



# Annual Report 2023

**FIRST NATIONAL BANK MODARABA**

Managed By:

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

# CONTENTS

Corporate Information	02
Notice of Annual Review Meeting & Book Closure	03
Vision and Mission Statement	04
Shari'ah Advisor's Report	05
Directors' Report	06
Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019	13
Review Report on the Statement of Compliance Contained in Listed Companies (Code of Corporate Governance) Regulations, 2019	15
Auditors' Report to the Certificate Holders	17
Balance Sheet	19
Profit and Loss Account	20
Statement of Comprehensive income	21
Cash Flow Statement	22
Statement of Changes in Equity	23
Notes to the Accounts	24
Pattern of Certificate Holding	53

## CORPORATE INFORMATION

<b>Board of Directors</b>	<b>Mr. Muhammad Imran Malik</b> <b>Mr. Hakim Ali Leghari</b> <b>Khawaja Waheed Raza</b> <b>Syed Zubair Ahmad Shah</b> <b>Mr. Aamir Faraz</b>	<b>Chairman</b> <b>Director</b> <b>Director</b> <b>Director</b> <b>Director</b>
<b>Shari'ah Advisor</b>	<b>Mufti Ehsan Waquar Ahmed</b>	
<b>Chief Financial Officer/</b>	<b>Farah Aslam</b>	
<b>Company Secretary</b>		
<b>Audit Committee</b>	<b>Mr. Hakim Ali Leghari</b> <b>Khawaja Waheed Raza</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>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 Islamic Bank</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> <b>E-mail: <a href="mailto:info@nbmodaraba.com">info@nbmodaraba.com</a></b>	

**NOTICE OF 20TH ANNUAL REVIEW MEETING & BOOK CLOSURE**

Notice is hereby given that the 20<sup>th</sup> Annual Review Meeting of certificate holders of First National Bank Modaraba will be held on Friday, October 27, 2023 at 04:00 p.m. at Ground Floor, NBP RHQs Building, 26 – McLagon Road, Lahore to review the performance of the Modaraba for the year ended June 30, 2023.

The Certificate Transfer Book will remain closed from October 20, 2023 to October 27, 2023 (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 First National Bank Modaraba at the close of business as on October 19, 2023 will be eligible to attend the Annual Review Meeting. All transfers received in order, up to the close of business on October 19, 2023 at our Registrar's Office, Hameed Majeed Associates (Pvt.) Limited, H.M House, 7 – Bank Square, Lahore will be considered in time.

**By order of the Board**



**Farah Aslam**  
Company Secretary  
National Bank Modaraba Management Company Limited  
Managers of First National Bank Modaraba  
Lahore: October 05, 2023

**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 National Bank of Pakistan for the financial year ended June 30, 2023 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 into by the Modaraba are 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 business transactions undertaken by the Modaraba and all other matters 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. Profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising product conform to the basis and principles of Shari'ah.
- vi. The earnings that have been realized from the sources or by means prohibited by Shari'ah have been credited to charity accounts.
- vii. No fresh financing has been extended during the year.

### Observation(s)

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

- i. FNBM is maintaining bank accounts with conventional Bank.
- ii. Financing from conventional Bank(s) have been secured.
- iii. No training was conducted for the staff

### Recommendation(s)

Following are some recommendation:

- i. FNBM must maintain account(s) in Islamic Banks/Islamic Windows of Conventional Banks only.
- ii. Matter arising from previous report 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 at the earliest.

### Conclusion

Based on the above-mentioned fact, I am of the view that the business operations of First National Bank Modaraba are Shari'ah compliant up to the best of my knowledge.

### Signature

Mufti Ehsan Waquar

Shari'ah Advisor

Dated: September 28, 2023

## 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 20<sup>th</sup> annual accounts of FNBM for the period ended June 30, 2023. These accounts have been audited by the statutory auditors of the Modaraba and are accompanied by their audit report.

### **Economic and Sector Outlook:**

The Financial year 2022-2023 was marked with uncertain political scenarios, which spiraled the economy into difficulties like accelerating inflation, fast rising dollar price, high interest rates etc.

The financial sector including the modarbas has to adjust its business activities accordingly. In these changing economic environment the Modaraba sector is trying to position itself using its Islamic image and doing innovations in Islamic financial products hoping for better results.

### **Going Concern Assumption**

As a step to revive the Modaraba, Board of Directors of parent bank, National Bank of Pakistan (NBP) in its meeting held on 22<sup>nd</sup> June, 2018 resolved to review and reverse its earlier decision regarding cessation of business and decided to re-capitalize it with Rs 300 Million by issuing certificates at Rs 10 per certificate. Securities and Exchange Commission of Pakistan (SECP) accorded its approval on December 3, 2018 for issuance of further certificates other than right to NBP. Thereafter, NBP sought its regulator's (SBP) approval. While the approval was still in process/ in correspondence at SBP, Registrar, Modarbas, 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 in Modaraba Tribunal, Lahore and the matter is under adjudication.

On the advice of our External Auditors, due to SECP action, these financial statements have been prepared on the basis of estimated realizable / settlement values of assets and liabilities respectively and not as a going concern, as explained in note 1.2 to the financial statements.

### **Review of Operations:**

During the period under review, the management remained focused on recovery from non-performing portfolio. During the period, restructuring/settlement arrangements were successfully made with some defaulters and an amount of Rs 24 Million was recovered from non-performing portfolio. Fresh restructuring/settlement arrangements with some defaulter clients are expected in the next financial year as well.

During the period under review, FNBM earned income of Rs 29.128 million from operations as compared to Rs14.012 million earned in the corresponding period last year, registering a growth of 107.88% over a year. Profit earned from short term investments contributed towards growth in income during FY2023.

Recoveries from non-performing loans during the year contributed towards handsome reversal in provisioning by an amount of Rs.28.430 million (FY2022: Rs 38.070 million), while additional provisioning of Rs.5.755 million (FY2022: Rs 9.990 million) has been charged on some old NPLs due to depreciation/impairment in value of assets held as collateral.

During the period under review, Modaraba posted net profit after tax of Rs.4.10 million versus net profit after tax of Rs 2.609 million earned during the prior year, an overall growth by 57.14% over a year. Earnings per certificate was better at Rs.0.16 as against Rs 0.10 in the corresponding year.

## **Dividends**

Board in its meeting held on October 05, 2023 did not declare any dividends due to the aforementioned reasons.

## **Future Outlook:**

One of the main tasks ahead for the Modaraba is to recover its NPLs. Most of the recovery suits 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. As a result, and also with the help of parent bank NBP, the Modaraba is expecting to recover substantial portion of its accumulated loss that were mainly incurred due to charge of provisioning on NPLs.

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

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

- 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.
- Proper books of accounts of the Modaraba have been maintained.
- 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.



## Annual Report 2023

- 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.
- 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.
- These financial statements are prepared on non-going concern basis.
- 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.
- There are no statutory payments on account of taxes, duties, levies and charges, which are outstanding as on June 30, 2021 except those disclosed in the financial statements.
- During the year ended June 30, 2023 five (05), meetings of the Board of Directors were held. Besides (04) four Audit committee and One (01) HR Committee meetings along with two (01) risk management committee meetings were also held.
- Composition of the Board as on June 30<sup>th</sup>, 2023 is as follows:

Independent Director	Syed Zubair Ahmed Shah
Non-Executive Directors	Imran Malik
	Khawaja Waheed Raza
	Hakim Ali Leghari
	Aamir Faraz
Executive Director	-

- Attendance by each directors is as follows:

Name	No. of Attendance			
	Board	Audit Committee	HR Committee	RM Committee
i. Mr. Imran Malik	5	N/A	N/A	1
ii. Mr. Khawaja Waheed Raza	5	4	1	1
iii. Hakim Ali Leghari	4	3	N/A	N/A
iv. Aamir Faraz	N/A	N/A	N/A	N/A
v. Syed Zubair Ahmed Shah	N/A	N/A	N/A	N/A
vi. Mr. Muhammad Iqbal Hussain	5	1	1	1
vii. Mr. Abbas Azam	1	N/A	N/A	N/A

The remuneration of the CEO and meeting fee of the non-executive members of the board of directors are paid by the management company, NBMMCL. As per approved policy of the Board the fee for attending Board/Committee meetings is Rs 50,000/- per meeting.

During the period the Board has maintained an effective oversight on the follow up of recovery suits filed by FNBM resulting in fruitful recoveries in the period.

The pattern of certificate holders is annexed.

## 2. Auditors:

The auditors M/s. Rahman Sarfraz Rahim Iqbal Rafiq Chartered Accountants, who were auditors of previous year as well, have given their consent to act as auditors for the year ending June 30, 2024. Their appointment has been confirmed by the Board, subject to approval by the Registrar, Modaraba Companies and Modarabas SECP.

## 3. Acknowledgement:

The Board would like to take this opportunity of expressing gratitude and thanks to our valued customers for their patronage and support, the Securities and Exchange Commission of Pakistan, Pakistan Stock Exchange, and NBF1 & Modaraba Association of Pakistan for their continuance support and guidance.

For and on Behalf of the Board

October 05, 2023

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

## ڈائریکٹرز رپورٹ

فرسٹ نیشنل بینک مضاربہ (FNBM) کی انتظامی کمپنی نیشنل بینک مضاربہ منجمنٹ کمپنی لمیٹڈ (NBMMCL) کے بورڈ آف ڈائریکٹرز 30 جون 2023ء کو اختتام پذیر سال کے لئے FNBM کے 20 ویں سالانہ کھاتوں پر ڈائریکٹرز کی رپورٹ ازراہ مسرت پیش کرتے ہیں۔ مضاربہ کے مجاز آڈیٹرز نے ان کھاتوں کی پڑتال کی ہے اور انہوں نے اپنی آڈٹ رپورٹ ساتھ منسلک کی ہے۔

### معاشی وضع جاتی منظر نامہ

مالی سال 2022-2023 وسیع تر غیر یقینی سیاسی منظر ناموں کے ساتھ نشان زد تھا، جس نے معیشت کو مہنگائی میں تیزی، ڈالر کی تیزی سے بڑھتی ہوئی قیمت، بلند شرح سود وغیرہ جیسی خوفناک مشکلات کے گڑھے میں ڈال دیا۔

مالیاتی سیکٹر بشمول مضاربہ کو کاروباری سرگرمیاں اس کے مطابق تہہ کرنی پڑتی ہیں۔ ان معاشی تبدیلیوں میں مضاربہ سیکٹر اسلامی اصولوں کے مطابق اسلامی پراڈکٹس میں بہتری لانے کے لیے پرامید ہے

### کاروبار جاری رکھنے کی توقعات

مضاربہ کی بحالی کے اقدام کے طور پر، بیرونٹ بینک، نیشنل بینک آف پاکستان (NBP) کے بورڈ آف ڈائریکٹرز نے 22 جون، 2018 کو ہونے والی اپنی میٹنگ میں مضاربہ کی بندش کے اپنے پہلے فیصلے پر نظر ثانی کرنے اور اسے واپس لینے اور اسے 300 ملین روپے کے ساتھ دوبارہ سرمایہ کاری کرنے کا فیصلہ کیا۔ 10 روپے کی شوقیٹ پر شوقیٹ جاری کرنا۔ اس مقصد کے لیے سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) نے 3 دسمبر 2018 کو NBP کے حق کے علاوہ مزید شوقیٹ جاری کرنے کی منظوری دی۔ اس کے بعد NBP اپنے ریگولیٹر (SBP) کی منظوری لینے گیا۔ جب کہ منظوری ابھی زیر التواء تھی، تاہم ایس ای سی پی نے 13 اکتوبر 2019 کو مضاربہ کمپنیز اور مضاربہ (فلوئیشن اینڈ کنٹرول) آرڈیننس 1980 کے سیکشن 23(i)(ii)(b) کے تحت ایک حکم جاری کیا کہ مفاد عامہ میں ایک درخواست مضاربہ کو ختم کرنے کے لیے مضاربہ ٹریبونل لاہور میں دائر کیا جائے۔ مذکورہ درخواست مبینہ طور پر جون 2020 میں ایس ای سی پی کی طرف سے دائر کی گئی تھی حالانکہ مضاربہ ٹریبونل کی جانب سے ابھی تک سماعت کا باقاعدہ نوٹس موصول نہیں ہوا۔

ہمارے بیرونی آڈیٹرز کے مشورے پر، یہ مالیاتی بیانات بالترتیب اثاثوں اور واجبات کی تخمینہ قابل وصولی/تصفیہ کی قدروں کی بنیاد پر تیار کیے گئے ہیں جیسا کہ مالیاتی بیانات کے نوٹ 1.2 میں مکمل طور پر بیان کیا گیا ہے۔

### آپریٹنگ کا جائزہ:

زیر جائزہ مدت کے دوران، انتظامیہ کی توجہ صرف نان پرفارمنگ پورٹ فولیو سے وصولی پر مرکوز رہی۔ تمام ریکوری سوٹ جو ڈیفالٹرز کے خلاف دائر کیے گئے ہیں متعلقہ بینکنگ کورٹس نے مضاربہ کے حق میں فیصلہ دے دیا ہے۔ اس سے قبل جن مقدمات کا فیصلہ مضاربہ کے حق میں ہوا تھا وہ اس وقت عملدرآمد کی کارروائی میں ہیں۔ نتیجے کے طور پر، اس مدت کے دوران، کچھ ری سٹرکچرنگ/سیٹلمنٹ کے انتظامات ناہندگان کے ساتھ کامیابی کے ساتھ کیے گئے اور تقریباً 24 ملین روپے کی رقم وصول کی گئی۔ ڈیفالٹرز کلائنٹس کے ساتھ مزید تنظیم نو/تصفیہ اگلے مالی سال میں بھی متوقع ہے۔

بیلنس شیٹ کا حجم اسی سال میں 265.717 روپے کے ساتھ 305.951 ملین روپے رہا۔ آمدنی اسی سال کے 14.012 ملین روپے کے مقابلے میں 29.128 ملین روپے رہی۔ NPLs سے ریکوری کی وجہ سے 28.430 ملین روپے کی پروویژننگ میں بہت اچھا ردوبدل ہوا، جب کہ ضمانت کے طور پر رکھے گئے اثاثوں کی قدر میں گراؤ/خرابی کی وجہ سے کچھ پرانے NPLs پر مزید 5.755 ملین روپے کی فراہمی چارج کی گئی ہے۔ خالص نتیجہ 4.10 ملین روپے کا ٹیکس کے بعد منافع تھا۔ اس کے مطابق فی سٹیک کی آمدنی اسی سال میں 0.10 کے فی سٹیک کے منافع کے مقابلے میں 0.16 روپے رہی۔

ڈیویڈنڈ

بورڈ نے اکتوبر 2023 کو ہونے والے اپنے اجلاس میں مذکورہ وجوہات کی بنا پر کسی منافع کا اعلان نہیں کیا۔

مستقبل کا منظر نامہ

مضاربہ کے سامنے آنے والے اہم کاموں میں سے ایک اپنے NPLs کو بازیافت کرنا ہے۔ مضاربہ کی بحالی کی لیے مختلف توجیحات زیر غور ہیں اور معاشی حالات میں بہتری آنے کے ساتھ ہی تمام سٹیک ہولڈرز کے مفاد میں بہترین فیصلہ کیا جائے گا۔

مضاربہ کی بحالی کی لیے مختلف توجیحات زیر غور ہیں اور معاشی حالات میں بہتری آنے کے ساتھ ہی تمام سٹیک ہولڈرز کے مفاد میں بہترین فیصلہ کیا جائے گا۔

### 3. کاروباری و مالیاتی رپورٹنگ فریم ورک

- مضاربہ کی انتظامیہ کی طرف سے تیار کردہ مالیاتی بیانات، اس کی حالت، اس کے کاموں کے نتائج، نقد بہاؤ اور ایکویٹی میں ہونے والی تبدیلیوں کو کافی حد تک پیش کرتے ہیں۔
- مضاربہ کے حسابات کی مناسب کتابیں رکھی گئی ہیں۔
- اکاؤنٹنگ پالیسیوں کو مستقل طور پر لاگو کیا گیا ہے، جب تک کہ دوسری صورت میں مالی بیانات میں بیان نہ کیا گیا ہو، مالیاتی بیانات کی تیاری میں اور اکاؤنٹنگ تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہوں۔
- بین الاقوامی مالیاتی رپورٹنگ کے معیارات، بین الاقوامی اکاؤنٹنگ معیارات، اور اسلامی مالیاتی اکاؤنٹنگ کے معیارات جو پاکستان میں مضاربہ پر لاگو ہوتے ہیں، مالیاتی بیانات کی تیاری میں بیرونی کی گئی ہے۔
- اندرونی کنٹرول کا نظام، جو کہ ڈیزائن میں درست ہے، اپنی جگہ پر ہے اور اندرونی آڈٹ کے ذریعے اس کا مسلسل جائزہ لیا جا رہا ہے۔ نظر ثانی کا عمل جاری رہے گا اور کنٹرول میں کسی بھی کمزوری کو دور کر دیا جائے گا۔
- یہ مالیاتی گوشوارے غیر جاری تشویش کی بنیاد پر تیار کیے گئے ہیں۔
- کارپوریٹ گورننس کے بہترین طریقوں سے کوئی مادی رخصتی نہیں ہوئی ہے جیسا کہ فہرست سازی کے ضوابط میں تفصیل سے بتایا گیا ہے سوائے ان کے جن کا خاص طور پر CCG کی تعمیل کے بیان میں ذکر کیا گیا ہے۔
- ٹیکسز، ڈیویڈنڈ، لیویز اور چارجز کی مد میں کوئی قانونی ادائیگیاں نہیں ہیں، جو کہ 30 جون 2021 تک بقایا ہیں سوائے مالی بیانات میں ظاہر کردہ۔
- 30 جون 2023 کو ختم ہونے والے سال کے دوران بورڈ آف ڈائریکٹرز کی پانچ (05) میٹنگیں ہوئیں۔ اس کے علاوہ (04) چار آڈٹ کمیٹی اور ایک (01) ایچ آر کمیٹی کے اجلاسوں کے ساتھ دو (01) رسک مینجمنٹ کمیٹی کے اجلاس بھی منعقد ہوئے۔

## Annual Report 2023

● 30 جون 2023 کو بورڈ کی تشکیل حسب ذیل ہے:

سید زبیر احمد شاہ	ایگزیکٹو ڈائریکٹر
عمران ملک	نان ایگزیکٹو ڈائریکٹر
خواجہ وحید رضا	
حاکم علی لغاری	
عامر فراز	
-	ایگزیکٹو ڈائریکٹر

• ہر ڈائریکٹر کی حاضری حسب ذیل ہے:

حاضری کی تعداد				نام ڈائریکٹرز
RM	HR	آڈٹ کمیٹی	بورڈ	
1	N/A	N/A	5	عمران ملک
1	1	4	5	خواجہ وحید رضا
N/A	N/A	3	4	حاکم علی لغاری
N/A	N/A	N/A	N/A	عامر فراز
N/A	N/A	N/A	N/A	سید زبیر احمد شاہ
1	1	1	5	محمد اقبال حسین
N/A	N/A	N/A	2	*عباس اعظم

سی ای او کا معاوضہ اور بورڈ آف ڈائریکٹرز کے نان ایگزیکٹو ممبران کی میٹنگ فیس مینجمنٹ کمپنی NBMMCL ادا کرتی ہے۔ بورڈ کی منظور شدہ پالیسی کے مطابق بورڈ/کمیٹی کے اجلاسوں میں شرکت کی فیس 50,000/- روپے فی میٹنگ ہے۔

اس مدت کے دوران بورڈ نے FNBM کی طرف سے دائر کردہ ریکوری سوٹ کی پیروی پر ایک مؤثر نگرانی کو برقرار رکھا ہے جس کے نتیجے میں اس مدت میں نتیجہ خیز ریکوری ہوئی ہے۔

سرٹیفکیٹ ہولڈرز کی وضع لف ہذا ہے۔

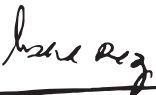
4. آڈیٹرز

آڈیٹرز میسرز رحمان سرفراز رحیم اقبال رفیق چارٹرڈ اکاؤنٹنٹس، جو پچھلے سال کے بھی آڈیٹ تھے، نے 30 جون 2023 کو ختم ہونے والے سال کے لیے بطور آڈیٹرز کام کرنے کی رضامندی دی ہے۔ ان کی تقرری کی تصدیق بورڈ نے کی ہے، جو رجسٹرڈ مضرار، مضرار کمپنیز اور مضرار بے ای سی پی کی منظوری سے مشروط ہے۔


5. اظہار تشکر

بورڈ اس موقع سے فائدہ اٹھاتے ہوئے اپنے معزز صارفین کی حمایت، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان سٹاک ایکسچینج اور NBFI اور مضرار بے ای سی پی ایف پاکستان کی مسلسل رہنمائی کا تہ دل سے شکریہ ادا کرتا ہے۔

منجانب / برائے بورڈ آف ڈائریکٹرز

  
ڈائریکٹرز

105 اکتوبر 2023

  
ڈائریکٹرز

(نوٹ: اردو متن میں کسی ابہام کی صورت میں انگریزی متن کو ترجیح دی جائے۔)

## Statement of Compliance with Listed Companies (Code of Corporate Governance) Regulations, 2019 of First National Bank Modaraba For the year ended June 30, 2022

The Modaraba Management Company (hereafter referred to as the Company) has complied with the requirements of the Regulations in the following manner:-

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

Category	Names
I. Independent Director	Syed Zubair Ahmed Shah
ii. Non-Executive Directors (NED)	Muhammad Imran Malik
iii. Non-Executive Directors (NED)	Khawaja Waheed Raza
iv. Non-Executive Directors (NED)	Hakim Ali Laghari
v. Non-Executive Directors (NED)	Aamir Faraz
vi. Executive Director	-
vii. Female / Independent Director	-

\*One independent director (Muhammad Iqbal Hussain) has resigned on May 23, 2023.

\*\*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; and is also available on website;
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 these 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 these 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 Modaraba, 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 and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. No new appointments have been made during the year;
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 committee comprising of members given below:

a) **Audit Committee (AC)**

Chairman	Position vacant
Member (NED)	Khawaja Waheed Raza
Member (NED)	Hakim Ali Leghari

b) **HR 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	Khawaja Waheed Raza
Member	Muhammad Imran Malik

13. The terms of reference of the aforesaid committee 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) <b>Audit Committee</b>	<b>4</b>	<b>(Quarterly)</b>
b) <b>Human Resource and Remuneration Committee</b>	<b>1</b>	<b>(As per need)</b>
c) <b>Risk Management Committee</b>	<b>1</b>	<b>(As per need)</b>
d) <b>Nomination Committee</b>	<b>N/A</b>	

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 of 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	7	No female director has been appointed on the board, as against the requirement of at least one female director.
12	27	Audit Committee should have at least three non-executive members and an independent director. Presently vacancy for chairman (independent director) is vacant. Management is taking steps to ensure compliance with mandatory requirements at the earliest possible.

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.	The Company has planned to arrange the DTP certification specified by the Commission for the remaining directors in next accounting year.
10	24	The same person shall not simultaneously hold the office of CFO and Company Secretary of a listed Company.	Currently, the CFO is acting as Company Secretary of the Company till the position of the Company is fulfilled. The Board intends to segregate the position soon.
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, CFO presented the financial statements for the half year ended December 31, 2022 and period ended March 31, 2023 to the Board. The Board is taking measures to fill the casual vacancy 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.



Signature  
Chairman





## 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) for and on behalf of First National Bank Modaraba (the Modaraba) for the year ended June 30, 2023 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, 2023.

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 consist 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 whichever is higher) has not been complied with.
3	18	The Board does not have a female director.
4	18	Casual vacancy of chairman Audit Committee (independent director) has not been filled.
5	19	Two directors do not have the required Directors' Training Program (DTP) certification.
6	19	The positions of Chief Financial Officer and Company Secretary are held by the same person.
7	19	Due to resignation of CEO and prevailing vacancy in his office, CFO presented the financial statements for the half year ended December 31, 2022 and period ended March 31, 2023 to the Board.
8	19	The Chairman of the Human Resource and Remuneration Committee (HR & RC) is not an independent director.

**Rahman Sarfaraz Rahim Iqbal Rafiq,**

Chartered Accountants

Engagement Partner: Adnan Rasheed

Lahore

UDIN: CR202310701S0EcKHL5z



## INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **First National Bank Modaraba (the Modaraba)** as at **June 30, 2023** and the related profit and loss account, the statement of comprehensive income, cash flow statement and the statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended 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 our audit.

These financial statements are the responsibility of National Bank Modaraba Management Company Limited (the Modaraba Company) who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of any material misstatement. An audit includes examining on a test basis; evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Company, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- a) in our opinion, proper books of accounts 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) and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion;
  - i. the balance sheet and profit and loss account 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 the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;
  - ii. the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - iii. the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

First National Bank Modaraba – 30 June 2023

Page 1 of 2




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- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, the statement of comprehensive income, cash flow statement and the statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2023 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- d) no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

## Emphasis of Matter

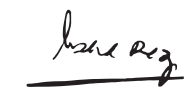
We draw attention to note 1.2 of the accompanied financial statements, which indicates that the Modaraba's current liabilities exceeded its current assets by Rs. 96.140 million, its net liabilities amounted to Rs. 55.579 million and its accumulated losses amounted to Rs. 349.343 million which exceeds its total subscribed certificate capital by Rs. 99.343 million. Further, short term running finance facility obtained from the National Bank of Pakistan (NBP) was expired on October 31, 2019 that has yet not been renewed and markup outstanding thereupon is also outstanding. Furthermore, after the issuance of order dated October 31, 2019 of Registrar Modaraba, the winding up petition has been filed on June 16, 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. 

**Rahman Sarfaraz Rahim Iqbal Rafiq**  
**Chartered Accountants**  
**Engagement Partner: Adnan Rasheed**  
**Lahore:**  
**UDIN: AR202310701MNmXJ1vA4**

## BALANCE SHEET AS AT JUNE 30, 2023

	NOTE	2023 Rupees	2022 Rupees
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and bank balances	4	10,298,604	1,455,894
Short term murabaha investments - secured	5	1,772,953	2,320,364
Accrued profit	6	5,856,727	3,049,548
Short term investments	7	194,074,491	172,510,582
Ijarah rentals receivable	8	25,560,916	30,866,563
Prepayments and other receivables	9	1,830,087	1,552,980
Income tax recoverable/ adjustable		9,600,084	6,027,183
Current portion of non-current assets	10	16,396,392	14,846,748
		<b>265,390,254</b>	<b>232,629,862</b>
<b>NON-CURRENT ASSETS</b>			
Net investment in ijarah finance	11	-	-
Diminishing musharaka financing - secured	12	-	-
Long term murabaha investments - secured	13	7,300,000	-
Long term deposit		39,500	39,500
Intangible asset	14	-	-
Fixed assets under ijarah arrangements	15	32,959,576	32,959,576
Fixed assets under own use	16	262,226	88,759
		<b>40,561,302</b>	<b>33,087,835</b>
<b>TOTAL ASSETS</b>		<b>305,951,556</b>	<b>265,717,697</b>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Accrued profit on short term financing		107,243,673	70,311,279
Short term finances - secured	17	217,063,388	217,063,388
Creditors, accrued and other liabilities	18	2,951,915	2,488,982
Unclaimed dividend		425,218	425,218
Security deposits against ijarah assets	19	33,006,276	33,006,276
Deferred murabaha income	20	-	-
Provision for taxation		839,869	534,456
		<b>(361,530,339)</b>	<b>(323,829,599)</b>
<b>TOTAL LIABILITIES</b>		<b>(361,530,339)</b>	<b>(323,829,599)</b>
<b>NET LIABILITIES</b>		<b>(55,578,783)</b>	<b>(58,111,902)</b>
<b>FINANCED BY:</b>			
Certificate capital	21	250,000,000	250,000,000
Statutory reserve	22	45,519,244	44,699,137
Accumulated loss		(349,342,631)	(352,623,061)
		<b>(53,823,387)</b>	<b>(57,923,924)</b>
Unrealised loss on revaluation of sukus		(1,755,396)	(187,978)
<b>TOTAL EQUITY AND RESERVES</b>		<b>(55,578,783)</b>	<b>(58,111,902)</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	23	-	-

The annexed notes 1 to 36 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: October 05, 2023

# Annual Report 2023

## PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2023

	NOTE	2023 Rupees	2022 Rupees
<b>INCOME FROM OPERATIONS</b>			
Profit on bank deposits		312,344	194,417
Profit on short term investments		28,816,081	13,817,771
		29,128,425	14,012,188
<b>OTHER INCOME</b>			
Reversal of provision charged for doubtful receivables	27	28,430,580	38,069,693
Suspension reversed during the year		3,636,571	1,150,931
Gain on termination of ijarah assets		-	3,476
Excess liabilities written back		2,474,169	-
Other income	24	510,871	218,000
		35,052,191	39,442,100
<b>TOTAL INCOME</b>		<b>64,180,616</b>	<b>53,454,288</b>
<b>EXPENSES</b>			
Operating expenses	25	(13,654,624)	(12,770,392)
Finance cost	26	(39,170,012)	(23,517,722)
Receivables adjusted		-	(3,711,773)
<b>TOTAL EXPENSES</b>		<b>(52,824,636)</b>	<b>(39,999,887)</b>
<b>OPERATING PROFIT BEFORE PROVISIONS AND TAXATION</b>		<b>11,355,980</b>	<b>13,454,401</b>
Provision charged for doubtful receivables	27	(5,754,612)	(9,889,939)
<b>PROFIT BEFORE MANAGEMENT COMPANY'S FEE</b>		<b>5,601,368</b>	<b>3,564,462</b>
Modaraba Company's management fee	28	(560,137)	(356,446)
Provision for Worker's Welfare Fund	18.1	(100,825)	(64,160)
<b>PROFIT BEFORE TAXATION</b>		<b>4,940,406</b>	<b>3,143,856</b>
Taxation	29	(839,869)	(534,456)
<b>PROFIT AFTER TAXATION</b>		<b>4,100,537</b>	<b>2,609,400</b>
<b>EARNINGS PER MODARABA CERTIFICATE - BASIC AND DILUTED</b>	30	<b>0.16</b>	<b>0.10</b>

The annexed notes 1 to 36 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: October 05, 2023

## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2023

	2023 Rupees	2022 Rupees
<b>PROFIT AFTER TAXATION</b>	4,100,537	2,609,400
<b>OTHER COMPREHENSIVE LOSS/ INCOME</b>		
<b>Items that will not be reclassified to profit and loss account</b>	-	-
<b>Items that may be reclassified subsequently to profit and loss account</b>		
Unrealised (loss)/ gain on revaluation of sukuks	(1,567,418)	1,373,857
Other comprehensive (loss)/ income for the year	(1,567,418)	1,373,857
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>	<b>2,533,119</b>	<b>3,983,257</b>

The annexed notes 1 to 36 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: October 05, 2023

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2023

### CASH FLOWS FORM OPERATING ACTIVITIES

#### Profit for the year before taxation

Adjustments for:

- Depreciation on fixed assets under own use
- Gain on termination of ijarah assets
- Gain on disposal of fixed assets under own use
- Profit on short term investments
- Charge of provision against doubtful ijarah rentals receivable - net
- Charge of provision against doubtful net investment in ijarah finance
- Charge of provision against doubtful diminishing musharaka financing
- Balances written off
- Liabilities written back
- Reversal of provision ijarah rentals receivable - net
- Reversal of provision long term murabaha investments - net
- Suspension reversed during the year
- Finance cost
- Provision for Worker's Welfare Fund
- Modaraba Company's management fee
- Profit on term deposit receipts and bank deposits

#### Operating loss before working capital changes

#### Changes in working capital:

Decrease/ (increase) in current assets:

- Accrued profit
- Ijarah rentals receivable
- Advances, prepayments and other receivables
- Short term murabaha investments - secured
- Diminishing musharaka financing
- Income tax recoverable/ adjustable
- Long term murabaha investments - secured
- Net investment in ijara financing

Decrease in current liabilities:

- Creditors, accrued and other liabilities

#### Net changes in working capital

Finance cost paid

Income taxes paid

Profit received on bank deposits

#### Net cash generated from operating activities

### CASH FLOWS FROM INVESTING ACTIVITIES

Investment made in fixed assets - under own use

Proceeds from disposal of fixed assets - under own use

Short term investments - net

Proceeds from disposal of ijarah assets

#### Net cash used in investing activities

### CASH FLOWS FROM FINANCING ACTIVITIES


#### Net increase/ (decrease) in cash and cash equivalents

Cash and cash equivalents at the beginning of the year

#### Cash and cash equivalents at the end of the year

	2023 Rupees	2022 Rupees
Profit for the year before taxation	4,940,406	3,143,856
Adjustments for:		
- Depreciation on fixed assets under own use	28,633	25,971
- Gain on termination of ijarah assets	-	(3,476)
- Gain on disposal of fixed assets under own use	(45,000)	(10,000)
- Profit on short term investments	(28,816,081)	(13,817,771)
- Charge of provision against doubtful ijarah rentals receivable - net	4,710,671	9,889,939
- Charge of provision against doubtful net investment in ijarah finance	882,761	-
- Charge of provision against doubtful diminishing musharaka financing	161,180	-
- Balances written off	-	3,711,773
- Liabilities written back	(2,474,169)	-
- Reversal of provision ijarah rentals receivable - net	(11,530,580)	-
- Reversal of provision long term murabaha investments - net	(16,900,000)	(38,069,693)
- Suspension reversed during the year	(3,636,571)	(1,150,931)
- Finance cost	39,170,012	23,517,722
- Provision for Worker's Welfare Fund	100,825	64,160
- Modaraba Company's management fee	560,137	356,446
- Profit on term deposit receipts and bank deposits	(312,344)	(194,417)
	(18,100,526)	(15,680,277)
<b>Operating loss before working capital changes</b>	<b>(13,160,120)</b>	<b>(12,536,421)</b>
<b>Changes in working capital:</b>		
Decrease/ (increase) in current assets:		
- Accrued profit	26,008,902	12,213,505
- Ijarah rentals receivable	15,699,761	1,200,000
- Advances, prepayments and other receivables	(277,107)	45,051
- Short term murabaha investments - secured	547,411	39,672,584
- Diminishing musharaka financing	1,412,634	2,925,000
- Income tax recoverable/ adjustable	(3,572,901)	(998,532)
- Long term murabaha investments - secured	4,900,000	-
- Net investment in ijara financing	693,781	1,089,698
Decrease in current liabilities:		
- Creditors, accrued and other liabilities	(98,157)	(1,116,319)
<b>Net changes in working capital</b>	<b>45,314,324</b>	<b>55,030,987</b>
	<b>32,154,204</b>	<b>42,494,566</b>
Finance cost paid	(5,830)	(13,375)
Income taxes paid	(381,831)	(63,003)
Profit received on bank deposits	312,344	194,417
<b>Net cash generated from operating activities</b>	<b>32,078,887</b>	<b>42,612,605</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Investment made in fixed assets - under own use	(202,100)	(87,030)
Proceeds from disposal of fixed assets - under own use	97,250	10,000
Short term investments - net	(23,131,327)	(54,058,332)
Proceeds from disposal of ijarah assets	-	3,476
<b>Net cash used in investing activities</b>	<b>(23,236,177)</b>	<b>(54,131,886)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	-	-
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>8,842,710</b>	<b>(11,519,281)</b>
Cash and cash equivalents at the beginning of the year	1,455,894	12,975,175
<b>Cash and cash equivalents at the end of the year</b>	<b>10,298,604</b>	<b>1,455,894</b>

The annexed notes 1 to 36 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: October 05, 2023

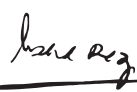


## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2023

Particulars	Certificate capital	Statutory reserve	Accumulated loss	Total equity
	Rupees			
<b>Balance as at 01 July 2021</b>	250,000,000	44,177,257	(354,710,581)	(60,533,324)
Net profit for the year	-	-	2,609,400	2,609,400
Other comprehensive income for the year *	-	-	-	-
Total comprehensive income for the year	-	-	2,609,400	2,609,400
Transferred to statutory reserve (note 22)	-	521,880	(521,880)	-
<b>Balance as at 30 June 2022</b>	250,000,000	44,699,137	(352,623,061)	(57,923,924)
Net profit for the year	-	-	4,100,537	4,100,537
Other comprehensive income for the year *	-	-	-	-
Total comprehensive income for the year	-	-	4,100,537	4,100,537
Transferred to statutory reserve (note 22)	-	820,107	(820,107)	-
<b>Balance as at 30 June 2023</b>	250,000,000	45,519,244	(349,342,631)	(53,823,387)

\* 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 36 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: October 05, 2023

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

### 1.2 Going concern assumption

During the year, the Modaraba earned profit after taxation amounting to Rs. 4.101 million (2022: Rs. 2.609 million) which is mainly due to reversal of provisions amounting to Rs. 28.431 million (2022: Rs. 38.070 million).

As at the reporting date, the Modaraba's current liabilities exceed its current assets by Rs. 96.140 million (2022: Rs. 91.199 million) and its accumulated losses amounting to Rs. 349.343 million (2022: Rs. 352.623 million) which exceeds its total subscribed certificate capital by Rs. 99.343 million (2022: Rs. 102.623 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 2023 contain Rs. 262.544 million (2022: Rs. 285.220 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 Prudential Regulations for Modarabas issued by SECP ('PRs'), 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. 5.593 million (2022: Rs. 9.88 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 (2022: 432.058 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 17.1 and note 26.1, the short term running finance facility obtained from NBP was expired on October 31, 2019 that has yet not been renewed while markup outstanding thereupon is also yet to be paid. Outstanding markup on this facility upto October 31, 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. 96.444 million on account of finance cost against this facility accumulating to Rs. 107.244 million (2022: Rs. 70.311 million) as at the reporting date. Total current liabilities amounting to Rs. 361.530 million (2022: Rs. 323.295 million) include Rs. 324.307 million (2022: Rs. 287.374 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 (2022: 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. 23.316 million (2022: 39.466 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 October 31, 2019, for filing an application for winding up before the Modaraba Tribunal, Lahore. Subsequent to the order dated October 31, 2019 of Registrar Modaraba, the winding up petition has been filed by Registrar Modaraba on June 16, 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 October 30, 2023.

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 Prudential Regulations for Modarabas 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 3.3, 3.5, 3.6, 5, 8, 11, 12 and 13)
- Impairment of other financial assets (note 3.4)
- Short term investments (note 7)
- Likelihood of outcome of future events related to assessment of contingencies (note 3.14, 23)
- Provision for taxation (note 3.11)

## **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 prudential 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 Prudential Regulations for Modarabas issued by SECP. As per guidelines on the basis of preparation of financial statements that are not considered going concern as issued by the Institute of Chartered Accountants of Pakistan, analysis of upside of Rs. nil (2022: Rs. 1.340 million) is not recognized in the profit and loss account of the Modaraba as disclosed in Note 12.2 to these financial statements. Cumulative effect of upside not recognized in the profit and loss of the Modaraba for the year end amounts to Rs. nil (2022: Rs. 1.340 million).

## **2.6 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:

- IFRS 3 - Business Combinations - (Amendments updating a reference to the Conceptual Framework).
- IFRS 9 - Financial Instruments - (Amendments to 10 percent test for derecognition of financial liabilities in fee).
- IAS 16- Property, Plant and Equipment - (Amendments regarding proceeds before intended use).
- IAS 16- Property, Plant and Equipment - (Amendments prohibiting a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the Company).
- IAS 37- Provisions, Contingent Liabilities and Contingent Assets - (Amendments regarding the costs to include when assessing whether a contract is onerous).

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

- IAS 1- Presentation of Financial Statements - (Amendments regarding the disclosure of accounting policies)- (Effective for annual periods beginning on or after 1 January 2023).
- IAS 1- Presentation of Financial Statements - (Amendments regarding the classification of debt with covenants)-(effective for annual periods beginning on or after 1 January 2024).
- IAS 1 - Presentation of financial statements - Amendments regarding the classification of liabilities - (applicable on annual periods beginning on or after 1 January 2024).
- IAS 8- Accounting Policies, Changes in Accounting Estimates and Errors - (Amendments regarding the definition of accounting estimates)- (Effective for annual periods beginning on or after 1 January 2023).
- IAS 12- Income Taxes - (Amendments regarding deferred tax related to assets and liabilities arising from single transaction)-(effective for annual periods beginning on or after 1 January 2023).
- IFRS 7 - Financial Instruments - Amendments regarding supplier finance arrangements - (applicable on annual periods beginning on or after 1 January 2024).
- IFRS 16 - Leases - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions - (applicable on Annual periods beginning on or after 1 January 2024).
- IAS 7 - Statement of cash flows - Amendments regarding supplier finance arrangements - (applicable on annual periods beginning on or after 1 January 2024).
- IAS 41 - Agriculture - (Amendment regarding taxation in fair value measurement) - (effective for annual periods beginning on or after 1 January 2023).
- IFRS 10/ IAS 28 - Consolidated Financial Statements and Investment in Associates - (Amendment regarding the sale or contribution of assets between an investor and its associate or joint venture) - (Application date not yet finalized).

**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 17 - Insurance Contracts

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all periods presented.

**3.1 Cash and cash equivalents**

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statement, cash and cash equivalents consist of cash in hand and balances with banks.

**3.2 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.

**3.3 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 Prudential Regulations for Modarabas 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 balance sheet. 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.

### 3.4 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.

#### 3.4.1 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 and 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 profit and loss account.

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 and 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 profit and loss account.

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 profit and loss account. Dividends on equity instruments are credited to the profit and loss account 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 profit and loss account 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 profit and loss account.

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 profit and loss account.

### **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 Prudential Regulations issued for Modarabas.

## **3.4.2 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 profit and loss account.

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 and 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 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 profit and loss account.



## **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 profit and loss account. 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 profit and loss account.

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 profit and loss account.

### **3.4.3 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.

### **3.5 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 Prudential Regulations for Modarabas issued by SECP or on the estimate of management, whichever is higher. Bad debts are written off when identified.

### **3.6 Lease (ijarah) accounting**

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

Under the ijarah arrangements up to June 30, 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 balance sheet 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 Prudential Regulations for Modarabas 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.

### **3.7 Fixed assets**

#### **3.7.1 Fixed assets under ijarah arrangements**

Assets given to customers under ijarah arrangements on or after July 01, 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.

## 3.7.2 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 profit and loss account as and when incurred. Gain/ loss on disposals are carried to the profit and loss account in the year of disposal.

Depreciation is charged to the profit and loss account using the straight line method at the rates as specified in note 16 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 and 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 and loss account.

## 3.7.3 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.

## 3.8 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.

## 3.9 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 profit and loss account.

## 3.10 Revenue recognition

For lease (ijarah) agreements executed on or before June 30, 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 Prudential Regulations for Modaraba issued by the SECP.

For lease (ijarah) agreements executed on or after July 1, 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.

## **3.11 Taxation**

### **3.11.1 Current**

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits available, rebates and exemptions, if any. Under clause 100 of Part – I of Second Schedule to the Income Tax Ordinance, 2001, the income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders.

### **3.11.2 Deferred**

Deferred tax is provided, using the balance sheet method, on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts. Deferred tax liabilities are recognized for all taxable temporary differences. Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilized. Deferred tax assets, that are not expected to recover in foreseeable future, are not accounted for in the financial statements.

## **3.12 Profit distribution**

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

## **3.13 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.

## **3.14 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.

## 3.15 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.

## 3.16 Earnings per certificate

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

## 3.17 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.

# First National Bank Modaraba

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.

## 4 CASH AND BANK BALANCES

	Note	2023 Rupees	2022 Rupees
Cash in hand		-	-
Current accounts:			
Associated undertaking - National Bank of Pakistan		3,196	2,697
Others		10,996	11,031
		14,192	13,728
Saving accounts:			
Associated undertaking - National Bank of Pakistan	4.1	146,859	314,932
Others	4.1	10,137,553	1,127,234
		10,284,412	1,442,166
		<b>10,298,604</b>	<b>1,455,894</b>

- 4.1 These carry markup at the rates of 2.5% to 19.5% (2022: 7.00% to 10.50%) per annum.
- 4.2 There is nil (2022: 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.
- 4.3 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.

# Annual Report 2023

## 5 SHORT TERM MURABAHA INVESTMENTS - SECURED

	Note	2023 Rupees	2022 Rupees
Short term murabaha investments (considered doubtful)	5.1	166,447,168	166,994,579
Less: transferred to long term morabaha investments	13.1	(21,473,581)	-
		144,973,587	166,994,579
Add: deferred murabaha income		274,022	274,022
		145,247,609	167,268,601
Less: provision for non-performing murabaha investments	5.2	(143,200,634)	(164,674,215)
Less: suspended income		(274,022)	(274,022)
		1,772,953	2,320,364

5.1 These represent investments under murabaha arrangements from 6 (2022: 7) customers on deferred payment basis at expected profit rates ranging from 8.36% to 14.64% (2022: 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 6 (2022: 7) cases for recovery of Rs. 174.431 million (2022: Rs. 198.43 million), while the order to execute decree is awaited.

### 5.2 Provision for non-performing murabaha investments

Opening balance		164,674,215	201,878,010
Transferred to long term murabaha investments	13.3	(21,473,581)	-
Reversed during the year	5.3	-	(37,203,795)
Closing balance	27	143,200,634	164,674,215

5.3 During the year, the Modaraba recovered Rs. nil (2022: Rs. 37.204 million) and consequently equivalent amount of provision was reversed.

## 6 ACCRUED PROFIT

### Profit on diminishing musharakah receivables

- Profit receivable on musharaka finances		884,539	946,904
- Less: suspended income		(780,729)	(843,095)
		103,810	103,809
Profit receivable on short term investments		5,752,917	2,945,739
		5,856,727	3,049,548

## 7 SHORT TERM INVESTMENTS

	2023 Number of units	2022 Number of units	Note	2023 Rupees	2022 Rupees	
Investments in sukuk of Rs 100,000 each - Fair Value Through Other Comprehensive Income (FVTOCI)						
	550	550	Neelum Jehlum Hydropower (Pvt.) Ltd. Sukuk	7.1	18,074,491	25,416,907
	-	200	Byco Petroleum Pakistan Limited	7.2	-	5,093,675
	550	750			18,074,491	30,510,582
Bankislami Pakistan Limited - Islami Aamdani Certificate - (TDRs)				7.3	-	22,000,000
National Bank Aitmaad - term deposit certificates				7.4	176,000,000	120,000,000
					194,074,491	172,510,582

# First National Bank Modaraba

- 7.1 The outstanding principal per unit is Rs. 32,457 (2022: Rs. 42,000) having fair value of Rs. 101.2500 (2022: 110.0299) per unit as at the reporting date.
- 7.2 The outstanding principal per unit is Rs. nil (2022: Rs. 25,000) having fair value of Rs. nil (2022: Rs. 101.8735) per unit as at the reporting date.
- 7.3 These term deposits certificates yield profit at the rates ranging from 14.50% to 15.75% (2022: 7.00% to 12.50%) per annum.
- 7.4 These term deposits certificates yield profit at the rates ranging from 10.6% to 18.60% (2022: 10.5%) per annum.

## 8 IJARAH RENTALS RECEIVABLE

	Note	2023 Rupees	2022 Rupees
Considered doubtful	8.2	102,375,166	102,176,799
Less: provision for doubtful ijarah rentals receivable	8.3	(41,771,789)	(48,591,698)
Less: profit held in suspense account		(35,042,461)	(22,718,538)
		<u>25,560,916</u>	<u>30,866,563</u>

- 8.1 This represents receivables from various customers under the ijarah finance. Legal proceedings against 7 (2022: 7) customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of Modaraba in 7 (2022: 7) cases for recovery of Rs. 118.036 million (2022: 118.036 million), while the order to execute decree is awaited.

### 8.2 Considered doubtful

Opening balance		102,176,799	107,088,572
Add: restructuring adjustment		15,898,128	-
Less: received during the year		(15,699,761)	(1,200,000)
Considered doubtful - gross balance		102,375,166	105,888,572
Less: receivable written off		-	(3,711,773)
Considered doubtful - net balance		<u>102,375,166</u>	<u>102,176,799</u>

### 8.3 Provision for doubtful ijarah rentals receivable

Opening balance		48,591,698	38,701,759
Charged during the year	27	4,710,671	9,889,939
Provision written back during the year	27	(11,530,580)	-
Net reversed/ charged during the year		(6,819,909)	9,889,939
Closing balance	27	<u>41,771,789</u>	<u>48,591,698</u>

## 9 PREPAYMENTS AND OTHER RECEIVABLES

Prepayments		40,780	-
Other receivables - considered good		1,789,307	1,552,980
		<u>1,830,087</u>	<u>1,552,980</u>

# Annual Report 2023

	Note	2023 Rupees	2022 Rupees
<b>10 CURRENT PORTION OF NON-CURRENT ASSETS</b>			
Net investment in ijarah finance	11	11,696,392	13,272,934
Diminishing musharaka financing	12	-	1,573,814
Long term murabaha investments - secured	13	4,700,000	-
		<u>16,396,392</u>	<u>14,846,748</u>
<b>11 NET INVESTMENT IN IJARAH FINANCE</b>			
Minimum ijarah rentals receivable		49,002,075	49,695,856
Add: residual value of ijarah assets		46,700	46,700
Gross investment in ijarah finance		<u>49,048,775</u>	<u>49,742,556</u>
Less: unearned finance income		<u>(24,109,320)</u>	<u>(24,109,320)</u>
Net investment in lease ijarah finance		<u>24,939,455</u>	<u>25,633,236</u>
Less: provision for doubtful net investment in ijarah finance	11.1	<u>(13,243,063)</u>	<u>(12,360,302)</u>
		<u>11,696,392</u>	<u>13,272,934</u>
Less: current portion (note 13)	10	<u>(11,696,392)</u>	<u>(13,272,934)</u>
		<u>-</u>	<u>-</u>
<b>11.1 Provision for doubtful net investment in ijarah financing</b>			
Opening balance		12,360,302	13,226,200
Charged during the year	27	882,761	-
Provision written back during the year		-	(865,898)
Closing balance	27	<u>13,243,063</u>	<u>12,360,302</u>
<b>11.2</b>	This investment represents ijarah arrangement entered into with a customer for a period of 10 years at an implicit profit rate of 8.7% (2022: 8.7%) against security deposits of Rs. 46,700 (2022: 46,700). Legal proceedings against the customer are in process in the Honorable Court of Law. The Court has yet not awarded decree in favour of the Modaraba, while the liquidator has been appointed on the customer for its winding up.		
<b>11.3</b>	The customer has presented scheme/ plan for restructuring/ rescheduling and revival of business to the Honourable Lahore High Court, Lahore (the Court). The scheme includes the repayment of the loans of the secured creditor. In the response to this application on January 20, 2021, the Court has passed the stay order for the winding up of the customer and allowed their management to take steps for rehabilitation of the customer's plant for operating purpose and hold meeting with their creditors for approval of scheme. Pursuant to this, the customer has arranged its meeting with its secured creditors including the Modaraba for approving the scheme of rearrangement on February 22, 2021. Creditors representing 9.6% interest in the customer, including the Modaraba, voted against the scheme. However, with the consent of 90.4% of secured creditors, the scheme was approved, adopted and agreed. Consequently this scheme of arrangements was sanctioned by the court through its order C.O. No. 43/2011 dated October 29, 2021 and management taken its charge.		



# First National Bank Modaraba

		2023	2022
		Rupees	Rupees
<b>12 DIMINISHING MUSHARAKA FINANCING - SECURED</b>			
Considered doubtful		161,180	1,573,814
		161,180	1,573,814
Less: Provision for doubtful musharaka financing	27	(161,180)	-
Less: Current portion	10	-	(1,573,814)
		-	-
<b>12.1</b>	This represented diminishing musharaka financing arrangements entered into for a term of three to four years. The Modaraba has provided financing to the extent of 23.69% to 90% of the value of musharaka assets. This financing 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% (2022: 9.05% to 17.41%) per annum and has been repaid.		
<b>12.2</b>	Provisions against doubtful diminishing musharaka financing has not been incorporated in previous year as the forced sale value of collaterally held assets is greater than the amount receivable from the respective parties.		
<b>13 LONG TERM MURABAHA INVESTMENTS - SECURED</b>			
Considered good		-	-
Considered doubtful	13.1	76,167,630	59,594,049
		76,167,630	59,594,049
Add: deferred murabaha income	20	29,388,304	29,388,304
	13.2	105,555,934	88,982,353
Less: provision for doubtful murabaha investments	13.3	(64,167,630)	(59,594,049)
Less: suspension for doubtful murabaha investments	20	(29,388,304)	(29,388,304)
		12,000,000	-
Less: current portion	10	(4,700,000)	-
		7,300,000	-
<b>13.1 Movement in the account of long term murabaha investments</b>			
<b>Considered doubtful</b>			
Opening balance		59,594,049	59,594,049
Add: transferred from short term murabaha investments	5	21,473,581	-
Less: received during the year		(4,900,000)	-
Closing balance		76,167,630	59,594,049
<b>13.2</b>	These represent investments under murabaha arrangements on deferred payment basis at expected profit margin ranging from 9.85% to 14.61% (2022: 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 (2022: 2) customers under the murabaha finance. Legal proceedings against 3 (2022: 2) customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of the Modaraba in 3 (2022: 2) cases for recovery of Rs. 106.928 million (2022: 83.068 million), while the order to execute decree is awaited.		
<b>13.3 Provision for doubtful murabaha investments</b>			
Opening balance		59,594,049	59,594,049
Transferred from short term murabaha investments	5.2	21,473,581	-
Reversed during the year	27	(16,900,000)	-
Net provision during the year		4,573,581	-
Closing balance	27	64,167,630	59,594,049
<b>14 INTANGIBLE ASSET</b>			
	NOTE	2023	2022
		Rupees	Rupees
Cost		1,131,300	1,131,300
Accumulated amortization		(1,131,300)	(1,131,300)
Net book value		-	-

# Annual Report 2023

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

## 15 FIXED ASSETS UNDER IJARAH ARRANGEMENTS

Description	Plant and machinery	Vehicles	Total
-----Rupees-----			
<b><u>Year ended 30 June 2023</u></b>			
<b>Cost</b>			
Balance as at 1 July 2022	194,297,972	11,110,520	205,408,492
Additions	-	-	-
Disposals/ adjustments	-	-	-
Balance as at 30 June 2023	<u>194,297,972</u>	<u>11,110,520</u>	<u>205,408,492</u>
<b>Depreciation</b>			
Balance as at 1 July 2022	148,198,554	4,979,003	153,177,557
Charged for the year	-	-	-
Disposals/ adjustments	-	-	-
Balance as at 30 June 2023	<u>148,198,554</u>	<u>4,979,003</u>	<u>153,177,557</u>
<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	<u>17,106,617</u>	<u>2,164,742</u>	<u>19,271,359</u>
<b>Total as at 30 June 2023</b>	<u><u>28,992,801</u></u>	<u><u>3,966,775</u></u>	<u><u>32,959,576</u></u>
<b><u>Year ended 30 June 2022</u></b>			
<b>Cost</b>			
Balance as at 1 July 2021	194,951,972	11,110,520	206,062,492
Additions	-	-	-
Disposals	(654,000)	-	(654,000)
Balance as at 30 June 2022	<u>194,297,972</u>	<u>11,110,520</u>	<u>205,408,492</u>
<b>Depreciation</b>			
Balance as at 1 July 2021	148,787,154	4,979,003	153,766,157
Charged for the year	-	-	-
Disposals	(588,600)	-	(588,600)
Balance as at 30 June 2022	<u>148,198,554</u>	<u>4,979,003</u>	<u>153,177,557</u>
<b>Impairment loss</b>			
Balance as at 1 July 2021	17,106,617	2,164,742	19,271,359
Impairment charged during the year	-	-	-
Balance as at 30 June 2022	<u>17,106,617</u>	<u>2,164,742</u>	<u>19,271,359</u>
<b>Total as at 30 June 2022</b>	<u><u>28,992,801</u></u>	<u><u>3,966,775</u></u>	<u><u>32,959,576</u></u>
<b>Rate (%)</b>	<u>20 - 33.33</u>	<u>20 - 33.33</u>	

The ijarah assets are adjusted against their security deposits.

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

The Modaraba had entered into various Ijarah agreements for periods ranging from 3 to 14 years (2022: 3 to 14 years). Security deposits ranging from 0% to 71% (2022: 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% (2022: 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 8). These ijarah assets would be adjusted against the security deposits received from customers (note 19).

# First National Bank Modaraba

## 16 FIXED ASSETS UNDER OWN USE

Description	Vehicle	Computers and accessories	Electrical equipment	Total
----- Rupees -----				
<b>Year ended 30 June 2023</b>				
<b>Cost</b>				
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
<b>Depreciation</b>				
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>Total as at 30 June 2023</b>	<b>63,211</b>	<b>-</b>	<b>199,015</b>	<b>262,226</b>
<b>Year ended 30 June 2022</b>				
<b>Cost</b>				
Balance as at 1 July 2021	1,390,182	1,820,558	357,664	3,568,404
Additions	76,530	-	10,500	87,030
Disposals/ adjustments	(39,000)	-	-	(39,000)
Balance as at 30 June 2022	1,427,712	1,820,558	368,164	3,616,434
<b>Depreciation</b>				
Balance as at 1 July 2021	1,378,482	1,820,558	341,664	3,540,704
Charged for the year	9,713	-	16,258	25,971
Disposals/ adjustments	(39,000)	-	-	(39,000)
Balance as at 30 June 2022	1,349,195	1,820,558	357,922	3,527,675
<b>Total as at 30 June 2022</b>	<b>78,517</b>	<b>-</b>	<b>10,242</b>	<b>88,759</b>
<b>Rate (%)</b>	<b>20</b>	<b>33.33</b>	<b>20 - 33.33</b>	

16.1 These contain fully depreciated assets of Rs. 3,477,154 (2022: Rs. 3,507,904) that are still in use by the Modaraba.

## 17 SHORT TERM FINANCE - SECURED

	NOTE	2023 Rupees	2022 Rupees
<b>From banking company - related party</b>			
Running finance	17.1	217,063,388	217,063,388

17.1 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% (2022: 1 month KIBOR plus 0.5%) per annum payable monthly. The markup rate charged during the year ranged from 14.66% to 22.20% (2022: 8.33% to 8.53%) per annum. This facility is secured by way of first joint pari passu hypothecation charge on all present and future receivables, leased assets and related lease receivables and present and future assets of the Modaraba to the extent of Rs 277.778 million (2022: Rs 277.778 million). This facility expired on October 31, 2019 and has yet not been renewed and repaid.

# Annual Report 2023

	NOTE	2023 Rupees	2022 Rupees
<b>18 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Advances from customers		1,040,404	1,083,620
Accrued expenses		465,233	611,524
Payable to modaraba management company		1,068,257	508,120
Worker's Welfare Fund payable	18.1	192,286	91,461
Sales tax payable		1,901	-
Charity payable	18.2	183,834	194,257
		<u>2,951,915</u>	<u>2,488,982</u>
<b>18.1 Worker's Welfare Fund payable</b>			
Opening balance		91,461	27,301
Expense during the year		100,825	64,160
Paid during the year		-	-
Closing balance		<u>192,286</u>	<u>91,461</u>
<b>18.2 The reconciliation is as follows:</b>			
Opening balance		194,257	313,209
Additions during the year		39,577	331,083
Charity paid during the year		(50,000)	(450,035)
Closing balance		<u>183,834</u>	<u>194,257</u>
<b>18.3</b> None of the directors and employees of the modaraba management company have any interest in the charity paid.			
<b>19 SECURITY DEPOSITS AGAINST IJARAH ASSETS</b>	NOTE	2023 Rupees	2022 Rupees
Opening balance		33,006,276	33,071,676
Adjusted during the year		-	(65,400)
Closing balance		<u>33,006,276</u>	<u>33,006,276</u>
<b>20 DEFERRED MURABAHA INCOME</b>			
Deferred murabaha income		29,388,304	29,388,304
Suspended income	13	(29,388,304)	(29,388,304)
		<u>-</u>	<u>-</u>
<b>21 CERTIFICATE CAPITAL</b>			
		2023	2022
		Number of certificates	Rupees
<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>
<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	<u>250,000,000</u>
<b>21.1</b> 7,500,000 (2022: 7,500,000) certificates of the Modaraba are held by the National Bank Modaraba Management Company Limited (the Modaraba management company).			

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

21.3 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 shareholding.

## 22 STATUTORY RESERVES

Statutory reserves represent profits set aside in compliance with the requirements of prudential regulations for Modarabas issued by the SECP. These regulations require the Modarabas to transfer at least 20% after tax profit, if any, up to a maximum of 50%, in statutory reserves until the reserves equal 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred into the statutory reserves each year. During the year Rs. 820,107 (2022: Rs. 521,880) are transferred in the statutory reserves owing to net profit for the year.

## 23 CONTINGENCIES AND COMMITMENTS

23.1 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 are of the opinion that the decision will come in favour of the entity.

	NOTE	2023 Rupees	2022 Rupees
<b>24 OTHER INCOME</b>			
Miscellaneous income		465,871	208,000
Gain on disposal of fixed assets under own use		45,000	10,000
		<u>510,871</u>	<u>218,000</u>
<b>25 OPERATING EXPENSES</b>			
Salaries, allowances and other benefits	25.1	10,102,886	9,679,416
Legal and professional charges		1,054,536	680,123
Fees and subscription		302,250	386,438
Stationery and printing		530,252	480,277
Auditors' remuneration	25.2	375,000	375,000
Communication		227,603	272,375
Repairs and maintenance		221,320	269,561
Entertainment		170,005	153,580
Vehicles' running expenses		59,330	68,594
Advertisement		51,200	54,059
Postage and stamps		71,523	47,772
Insurance		81,346	66,125
Travelling and conveyance		400	101,230
Depreciation on fixed assets under own use	16	28,633	25,971
Other sundry expenses		378,340	109,871
		<u>13,654,624</u>	<u>12,770,392</u>

## 25.1 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:

	2023			2022		
	Officers	Employees	Total	Officers	Employees	Total
	----- Rupees -----					
Basic salary	1,914,816	1,966,200	3,881,016	2,307,816	1,868,054	4,175,870
House rent allowance	431,016	609,755	1,040,771	1,153,908	609,755	1,763,663
Utilities	229,776	618,312	848,088	276,938	146,341	423,279
Bonus	666,466	412,227	1,078,693	513,836	295,153	808,989
Fuel allowance	2,288,709	610,445	2,899,154	1,715,006	610,445	2,325,451
Others	118,475	236,689	355,164	40,475	141,689	182,164
	<b>5,649,258</b>	<b>4,453,628</b>	<b>10,102,886</b>	<b>6,007,979</b>	<b>3,671,437</b>	<b>9,679,416</b>
Number of persons	3	5	8	4	7	11

25.1.1 Total number of employees at the year end was 8 (2022: 11). Average number of employees during the year was 10 (2022: 11). All employees are on contract.

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

## 25.2 Auditors' remuneration

	2023 Rupees	2022 Rupees
Audit fee	253,200	253,200
Half yearly review fee	96,800	96,800
Certifications	25,000	25,000
	<b>375,000</b>	<b>375,000</b>

25.3 Office space, utilities and related expenditure are borne by National Bank Modaraba Management Company Limited, the Modaraba management company.

## 26 FINANCE COST

Markup accrued on short term finances	26.1	39,164,182	23,504,347
Bank and other charges		5,830	13,375
		<b>39,170,012</b>	<b>23,517,722</b>

26.1 The Modaraba has requested NBP for renewal of the facility with waiver/ reduction in markup, and for deferral in payment of accrued markup, until NBP injects Rs. 300 million equity approved by NBP's Board on June 22, 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.

## 27 PROVISION FOR DOUBTFUL RECEIVABLES

Note	5.2	13.3	8.3	11.1	2023 Rupees	2022 Rupees
	Short term morabaha investments	Long term morabaha investments	Ijara rental receivables	Net investment in ijara financing		
Opening balance	164,674,215	59,594,049	48,591,698	12,360,302	285,220,264	313,400,018
Transferred from short term morabaha investments to long term morabaha investments	(21,473,581)	21,473,581	-	-	-	-
Add: charged during the year	-	-	4,710,671	882,761	5,593,432	9,889,939
Less: reversed during the year	-	(16,900,000)	(11,530,580)	-	(28,430,580)	(38,069,693)
Net provision reversed for the year	(21,473,581)	4,573,581	(6,819,909)	882,761	(22,837,148)	(28,179,754)
Closing balance	143,200,634	64,167,630	41,771,789	13,243,063	262,383,116	285,220,264

27.1 This represents the provisions recognized during the year on the basis of subjective evaluation and in accordance with the Prudential Regulations for Modarabas issued by SECP (PRs) of non-performing ijara rentals receivable.

## 28 MODARABA MANAGEMENT COMPANY FEE

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. In accordance with the said rule the Modaraba, during the year accrued management fee amounting to Rs. 560,137/- (2022:Rs. 356,446/-).

## 29 TAXATION

29.1 During the year owing to profits, the Modaraba has recognised the tax expense of Rs. 839,869/- (2022: 534,456). Tax charge for the current year represents Alternate Tax under section 113C of the Income Tax Ordinance, 2001.

### 29.2 Deferred tax Asset/ (liability)

Deductible/ (taxable) temporary differences on:	2023 Rupees	2022 Rupees
Deferred tax asset has originated relating to the following:		
Accelerated tax depreciation	(9,138,865)	(636,054)
Carry forward tax losses	123,914,649	108,619,700
Revaluation surplus on sukuks	64,711	699,069
	<u>114,840,495</u>	<u>108,682,715</u>
Less: deferred tax asset not recognized	29.2.1 (114,840,495)	(108,682,715)
	<u>-</u>	<u>-</u>

29.2.1 The deferred tax asset of Rs. 114.840 million (2022: Rs. 108.682 million) 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.

## 30 EARNINGS PER MODARABA CERTIFICATE - BASIC AND DILUTED

Earnings attributable to certificates holders (profit after taxation)	Rupees	<u>4,100,537</u>	<u>2,609,400</u>
Weighted average number of certificates outstanding during the year	Numbers	<u>25,000,000</u>	<u>25,000,000</u>
Earnings per certificate	Rupees	<u>0.16</u>	<u>0.10</u>



**30.1** Basic earnings per modaraba certificate have been computed by dividing profit after taxation as stated above with weighted average number of modaraba certificates.

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

## **31 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:

### **31.1 Transactions during the year:**

<b>Related party</b>	<b>Relationship</b>	<b>Nature of transaction</b>	<b>2023 Rupees</b>	<b>2022 Rupees</b>
National Bank of Pakistan	Modaraba Management Company's holding company	Markup expense	<b>39,164,182</b>	23,504,347
National Bank Modaraba Management Company Limited	Modaraba Management Company	Management fee expense	<b>560,137</b>	356,446

### **31.2 Balances outstanding at the reporting date**

National Bank of Pakistan	Bank accounts with National Bank of Pakistan	<b>150,055</b>	317,629
	Finances from National Bank of Pakistan	<b>217,063,388</b>	217,063,388
	Markup payable	<b>107,243,673</b>	70,311,279
National Bank Modaraba Management Company Limited	Management fee payable	<b>1,068,257</b>	508,120

## **32 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:

### **32.1 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.

#### **32.1.1 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.

#### **32.1.2 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	2023 Rupees	2022 Rupees
<b>Financial assets:</b>			
<b>Fixed rate instruments</b>			
Short term murabaha investments - secured	5	1,772,953	2,320,364
Short term investments	7	176,000,000	142,000,000
		<u>177,772,953</u>	<u>144,320,364</u>
<b>Floating rate instruments</b>			
Ijarah rentals receivable	8	25,560,916	30,866,563
Bank balances	4	10,298,604	1,442,166
Diminishing musharaka financing - secured	12	-	1,573,814
Net investment in ijarah finance	11	11,696,392	13,272,934
Short term investments	7	18,074,491	30,510,582
		<u>65,630,403</u>	<u>77,666,059</u>
<b>Financial liabilities:</b>			
Short term finances - secured	17	<u>217,063,388</u>	<u>217,063,388</u>

#### 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. 1.514 million (2022: Rs. 1.395 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.

#### 32.1.3 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.

#### 32.2 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 Prudential Regulations. The carrying amounts of the following financial assets represent the maximum credit exposure as at the reporting date:

# Annual Report 2023

Financial assets	NOTE	2023 Rupees	2022 Rupees
Bank balances	4	10,298,604	1,455,894
Short term murabaha investments - secured	5	1,772,953	2,320,364
Accrued profit	6	5,856,727	3,049,548
Short term investments	7	194,074,491	172,510,582
Ijarah rentals receivable	8	25,560,916	30,866,563
Other receivables	9	1,789,307	1,552,980
Net investment in ijarah finance	11	11,696,392	13,272,934
Long term murabaha investments - secured	13	12,000,000	-
Diminishing musharaka financing	12	-	1,573,814
Long term deposits		39,500	39,500
		<b>263,088,890</b>	<b>226,642,179</b>

## 32.2.1 Credit quality of banks

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

	Rating			2023 Rupees	2022 Rupees
	Short term	Long term	Agency		
National Bank of Pakistan	A1+	AAA	PACRA	150,055	495,037
Al Baraka Bank (Pakistan) Ltd.	A-1	A+	JCR-VIS	16,119	13,342
Habib Bank Ltd.	A-1+	AAA	JCR-VIS	10,942	10,941
BankIslami Pakistan	A1	AA-	PACRA	10,121,488	936,574
				<b>10,298,604</b>	<b>1,455,894</b>

## 32.2.2 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.

## 32.2.3 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

	Note	2023 Rupees	2022 Rupees
Not past due		-	-
Past due 1 - 180 days		-	-
Past due 181 days - 1 year		-	-
Past due 1 - 2 years		-	6,499,580
More than 2 years		39,030,261	41,534,095
		<b>39,030,261</b>	<b>48,033,675</b>

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

# First National Bank Modaraba

32.2.4 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:

2023				
Net investment in finance lease	Ijarah finances	Murabaha finances	Musharakah finances	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
	<b>11,696,392</b>	<b>25,560,916</b>	<b>1,772,953</b>	<b>-</b>	<b>39,030,261</b>

2022				
Net investment in finance lease	Ijarah finances	Murabaha finances	Musharakah finances	Total
----- Rupees -----				

#### Industrial sectors:

Textiles	13,272,934	-	-	-	13,272,934
Food	-	325,556	2,320,364	-	2,645,920
Sugar and allied	-	30,467,318	-	-	30,467,318
Steel	-	-	-	1,326,828	1,326,828
Individuals	-	73,689	-	246,986	320,675
	<b>13,272,934</b>	<b>30,866,563</b>	<b>2,320,364</b>	<b>1,573,814</b>	<b>48,033,675</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.

### 32.3 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:

2023				
Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
----- Rupees -----				

#### Non-derivative financial liabilities

Accrued profit on short term financing	107,243,673	107,243,673	107,243,673	-	-
Short term finances - 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>

2022				
Carrying amount	Contractual cash flows	Less than 1 year	Between 1 and 5 years	Over 5 years
----- Rupees -----				

#### Non-derivative financial liabilities

Accrued profit on short term financing	70,311,279	70,311,279	70,311,279	-	-
Short term finances - secured	217,063,388	217,063,388	217,063,388	-	-
Creditors, accrued and other liabilities	1,405,362	1,405,362	1,405,362	-	-
<b>Total</b>	<b>288,780,029</b>	<b>288,780,029</b>	<b>288,780,029</b>	<b>-</b>	<b>-</b>

32.3.1 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).

## 32.4 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.

## 32.5 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.

## 32.6 Financial instruments by categories

	2023			Total
	At fair value through profit and loss	At amortized cost	At fair value through other comprehensive income	
-----Rupees-----				
<b>Financial assets</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
Long term murabaha investments - secured	-	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 assets</b>				
-----Rupees-----				
Cash at banks	-	1,455,894	-	1,455,894
Ijarah rentals receivable	-	30,866,563	-	30,866,563
Accrued profit	-	3,049,548	-	3,049,548
Short term murabaha investments - secured	-	142,000,000	30,510,582	172,510,582
Murabaha investments	-	2,320,364	-	2,320,364
Net investment in ijarah finance	-	13,272,934	-	13,272,934
Diminishing musharaka financing	-	1,573,814	-	1,573,814
Other receivables	-	1,552,980	-	1,552,980
Long term deposits	-	39,500	-	39,500
	-	196,131,597	30,510,582	226,642,179
<b>Financial liabilities at amortized cost</b>				
		2023	2022	
		Rupees	Rupees	
Accrued profit on short term financing		107,243,673	70,311,279	
Short term finances - secured		217,063,388	217,063,388	
Creditors, accrued and other liabilities		1,909,610	1,405,362	
		<b>326,216,671</b>	<b>288,780,029</b>	

# First National Bank Modaraba

## 32.7 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 2023</b>				
Short term investments (note 7)	18,074,491	-	-	18,074,491
<b>Financial Assets as at 30 June 2022</b>				
Short term investments (note 7)	30,510,582	-	-	30,510,582

## 33 MATURITY OF ASSETS AND LIABILITIES

	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 and bank balances	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 under 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 finances - 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)
-----Rupees-----						
-----Rupees-----						
	2022					
	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	1,455,894	-	-	-	-	1,455,894
Short term murabaha investments - secured	2,320,364	-	-	-	-	2,320,364
Accrued profit	3,049,548	-	-	-	-	3,049,548
Short term investments	-	142,000,000	30,510,582	-	-	172,510,582
Ijarah rentals receivable	30,866,563	-	-	-	-	30,866,563
Prepayments and other receivables	1,552,980	-	-	-	-	1,552,980
Income tax recoverable/ adjustable	6,027,183	-	-	-	-	6,027,183
Current portion of non current assets	14,846,748	-	-	-	-	14,846,748
Long term deposits	-	-	-	39,500	-	39,500
Fixed assets under ijarah arrangements	32,959,576	-	-	-	-	32,959,576
Fixed assets - own use	-	-	88,759	-	-	88,759
<b>Total assets - 30 June 2022</b>	93,078,856	142,000,000	30,599,341	39,500	-	265,717,697
<b>Liabilities</b>						
Accrued profit on short term financing	70,311,279	-	-	-	-	70,311,279
Short term finances - secured	217,063,388	-	-	-	-	217,063,388
Creditors, accrued and other liabilities	805,781	1,683,201	-	-	-	2,488,982
Unclaimed dividend	425,218	-	-	-	-	425,218
Provision for taxation	534,456	-	-	-	-	534,456
Security deposits against ijarah assets	33,006,276	-	-	-	-	33,006,276
<b>Total liabilities - 30 June 2022</b>	322,146,398	1,683,201	-	-	-	323,829,599
<b>Net assets - 30 June 2022</b>	(229,067,542)	140,316,799	30,599,341	39,500	-	(58,111,902)

# Annual Report 2023

	2023 Rupees	2022 Rupees
<b>Represented by:</b>		
Certificate capital	250,000,000	250,000,000
Statutory reserve	45,519,244	44,699,137
Accumulated loss	(349,342,631)	(352,623,061)
	<u>(53,823,387)</u>	<u>(57,923,924)</u>
Unrealised loss on revaluation of sukuks	(1,755,396)	(187,978)
	<u>(55,578,783)</u>	<u>(58,111,902)</u>

## 34 SEGMENT INFORMATION

- 34.1** 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.
- 34.2** 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.
- 34.3** 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 2023, there is only one (30 June 2022: 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% (2022: 30%).

## 35 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 October 05, 2023

## 36 GENERAL

Comparative figures are rearranged/ reclassified, wherever necessary, to facilitate comparison. No material re-arrangements/ reclassifications have been made in 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: October 05, 2023



## PATTERN OF CERTIFICATE HOLDING

AS ON JUNE 30, 2023

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	545,096	2.18
98	5001 -	10000	791,883	3.17
37	10001 -	15000	409,409	1.64
19	15001 -	20000	344,391	1.38
20	20001 -	25000	547,990	2.19
15	25001 -	30000	403,997	1.62
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>1,049</b>			<b>25,000,000</b>	<b>100.00</b>

## Annual Report 2023

### CATEGORIES OF CERTIFICATE HOLDERS AS ON JUNE 30, 2023

Ser #	Code	Category	No. of Certificate Holder	Certificate Held	Percentage of Total Capital
1	1	Individuals	1,041	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>1,049</b>	<b>25,000,000</b>	<b>100.0000</b>

**CATEGORIES DETAILS  
AS ON JUNE 30, 2023**

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

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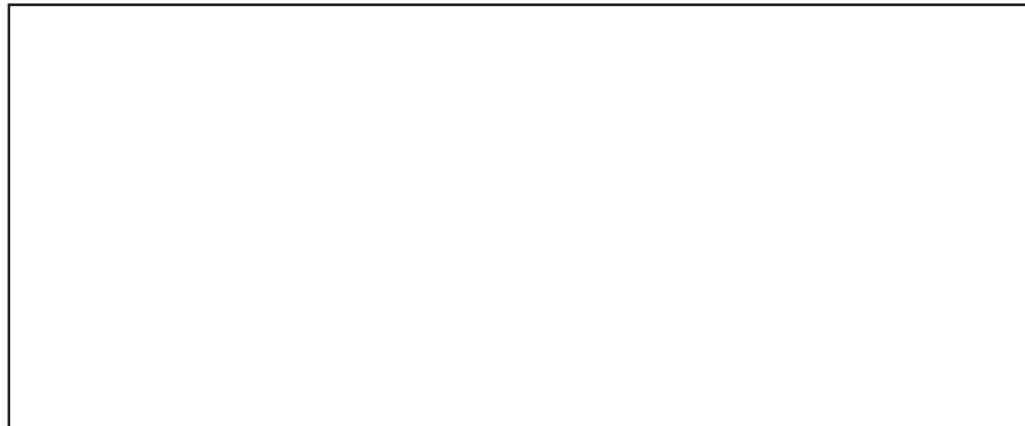
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