



FIRST NATIONAL BANK MODARABA

Managed By:

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

QUARTERLY REPORT
MARCH 31,
2022

First National Bank Modaraba

Quarterly Report

March 31, 2022

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CORPORATE INFORMATION

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

Directors' Quarterly Review Report

On behalf of the Board of Directors of National Bank Modaraba Management Company Limited (NBMMCL), the Management Company of First National Bank Modaraba (FNBM), I am presenting the quarterly report, together with un-audited financial statements of FNBM for the quarter and nine month ended March 31, 2022.

During the period under review the focus of management remained on recovery, particularly from the classified portfolio. Various settlement arrangements were made with some defaulter customers and an amount of Rs.36.364 million was realized from them during the period the related provisioning reversals are reflected in the interim accounts.

On the operations side the total income figured to Rs.9.906 Million in the period under review as compared to Rs.9.511 Million in the corresponding period last year. Financial cost remained at Rs.15.620 Million compared to Rs.12.733 Million in the corresponding period. The operating expenses, despite prevailing inflation, slightly declined to Rs.9.936 Million compared to Rs.10.544 Million in the corresponding period. The profit per certificate stood at Rs.0.35 as compared to a profit per certificate of Rs 0.34 in the corresponding period.

The Board would like to take this opportunity to thank its valued certificate holders and clients for their patronage and consistent patience. Besides, the Board extends its sincere gratitude to Registrar Modarabas, SECP and NBF1 & Modaraba Association of Pakistan for their continued guidance and support.

For and on behalf of the Board

For and on behalf of the Board



Chief Executive Officer

Lahore: April 26, 2022

ڈائریکٹرز کی نو ماہی جائزہ رپورٹ

فرسٹ نیشنل بینک مضاربہ (FNBM) کی انتظامی کمپنی نیشنل بینک مضاربہ مینجمنٹ کمپنی لمیٹڈ (NBMMCL) کے بورڈ آف ڈائریکٹرز کی جانب سے میں 31 مارچ، 2022ء کو اختتام پذیر نو ماہی اور سہ ماہی کے لئے FNBM کی سہ ماہی رپورٹ کے ہمراہ غیر پڑتال شدہ مالیاتی اسٹیٹمنٹس پیش کرتا ہوں۔

زیر جائزہ مدت کے دوران انتظامیہ کی توجہ خصوصاً کلاسیفائیڈ پورٹ فولیو سے بحالی پر مرکوز رہی۔ نادہندہ صارفین سے کئی سمجھوتے کئے گئے اور ان سے 36.34 ملین روپے کی رقم وصول کی گئی۔ اس بابت آمدنی و اخراجات کی عبوری کھاتوں میں عکاسی کی گئی ہے۔

آپریٹنرز کی بابت زیر جائزہ مدت میں 9.906 ملین روپے کی کل آمدنی درج ہوئی جب کہ گذشتہ برس کی اسی مدت میں آمدنی 9.511 ملین روپے تھی۔ گذشتہ برس میں 12.733 ملین روپے کی نسبت مالیاتی لاگت 15.620 ملین روپے رہی۔ جاری افراط زر کے باوجود آپریٹنگ اخراجات میں گذشتہ برس کی اسی مدت کے دوران 10.544 ملین روپے کی نسبت 9.936 ملین روپے کمی ریکارڈ ہوئی۔ فی سٹریٹفیکٹ منافع 0.35 روپے رہا جب کہ گذشتہ برس کی اسی مدت میں یہی منافع 0.34 روپے فی سٹریٹفیکٹ تھا۔

بورڈ اس نادرموقع پر اپنے معزز سٹریٹفیکٹ ہولڈرز اور کلائینٹس کی حمایت اور مسلسل صبر کے لئے تہہ دل سے شکر گزار ہے۔ علاوہ ازیں، بورڈ رجسٹرار مضاربہ، SECP اور NBFI اور مضاربہ ایسوسی ایشن آف پاکستان کی لگاتار رہنمائی اور معاونت کو بھی سراہتا ہے۔

منجانب/ برائے بورڈ



چیف ایگزیکٹو آفیسر

لاہور: 26 اپریل، 2022ء

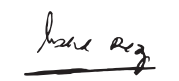
CONDENSED INTERIM BALANCE SHEET (UNAUDITED) AS AT MARCH 31, 2022

	Note	March 31, 2022 (Un-audited) Rupees	June 30, 2021 (Audited) Rupees
ASSETS			
CURRENT ASSETS			
Cash and bank balances		8,591,069	12,975,175
Short term murabaha investments - secured	4	4,824,200	3,638,222
Accrued profit		4,169,137	1,445,282
Short term investments	5	158,431,620	117,078,393
Ijarah rentals receivable	6	35,700,874	45,668,275
Advances, prepayments and other receivables		5,565,318	6,563,679
Current portion of non current assets	7	16,597,036	18,697,036
		233,879,254	206,066,062
NON-CURRENT ASSETS			
Net investment in ijarah finance	8	-	-
Diminishing musharaka financing - secured	9	-	-
Long term murabaha investments - secured	10	-	-
Long term loans and deposits		39,500	39,500
Fixed assets under ijarah arrangements	11	32,959,576	33,024,976
Fixed assets - own use	12	15,800	27,700
Deferred tax asset	13	-	-
		33,014,876	33,092,176
TOTAL ASSETS		266,894,130	239,158,238
LIABILITIES			
CURRENT LIABILITIES			
Accrued profit		62,400,449	46,806,932
Short term finances - secured	14	217,063,388	217,063,388
Creditors, accrued and other liabilities		7,721,335	3,886,183
Security deposits against ijarah assets		33,006,276	33,071,676
Unclaimed dividend		425,218	425,218
		320,616,666	301,253,397
TOTAL LIABILITIES		320,616,666	301,253,397
NET LIABILITIES		(53,722,536)	(62,095,159)
FINANCED BY:			
Certificate capital	15	250,000,000	250,000,000
Statutory reserves		44,733,767	44,177,257
Accumulated loss		(346,751,354)	(354,710,581)
		(52,017,587)	(60,533,324)
Unrealised loss on revaluation of sukus		(1,704,949)	(1,561,835)
CONTINGENCIES AND COMMITMENTS		-	-
TOTAL EQUITY AND RESERVES		(53,722,536)	(62,095,159)

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



Chief Executive Officer
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Chief Financial Officer
National Bank Modaraba
Management Company Limited

Lahore: April 26, 2022

Quarterly Report-March 31, 2022

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2022

	Note	Nine Months Ended		Quarter Ended	
		March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
		Rupees	Rupees	Rupees	Rupees
Income from Operations					
Ijarah rentals earned / income from ijarah finance		-	2,321,200	-	1,334,007
Profit on diminishing musharaka financing		-	48,277	-	-
Profit on murabaha investments		-	1,250,396	-	-
Profit on bank deposits		121,432	97,554	43,301	35,785
Profit on short term investments		9,784,796	5,793,823	4,153,936	2,429,554
		9,906,228	9,511,250	4,197,237	3,799,346
Other Income					
Reversal of provision charged for doubtful receivables	18	35,214,291	23,836,566	1,028,500	23,312,563
Suspension reversed during the period		1,151,081	-	-	-
Other income		290,178	569	2,188	569
		36,655,550	23,837,135	1,030,688	23,313,132
Total Income		46,561,778	33,348,385	5,227,925	27,112,478
Expenses					
Depreciation on ijarah assets		-	(1,585,213)	-	(683,181)
Operating expenses		(9,936,386)	(10,544,713)	(2,780,385)	(2,594,380)
Loss on termination of diminishing musharaka		-	-	-	-
Finance cost		(15,620,350)	(12,733,338)	(5,823,429)	(4,158,626)
Total Expenses		(25,556,736)	(24,863,264)	(8,603,814)	(7,436,187)
Operating profit/(Loss) before Provisions and Taxation		21,005,042	8,485,121	(3,375,889)	19,676,291
Provision charged for doubtful receivables - net		(9,176,980)	-	-	-
		11,828,062	8,485,121	(3,375,889)	19,676,291
Modaraba Company's management fee		(1,182,806)	-	-	-
Provision for worker's welfare fund		(212,905)	-	-	-
Profit/(Loss) before Taxation		10,432,351	8,485,121	(3,375,889)	19,676,291
Taxation		(1,773,500)	-	-	-
Profit/(Loss) for the Period		8,658,851	8,485,121	(3,375,889)	19,676,291
Profit/(Loss) per Certificate - Basic and Diluted		0.35	0.34	(0.14)	0.79

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

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

Lahore: April 26, 2022

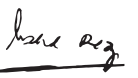
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2022

	Nine Months Ended		Quarter Ended	
	March 31, 2022	March 31, 2021	March 31, 2022	March 31, 2021
	Rupees	Rupees	Rupees	Rupees
Profit/(Loss) for the Period	8,658,851	8,485,121	(3,375,889)	19,676,291
Other Comprehensive Income:				
<i>Items that will not be reclassified to profit and loss</i>	-	-	-	-
<i>Items that may be reclassified subsequently to profit and loss</i>				
Surplus / (Deficit) on revaluation of sukus	(143,114)	10,166	-	10,166
Other comprehensive income / (loss) for the period	(143,114)	10,166	-	10,166
Total Comprehensive Loss for the Period	8,515,737	8,495,287	(3,375,889)	19,686,457

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Director
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Management Company Limited



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Management Company Limited



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Management Company Limited

Lahore: April 26, 2022

Quarterly Report-March 31, 2022

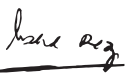
CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2022

	Nine Months Ended	
	March 31,2022	March 31,2021
	Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss for the Period	10,432,351	8,485,121
Adjustment for:		
- Depreciation on fixed assets under own use	11,900	14,257
- Depreciation on fixed assets under ijarah arrangements	-	1,585,213
- Loss / (gain) on termination of ijarah arrangements	(127,302)	(223,659)
- Profit on short term investments	(9,784,796)	(5,793,823)
- Charge of provision against doubtful ijarah rentals receivable - net	9,176,980	-
- Reversal of provision for doubtful finances	(36,365,372)	(23,836,566)
- Provision for worker's welfare fund	401,794	-
- Finance cost	15,620,350	12,733,338
- Profit on term deposit receipts and bank deposits	(121,432)	(97,554)
	(21,187,878)	(15,618,794)
Operating loss before working capital changes	(10,755,527)	(7,133,673)
Decrease / (Increase) in operating assets:		
- Accrued profit	7,060,941	4,631,638
- Ijarah rentals receivable	790,421	778,212
- Advances, prepayments and other receivables	(775,139)	(3,304,145)
- Short term murabaha investments	34,207,894	23,312,562
- Diminishing musharaka financing	2,100,000	7,687,624
- Long term murabaha investments	-	1,274,849
(Decrease) / Increase in operating liabilities:		
- Creditors, accrued and other liabilities	2,227,902	960,502
Net changes in working capital	45,612,019	35,341,242
Net Cash Generated from Operations	34,856,492	28,207,569
Finance cost paid	(26,833)	(16,686)
Income taxes paid	-	(579,421)
Profit received on bank deposits	121,432	97,554
Long term loans and deposits - net	-	136,629
Net Cash Generated from Operating Activities	34,951,091	27,845,645
CASH FLOWS FROM INVESTING ACTIVITIES		
Short term investments -net	(39,462,499)	(46,562,500)
Proceeds from disposal of ijarah assets	127,302	1,022,739
Net Cash Used in Investing Activities	(39,335,197)	(45,539,761)
CASH FLOWS FROM FINANCING ACTIVITIES	-	-
Net Decrease in Cash and Cash Equivalents	(4,384,106)	(17,694,116)
Cash and cash equivalents at the beginning of the period	12,975,175	22,655,332
Cash and Cash Equivalents at the End of the period	8,591,069	4,961,216

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



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Management Company Limited



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National Bank Modaraba
Management Company Limited



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Management Company Limited



Chief Financial Officer
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Management Company Limited

Lahore: April 26, 2022

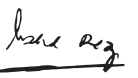
CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2022

Particulars	Certificate Capital	Statutory Reserves	Accumulated Loss	Total Equity
	Rupees			
Balance as at June 30, 2020	250,000,000	43,955,189	(357,116,241)	(63,161,052)
Total comprehensive loss for the nine months period ended March 31, 2021				
Net loss for the period	-	-	8,485,121	8,485,121
Other comprehensive loss for the period	-	-	-	10,166
Total comprehensive loss for the period	-	-	8,485,121	8,495,287
Transferred to statutory reserve	-	-	-	-
Balance as at March 31, 2021	<u>250,000,000</u>	<u>43,955,189</u>	<u>(348,631,120)</u>	<u>(54,665,765)</u>
Balance as at June 30, 2021	250,000,000	44,177,257	(354,710,581)	(60,533,324)
Total comprehensive income for the six months period ended March 31, 2022				
Net profit for the period	-	-	8,658,851	8,658,851
Other comprehensive income for the period	-	-	(143,114)	(143,114)
Total comprehensive income for the period	-	-	8,515,737	8,515,737
Transferred to statutory reserve	-	556,510	(556,510)	-
Balance as at March 31, 2022	<u>250,000,000</u>	<u>44,733,767</u>	<u>(346,751,354)</u>	<u>(52,017,587)</u>

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



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Chief Financial Officer
National Bank Modaraba
Management Company Limited

Lahore: April 26, 2022

NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED) FOR THE NINE MONTHS ENDED MARCH 31, 2022

Note 1

Legal Status and Nature of Business

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

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

1.2 Going concern assumption

During the current period, the Modaraba made profit before 'Modaraba Company's Management Fee' of Rs. 11.828 million (2021: Rs. 1.516 million). As at the reporting date, its current liabilities exceed its current assets by Rs. 86.737 million (June 2021: Rs. 95.187 million) and its accumulated losses amount to Rs. 346.751 million (June 2021: Rs. 354.710 million). As referred in Note 14, the short term running finance facility obtained from National Bank of Pakistan (NBP) was expired on October 31, 2019 that has yet not been renewed and markup outstanding thereupon is still payable as at the reporting date.

In purview of the consistent losses of the Modaraba, the Registrar Modaraba issued a show cause notice to it as to why should the proceedings to wind up the Modaraba not be initiated in terms of Section 23(1)(ii)(b) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. Later, the Registrar Modaraba in exercise of powers conferred under Section 23(1)(ii)(b) of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and show cause notice, has passed an order dated October 31, 2019, for filing an application for winding up before the Modaraba Tribunal, Lahore. Subsequent to order dated October 31, 2019 of Registrar Modaraba, the winding up petition has been filed on June 16, 2020 under section 23(1)(ii)(b) before the Honorable Modaraba Tribunal, Lahore. However the case is pending for initial hearing in Banking Court and the next date of hearing is April 27, 2022.

Accumulated losses as on March 31, 2022 contain Rs. 264.96 million (June 30, 2021: 300.174 million) against provision for doubtful receivables; the management believes that these amounts are notional in nature and these provisions are reversible in future to the extent of actual cash recoveries, as and when realized, from the defaulter clients. The Modaraba has filed legal suits for recovery against all its defaulter clients and Rs. 400.436 million (June 30, 2021: 400.436 million) have been decreed in Modaraba's favor by the Honorable Banking Courts, against principal amount, that are pending execution. FNBM has made recovery of Rs 36.364million from various customers. Moreover, total current liabilities amounting to Rs. 319.411 million (June 30, 2021: Rs. 301.253 million) include Rs. 279.463 million (June 30, 2021: Rs.263.870 million) payable to National Bank of Pakistan (NBP) on account of outstanding principal and mark-up on short term running finance facility that the management believes is not readily payable. Further, the current liabilities also include Rs. 33.006 million (June 30, 2021: Rs. 33.024 million) worth security deposits that are not repayable rather these shall be adjusted against the residual value of ijarah assets.

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

Note 2

Basis of Preparation

- 2.1** These condensed interim financial statements (un-audited) have been prepared in accordance with the directives issued by the Securities & Exchange Commission of Pakistan (SECP) and are in compliance with the International Accounting Standard - 34 (Interim Financial Reporting) and being submitted to certificate holders as required under law.
- 2.2** These condensed interim financial statements (un-audited) should be read in conjunction with annual audited financial statements for the year ended June 30, 2021. Comparative balance sheet is extracted from audited financial statements for the year ended June 30, 2021; whereas, comparative profit and loss account, statement of comprehensive income, cash flows statement and statement of changes in equity are extracted from unaudited interim financial statements for the nine-months period ended on March 31, 2021.
- 2.3** These condensed interim financial statements (un-audited) have been prepared on the basis other than going concern using estimated realizable / settlement values of the assets and liabilities respectively. In realizable / settlement value basis, assets are carried at amount of cash and cash equivalents that could currently be obtained by selling the assets in an orderly disposal. Liabilities are carried at their settlement values, that is the undiscounted amounts of cash or cash equivalents expected to be paid to satisfy the liabilities in the normal course of business. These realizable / settlement values are based on management judgment and other available evidence; however, these may change on actual realization of assets / settlement of liabilities.
- 2.5** These condensed interim financial statements (un-audited) are presented in Pak Rupees, which is the Modaraba's functional and presentation currency. All the figures have been rounded off to the nearest Pak Rupees unless stated otherwise.

Note 3

Accounting Policies

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

Quarterly Report-March 31, 2022

Note 4

Short Term Murabaha Investments - Secured

		March 31, 2022	June 30, 2021
	Note	(Un-audited) Rupees	(Audited) Rupees
Considered good		-	-
Considered doubtful		171,487,919	205,516,232
		<u>171,487,919</u>	<u>205,516,232</u>
Add: Deferred murabaha income		273,874	1,424,955
		<u>171,761,793</u>	<u>206,941,187</u>
Less: Provision for non-performing murabaha investments	4.2	(166,663,719)	(201,878,010)
Less: Suspended income		<u>(273,874)</u>	<u>(1,424,955)</u>
		<u><u>4,824,200</u></u>	<u><u>3,638,222</u></u>

4.2 Provision for non-performing murabaha investments

Opening balance	201,878,010	227,462,959
Reversed during the period / year	<u>(35,214,291)</u>	<u>(25,584,949)</u>
Closing balance	<u><u>166,663,719</u></u>	<u><u>201,878,010</u></u>

This represents receivable from 9 (June 30, 2021: 9) customers under Murabaha finance. Legal proceedings against these customers are in

Note 5

Short Term Investments

			March 31, 2022	June 30, 2021
	2022	2021	(Un-audited) Rupees	(Audited) Rupees
	Number	Number		
Investments in sukuk of Rs. 100,000 each - fair value through OCI				
	550	550	31,759,478	35,406,250
	200	200	6,672,142	11,672,143
	<u>750</u>	<u>750</u>	<u>38,431,620</u>	<u>47,078,393</u>
BankIslami Limited - Term Deposits Receipts			<u>120,000,000</u>	<u>70,000,000</u>
			<u><u>158,431,620</u></u>	<u><u>117,078,393</u></u>

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Note 6

Ijarah Rentals Receivable

		March 31, 2022	June 30, 2021
	Note	(Un-audited) Rupees	(Audited) Rupees
Considered good - secured		-	643,924
Considered doubtful	6.1	106,298,151	108,742,226
Less: Provision for doubtful ijarah rentals receivable	6.2	(47,878,739)	(24,211,493)
Less: Profit held in suspense account		(22,718,538)	(22,718,538)
		35,700,874	61,812,195
		35,700,874	62,456,119

6.1 This represents receivables from various customers under ijarah finance. Legal proceedings against 7 (June 30, 2021: 7) customers are in process in the Honorable Courts of Law. Courts have awarded decree in favour of Modaraba in 6 (June 30, 2021: 6) cases for recovery of Rs. 141.67 million (June 30, 2021: 141.67 million), while the order to execute decree is awaited.

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

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

Note 7

Current Portion of Non Current Assets

		March 31, 2022	June 30, 2021
	Note	(Un-audited) Rupees	(Audited) Rupees
Net investment in ijarah finance	8	13,496,734	13,496,734
Diminishing musharaka financing	9	3,100,302	5,200,302
Long term murabaha investments	10	-	-
Long term loans and deposits		-	-
		16,597,036	18,697,036

Note 8

Net Investment in Ijarah Finance

		March 31, 2022	June 30, 2021
		(Un-audited) Rupees	(Audited) Rupees
Minimum ijarah rentals receivable		50,785,554	50,785,554
Add: Residual value of ijarah assets		46,700	46,700
Gross investment in ijarah finance		50,832,254	50,832,254
Less: Unearned finance income		(24,109,320)	(24,109,320)
Net investment in lease ijarah finance		26,722,934	26,722,934
Less: Provision for doubtful net investment in ijarah finance		(13,226,200)	(13,226,200)
		13,496,734	13,496,734
Less: Current portion (Note 7)		(13,496,734)	(13,496,734)
		-	-

8.1 This investment represents ijarah arrangement entered with a customer for a period of 10 years at an implicit profit rate of 8.7% against security deposits of Rs. 46,700 (2021: 46,700). Legal proceedings against the customer are in process in the Honorable Court of Law. The Court has yet not awarded decree in favour of the Modaraba, while the liquidator has been appointed on the customer for its winding up.

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Note 9

Diminishing Musharaka Financing - Secured

		March 31,2022	June 30, 2021
	Note	(Un-audited) Rupees	(Audited) Rupees
Considered good		-	862,668
Considered doubtful		3,100,302	4,337,634
Provision against doubtful diminishing musharaka		-	-
		<u>3,100,302</u>	<u>4,337,634</u>
		3,100,302	5,200,302
Less: Current portion	7	<u>(3,100,302)</u>	<u>(5,200,302)</u>
		<u>-</u>	<u>-</u>

The provision against doubtful diminishing musharaka financing has not been incorporated as the forced sale value of collaterally held assets is

Note 10

Long Term Murabaha Investments - Secured

		March 31,2022	June 30, 2021
	Note	(Un-audited) Rupees	(Audited) Rupees
Considered good		-	-
Considered doubtful		59,594,049	59,594,049
		<u>59,594,049</u>	<u>59,594,049</u>
Add: Deferred murabaha income		29,388,304	29,388,304
		<u>88,982,353</u>	<u>88,982,353</u>
Less: Provision for doubtful murabaha investments		(59,594,049)	(59,594,049)
Less: Suspension for doubtful murabaha investments		<u>(29,388,304)</u>	<u>(29,388,304)</u>
		-	-
Less: Current portion	7	<u>-</u>	<u>-</u>
		<u>-</u>	<u>-</u>

10.1 These represent investments under murabaha arrangements on deferred payment basis at a profit margin ranging from 9.85% to 14.61% (June 30, 2021: 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 customer companies, demand promissory notes and post-dated cheques varying from case to case.

10.2 This represents receivable from 3 (June 30, 2021: 3) customers under the Murabaha finance. Legal proceedings against 2 (June 30, 2021: 2) customers are in process in the Honorable Courts of Law. The Courts have awarded decree in favour of the Modaraba in 2 (June 30, 2021: 2) cases for recovery of Rs. 83.068 million (June 30, 2021: 83.068 million), while the order to execute decree is awaited.

10.3 Provision for doubtful murabaha investments

Opening balance	59,594,049	63,399,069
Reversed during the period / year	-	(3,805,020)
Closing balance	<u>59,594,049</u>	<u>59,594,049</u>

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Note 11

Fixed Assets under Ijarah Arrangements

	March 31, 2022	June 30, 2021
	(Un-audited) Rupees	(Audited) Rupees
Written down value at the beginning of the period / year	33,024,976	39,565,335
Less: Written down value of assets disposed off / adjusted	(65,400)	(5,393,318)
	32,959,576	34,172,017
Less: Depreciation charged during the period / year	-	(1,147,041)
	<u>32,959,576</u>	<u>33,024,976</u>
11.1 Written down value of assets disposed off / adjusted		
Plant and machinery	-	362,365
Vehicle	65,400	5,030,953
	<u>65,400</u>	<u>5,393,318</u>
11.2 General description of significant ijarah arrangements (IFAS-2)		

The Modaraba has entered into various ijarah agreements for periods ranging from 3 to 14 years (June 30, 2021: 3 to 14 years). Security deposits ranging from 0% to 60% (June 30, 2021: 0% to 60%) are obtained at the time of disbursement. The rate of profit implicit in ijarah ranges from 9.87% to 16.55% (June 30, 2021: 9.87% to 16.55%) per annum.

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

Note 12

Fixed Assets under Own Use

	March 31, 2022	June 30, 2021
	(Un-audited) Rupees	(Audited) Rupees
Written down value at the beginning of the period / year	27,700	59,234
Additions at cost	-	-
	27,700	59,234
Less: Depreciation charged during the period / year	(11,900)	(31,534)
	<u>15,800</u>	<u>27,700</u>

Note 13

Deferred Tax Asset

Deferred tax asset amounting to Rs. 23.967 million (June 30, 2021: Rs. 25.943 million) has not been recognized in these condensed interim financial statements (un-audited) as the temporary differences are not expected to reverse in foreseeable future and taxable profits may not be available against which the temporary differences can be utilized.

Note 14

Short Term Finance - Secured

	March 31, 2022	June 30, 2021
	(Un-audited) Rupees	(Audited) Rupees
From banking companies		
Running finance from associated undertaking - National Bank of Pakistan	<u>217,063,388</u>	<u>217,063,388</u>

- 14.1 The Modaraba has obtained running finance facility of Rs. 250 million (June 2021: Rs. 250 million) from National Bank of Pakistan carrying mark-up / profit at 1 month KIBOR plus 0.50% (June 2021: 1 month KIBOR plus 0.5%) per annum payable monthly. The effective mark-up / profit rate charged during the period ranged from 7.83% to 7.93% (June 2021: 8.83% to 13.34%) per annum. This facility is secured by way of first joint pari passu hypothecation charge on all present and future receivables, leased assets and related lease receivables and present and future assets of the Modaraba to the extent of Rs 277.778 million (June 2021: Rs 277.778 million). This facility expired on October 31, 2019 and has yet not been renewed .

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Note 15

Certificate Capital

March 31,2022	June 30, 2021		March 31,2022	June 30, 2021
(Un-audited) Number of certificates	(Un-audited) (Audited) Number of certificates		(Un-audited) Rupees	(Audited) Rupees
Authorized:				
<u>60,000,000</u>	<u>60,000,000</u>	Modaraba certificates of Rupees 10 each	<u>600,000,000</u>	<u>600,000,000</u>
Issued, subscribed and paid-up certificate capital:				
<u>25,000,000</u>	<u>25,000,000</u>	Modaraba certificates of Rupees 10 each	<u>250,000,000</u>	<u>250,000,000</u>

15.1 7,500,000 (June 30, 2021: 7,500,000) certificates of the Modaraba are held by National Bank Modaraba Management Company Limited, the modaraba management company.

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

Note 16

Taxation

During the year owing to profits, the Modaraba has recognised the tax expense of Rs 1.773 million (2021:NIL owing to brought forward of losses). Tax charge for the current year represents Alternate Tax under section 113C of the Income Tax Ordinance,2001.

Note 17

Contingencies and Commitments

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

Note 18

Reversal of Provision Charged for Doubtful Receivables

	March 31,2022	March 31,2021
	(Un-audited) Rupees	(Un-audited) Rupees
Provision for short term non-performing murabaha investments	35,214,291	23,312,563
Provision for doubtful ijarah rentals receivable	-	524,003
	<u>35,214,291</u>	<u>23,836,566</u>

Note 19

Financial Risk Management

19.1 Financial risk factors

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

19.2 Fair value estimation

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).

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- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2).

- Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

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

	March 31,2022			June 30, 2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	-----Rupees-----					
Assets						
Short term investments	38,431,620	-	-	47,078,393	-	-

During the nine months period ended March 31,2022, there were no significant changes in the business or economic circumstances that affect the fair value of the Modaraba's financial assets and financial liabilities. Furthermore, there were no reclassifications of financial assets and there were no changes in valuation techniques during the period.

Note 20

Balances and Transactions with Related Parties

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

			March 31,2022	March 31,2021
			(Un-audited) Rupees	(Audited) Rupees
20.1	Transactions during the period / year			
	Related party	Relationship	Nature of Transaction	
	National Bank Modaraba Management Company Limited	Modaraba's Management Company	Management fee	1,182,806
	National Bank of Pakistan	Modaraba Management Company's holding company	Mark up expense	12,733,338
20.2	Balances outstanding as at period / year			
			(Un-audited) Rupees	(Audited) Rupees
	Bank accounts with National Bank of Pakistan		457,427	77,340
	Finances from National Bank of Pakistan		217,063,388	217,063,388
	Markup payable to National Bank of Pakistan		62,400,449	41,212,478
	Management fee payable to National Bank Modaraba Management Company		1,182,806	-

Note 21

Segment Information

- 21.1** As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer (CEO) of the Modaraba is identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.
- 21.2** The CEO is responsible for the Modaraba's entire product portfolio and considers the business as a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

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- 21.3 The internal reporting provided to the CEO for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting and reporting standards as applicable in Pakistan. The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investment in entities incorporated in Pakistan. The Modaraba also has a diversified certificate holder population. As at March 31, 2022, there were two (June 30, 2021: two) certificate holder.

Note 22

Date of Authorization for Issue

These condensed interim financial statements (un-audited) have been approved by the Board of Directors of National Bank Modaraba Management Company Limited and authorized for issuance on April 26, 2022.

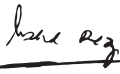
Note 23

General

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



Chief Executive Officer
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Director
National Bank Modaraba
Management Company Limited



Chief Financial Officer
National Bank Modaraba
Management Company Limited

Lahore: April 26, 2022

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