	217,063,388	217,063,388	217,063,388	-	-
Creditors, accrued and other liabilities	1,909,610	1,909,610	1,909,610	-	-
<b>Total</b>	<b>326,216,671</b>	<b>326,216,671</b>	<b>326,216,671</b>	<b>-</b>	<b>-</b>

33.3.1 The contractual cash flows relating to the above financial liabilities have been determined on the basis of markup/ profit rates effective as at the reporting date (and includes both principal and profit payable thereon).

## 33.4 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Modaraba Management Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards; and
- risk mitigation, including insurance where this is effective.

## 33.5 Capital risk management

The Modaraba's objectives when managing capital are to safeguard the Modaraba's ability to continue its operations in order to provide return for certificate holders and benefits for other stakeholders and to maintain healthier capital ratios in order to support its business and maximize certificate holders value. The Modaraba manages its capital structure and makes adjustments to it, in the light of changes in economic conditions. There were no changes to the Modaraba's approach to capital management during the year and the modaraba is not subject to externally imposed capital requirements.

## 33.6 Financial instruments by categories

	2024			
	At fair value through profit and loss	At amortized cost	At fair value through other comprehensive income	Total
-----Rupees-----				
<b>Financial assets</b>				
Cash at banks	-	9,710,250	-	9,710,250
Ijarah rentals receivable	-	13,605,448	-	13,605,448
Accrued profit	-	8,501,794	-	8,501,794
Short term investments	-	283,569,500	12,273,859	295,843,359
Short term murabaha investments - secured	-	1,772,953	-	1,772,953
Net investment in ijarah finance	-	11,696,392	-	11,696,392
Long term murabaha investments - secured	-	11,873,581	-	11,873,581
Other receivables	-	809,050	-	809,050
Long term deposits	-	39,500	-	39,500
	-	341,578,468	12,273,859	353,852,327
<b>Financial assets</b>	<b>2023</b>			
Cash at banks	-	10,298,604	-	10,298,604
Ijarah rentals receivable	-	25,560,916	-	25,560,916
Accrued profit	-	5,856,727	-	5,856,727
Short term investments	-	176,000,000	18,074,491	194,074,491
Short term murabaha investments - secured	-	1,772,953	-	1,772,953
Net investment in ijarah finance	-	11,696,392	-	11,696,392
Diminishing musharaka financing	-	12,000,000	-	12,000,000
Other receivables	-	1,789,307	-	1,789,307
Long term deposits	-	39,500	-	39,500
	-	245,014,399	18,074,491	263,088,890
<b>Financial liabilities at amortized cost</b>				
		<b>2024</b>	<b>2023</b>	
		<b>Rupees</b>	<b>Rupees</b>	
Accrued profit on short term financing		156,818,419	107,243,673	
Short term financing - secured		217,063,388	217,063,388	
Creditors, accrued and other liabilities		7,631,787	1,909,610	
		<b>381,513,594</b>	<b>326,216,671</b>	

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## 33.7 Fair value of financial instruments

All financial assets and financial liabilities are initially recognized at the fair value of consideration paid or received, net of transaction costs, as appropriate, and subsequently carried at fair value or amortized cost.

The carrying values of all financial assets and liabilities reflected in financial statements approximate to their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

### Fair value estimation

Financial assets which are tradable in open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

### Fair value hierarchy

Fair value hierarchy categories are described in note 3.17 to the financial statements.

The following table presents the Modaraba's financial assets that are measured at fair value as at the reporting date:

	Level 1	Level 2	Level 3	Total
	Rupees			
<b>Financial assets as at 30 June 2024</b>				
Short term investments (note 8)	12,273,859	-	-	12,273,859
<b>Financial assets as at 30 June 2023</b>				
Short term investments (note 8)	18,074,491	-	-	18,074,491

## 34 MATURITY OF ASSETS AND LIABILITIES

	2024					Total
	Up to one month	One month to three months	Three months to one year	One year to five years	Five years and above	
	Rupees					
<b>Assets</b>						
Cash and bank balances	9,710,250	-	-	-	-	9,710,250
Short term murabaha investments - secured	1,772,953	-	-	-	-	1,772,953
Accrued profit	8,501,794	-	-	-	-	8,501,794
Short term investments	-	283,569,500	12,273,859	-	-	295,843,359
Ijarah rentals receivable	13,605,448	-	-	-	-	13,605,448
Prepayments and other receivables	809,050	-	151,474	-	-	960,524
Income tax recoverable/ adjustable	15,352,338	-	-	-	-	15,352,338
Current portion of non-current assets	-	-	4,800,000	-	-	4,800,000
Investment in ijarah finance	-	-	-	11,696,392	-	11,696,392
Long term murabaha investments - secured	-	-	-	7,073,581	-	7,073,581
Long term deposits	-	-	-	39,500	-	39,500
Fixed assets under ijarah arrangements	32,959,576	-	-	-	-	32,959,576
Fixed assets under own use	-	-	190,627	-	-	190,627
<b>Total assets - 30 June 2024</b>	82,711,409	283,569,500	17,415,960	18,809,473	-	402,506,342
<b>Liabilities</b>						
Accrued profit on short term financing	156,818,419	-	-	-	-	156,818,419
Short term financing - secured	217,063,388	-	-	-	-	217,063,388
Creditors, accrued and other liabilities	790,132	7,937,189	-	-	-	8,727,321
Unclaimed dividend	425,218	-	-	-	-	425,218
Provision for taxation	7,310,716	-	-	-	-	7,310,716
Security deposits against ijarah assets	33,006,276	-	-	-	-	33,006,276
<b>Total liabilities - 30 June 2024</b>	415,414,149	7,937,189	-	-	-	423,351,338
<b>Net assets - 30 June 2024</b>	(332,702,740)	275,632,311	17,415,960	18,809,473	-	(20,844,996)
	2023					
	Up to one month	One month to three months	Three months to one year	One year to five years	Five years and above	Total
	Rupees					
<b>Assets</b>						
Cash at banks	10,298,604	-	-	-	-	10,298,604
Short term murabaha investments - secured	1,772,953	-	-	-	-	1,772,953
Accrued profit	5,856,727	-	-	-	-	5,856,727
Short term investments	-	176,000,000	18,074,491	-	-	194,074,491
Ijarah rentals receivable	25,560,916	-	-	-	-	25,560,916
Prepayments and other receivables	1,789,307	-	40,780	-	-	1,830,087
Income tax recoverable/ adjustable	9,600,084	-	-	-	-	9,600,084
Current portion of non current assets	11,596,392	-	4,800,000	-	-	16,396,392
Long term murabaha investments - secured	-	-	-	7,300,000	-	7,300,000
Long term deposits	-	-	-	39,500	-	39,500
Fixed assets under ijarah arrangements	32,959,576	-	-	-	-	32,959,576
Fixed assets - own use	-	-	262,226	-	-	262,226
<b>Total assets - 30 June 2023</b>	99,434,559	176,000,000	23,177,497	7,339,500	-	305,951,556
<b>Liabilities</b>						
Accrued profit on short term financing	107,243,673	-	-	-	-	107,243,673
Short term financing - secured	217,063,388	-	-	-	-	217,063,388
Creditors, accrued and other liabilities	650,968	2,300,947	-	-	-	2,951,915
Unclaimed dividend	425,218	-	-	-	-	425,218
Provision for taxation	839,869	-	-	-	-	839,869
Security deposits against ijarah assets	33,006,276	-	-	-	-	33,006,276
<b>Total liabilities - 30 June 2023</b>	359,229,392	2,300,947	-	-	-	361,530,339
<b>Net assets - 30 June 2023</b>	(259,794,833)	173,699,053	23,177,497	7,339,500	-	(55,578,783)

# First National Bank Modaraba

## Represented by:

Certificate capital  
Statutory reserve  
Accumulated loss

Unrealised loss on revaluation of sukuks

2024 Rupees	2023 Rupees
250,000,000	250,000,000
45,519,244	45,519,244
<u>(314,583,212)</u>	<u>(349,342,631)</u>
(19,063,968)	(53,823,387)
<u>(1,781,028)</u>	<u>(1,755,396)</u>
<u>(20,844,996)</u>	<u>(55,578,783)</u>

## 35 SEGMENT INFORMATION

35.1 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.

35.2 The CEO is responsible for the Modaraba's entire product portfolio and he 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.

35.3 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 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 30 June 2024, there is only one (30 June 2023: one) certificate holder (National bank of Pakistan - the holding company of the Modaraba Management Company) who held more than 10% of the Modaraba's certificate capital. Its holding is 30% (2023: 30%).

## 36 EVENTS AFTER STATEMENT OF FINANCIAL POSITION DATE

There were no significant subsequent events that requires disclosure in these financial statements.

## 37 DATE OF AUTHORIZATION FOR ISSUE

These financial statements have been approved by the Board of Directors of National Bank Modaraba Management Company Limited and authorized for issuance on September 27, 2024.



Director  
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: September 27, 2024

## PATTERN OF CERTIFICATE HOLDING

AS ON JUNE 30, 2024

Number of ShareHolders	Shareholdings From	To	Total Number of Share Held	Percentage of Total Capital
76	1 -	100	2,520	0.01
335	101 -	500	160,626	0.64
196	501 -	1000	182,748	0.73
186	1001 -	5000	539,928	2.16
92	5001 -	10000	742,361	2.97
40	10001 -	15000	528,096	2.11
19	15001 -	20000	344,391	1.38
20	20001 -	25000	459,990	1.84
15	25001 -	30000	428,000	1.71
4	30001 -	35000	125,400	0.50
12	35001 -	40000	467,100	1.87
4	40001 -	45000	176,965	0.71
6	45001 -	50000	294,990	1.18
1	50001 -	55000	53,772	0.22
2	60001 -	65000	127,500	0.51
1	65001 -	70000	66,500	0.27
1	70001 -	75000	75,000	0.30
4	75001 -	80000	311,495	1.25
6	95001 -	100000	600,000	2.40
2	100001 -	105000	203,250	0.81
1	115001 -	120000	115,500	0.46
1	130001 -	135000	132,500	0.53
1	145001 -	150000	150,000	0.60
1	150001 -	155000	153,000	0.61
1	155001 -	160000	159,800	0.64
1	165001 -	170000	168,000	0.67
1	180001 -	185000	181,500	0.73
2	195001 -	200000	400,000	1.60
1	205001 -	210000	209,000	0.84
1	215001 -	220000	216,500	0.87
1	225001 -	230000	226,966	0.91
1	240001 -	245000	242,002	0.97
1	265001 -	270000	267,000	1.07
3	295001 -	300000	896,600	3.59
1	405001 -	410000	409,500	1.64
1	430001 -	435000	435,000	1.74
1	590001 -	595000	590,500	2.36
1	1870001 -	1875000	1,874,500	7.50
1	1935001 -	1940000	1,935,500	7.74
1	2845001 -	2850000	2,846,000	11.38
1	7495001 -	7500000	7,500,000	30.00
<b>1,046</b>			<b>25,000,000</b>	<b>100.00</b>

## CATEGORIES OF CERTIFICATE HOLDERS AS ON JUNE 30, 2024

Ser #	Code	Category	No. of Certificate Holder	Certificate Held	Percentage of Total Capital
1	1	Individuals	1,038	16,713,999	66.8560
2	4	Joint Stock Companies	5	436,101	1.7444
3	9	Modaraba Management Cos	1	7,500,000	30.0000
4	10	Funds	1	300,000	1.2000
5	24	Others	1	49,900	0.1996
<b>TOTAL:</b>			<b>1,046</b>	<b>25,000,000</b>	<b>100.0000</b>

**CATEGORIES DETAILS  
AS ON JUNE 30, 2024**

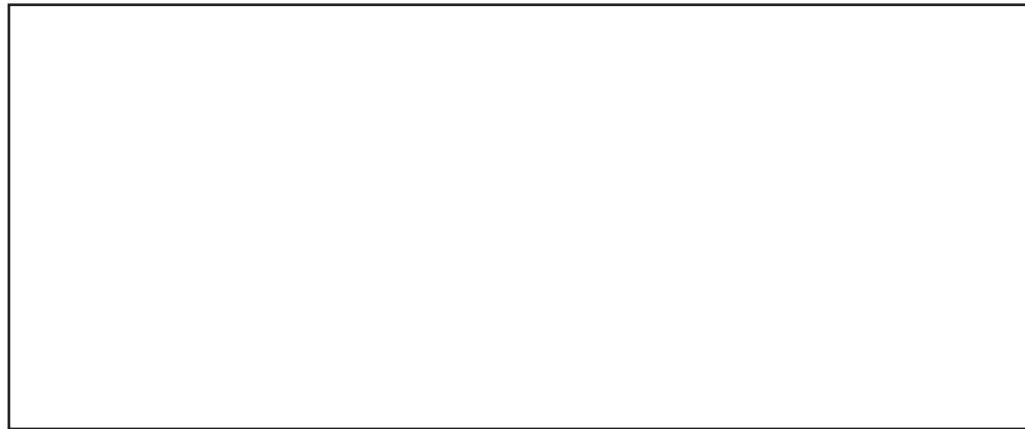
<b>Category</b>		<b>Numbers of Certificates</b>
<b>Individuals</b>		<b>16,713,999</b>
<b>Joint Stock Companies</b>		
1	MAPLE LEAF CAPITAL LIMITED	1
2	MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	100
3	AMZ SECURITIES (PVT) LIMITED	500
4	DOSSLANI'S SECURITIES (PVT) LIMITED	500
5	SALIM SOZER SECURITIES (PRIVATE) LIMITED	435,000
		<b>436,101</b>
<b>Modaraba Management Cos</b>		
1	NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED	7,500,000
		<b>7,500,000</b>
<b>Funds</b>		
1	TRUSTEES D.G.KHAN CEMENT CO.LTD.EMP. P.F	300,000
		<b>300,000</b>
<b>Others</b>		
1	TRUSTEES ALOO & MINOCHER DINSHAW CHR. TRUST	49,900
2		
		<b>49,900</b>
		<b>25,000,000</b>
<b>Certificate Holding Of 5% Or Above</b>		
	NATIONAL BANK MODARABA MANAGEMENT COMPANY LIMITED	7,500,000
	SHAKEEL ARSHAD	1,874,500
	DURAIN CASSIM	1,935,500
	DINAZ CASSIM	2,846,000





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**FIRST NATIONAL BANK MODARABA**  
Ground Floor, NBP RHQ Building,  
26 McLagon Road,  
Lahore.  
Tel : 99211200, Fax: 99213247