



A Wholly Owned Subsidiary of  
The Bank of Punjab

**FIRST PUNJAB MODARABA**

*(An Islamic Financial Institution)*



# ANNUAL REPORT

**AUDITED**

**31 DECEMBER  
2023**



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# CORPORATE PROFILE

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## Board of Directors

Punjab Modaraba Services (Pvt.) Ltd.

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Nadeem Amir	Chairman
Ijaz ur Rehman Qureshi	Director
Umer Iqbal Sheikh	Director
Imran Bashir	Director
Samina Afsar	Director
Khawar Shahid Ansari	Director

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## Chief Financial Officer

Zeeshan Ahmed

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## Company Secretary

Mudassar Kaiser Pal

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## Audit Committee

Imran Bashir	Chairman
Ijaz ur Rehman Qureshi	Member
Samina Afsar	Member

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## Human Resource Committee

Samina Afsar	Chairperson
Ijaz ur Rehman Qureshi	Member
Umer Iqbal Sheikh	Member
Imran Bashir	Member

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## Board Risk Management Committee

Ijaz ur Rehman Qureshi	Chairman
Umer Iqbal Sheikh	Member

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## Auditors of the Modaraba

Kreston Hyder Bhimji & Co.  
Chartered Accountants

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## Auditors of the Management Company

Shinewing Hameed Chaudhry & Co.  
Chartered Accountants

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## Bankers

The Bank of Punjab  
NRSP Microfinance Bank Limited  
BankIslami Pakistan Limited  
U Microfinance Bank Limited

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## Registrar

Hameed Majeed Associates (Pvt.) Ltd.  
H.M House, 7-Bank Square,  
The Mall, Lahore  
Tel : (+92-42) 37235081-2

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## Registered Office

Office # 100, 3rd Floor, National Tower,  
28-Egerton Road, Lahore.  
Postal Code No. 54600  
PABX : (+92-42) 36365191  
FAX : (+92-42) 36365193  
E-mail : info@punjabmodaraba.com.pk  
URL : www.punjabmodraba.com.pk



A Wholly Owned Subsidiary of  
The Bank of Punjab

## Our Vision

**Connect the Community to  
Islamic Mode of Financing**



## Our Mission

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-  Risk profiler\*
-  Financial calculator
-  Subscription to Alerts (event  
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regulatory actions)
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# SIX YEARS AT A GLANCE

(Amounts in '000)

	June-19	June-20	June-21	December-21	December-22	December-23
					Restated	
<b>BALANCE SHEET</b>						
Authorized Capital	500,000	500,000	500,000	500,000	500,000	500,000
<b>Equity:</b>						
Issued, Subscribed & Paid Up Capital	340,200	340,200	340,200	340,200	340,200	340,200
Reserves	216,693	216,693	218,177	218,177	218,177	218,177
Subordinated Funds	-	-	-	-	-	500,000
Un-appropriated Profit	(364,283)	(419,594)	(413,658)	(471,759)	(570,903)	(680,258)
<b>Total</b>	<b>192,609</b>	<b>137,298</b>	<b>144,719</b>	<b>86,618</b>	<b>(12,526)</b>	<b>378,119</b>
<b>Liabilities:</b>						
Redeemable Capital	445,518	1,013,549	1,014,102	1,603,000	1,825,000	1,485,000
Musharikhah Arrangements	1,223,622	648,739	535,129	131,101	-	-
Accrued, Deferred & Other Liabilities	267,847	284,388	254,069	269,688	218,842	326,628
<b>Total</b>	<b>1,936,987</b>	<b>1,946,675</b>	<b>1,803,299</b>	<b>2,003,789</b>	<b>2,043,842</b>	<b>1,811,628</b>
<b>Total Equity &amp; Liabilities</b>	<b>2,129,596</b>	<b>2,083,974</b>	<b>1,948,018</b>	<b>2,090,407</b>	<b>2,031,316</b>	<b>2,189,747</b>
<b>Operating Assets:</b>						
Ijarah Assets	363,711	509,909	450,440	331,566	237,096	148,068
Deferred tax	64,399	64,399	64,399	64,399	61,046	109,658
Musharikhah Investment	857,740	650,888	582,556	713,093	843,941	778,624
Morabaha Investment	308,264	305,443	251,927	184,804	249,948	245,426
<b>Sub Total</b>	<b>1,594,114</b>	<b>1,530,639</b>	<b>1,349,321</b>	<b>1,293,861</b>	<b>1,392,030</b>	<b>1,281,776</b>
<b>Other Assets:</b>						
Assets in own use	3,338	3,108	3,217	3,415	4,695	5,122
Investment in Subsidiary	76,500	76,500	76,500	76,500	76,500	-
Deposits, Prepayments & other receivables	412,619	448,624	407,232	581,353	531,414	669,304
Cash & Bank Balances	43,025	25,103	111,748	135,278	26,676	233,545
<b>Sub Total</b>	<b>535,482</b>	<b>553,335</b>	<b>598,697</b>	<b>796,546</b>	<b>639,285</b>	<b>907,971</b>
<b>Total Assets</b>	<b>2,129,596</b>	<b>2,083,974</b>	<b>1,948,018</b>	<b>2,090,407</b>	<b>2,031,315</b>	<b>2,189,747</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>						
Operating Income	169,527	187,385	139,449	63,854	150,676.36	244,357.41
Other Income	17,903	10,700	13,573	6,492	60,832	86,962
<b>Total Income</b>	<b>187,430</b>	<b>198,084</b>	<b>153,023</b>	<b>70,346</b>	<b>211,508</b>	<b>331,319</b>
Operating Expenses	30,319	45,719	24,877	26,722	69,596.13	79,992.20
Financial Charges	150,423	207,676	119,205	55,318	220,687	358,391
Management Fee	-	-	-	-	-	-
<b>Total Expenses</b>	<b>180,742</b>	<b>253,395</b>	<b>144,082</b>	<b>82,040</b>	<b>290,283</b>	<b>438,383</b>
Profit / (loss) before Taxation	6,688	(55,311)	8,941	(1,352)	(81,344)	(153,305)
Taxation	(463)	-	(1,520)	-	6,200	(41,743)
<b>Profit for the year</b>	<b>6,225</b>	<b>(55,311)</b>	<b>7,421</b>	<b>(1,352)</b>	<b>(87,544)</b>	<b>(111,562)</b>
<b>DISTRIBUTION:</b>						
Cash Dividend(%)	-	-	-	-	-	-
Bonus (%)	-	-	-	-	-	-
<b>RATIOS:</b>						
Breakup Value (Rs.)	5.68	4.04	4.25	2.55	(0.37)	11.11
Earning per Certificate (Rs.)	0.18	(1.63)	0.22	0.00	-	-
Return on Equity (Rs.)	3.23	(40.29)	5.13	N-A	N-A	N-A

## CHAIRMAN'S REVIEW

Dear valued Certificate Holders,

I feel pleasure to share my views on behalf of the Board of Directors ("the Board") of Punjab Modaraba Services (Pvt) Limited for year ended December 31, 2023. I offer my earnest gratitude to every one of you for your backing.

The year under review was full of challenges in perspective of country's economy, such as high inflation, critical geopolitical situation, difficult financial environment etc. The focus of the Board remained on steering the Modaraba through tough time.

During the year, financial reporting and strategic guidance for sustainable growth were priorities of the Board. As we move into the next year, continuous learning, sustainability and data-driven decision-making will ensure that our businesses are prepared for the future."

The Modaraba hails from a strong financial group led by The Bank of Punjab. The financial support extended by the Group during year under review to stabilize equity base of the Modaraba and improve its liquidity and profitability will enable the Modaraba to show better performance in coming year.

On governance front, the Board ensures active participation of non-executive and independent directors in committees. Persons possessing requisite abilities and knowledge are represented on the Board. Meetings are convened with required quorum, and deliberations and decisions are comprehensively documented. Adherence to regulatory framework and relevant laws forms primacy in decision-making.

The Board diligently performs its responsibilities in accordance with Modaraba Ordinance, Companies Act, and Corporate Governance Regulations. It offers effective guidance on strategic matters, oversees management performance and addresses major risk areas. All Directors, including Independent Directors, actively engage and contribute to decision-making processes.

Leading Board from the front and ensuring meticulous compliance of regulations will be my prime responsibility as Chairman of the Board. The prioritization of rational moves in short, medium and long term periods will be guiding principle for the Management.

I extend my sincere gratitude to regulators, customers, partners, our dedicated team, and all stakeholders, with special recognition to Registrar Modaraba. I also laud each Board Member for their steadfast dedication as stewards of the Modaraba.

Yours sincerely,

June 24, 2024

Nadeem Amir



Chairman



## چیئر مین جائزہ

محترم شوقیٹ ہولڈرز،

مجھے پنجاب مضاربہ سروسز (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز ("بورڈ") کی جانب سے 31 دسمبر 2023 کو ختم ہونے والے سال کے لیے اپنے خیالات کا اظہار کرتے ہوئے خوشی محسوس ہو رہی ہے۔ میں آپ کی حمایت کے لیے آپ میں سے ہر ایک کا تہہ دل سے شکر یہ ادا کرتا ہوں۔

زیر نظر سال ملکی معیشت کے تناظر میں چیلنجوں سے بھرا ہوا تھا، جیسے کہ بلند افراط زر، نازک جغرافیائی سیاسی صورتحال، مشکل مالیاتی ماحول وغیرہ۔ بورڈ کی توجہ مضاربہ کو مشکل وقت میں چلانے پر مرکوز رہی۔

سال کے دوران، مالیاتی رپورٹنگ اور پائیدار ترقی کے لیے اسٹریٹجک رہنمائی بورڈ کی ترجیحات تھیں۔ جیسے جیسے ہم اگلے سال میں داخل ہوں گے، مسلسل سیکھنے، پائیداری اور ڈیٹا پر مبنی فیصلہ سازی اس بات کو یقینی بنائے گی کہ ہمارے کاروبار مستقبل کے لیے تیار ہیں۔

مضاربہ کا تعلق ایک مضبوط مالیاتی گروپ سے ہے جس کی قیادت دی بینک آف پنجاب کرتا ہے۔ مضاربہ کی ایکویٹی میں کو مستحکم کرنے اور اس کی ایکویٹی میں اور منافع کو بہتر بنانے کے لیے زیر جائزہ سال کے دوران گروپ کی طرف سے دی گئی مالی مدد مضاربہ کو آنے والے سال میں بہتر کارکردگی دکھانے کے قابل بنائے گی۔

گورننس کے محاذ پر، بورڈ کمیٹیوں میں غیر ایگزیکٹو اور آزاد ڈائریکٹرز کی فعال شرکت کو یقینی بنانا ہے۔ مطلوبہ صلاحیتوں اور علم کے حامل افراد کو بورڈ میں نمائندگی دی جاتی ہے۔ مینٹنر مطلوبہ کورم کے ساتھ بلائی جاتی ہیں، اور غور و خوض اور فیصلوں کو جامع دستاویزی شکل دی جاتی ہے۔ ریگولیشن فریم ورک اور متعلقہ قوانین کی پابندی فیصلہ سازی میں اولین حیثیت رکھتی ہے۔

بورڈ مضاربہ آرڈیننس کمپنیز ایکٹ، اور کارپوریٹ گورننس ریگولیشنز کے مطابق اپنی ذمہ داریاں پوری شدہ سے انجام دیتا ہے۔ یہ اسٹریٹجک معاملات پر موثر رہنمائی پیش کرتا ہے، انتظامی کارکردگی کی نگرانی کرتا ہے اور بڑے خطرے والے مسئلوں کو حل کرتا ہے۔ تمام ڈائریکٹرز، بشمول آزاد ڈائریکٹرز، فیصلہ سازی کے عمل میں فعال طور پر مشغول اور تعاون کرتے ہیں۔

بورڈ کی مثالی قیادت کرنا اور قواعد و ضوابط کی محتاط تعمیل کو یقینی بنانا بورڈ کے چیئر مین کی حیثیت سے میری اولین ذمہ داری ہوگی۔ مختصر، درمیانی اور طویل مدت میں عقلی عوامل کی ترجیح مینجمنٹ کے لیے رہنما اصول ثابت ہوگی۔

میں رجسٹرار مضاربہ کے خصوصی اعتراف کے ساتھ ریگولیشنز، صارفین، شراکت داروں، ہماری سرشارٹیم، اور تمام اسٹیک ہولڈرز کا تہہ دل سے شکر یہ ادا کرتا ہوں۔ میں مضاربہ کے منتظمین کے طور پر ہر بورڈ ممبر کی ثابت قدمی کی بھی تعریف کرتا ہوں۔

آپ کا تخلص،



ندیم عامر (چیئر مین)

24 جون 2024



## Directors' Report

The Board of Directors of Punjab Modaraba Services (Private) Limited, the Management Company of First Punjab Modaraba, takes great pleasure in presenting 31<sup>st</sup> Audited Financial Statements for First Punjab Modaraba for fiscal year ended on December 31, 2023, accompanied by the Auditors' Report.

**Economic Outlook & Future Prospects** The geopolitical situation, difficult financial environment and high inflationary pressures posed significant economic risks for Pakistan's economy. Devastating floods and political unrest further aggravated the situation. Thus, FY2023 has been a challenging year for Pakistan's economy. At the beginning of FY2023, the economy confronted four major challenges that posed threats to Pakistan's socio-economic growth. These challenges include regaining sustainable macroeconomic stability, reducing poverty, fiscal consolidation, and addressing weaknesses in the external account.

The overall vision of the government is to achieve high and sustainable GDP growth with price stability over the medium term. The government is committed to implementing home-grown macroeconomic and structural reforms for creating job opportunities and reducing the poverty. The government is trying to rebuild confidence of investors by addressing macroeconomic imbalances through an optimal policy mix. At the same time, it is protecting poor people through adequately funded social safety nets and targeted subsidies.

**Financial Highlights** The summarized financial results of your modaraba are as follows:

Particulars	FY 2023	FY 2022
	Rupees in million	
Gross Revenue	331.319	211.508
Administrative Expenses	(79.992)	(69.596)
Finance costs	(358.390)	(220.687)
Provisions for doubtful receivables	(46.241)	(2.570)
(Loss) before income tax and levies	(153.305)	(81.344)
Income tax and levies	41.744	(6.198)
(Loss) after tax	(111.561)	(87.544)
Other comprehensive income	2.206	0.334
Accumulated loss	(680.257)	(570.903)
Earnings per certificate (Rupee)	(3.28)	(2.57)
Total assets	2,189.747	2,031.315
Equity	378.119	(12.526)
Total liabilities	1,811.628	2,043.842

The Modaraba demonstrated a notable growth of 56.65% in operating income. Total income for the year was Rs. 331.319 million as compared to Rs. 211.508 million in the corresponding year. However, due to substantial increase in the KIBOR rate and additional financing obtained from the parent company, finance costs were significantly increased to Rs. 358.390 million which adversely impacted the profit. During the year, the Bank of Punjab provided subordinated funds of Rupees 500 million to provide financial support to the Modaraba.

Owing to eroded equity; the Modaraba was unable to engage in business for five months, significantly impacting its profitability. However, with the start of the new financial year, the Modaraba's has resumed business operations, focusing on quality clients and better returns. It is expected to achieve notable returns for its valued certificate holders in the future. With the decline in discount rate; the financial performance of the Modaraba will be improved as compared to losses incurred during the current and corresponding year. The management has already taken various steps to improve earnings and better results and ultimately better returns to certificate holders.

During FY 2023, the modaraba secured new business worth Rs.396 million with high-quality clients, ensuring smooth and timely recovery. The total assets of the modaraba increased by 7.80% compared to the previous year. Additionally, liabilities were reduced by 11.36% during the reporting year as compared to previous year.

**Wholly owned Subsidiary** During the year, the Subsidiary has been sold to ultimate parent Bank i.e. The Bank of Punjab.

**Profit distribution and transfer to reserves** Owing to loss during the year, no dividend was declared and accordingly, no amount was transferred to reserves by the Board.

**Future Strategy** Considering the current economic conditions marked by low buying power and high inflation in the country, the management is proceeding cautiously with investments in income-generating segments to enhance profitability.

Recovering from the classified portfolio remains a top priority, and the management is exerting its best efforts and implementing concrete steps to achieve success in this area.

**Financial Strength Rating** We are pleased to share that the Pakistan Credit Rating Agency (Pvt.) Limited (PACRA) has reaffirmed the Modaraba's long-term rating of "A-" and short-term rating of "A2" with a "Stable" outlook. This rating assessment stems from PACRA's thorough annual and interim reviews, which analyze a range of factors and indicators concerning the Modaraba's financial strength, performance, and outlook. The reaffirmed ratings and stable outlook reflect Modaraba's association with The Bank of Punjab (Rated AA+ by PACRA).

**Corporate & Financial Reporting Framework** The Modaraba has complied with all the requirements of the Code of Corporate Governance as required by the listing regulations. Accordingly, the Directors are pleased to confirm the following:

- a) The financial statements, prepared by the management of the Modaraba, present its state of affairs fairly, the result of its operations, cash flows and changes in equity;
- b) Proper books of account of the Modaraba have been maintained;
- c) Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d) International Financial Reporting Standards, as applicable in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed and explained;
- e) The system of internal control is sound in design and has been effectively implemented and monitored;



- f) There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- g) There were no principal risks or uncertainties facing the Modaraba.
- h) There were no significant changes concerning the nature of business of the Modaraba.
- i) There has been no material departure from the best practices of corporate governance as detailed in Listed Companies (Code of Corporate Governance) Regulations, 2019 (the Regulations) expect for those mentioned in the statement of compliance.
- j) There were no material changes and commitments affecting the financial position of the Modaraba which have occurred between the end of the financial year of the Modaraba to which the financial statement relates and the date of the report.
- k) The Board of directors and its management team are fully determined to move the Modaraba from present situation of uncertainties and for this a strategic plan has been developed, which is expected to bring positive improvements in the foreseeable future.
- l) Key operating and financial data for last six years, Pattern of holding by the certificate holders and additional related information is annexed.
- m) During the year, five meetings of the Board of Directors and three meetings of Audit Committee were held separately. Attendance by each Director and member of Audit Committee is annexed.
- n) Majority of the members of the Audit Committee are independent, while all are non-executive directors.
- o) There are no outstanding demands of statutory payments on account of taxes, duties, levies and charges as at 31 December 2023, except for those disclosed in financial statements.
- p) The value of investments of the staff provident fund, based on management accounts, was Rs. 9,963,403 as at 30 June, 2023.

**Compliance with Code of Corporate Governance** The Company has diligently adhered to the requirements outlined in the Listed Companies (Code of Corporate Governance) Regulations, 2019, during the year ending on December 31, 2022. Any exceptions to these requirements have been transparently disclosed in the Statement of Compliance with the Best Practices of Corporate Governance.

**Composition of the Board** The seven-member Board of Directors ensures statutory representation across director categories, as mandated by the Listed Companies (Code of Corporate Governance) Regulations, 2019. They make strategic decisions on vital management matters, executing important business activities while adhering to established criteria and assessing risks. The Board also oversees guidelines to ensure compliance.

1. The total number of directors was seven (07) comprising of six (06) male and one (01) female director.
2. The Board included one (01) executive, and six (06) non-executive directors out of whom two (02) were independent directors.
3. The composition of Board of directors (the Board) is as follows:

Sr #	Name of Director	Type
1	Mr. Imran Basir	Independent Director
2	Ms. Samina Afsar	Independent/Female Director
3	Mr. Nadeem Amir	Chairman/Non-Executive Director
4	Mr. Ijaz Ur Rehman Qureshi	Non-Executive Director

5	Mr. Umar Iqbal Sheikh	Non-Executive Director
6	Mr. Khawar Shahid Ansari	Non-Executive Director
7	Mr. Amir Malik*	CEO/Executive Director

**Board Meetings & Attendance** During the year five meetings of the Board of Directors were held, attendance by each director is as follows:

Sr #	Name of director	No. of meetings attended
1	Mr. Nadeem Amir	2
2	Mr. Imran Bashir	5
3	Mr. Ijaz Ur Rehman Qureshi	5
4	Mr. Khawar Shahid Ansari	5
5	Mr. Aamir Malik*	5
6	Mr. Umar Iqbal Sheikh	3
7	Ms. Samina Afsar	1

The Board of Directors has established Audit Committee, Human Resource Committee and Risk Management Committee in compliance with the Code of Corporate Governance.

**Audit Committee Meetings & Attendance** During the year three meetings of the Audit Committee were held, attendance by each director is as follows:

Sr #	Name of director	No. of meetings attended
1	Mr. Imran Bashir – Chairman	3
2	Mr. Ijaz Ur Rehman Qureshi - Member	3
3	Ms. Samina Afsar – Member	1

**Human Resource Committee Meetings & Attendance** During the year one meetings of the Human Resource Committee were held, attendance by each director is as follows:

Sr #	Name of director	No. of meetings attended
1	Mr. Imran Bashir	1
2	Mr. Ijaz Ur Rehman Qureshi	1
3	Ms. Samina Afsar	1
4	Mr. Umer Iqbal Sheikh	1
5	Mr. Aamir Malik *	1

\*The service contract of Mr. Amir Malik expired on April 28, 2024.

**Related Party Transactions** All transactions with related parties during the financial year ending December 31, 2023, were meticulously presented to the Audit Committee and the Board for comprehensive review and approval. The Audit Committee thoroughly evaluated these transactions to ensure compliance with the approved transfer pricing methods and the Board-endorsed policy for related parties.



**Role of Certificate Holders** With a strong commitment to transparency and accountability, the Board ensures that the Modaraba's esteemed certificate holders are well-informed about significant developments affecting the Modaraba's overall state of affairs. To achieve this, comprehensive information is provided to the certificate holders through quarterly, half-yearly, and annual reports.

The Board highly values the active participation of certificate holders during the annual review meeting, as it serves as a crucial platform for fostering a high level of accountability and ensuring that their valuable insights are taken into consideration.

**Statutory Auditors** The retiring auditors M/s Kreston Hyder Bhimji & Co., Chartered Accountants are eligible for re-appointment for the year ending December 31, 2024. Their reappointment has been confirmed by the Board subject to approval by the Registrar Modaraba.

**Statement of Ethics & Business Practice** The Board has adopted a Code of Conduct that defines essential values related to lawful and ethical business practices. Each employee has received a copy of this code and is expected to maintain the highest standards of integrity and fairness when dealing with customers, colleagues, and regulatory authorities. This Code of Conduct is a key part of the Modaraba's compliance framework, fostering a culture of ethical behavior across the organization.

**Social Ethics & Environmental Responsibilities** The Board is highly conscious of social, ethical, and environmental issues, recognizing their importance in the public interest. Committed to corporate responsibility, the Board actively plans for continued involvement in these areas. By proactively addressing social, ethical, and environmental concerns, the Board aims to positively impact society and the environment while upholding the Modaraba's values and principles.

**Chairman Review** The enclosed Chairman's review offers a detailed evaluation of the Modaraba's performance for the year ending December 31, 2023, along with future outlook insights. The Board of Directors fully supports the review's content, confirming it reflects the Board's assessment of the Modaraba's performance and its vision for the future.

**Relationship with Stake Holders** The Modaraba is committed to fostering mutually beneficial relationships with all stakeholders, including the Pakistan Stock Exchange, the Securities and Exchange Commission of Pakistan (SECP), and other valued business partners. We are pleased to report that, Alhamdulillah, our relationships with all stakeholders have remained positive and harmonious throughout the period. This ongoing collaboration and support play a crucial role in the Modaraba's success and growth.

**Subsequent Events** The service contract of Executive Director / Chief Executive of Punjab Modaraba Services (Private) Limited, Mr. Aamir Malik expired on April 28, 2024 and Mr. Mudassar Kaiser Pal has been appointed as Acting Chief Executive Officer, subject to approval of the Registrar Modaraba, till appointment of new Chief Executive Officer.

There have been no further significant changes or commitments that have impacted the financial position of the Modaraba between the end of the financial year and the date of this report. The Modaraba's financial position remains consistent during this period.

**Operating data for six years** The operating data for six (06) years is annexed to this report.

**Pattern of certificate holding** The detailed pattern of certificate holding as required under the Code of Corporate Governance is annexed to this report.

There has been no trading in the certificates of Modaraba by any of its Directors, CEO, CFO, Company Secretary or their spouses and minor children unless specified in the financial statements.

**Acknowledgement** The Board remains thankful to Securities and Exchange Commission of Pakistan, Registrar Modaraba, State Bank of Pakistan, and NBFCs & Modaraba Association of Pakistan for providing us their usual support and guidance.

The Board appreciates and pays gratitude to the certificate holders and customers for entrusting their confidence on us and we assure them to maintain adequate internal controls, providing personalized services and also an ideal environment of good corporate governance in all areas of the activities.

Finally, the Board appreciates the dedication and hard work put in by the management and all staff members of First Punjab Modaraba.

**For and on behalf of the Board**



**Imran Bashir**  
Director



**Ijaz Ur Rehman Qureshi**  
Director



**Umer Iqbal Sheikh**  
Director

Lahore: June 24, 2024

## ڈائریکٹرز کی رپورٹ

فرسٹ پنجاب مضاربہ کی ہینڈلنگ، پنجاب مضاربہ سروسز (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز، 31 دسمبر 2023 کو ختم ہونے والے مالی سال کے لیے فرسٹ پنجاب مضاربہ کے 31 ویں آڈٹ شدہ مالیاتی گوشواروں کو پیش کرنے میں بہت خوشی محسوس کر رہے ہیں، اس کے ساتھ ڈائریکٹرز کی رپورٹ بھی موجود ہے۔

### اقتصادی آؤٹ لک اور مستقبل کے امکانات

جغرافیائی سیاسی صورتحال، مشکل مالیاتی ماحول اور مہنگائی کے بلند ہونے نے پاکستان کی معیشت کے لیے بڑے اقتصادی خطرات پیدا کیے ہیں۔ تاہم کن سیلاب اور سیاسی بے چینی نے صورتحال کو مزید گہمیر کر دیا۔ اس طرح مالی سال 2023 پاکستان کی معیشت کے لیے ایک دشوار سال رہا ہے۔ مالی سال 2023 کے آغاز میں، معیشت کو چار بڑے چیلنجز کا سامنا کرنا پڑا جس سے پاکستان کی سماجی و اقتصادی ترقی کو خطرات لاحق تھے۔ ان چیلنجوں میں پائیدار میکرو اکنامک استحکام کو دوبارہ حاصل کرنا، غربت میں کمی، مالیاتی استحکام اور بیرونی کھاتے میں ٹھانٹوں کو دور کرنا شامل ہیں۔

حکومت کا مجموعی وژن درمیانی مدت میں قیمتوں میں استحکام کے ساتھ اعلیٰ اور پائیدار جی ڈی پی نمو حاصل کرنا ہے۔ حکومت روزگار کے مواقع پیدا کرنے اور غربت میں کمی کے لیے اندرونی معاشی اور ڈھانچے جاتی اصلاحات نافذ کرنے کے لیے پرعزم ہے۔ حکومت ایک بہترین پالیسی کس کے ذریعے میکرو اکنامک عدم توازن کو دور کر کے سرمایہ کاروں کا اعتماد بحال کرنے کی کوشش کر رہی ہے۔ اس کے ساتھ ساتھ، یہ غریب لوگوں کو مناسب مالی اعانت سے چلنے والے سماجی تحفظ کے دائرے اور ٹارگنڈ سوسڈی کے ذریعے تحفظ فراہم کر رہی ہے۔

### مالیاتی جھلکیاں:

آپ کے مضاربہ کے مالیاتی نتائج کا خلاصہ درج ذیل ہے:

تفصیلات	مالی سال 2023 ملین روپے	مالی سال 2022 (دو بارہ) ملین روپے
کل آمدنی:	331.319	211.508
انتظامی اخراجات:	(79.992)	(69.596)
مالی اخراجات:	(358.390)	(220.687)
مشکوک وصولیوں کے لیے پروویژن:	(46.241)	(2.570)
ٹیکس اور لیویز سے پہلے (نقصان):	(153.305)	(81.344)
اکرم ٹیکس اور لیویز:	41.744	(6.198)
ٹیکس کے بعد (نقصان):	(111.561)	(87.544)
دیگر جامع آمدنی:	2.206	0.334
جمع شدہ نقصان:	(680.257)	(570.903)
فی شیئر کیٹ آمدنی (روپے):	(3.28)	(2.57)
کل اثاثے:	2,189.747	2,031.315
ایکویٹی:	378.119	(12.526)
کل واجبات:	1,811.628	2,043.842



آپ کے مضار بہنے آپریٹنگ آمدنی میں %56.65 کی قابل ذکر ترقی کا مظاہرہ کیا۔ اسی مدت کے لیے کل رپورٹ شدہ آمدنی 331.319 ملین روپے بمقابلہ 211.508 ملین روپے تھی۔ تاہم، KIBOR کی شرح میں خاطر خواہ اضافے اور پیرنٹ کمپنی سے حاصل کردہ اضافی فنڈنگ کی وجہ سے مالیاتی لاگت میں رواں سال کے دوران 358.390 ملین روپے خرچ ہوئے جس سے منافع متاثر ہوا۔ سال کے دوران، بینک آف پنجاب نے مضار بہ کو مالی مدد فراہم کرنے کے لئے 500 ملین روپے کے ماتحت فنڈز جاری کئے۔

ایکویٹی میں کمی کی وجہ سے، مضار بہ پانچ ماہ تک کاروبار میں مشغول ہونے سے قاصر رہا، جس سے اس کے منافع پر نمایاں اثر پڑا۔ تاہم، نئے مالی سال کے آغاز کے ساتھ ہی، مضار بہ نے معیاری کلائنٹس پر توجہ مرکوز کرتے ہوئے کاروباری سرگرمیاں دوبارہ شروع کر دی ہیں۔ اس سے مستقبل میں اپنے قابل قدر حقیقتی ہولڈرز کے لیے قابل ذکر منافع حاصل کرنے کی امید ہے۔ رعایت کی شرح میں کمی کے ساتھ، مضار بہ کی مالی کارکردگی کو مضبوطی اور اسی سال کے دوران ہونے والے نقصانات کے مقابلے میں بہتر بنایا جائے گا۔ انتظامیہ نے پہلے ہی کمائی کو بہتر بنانے اور بہتر نتائج اور حقیقتی ہولڈرز کو بالآخر بہتر واپسی کے لیے مختلف اقدامات کیے ہیں۔

مالی سال 2023 کے دوران، مضار بہ نے 396 ملین روپے کا اعلیٰ معیار کے کلائنٹس کے ساتھ، ہموار اور بروقت بحالی کو یقینی بناتے ہوئے نیا کاروبار حاصل کیا۔ مضار بہ کے کل اثاثوں میں پچھلے سال کے مقابلے میں 7.80 فیصد اضافہ ہوا ہے۔ مزید برآں، گزشتہ سال کے مقابلے میں پورے سال کے دوران واجبات میں 11.36 فیصد کمی واقع ہوئی۔

### مکمل ملکیتی ماتحت ادارہ:

سال کے دوران، ذیلی ادارے کو حتمی پیرنٹ بینک یعنی بینک آف پنجاب کو فروخت کر دیا گیا ہے۔

### منافع کی تقسیم اور ذخائر میں منتقلی:

سال کے دوران نقصان کی وجہ سے، کسی ڈیویڈنڈ کا اعلان نہیں کیا گیا اور اس کے مطابق، بورڈ کے ذریعہ ریزرو میں کوئی رقم منتقل نہیں کی گئی۔

### مستقبل کی حکمت عملی:

ملک میں کم قیمت خرید اور بلند افراط زر کی وجہ سے موجودہ معاشی حالات کو مد نظر رکھتے ہوئے، انتظامیہ منافع کو بڑھانے کے لیے آمدنی پیدا کرنے والے طبقات میں سرمایہ کاری کے ساتھ محتاط انداز میں آگے بڑھ رہی ہے۔

نادہندگان سے بازیافت اولین ترجیح ہے، اور انتظامیہ اپنی بہترین کوششیں کر رہی ہے اور اس شعبے میں کامیابی حاصل کرنے کے لیے ٹھوس اقدامات کر رہی ہے۔

### مالیاتی طاقت کی درجہ بندی:

ہمیں یہ بتاتے ہوئے خوشی ہو رہی ہے کہ پاکستان کریڈٹ ریٹنگ ایجنسی (پرائیویٹ) لمیٹڈ (PACRA) نے مضار بہ کی طویل مدتی درجہ بندی "A" اور "A2" کی مختصر مدت کی درجہ بندی کی "مستحکم" آؤٹ لک کے ساتھ دوبارہ تصدیق کی ہے۔ درجہ بندی کا یہ اندازہ PACRA کے مکمل سالانہ اور عبوری جائزوں سے ہوتا ہے، جو مضار بہ کی مالی طاقت، کارکردگی اور آؤٹ لک سے متعلق متعدد عوامل اور اشارے کا تجزیہ کرتے ہیں۔ دوبارہ تصدیق شدہ ریٹنگ اور مستحکم آؤٹ لک مضار بہ کی بینک آف پنجاب کے ساتھ وابستگی کی عکاسی کرتے ہیں۔



کارپوریٹ اور مالیاتی رپورٹنگ فریم ورک:

مضاربہ نے کوڈ آف کارپوریٹ گورننس کے تمام تقاضوں کی تعمیل کی ہے جیسا کہ لسٹنگ ریگولیشنز کی ضرورت ہے۔ اس کے مطابق، ڈائریکٹرز درج ذیل کی تصدیق کرتے ہوئے خوشی محسوس کرتے ہیں:

(a) مضاربہ کی انتظامیہ کی طرف سے تیار کردہ مالیاتی بیانات، اس کی حالت، اس کے آپریشنز، نقد بہاؤ اور ایکویٹی میں تبدیلیوں کے نتائج کو منصفانہ طور پر پیش کرتے ہیں۔

(b) مضاربہ کے حساب کتاب کی مناسب دیکھ بھال کی گئی ہے۔

(c) مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور دانشمندانہ فیصلے پر مبنی ہیں۔

(d) بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جیسا کہ پاکستان میں لاگو ہوتا ہے، مالیاتی گوشواروں کی تیاری میں پیروی کی گئی ہے اور وہاں سے کسی بھی رواں کاری کا مناسب انکشاف اور وضاحت کی گئی ہے۔

(e) اندرونی کنٹرول کا نظام ڈیزائن میں درست ہے اور اسے مؤثر طریقے سے لاگو کیا گیا ہے اور اس کی نگرانی کی گئی ہے۔

(f) مضاربہ کی ایک مستقل ادارے کے طور پر جاری رکھنے کی صلاحیت پر کوئی شک نہیں ہے۔

(g) مضاربہ کو کوئی بنیادی خطرہ یا غیر یقینی صورتحال درپیش نہیں ہے۔

(h) مضاربہ کے کاروبار کی نوعیت سے متعلق کوئی خاص تبدیلیاں نہیں ہوئیں۔

(i) کارپوریٹ گورننس کے بہترین طریقوں سے کوئی اہم انحراف نہیں ہے جیسا کہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے مطابق ماسوائے ان کے جو سٹینڈ آف کمپلائنس میں درج ہیں۔

(j) مضاربہ کی مالی حالت کو متاثر کرنے والی کوئی اہم تبدیلیاں اور وعدے نہیں تھے جو مضاربہ کے مالی سال کے اختتام اور رپورٹ کی تاریخ کے درمیان واقع ہوئے ہیں۔

(k) بورڈ آف ڈائریکٹرز اور اس کی انتظامیہ مضاربہ کو موجودہ غیر یقینی صورتحال سے نکلنے کے لیے پوری طرح پر عزم ہے اور اس کے لیے ایک اسٹریٹجک منصوبہ تیار کیا گیا ہے، جس سے مستقبل قریب میں مثبت بہتری کی توقع ہے۔

(l) پچھلے چھ سالوں کا کلیدی آپریشننگ اور مالیاتی ڈیٹا، شہدائیت ہولڈرز کے انعقاد کا نمونہ اور اضافی متعلقہ معلومات منسلک ہیں۔

(m) سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس اور آڈٹ کمیٹی کے تین اجلاس الگ الگ ہوئے۔ آڈٹ کمیٹی کے ہر ڈائریکٹر اور ممبر کی حاضری منسلک ہے۔

(n) آڈٹ کمیٹی کے زیادہ تر ممبران خود مختار ہیں، جبکہ تمام غیر ایگزیکٹو ڈائریکٹرز ہیں۔

(o) 31 دسمبر 2023 تک ٹیکس، ڈیوٹی، لیویز اور چارجز کی مد میں قانونی ادائیگیوں کے کوئی بھی باجات سوائے مالیاتی گوشواروں میں ظاہر کئے گئے مطالبات کے۔

(p) اسٹاف پراویڈنٹ فنڈ کی سرمایہ کاری کی مالیت، ہینڈنٹ اکاؤنٹس کی بنیاد پر 30 جون 2023 تک 9,963,403 روپے تھی۔

کوڈ آف کارپوریٹ گورننس کی تعمیل:

1. ڈائریکٹرز کی کل تعداد سات (07) تھی جس میں چھ (06) مرد اور ایک (01) خاتون ڈائریکٹر شامل تھیں۔
2. بورڈ میں ایک (01) ایگزیکٹو، اور چھ (06) نان ایگزیکٹو ڈائریکٹرز شامل تھے جن میں سے دو (02) آزاد ڈائریکٹر تھے۔
3. بورڈ آف ڈائریکٹرز (بورڈ) کی تشکیل حسب ذیل ہے:

Sr #	ڈائریکٹر کا نام	حیثیت
1	جناب عمران بشیر	آزاد ڈائریکٹر
2	محترمہ شمینہ افسر	آزاد/خاتون ڈائریکٹر
3	جناب ندیم عامر	نان ایگزیکٹو ڈائریکٹر
4	جناب اعجاز الرحمان قریشی	نان ایگزیکٹو ڈائریکٹر
5	جناب عمر شیخ	نان ایگزیکٹو ڈائریکٹر
6	جناب خاور شاہد انصاری	نان ایگزیکٹو ڈائریکٹر
7	* جناب عامر ملک	سی ای او/ ایگزیکٹو ڈائریکٹر

بورڈ کے اجلاس اور حاضری:

سال کے دوران بورڈ آف ڈائریکٹرز کے پانچ اجلاس منعقد ہوئے، ہر ڈائریکٹر کی حاضری حسب ذیل ہے:

Sr #	ڈائریکٹر کا نام	میٹنگز میں شرکت کی
1	جناب ندیم عامر	2
2	جناب عمران بشیر	5
3	جناب اعجاز الرحمان قریشی	5
4	جناب خاور شاہد انصاری	5
5	* جناب عامر ملک	5
6	جناب عمر اقبال شیخ	3
7	محترمہ شمینہ افسر	1

بورڈ آف ڈائریکٹرز نے کوڈ آف کارپوریٹ گورننس کی تعمیل میں آڈٹ کمیٹی، ہیومن ریسورس کمیٹی اور رسک مینجمنٹ کمیٹی قائم کی ہے۔

## آڈٹ کمیٹی کے اجلاس اور حاضری:

سال کے دوران آڈٹ کمیٹی کے تین اجلاس منعقد ہوئے، ہر ڈائریکٹر کی حاضری حسب ذیل ہے:

Sr #	ڈائریکٹر کا نام	میٹنگز میں شرکت کی
1	جناب عمران بشیر	3
2	جناب اعجاز الرحمان قریشی	3
3	محترمہ شمینہ انصر	1

## ہیومن ریسورس کمیٹی کے اجلاس اور حاضری:

سال کے دوران ہیومن ریسورس کمیٹی کی ایک میٹنگ ہوئی، ہر ڈائریکٹر کی حاضری حسب ذیل ہے:

Sr #	ڈائریکٹر کا نام	میٹنگز میں شرکت کی
1	جناب عمران بشیر	1
2	جناب اعجاز الرحمان قریشی	1
3	محترمہ شمینہ انصر	1
4	جناب عمر اقبال شیخ	1
5	*جناب عامر ملک	1

\*جناب عامر ملک کا سرورس کنٹریکٹ 28 اپریل 2024 کو ختم ہو گیا۔

## متعلقہ پارٹی لین دین:

31 دسمبر 2023 کو ختم ہونے والے مالی سال کے دوران متعلقہ فریقوں کے ساتھ تمام لین دین کو آڈٹ کمیٹی اور بورڈ کے سامنے جامع جائزہ اور منظوری کے لیے پیش کیا گیا۔ آڈٹ کمیٹی نے ان ٹرانزیکشنز کا بخوبی جائزہ لیا تاکہ منظور شدہ ٹرانسفر پر اسٹنگ طریقوں اور متعلقہ فریقوں کے لیے بورڈ کی توثیق شدہ پالیسی کی تعمیل کو یقینی بنایا جاسکے۔

## شہوقیٹ ہولڈرز کا کردار:

شفافیت اور جوابدہی کے لیے مضبوط عزم کے ساتھ، بورڈ اس بات کو یقینی بناتا ہے کہ مضاربہ کے معزز شہوقیٹ ہولڈرز مضاربہ کی مجموعی صورتحال کو متاثر کرنے والی اہم پیش رفت سے بخوبی آگاہ ہیں۔ اس کو حاصل کرنے کے لیے، سہ ماہی، ششماہی اور سالانہ رپورٹس کے ذریعے شہوقیٹ ہولڈرز کو جامع معلومات فراہم کی جاتی ہیں۔ بورڈ سالانہ جائزہ اجلاس کے دوران شہوقیٹ ہولڈرز کی فعال شرکت کو بہت اہمیت دیتا ہے، کیونکہ یہ اعلیٰ سطحی احتساب کو فروغ دینے اور ان کی قیمتی بصیرت کو مد نظر رکھنے کو یقینی بنانے کے لیے ایک اہم پلیٹ فارم کے طور پر کام کرتا ہے۔

## آڈیٹرز:

ریٹائر ہونے والے آڈیٹرز میسرز کرسٹن حیدر، محیم جی اینڈ کمیٹی، چارٹرڈ اکاؤنٹنٹس 31 دسمبر 2024 کو ختم ہونے والے سال کے لیے دوبارہ تقرری کے اہل ہیں۔ ان کی تقرری کی سفارش بورڈ نے کی ہے، جو رجسٹرڈ مضاربہ کی منظوری سے مشروط ہے۔

## اخلاقیات اور کاروباری مشق کا بیان:

بورڈ نے ایک ضابطہ اخلاق اپنایا ہے جو قانونی اور اخلاقی کاروباری طریقوں سے متعلق ضروری اقدار کی وضاحت کرتا ہے۔ ہر ملازم کو اس کو ڈی ایک کا پی موصول ہوئی ہے اور اس سے توقع کی جاتی ہے کہ وہ کسٹمرز، ساتھیوں، اور ریگولیٹری حکام کے ساتھ معاملہ کرتے وقت واپسنداری اور انصاف کے اعلیٰ ترین معیارات کو برقرار رکھے گا۔ یہ ضابطہ اخلاق مضاربہ کے قبیل کے فریم ورک کا کلیدی حصہ ہے، جو پوری تنظیم میں اخلاقی رویے کی ثقافت کو فروغ دیتا ہے۔

## سماجی اخلاقیات اور ماحولیاتی ذمہ داریاں:

بورڈ عوامی مفاد میں ان کی اہمیت کو تسلیم کرتے ہوئے سماجی، اخلاقی اور ماحولیاتی مسائل کے بارے میں بہت زیادہ با شعور ہے۔ کارپوریٹ ذمہ داری کے لیے پرعزم، بورڈ ان شعبوں میں مسلسل شمولیت کے لیے فعال طور پر منصوبہ بناتا ہے۔ سماجی، اخلاقی اور ماحولیاتی خدشات کو فعال طور پر حل کرتے ہوئے، بورڈ کا مقصد مضاربہ کی اقدار اور اصولوں کو برقرار رکھنے ہوئے معاشرے اور ماحول پر مثبت اثر ڈالنا ہے۔

## چیئر مین جائزہ:

سنسک چیئر مین کا جائزہ 31 دسمبر 2023 کو ختم ہونے والے سال کے لیے مضاربہ کی کارکردگی کا جائزہ پیش کرتا ہے، ساتھ ہی مستقبل کے آؤٹ لک بصیرت بھی۔ بورڈ آف ڈائریکٹرز جائزے کے مواد کی مکمل حمایت کرتا ہے، اس بات کی تصدیق کرتا ہے کہ یہ مضاربہ کی کارکردگی کے بارے میں بورڈ کے جائزے اور مستقبل کے لیے اس کے ڈژن کی عکاسی کرتا ہے۔

## اسٹیک ہولڈرز کے ساتھ تعلقات:

مضاربہ تمام اسٹیک ہولڈرز بشمول پاکستان اسٹاک ایکسچینج، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور دیگر قابل قدر کاروباری شراکت داروں کے ساتھ باہمی طور پر فائدہ مند تعلقات کو فروغ دینے کے لیے پرعزم ہے۔ ہمیں یہ اطلاع دیتے ہوئے خوشی ہو رہی ہے کہ الحمد للہ، تمام اسٹیک ہولڈرز کے ساتھ ہمارے تعلقات پوری مدت کے دوران مثبت اور ہم آہنگ رہے ہیں۔ یہ جاری تعاون مضاربہ کی کامیابی اور ترقی میں اہم کردار ادا کرتا ہے۔

## پوسٹ بیلنس شیٹ واقعات:

بجانب مضاربہ سروسز (پرائیویٹ) لمیٹڈ کے ایگزیکٹو ڈائریکٹر/چیف ایگزیکٹو جناب عامر ملک کے سروس کنٹریکٹ کی میعاد 28 اپریل 2024 کو ختم ہوئی۔ نئے چیف ایگزیکٹو آفیسر کی تقرری تک مڈر قیصر پال کی قائم مقام چیف ایگزیکٹو آفیسر کے طور پر تقرری رجسٹرڈ مضاربہ کی منظوری سے مشروط ہے۔

مالی سال کے اختتام اور اس رپورٹ کی تاریخ کے درمیان مضاربہ کی مالی پوزیشن پر کوئی مزید اہم تبدیلیاں نہیں ہوئی ہیں۔ اس عرصے کے دوران مضاربہ کی مالی حالت مستقل رہی ہے۔

## چھ سال کے لیے آپریٹنگ ڈیٹا:



چھ (06) سالوں کا آپریٹنگ ڈیٹا اس رپورٹ کے ساتھ منسلک ہے۔

شوقیات ہولڈرز کا نمونہ:

کوڈ آف کارپوریٹ گورننس کے تحت مطلوبہ شوقیات ہولڈنگ کا تفصیلی نمونہ اس رپورٹ کے ساتھ منسلک ہے۔

مضاربہ کے ریٹیلیٹس میں اس کے کسی بھی ڈائریکٹری ای او بی ایف او، کینی بیکریٹری یا ان کی شریک حیات اور تا بالغ بچوں کی طرف سے کوئی تجارت نہیں کی گئی ہے جب تک کہ مالیاتی گوشواروں میں اس کی وضاحت نہ کی گئی ہو۔

اعتراف:

بورڈ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، رجسٹرار مضاربہ، اسٹیٹ بینک آف پاکستان، اور امین بی ایف آئی اینڈ مضاربہ ایسوسی ایشن آف پاکستان کا شکریہ ادا کرتا ہے جنہوں نے ہمیں اپنی معمول کی مدد اور رضامندی فراہم کی۔

بورڈ شوقیات ہولڈرز اور صارفین کا ہم پر اعتماد کرنے پر ان کی تعریف کرتا ہے اور ان کا شکریہ ادا کرتا ہے اور ہم انہیں یقین دلاتے ہیں کہ وہ مناسب اندرونی کنٹرول برقرار رکھیں گے، ذاتی سطح پر خدمات فراہم کریں گے اور سرگرمیوں کے تمام شعبوں میں اچھی کارپوریٹ گورننس کا ایک مثالی ماہول بھی فراہم کریں گے۔

آخر میں، بورڈ فرسٹ پنجاب مضاربہ کی انتظامیہ اور تمام سٹاف ممبران کی لگن اور محنت کو سراہتا ہے۔

بورڈ کے لیے اور اس کی جانب سے،



عمران بشیر  
ڈائریکٹر



اعجاز الرحمن قریشی  
ڈائریکٹر



عمراقبال شیخ  
ڈائریکٹر

تاریخ: 24 جون 2024

**Statement of Compliance with Listed Companies  
(Code of Corporate Governance) Regulations, 2019**

**Name of company:** FIRST PUNJAB MODARABA  
**Year ending:** DECEMBER 31, 2023

The modaraba has complied with the requirements of the Regulations in the following manner: -

1. The total number of directors is Seven as per the following:

- a. Male: Six (06)
- b. Female: One (01)

2. The composition of the Board is as follows:

Independent directors	Mr. Imran Bashir Ms. Samina Afsar
Non-executive directors	Mr. Nadeem Amir Mr. Ijaz ur Rehman Qureshi Mr. Khawar Shahid Ansari Mr. Umar Iqbal Sheikh
Executive directors	Mr. Aamir Malik
Female directors	Ms. Samina Afsar ( <i>also an independent director</i> )

No changes have been made in the Board during the year. The fraction required for minimum number of independent directors, being 0.33 has not been rounded up as one, in view of the experience and skill possessed by existing independent directors, which suffice the requirement of independent directors.

3. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this modaraba;

4. The modaraba has prepared a code of conduct and has ensured that appropriate steps have been taken to disseminate it throughout the modaraba along with its supporting policies and procedures;

5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the modaraba. 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 modaraba;

6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by the Board 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 Act and the Regulations with respect to frequency, recording and circulating minutes of meeting 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. Out of seven (07) directors, following six (06) have obtained certifications under directors training program:

- Mr. Nadeem Amir
- Mr. Ijaz ur Rehman Qureshi
- Mr. Khawar Shahid Ansari
- Mr. Imran Bashir
- Ms. Samina Afsar
- Mr. Aamir Malik

10. The Board has approved appointment of chief financial officer, company secretary and head of internal audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations. However, in view of the scale of operations of Modaraba, the same person has held the office of CFO and Company Secretary for the year ended December 31, 2023.

11. Chief financial officer and Chief executive officer duly endorsed the financial statements before approval of the Board;

12. The Board has formed committees comprising of members given below.

**a) Audit Committee**

Chairman	Mr. Imran Bashir
Member	Mr. Ijaz ur Rehman Qureshi
Member	Ms. Samina Afsar

**b) HR and Remuneration Committee**

Chairperson	Ms. Samina Afsar
Member	Mr. Ijaz ur Rehman Qureshi
Member	Mr. Umar Iqbal Sheikh
Member	Mr. Imran Bashir
Member	Mr. Aamir Malik

**c) Risk Management Committee**

Chairman	Mr. Ijaz ur Rehman Qureshi
Member	Mr. Umar Iqbal Sheikh
Member	Mr. Aamir Malik

13. The terms of reference of the aforesaid committees have been formed, documented and advised to the committee for compliance;

14. The frequency of meetings of the committees was as per following,-

Audit Committee	Three
HR and Remuneration Committee	One
Risk Management Committee	Nil



Audit Committee meetings could not be held for the quarters and period ended March 31, 2023 and June 30, 2023 resulting in non-compliance to the provisions of the Code requiring that meeting of the Audit Committee shall be held at least once in every quarter owing to implementation of new accounting software during the current financial year and appointment of new auditors, requiring more time for finalization of audited financial statements of the modaraba for the year ended December 31, 2022 consequent delay in finalization of interim financial information for the quarter ended March 31, 2023 which were reviewed by Audit Committee in its meeting held in July 2023;

15. The Board has set up an effective internal audit function who is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the modaraba;

16. The statutory auditors of the modaraba 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 that 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 chief executive officer, chief financial officer, head of internal audit, company secretary or director of the modaraba;

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 those that are mentioned at point no.14 and 19;

19. Internal audit function was not present in 1st quarter to facilitate the audit committee owing to vacant position in the office of Head of Audit that could not be filled in absence of suitable candidate.

**Date: June 24, 2024**



**NADEEM AMIR  
CHAIRMAN**

**INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE-HOLDERS OF THE FIRST PUNJAB 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 Punjab Modaraba Services (Private) Limited, the Management Company of First Punjab Modaraba (the "Modaraba") for the year ended December 31, 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 Management Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Management 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 Management Company's personnel and review of various documents prepared by the Management 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 controls 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 Management Company's corporate governance procedures and risks.

The Regulations require the Management 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 Management Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Management Company for the year ended December 31, 2023.

LAHORE: June 24, 2024  
UDIN # AR202310766wrsStzH8J

  
KRESTON HYDER BHIMJI & CO.  
CHARTERED ACCOUNTANTS



## NOTICE OF ANNUAL REVIEW MEETING

The Certificate Holders are hereby notified that the Certificate Transfer Books shall remain closed from **12-07-2024** to **22-07-2024** (both days inclusive), for the purpose of attending Annual Review Meeting. All transfers received in order upto close of business hours on July 11 , 2024 with our Registrar's office, M/s. Hameed Majeed Associates (Pvt.) Ltd., H.M House, 7-Bank Square, The Mall, Lahore, will be considered in time.

The Annual Review Meeting of the Certificate holders will be held at 10:00 am on Monday, July 22, 2024 through video link (Zoom Meeting) to review the performance of the Modaraba for the year ended December 31, 2023 in terms of Regulation No.33, Chapter IV of Modaraba Regulations, 2021.

The Certificate Holders are requested to send intimation through valid email ID to the address given below to participate in the meeting through video link, at least seven (07) days prior to the date of meeting:

[armdec2023@punjabmodaraba.com.pk](mailto:armdec2023@punjabmodaraba.com.pk)

The Modaraba will communicate participation link through return email. Further, the certificate holders may send their comments / suggestions on the above email address or on Whatsapp / Mobile no. 0333 4348414 , at least seven (07) days prior to the date of meeting.

The annual audited financial statements of the Modaraba for year ended December 31, 2023 are also available on Modaraba's website: [www.punjabmodaraba.com.pk](http://www.punjabmodaraba.com.pk).

By the Order of  
Board of Directors

**(Mudassar Kaiser Pal)**  
**COMPANY SECRETARY**



**PATTERN OF SHAREHOLDINGS  
AS ON DECEMBER 31, 2023**

Number of ShareHolders	Shareholdings		Total Number of Shares Held	Percentage of Total Capital
	From	To		
935	1 -	100	40,756	0.12
1365	101 -	500	379,512	1.12
1029	501 -	1000	843,294	2.48
588	1001 -	5000	1,342,236	3.95
121	5001 -	10000	913,572	2.69
29	10001 -	15000	363,974	1.07
34	15001 -	20000	617,913	1.82
19	20001 -	25000	429,307	1.26
12	25001 -	30000	335,853	0.99
6	30001 -	35000	196,918	0.58
11	35001 -	40000	412,568	1.21
1	40001 -	45000	45,000	0.13
5	45001 -	50000	248,000	0.73
6	50001 -	55000	321,000	0.94
1	55001 -	60000	59,000	0.17
3	65001 -	70000	202,050	0.59
4	70001 -	75000	298,000	0.88
2	80001 -	85000	168,000	0.49
1	85001 -	90000	87,000	0.26
4	95001 -	100000	400,000	1.18
3	100001 -	105000	305,500	0.90
4	105001 -	110000	430,786	1.27
1	110001 -	115000	112,500	0.33
1	115001 -	120000	117,923	0.35
2	130001 -	135000	268,500	0.79
1	150001 -	155000	151,000	0.44
1	155001 -	160000	158,000	0.46
2	175001 -	180000	356,000	1.05
2	195001 -	200000	397,644	1.17
1	200001 -	205000	202,000	0.59
1	205001 -	210000	210,000	0.62
1	220001 -	225000	222,500	0.65
1	285001 -	290000	287,000	0.84
1	350001 -	355000	351,000	1.03
1	365001 -	370000	367,500	1.08
1	495001 -	500000	500,000	1.47
1	520001 -	525000	525,000	1.54
1	640001 -	645000	642,223	1.89
1	1020001 -	1025000	1,025,000	3.01
1	1265001 -	1270000	1,265,777	3.72
1	5095001 -	5100000	5,099,500	14.99
1	5230001 -	5235000	5,232,194	15.38
1	8085001 -	8090000	8,088,500	23.78
<b>4,207</b>			<b>34,020,000</b>	<b>100.00</b>

**DETAILED CATEGORIES OF SHAREHOLDERS  
AS ON DECEMBER 31, 2023**

Sr. #	Name	No. of Certificate Holders	Shares Held	Percentage
<b>Associated Companies, Undertakings and Related Parties</b>				
1	PUNJAB MODARABA SERVICES (PVT) LTD.		8,088,500	23.7757
2	THE BANK OF PUNJAB		4,788	0.0141
3	PUNJAB MODARABA SERVICES (PVT) LTD.		5,232,194	15.3798
4	TRUSTEE-THE BANK OF PUNJAB EMPLOYEES GRATUITY FUND		5,099,500	14.9897
		<b>4</b>	<b>18,424,982</b>	<b>54.1593</b>
<b>Public Sector Companies and Corporations</b>				
1	INVESTMENT CORP. OF PAKISTAN		400	0.0012
		<b>1</b>	<b>400</b>	<b>0.0012</b>
<b>Banks, Development Financial Institutions, Non Banking Financial Institutions</b>				
1	NATIONAL DEVELOPMENT FINANCE- CORPORATION (INVESTER)		3,300	0.0097
2	NATIONAL BANK OF PAKISTAN TRUSTEE WING HEAD OFFICE		965	0.0028
3	MUHAMMAD AMER RIAZ SECURITIES (PVT.) LIMITED		20	0.0001
4	ATLAS BOT INVESTMENT BANK LTD.		429	0.0013
5	N.B.P. TRUSTEE DEPARTMENT H.O.		260	0.0008
6	SAUDI-PAK INDUSTRIAL & AGRI- CULTURAL INV. CO. (PVT) LTD		24,535	0.0721
7	AL-FAISAL INVESTMENT BANK LTD.		100	0.0003
8	NATIONAL DEVELOPMENT LEASING- CORPORATION		5,200	0.0153
9	KARACHI INVESTMENT COMPANY (PRIVATE) LIMITED		189	0.0006
10	IDBL (ICP UNIT)		2,408	0.0071
11	Diamond Industries Ltd		151,000	0.4439
12	NATIONAL BANK OF PAKISTAN		656	0.0019
13	ESCORTS INVESTMENT BANK LIMITED		19,760	0.0581
14	FRANKLIN INVESTMENT BANK LTD		1,100	0.0032
		<b>14</b>	<b>209,922</b>	<b>0.6171</b>
<b>Insurance Companies</b>				
1	STATE LIFE INSURANCE CORP. OF PAKISTAN		1,265,777	3.7207
		<b>1</b>	<b>1,265,777</b>	<b>3.7207</b>
<b>Modarabas and Mutual Funds</b>				
1	GENERAL LEASING MODARABA		56	0.0002
2	SECURITY STOCK FUND LTD.		3,100	0.0091
3	TRUST MODARABA		1,752	0.0051
4	FIRST IBL MODARABA		100,000	0.2939
5	PRUDENTIAL STOCKS FUND LIMITED		100	0.0003
6	FIRST FIDELITY LEASING MODARBA		300	0.0009
		<b>6</b>	<b>105,308</b>	<b>0.3095</b>
<b>General Public (Local)</b>				
		<b>4,154</b>	<b>13,634,005</b>	<b>40.0764</b>
<b>Joint Stock Companies</b>				
1	DOSSLANIS SECURITIES (PRIVATE) LIMITED		350	0.0010
2	MSMANIAR FINANCIALS (PVT) LTD.		132	0.0004
3	DR. ARSLAN RAZAQUE SECURITIES (PVT.) LIMITED		200	0.0006
4	ALI USMAN STOCK BROKERAGE (PVT) LIMITED		275	0.0008
5	MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED		240	0.0007
6	CAPITAL VISION SECURITIES (PVT) LTD.		3,310	0.0097
7	MILLENNIUM SECURITIES & INVEST.(PVT) LTD		20	0.0001
8	S.H. BUKHARI SECURITIES (PVT) LIMITED		382	0.0011
9	MAPLE LEAF CAPITAL LIMITED		1	0.0000
10	SARFRAZ MAHMOOD (PRIVATE) LTD		570	0.0017
11	EJAZ SPINNING MILLS LIMITED		178,500	0.5247
12	PRUDENTIAL SECURITIES LIMITED		2,000	0.0059
13	PRUDENTIAL SECURITIES LIMITED		260	0.0008
14	SHAFFI SECURITIES (PVT) LIMITED		20,000	0.0588
		<b>14</b>	<b>206,240</b>	<b>0.6062</b>

**Others**

1	HAJVERI HOLDINGS (PVT) LTD	500	0.0015	
2	ALLY BROTHERS & COMPANY M/S. (PAKISTAN) LTD.	17,500	0.0514	
3	JAHANGIR SIDDIQUI & CO. LTD.	3,202	0.0094	
4	SAPPHIRE FIBRES LTD	500	0.0015	
5	MORGAN STANLEY TRUST	19,335	0.0568	
6	MORGAN STANLEY INTERNATIONAL	1,200	0.0035	
7	B.R.R INVESTMENTS (PVT.) LTD	8,750	0.0257	
8	IMPEX CORPORATION (PVT.) LTD.	3,248	0.0095	
9	DADABHOY LEASING COMPANY LTD.	6,804	0.0200	
10	BILAL ASSOCIATES	19	0.0001	
11	TRUST LEASING CORPORATION LTD.	1,775	0.0052	
12	TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND	3,747	0.0110	
13	TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	106,786	0.3139	
		<b>13</b>	<b>173,366</b>	<b>0.5096</b>
	<b>Grand Total:</b>	<b>4207</b>	<b>34,020,000</b>	<b>100.0000</b>



**INDEPENDENT AUDITORS' REPORT TO THE CERTIFICATE HOLDERS OF  
FIRST PUNJAB MODARABA  
REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**A. Opinion**

We have audited the annexed financial statements of **First Punjab Modaraba (the "Modaraba")**, which comprise the statement of financial position as at December 31, 2023, and the statement of profit and loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at December 31, 2023 and of the loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

**B. Basis for Opinion**

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

**C. Key audit matters**

1. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current

financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

2. Following are the Key audit matters, namely:

Sr. No.	Key Audit Matters	How the matter was addressed in our audit
1.	<p><b>Revenue recognition:</b></p> <p>As per ISA 240, there is a presumed risk of material misstatement due to inappropriate revenue recognition. This may either result from an overstatement of revenues through premature revenue recognition or recording fictitious revenues or an understatement of revenues through improperly shifting revenues to a later period.</p> <p>These revenues may also be manipulated through the use of inappropriate profit rates for the overstatement / understatement of revenue to achieve desired financial results.</p> <p>In view of significant value of transactions and presumed risk of material misstatement involved, we have considered this as a key audit matter.</p> <p>The disclosures related to recognition of revenue by the Modaraba are provided in note 4.22 to the annexed financial statements.</p>	<p>In this regard, our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Understanding the policies and procedures applied to revenue recognition, as well as compliance therewith, including an analysis of the effectiveness of controls related to revenue recognition processes employed by the Modaraba.</li> <li>• Performing cut-off procedures for a sample of revenue transactions at year end in order to conclude on whether they were recognized in the relevant accounting period.</li> <li>• Performing analytical procedures on entries in the daily ledger related to revenue made by the Modaraba. These procedures were carried out paying special attention to accounting entries recorded close to the yearend or subsequently, as well as those deemed unusual due, among other reasons, to their nature, amount, date of</li> </ul>



		<p>occurrence.</p> <ul style="list-style-type: none"> <li>• Reviewing disclosures included in the notes to the annexed financial statements.</li> </ul>
<b>2.</b>	<b>Taxation:</b>	
	<p>As described in Summary of Significant Accounting Policies in note – 4.12, significant judgment is required in determining the provision for income tax, both current and deferred, as well assessment of provision for uncertain tax positions including estimates of penalties / default surcharge, where appropriate.</p> <p>The statement of financial position includes advance income tax net of provision of Rs. 10.054 million together with deferred tax asset of Rs. 109.658 million. The tax credit recognized in the statement of profit and loss and other comprehensive is Rs. 49.513 million. Detail of taxation including levies is disclosed in notes 11, 37 and 38 to the annexed financial statements respectively.</p> <p>Due to their significance to the financial statements as a whole, together with the judgment and estimation required to determine their values, the evaluation of current and deferred tax balances is considered to be a key audit matter.</p>	<p>We evaluated the design and implementation of controls in respect of provisions for current tax and the recognition of deferred tax.</p> <p>We discussed with management the adequate implementation of Modaraba's policies and controls regarding current and deferred tax as well as the reporting of uncertain tax positions.</p> <p>We examined the procedures in place for the levies and income tax calculations for completeness and valuation and audited the related computations and estimates in the light of our knowledge of the circumstances. Our verification of taxation was also made with the assistance of our firm's tax department.</p> <p>We considered management assessment of the validity and adequacy of provision for uncertain tax provisions, evaluating the basis of assessment and reviewing relevant correspondence and legal advice where available including any information regarding similar cases with the relevant tax authorities.</p> <p>In respect of deferred tax</p>



		<p>assets and liabilities, we assessed the appropriateness of management assumptions and estimates.</p> <p>We reviewed disclosures included in the notes 11, 37 and 38 to the annexed financial statements.</p>
<b>3.</b>	<b>Provision against financing / advances and other receivables</b>	
	<p>The Modaraba makes specific provisions against financing / advances as disclosed in notes 8, 9, 12, 13 and 14 to the financial statements in accordance with the requirements of the Modaraba Regulations, 2021 issued by the SECP from time to time. The Modaraba has also made provision against other receivables as disclosed in note 17 to the financial statements as per accounting standards.</p> <p>The net provision made or reversed during the year against advances is charged or credited to the statement of profit and loss and other comprehensive income and accumulated provision is netted-off against advances and other receivables.</p> <p>The Modaraba has recognized a reversal of provision against advances amounting to Rs. 11.119 million and made further provision against other receivables amounting to Rs. 57.361 million in the statement of profit and loss and other comprehensive income in the current year. As at December 31, 2023, the Modaraba holds a provision of Rs. 316.139 million and</p>	<p>Our audit procedures to verify provision against advances and other receivables included, amongst others, the following:</p> <p>We obtained an understanding of the design and tested the operating effectiveness of the relevant controls established by the Modaraba to identify loss events and for determining the extent of provisioning required against non-performing advances and other receivables.</p> <p>The testing of controls included testing of:</p> <ul style="list-style-type: none"> <li>• controls over correct classification of non-performing advances on time-based criteria;</li> <li>• controls over monitoring of advances / receivables with higher risk of default and correct classification of non-performing advances / receivables on subjective criteria;</li> </ul>

	<p>Rs. 67.316 million against advances and other receivables respectively.</p> <p>The determination of provision against advances and receivables based on the above criteria remains a significant area of judgment and estimation. Because of the significance of the impact of these judgments / estimations and the materiality of advances and other receivables relative to the overall financial statements of the Modaraba, we considered provision against advances and other receivables as a key audit matter.</p>	<ul style="list-style-type: none"> <li>• controls over accurate computation and recording of provision; and</li> <li>• controls over the governance and approval process related to provision, including continuous reassessment by the management.</li> </ul> <p>We selected a sample of advances and receivables accounts and performed the following substantive procedures:</p> <ul style="list-style-type: none"> <li>• checked repayments of advances / mark-up installments and tested classification of non-performing advances based on the number of days overdue;</li> <li>• evaluated the management's assessment for classification of borrower's advances facilities as performing or nonperforming based on a review of repayment pattern, inspection of credit documentation and discussions with the management; and</li> <li>• examined supporting documentation such as agreements, repayment schedules, repayment history, collateral details, etc.</li> </ul> <p>We checked the accuracy of</p>
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		<p>specific provisions made against non-performing advances and other receivables as per the requirements of the accounting policy by re-computing the provision amount in accordance with the criteria prescribed under the accounting policy.</p>
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**D. Information other than the financial statements and Auditor’s Report thereon**

Management of the Modaraba Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and auditor’s report thereon.

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

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

**E. Responsibilities of management and Board of Directors of the Modaraba Company for the financial statements**

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



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

**F. Auditor's responsibilities for the audit of the financial statements**

1. Our objectives are to obtain reasonable assurances about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.
2. As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
  - b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Modaraba's internal control;
  - c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Modaraba Company;
  - d) Conclude on the appropriateness of the management of the Modaraba Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists

related to events or conditions that may cast significant doubt on the Modaraba's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Modaraba to cease to continue as a going concern; and

- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
3. We communicate with the board of directors of the Modaraba Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
  4. We also provide the board of directors of the Modaraba Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
  5. From the matters communicated with the board of directors of the Modaraba Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## **G Report on other legal and regulatory requirements**

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

- a) Proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980);
- b) the statement of financial position, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the

statement of cash flows together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and are in agreement with the books of account;

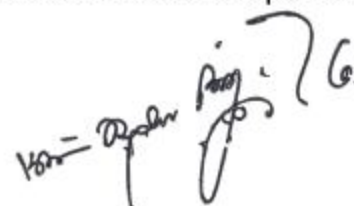
- c) business conducted, investments made, expenditure incurred and guarantees extended during the year by the Modaraba were in accordance with the objects, terms and conditions of the Modaraba; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

#### **H. Prior Year Financial Statements Audited by Predecessor Auditor**

The financial statements for the year ended December 31, 2022 were audited by another auditor who expressed an unmodified opinion on those financial statements on August 02, 2023 respectively.

The engagement partner on the audit resulting in this independent auditor's report is Mr. Shabir Ahmad, FCA.

LAHORE: June 24, 2024  
UDIN # AR202310766wrsStzH8J



KRESTON HYDER BHIMJI & CO.  
CHARTERED ACCOUNTANTS



## **Shari'ah Advisor's Report**

### **First Punjab Modaraba (December 31, 2023)**

I have conducted the Shari'ah review of First Punjab Modaraba (FPM) managed by Punjab Modaraba Services (PVT) Limited for the Year ended December 31, 2023, in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that:

- i. The Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles.
- ii. The agreement(s) entered by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board of SECP and all the related conditions have been met.
- iii. During the year, the Shari'ah Advisor visited the premises regularly to provide Shari'ah assistance in day-to-day operations.
- iv. Internal Shariah training for HOD's has been conducted by Shariah Advisor during the year.
- v. The earnings and income realized from the prohibited sources or by means prohibited by Shariah have been credited to charity account and it is advised to FPM to disburse remaining charity ASAP.

#### **Observation(s)**

- 1) It has been observed that internal shariah audit of FPM needs trained & skilled resource having proper certification of shariah audit mechanism. Due to frequent turnover in Internal Shari'ah Audit position, Internal Shariah Audit Mechanism of Modaraba facing problems in compliance of checking and verification of routine operations and proper required reporting in accordance with Shariah'ah principles.
- 2) Certain policies and SOP's need periodic review with regards to Shari'ah principles
- 3) Debut natured transactions required prior written approval from Shari'ah Advisor including all kind of Modaraba's inflows, outflows, or investments, to meet the Shariah compliance requirements.

#### **Recommendation(s):**

- 1) According to the Annual Shariah Advisor Report dated December 31, 2022, FPM should appoint a well-trained internal Shariah auditor on a permanent basis. Shariah Compliance and Internal Shariah Audit are two distinct yet interconnected disciplines. The efficacy of the Shariah Advisor's role is dependent on this coordination. FPM must address the issue before the next Annual Shariah Advisor Report.
- 2) It is the primary & imperative responsibility of Islamic Financial Institution to ensure all Shari'ah related Standard Operating Procedures (SOPs) & policies through vetting by Shariah Advisor. Therefore, it is highly recommended to the FPM management to take necessary steps in this regard before next annual Shariah Advisor report.
- 3) It is essential for FPM to take prior-approval as described in observation no.3, by providing relevant information to Shari'ah Advisor to analyze and confirm the Shari'ah Compliance status of transactions. This has already advised by the Shariah Advisor in the annual reports December 31, 2022.

- 4) FPM efforts to convert 98.50% of the insurance portfolio into Takaful are very appreciated. The remaining small portion of corporate clients still consists in Insurance. It is advised that FPM actively encourages these clients to transition their insurance arrangements to Takaful, particularly when they are obtaining financing from Islamic financial institutions.
- 5) Investment of staff provident fund is explicitly recommended in Shari'ah Compliant mode. FPM should ensure this action prior to the issuance of the next annual Shariah report.

**Conclusion:**

In my opinion and to the best of my knowledge and information provided by FPM with relevant explanations, The Modaraba's overall business activities, comply with the Shariah Compliance Mechanism. Nevertheless, FPM management needs to put more efforts and take the necessary actions as recommended above.

**May Allah make us successful in this world and hereafter and forgive our mistakes.**



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**Mufti Muhammad Umar**  
Shariah Advisor, FPM

**FIRST PUNJAB MODARABA**  
**STATEMENT OF FINANCIAL POSITION AS AT DECEMBER 31, 2023**

ASSETS	Note	December 31, 2023 Rupees	Restated	
			December 31, Rupees	January 01, 2022 Rupees
<b>Non current assets</b>				
Tangible fixed assets				
- Ijarah assets	5.1	148,068,219	237,096,007	331,566,072
- Assets in own use	5.2	4,066,485	2,972,870	3,415,009
Intangible assets	6	1,055,607	1,722,250	1,100,000
Investment in subsidiary	7	-	76,500,000	76,500,000
Long term musharikhah investment - secured	8	458,544,566	541,155,676	289,701,023
Long term morabaha investment - secured	9	13,502,006	26,861,506	4,280,524
Long term deposits	10	203,444	203,444	203,444
Deferred tax asset	11	109,657,977	61,046,067	66,734,565
		735,098,304	947,557,820	773,500,637
<b>Current assets</b>				
Short term morabaha investment - secured	12	173,447,518	197,495,954	204,569,839
Current maturity of long term investment	13	369,755,675	328,375,145	399,344,987
Ijarah rental receivable	14	111,362,665	144,571,959	200,621,167
Short term investment	15	350,000,000	200,000,000	200,000,000
Development properties	16	49,696,584	53,369,698	39,483,636
Advances, deposits, prepayments and other receivables	17	156,788,162	128,628,194	125,107,525
Income tax refund due from government - net		10,053,695	4,641,407	4,201,717
Cash and bank balances	18	233,544,957	26,675,787	135,278,267
		1,454,649,256	1,083,758,144	1,308,607,138
<b>TOTAL ASSETS</b>		<b>2,189,747,560</b>	<b>2,031,315,964</b>	<b>2,082,107,775</b>
<b>EQUITY AND LIABILITIES</b>				
Authorized certificate capital				
50,000,000 (2022: 50,000,000) modaraba certificates of Rs. 10 each	19	500,000,000	500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital				
34,020,000 (2022: 34,020,000) certificates of Rs. 10 each		340,200,000	340,200,000	340,200,000
Capital reserves	20	218,176,678	218,176,678	218,176,678
Revenue reserves	20	(680,257,522)	(570,903,001)	(483,693,574)
Subordinated funds	21	500,000,000	-	-
<b>Total equity</b>		<b>378,119,156</b>	<b>(12,526,323)</b>	<b>74,683,104</b>
<b>Non current liabilities</b>				
Long term security deposits	22	2,140,000	8,403,800	42,274,729
Deferred morabaha income	23	5,881,661	9,030,996	-
Staff retirement benefits - gratuity	24	9,271,499	9,659,436	8,054,833
Long term musharikhah finance - secured		-	-	131,100,952
Redeemable capital - participatory and unsecured	25	1,485,000,000	-	-
		1,502,293,160	27,094,232	181,430,514
<b>Current liabilities</b>				
Current maturity of non current liabilities	26	98,326,302	107,481,621	84,225,155
Deferred morabaha income	23	-	1,224,666	-
Redeemable capital - participatory and unsecured	27	-	1,825,000,000	1,603,000,000
Profit payable	28	103,300,796	28,096,745	22,864,964
Trade and other payables	29	86,151,716	37,753,747	97,180,879
Provision for levies	37	4,365,946	-	1,519,904
Unclaimed dividend		17,190,485	17,191,276	17,203,255
		309,335,245	2,016,748,055	1,825,994,157
<b>CONTINGENCIES AND COMMITMENTS</b>	30			
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,189,747,560</b>	<b>2,031,315,964</b>	<b>2,082,107,775</b>

The annexed notes 1 to 51 form an integral part of these financial statements.

For Punjab Modaraba Services (Private) Limited  
(Modaraba Company)

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

  
DIRECTOR

  
DIRECTOR



**FIRST PUNJAB MODARABA**  
**STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2023**

	Notes	2023 Rupees	Restated 2022 Rupees
<b>INCOME</b>			
Income from ijarah rentals	31	40,518,318	42,187,727
Income from morabaha financing		8,008,867	11,841,154
Income from diminishing musharikhah financing		195,830,229	96,647,477
Gain from sale of development properties	32	2,587,377	-
Gain / (loss) on disposal of assets	33	5,224,014	(6,072,103)
Other income	34	79,150,545	66,903,969
		<b>331,319,350</b>	<b>211,508,224</b>
<b>EXPENSES</b>			
Administrative and general expenses	35	79,992,200	69,596,129
Finance cost	36	358,390,896	220,686,764
		<b>438,383,096</b>	<b>290,282,893</b>
<b>OPERATING LOSS BEFORE REVERSAL OF PROVISION / PROVISION</b>			
		<b>(107,063,746)</b>	<b>(78,774,669)</b>
Reversal of provision / (Provision) against ijarah rentals - net		408,563	(4,597,502)
Reversal of provision / (Provision) against morabaha investments - net		9,044,500	2,750,000
Reversal of provision / (Provision) against musharikhah investments - net		1,666,373	(1,894,879)
(Provision) / Reversal of provision against other receivables		(57,360,693)	1,172,649
		<b>(46,241,257)</b>	<b>(2,569,732)</b>
<b>OPERATING LOSS AFTER REVERSAL OF PROVISION / PROVISION</b>			
		<b>(153,305,002)</b>	<b>(81,344,401)</b>
<b>MODARABA MANAGEMENT COMPANY'S MANAGEMENT FEE</b>			
		-	-
<b>LOSS BEFORE INCOME TAX AND LEVIES</b>			
		<b>(153,305,002)</b>	<b>(81,344,401)</b>
<b>LEVIES</b>	37	(7,769,876)	(647,908)
<b>LOSS BEFORE INCOME TAX</b>			
		<b>(161,074,878)</b>	<b>(81,992,309)</b>
<b>INCOME TAX</b>	38	49,513,360	(5,551,798)
<b>LOSS AFTER INCOME TAX FOR THE YEAR</b>			
		<b>(111,561,518)</b>	<b>(87,544,107)</b>
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR</b>			
<b>Items that will not be reclassified subsequently to profit or loss</b>			
Actuarial gain on remeasurement of defined benefit obligation		3,108,447	471,380
Related income tax		(901,450)	(136,700)
		<b>2,206,997</b>	<b>334,680</b>
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>			
		<b>(109,354,521)</b>	<b>(87,209,427)</b>
<b>LOSS PER CERTIFICATE - BASIC AND DILUTED</b>	39	<b>(3.28)</b>	<b>(2.57)</b>

The annexed notes 1 to 51 form an integral part of these financial statements.

For Punjab Modaraba Services (Private) Limited  
(Modaraba Company)

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

  
DIRECTOR

  
DIRECTOR

**FIRST PUNJAB MODARABA**  
**STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31, 2023**

	Issued subscribed and paid up Certificate capital	Capital Reserve		Revenue Reserve	Total equity
		Statutory reserve	Subordinated funds	Accumulated loss	
-----Rupees-----					
Balance as at January 01, 2022 - previously reported	340,200,000	218,176,678	-	(471,759,082)	86,617,596
Correction of error (note - 4.23)	-	-	-	(11,934,492)	(11,934,492)
Balance as at January 01, 2022 - restated	340,200,000	218,176,678	-	(483,693,574)	74,683,104
Loss after income tax for the year	-	-	-	(87,544,107)	(87,544,107)
Other comprehensive income for the year	-	-	-	334,680	334,680
Total comprehensive loss for the year	-	-	-	(87,209,427)	(87,209,427)
Balance as at December 31, 2022	340,200,000	218,176,678	-	(570,903,001)	(12,526,323)
Balance as at December 31, 2022 - previously reported	340,200,000	218,176,678	-	(558,326,230)	50,448
Correction of error (note - 4.23)	-	-	-	(12,576,771)	(12,576,771)
Balance as at December 31, 2022 - restated	340,200,000	218,176,678	-	(570,903,001)	(12,526,323)
Loss after income tax for the year	-	-	-	(111,561,518)	(111,561,518)
Other comprehensive income for the year	-	-	-	2,206,997	2,206,997
Total comprehensive loss for the year	-	-	-	(109,354,521)	(109,354,521)
Subordinated funds received from parent company	-	-	500,000,000	-	500,000,000
<b>Balance as at December 31, 2023</b>	<b>340,200,000</b>	<b>218,176,678</b>	<b>500,000,000</b>	<b>(680,257,522)</b>	<b>378,119,156</b>

The annexed notes 1 to 51 form an integral part of these financial statements.

For Punjab Modaraba Services (Private) Limited  
(Modaraba Company)

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

  
DIRECTOR

  
DIRECTOR

**FIRST PUNJAB MODARABA**  
**CASH FLOW STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2023**

	Note	2023 Rupees	Restated 2022 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
<b>Cash generated from operations</b>	48	268,473,192	242,007,703
Disbursements under Ijarah arrangements	5.1	(28,003,913)	(61,065,014)
Proceeds from transfer of Ijarah assets		35,111,408	32,013,774
Morabaha financing - net	9	20,310,770	(36,218,801)
Musharikhah financing - net	8	66,983,392	(159,135,799)
Development properties - net		3,673,114	(13,886,062)
Security deposits against Ijarah assets - net	22	(17,737,893)	(11,303,400)
Profit paid on redeemable capital - participatory and unsecured		(282,873,910)	(205,605,789)
Profit paid on musharikhah finances		-	(9,659,289)
Bank charges paid		(312,935)	(189,905)
Gratuity paid	24.2	(68,608)	(115,104)
Income tax paid		(8,816,218)	(6,012,093)
		(211,734,793)	(471,177,482)
<b>Net cash generated from / (used in) operating activities</b>		<b>56,738,399</b>	<b>(229,169,779)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Purchase of assets in own use	5.2	(2,632,500)	(875,000)
Proceeds from disposal of assets in own use		1,000,000	97,100
Proceeds from disposal of subsidiary company		85,487,000	-
Purchase of intangible assets		-	(900,000)
Profit received on bank deposits		56,277,061	27,038,747
Changes in short term investments made during the year - net		(150,000,000)	-
Dividend income		-	4,319,384
<b>Net cash (used in) / generated from investing activities</b>		<b>(9,868,439)</b>	<b>29,680,231</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Repayment of long term Musharikhah finance - secured		-	(131,100,952)
Subordinated funds received from parent company	21	500,000,000	-
Changes in redeemable capital - participatory and unsecured (net)	27	(340,000,000)	222,000,000
Profit distributed among the certificate holders		(791)	(11,980)
<b>Net cash generated from financing activities</b>		<b>159,999,209</b>	<b>90,887,068</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>206,869,169</b>	<b>(108,602,480)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>		<b>26,675,787</b>	<b>135,278,267</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	18	<b>233,544,957</b>	<b>26,675,787</b>

The annexed notes 1 to 51 form an integral part of these financial statements.

For Punjab Modaraba Services (Private) Limited  
(Modaraba Company)

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

  
DIRECTOR

  
DIRECTOR



**FIRST PUNJAB MODARABA**  
**NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2023**

**1 STATUS AND NATURE OF BUSINESS**

First Punjab Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (the "Modaraba Company") which is a wholly owned subsidiary of The Bank of Punjab. The registered office of the Modaraba is situated at Office No. 100, 3rd floor, National Tower, 28-Egerton Road, Lahore. The Modaraba commenced its operations on December 23, 1992. The Modaraba is listed on Pakistan Stock Exchange.

Modaraba established its wholly-owned subsidiary on November 29, 2016 as a Private Limited Company under the name of Punjab Capital Securities (Private) Limited. The registered office of Punjab Capital Securities (Private) Limited was situated at 3rd Floor, LSE Plaza, 19-Khayabane Aiwane Iqbal, Lahore. This Subsidiary was mainly engaged in the business of brokerage services, portfolio management and consultancy services. During the year, 100% stake in wholly owned subsidiary was sold to ultimate parent i.e. The Bank of Punjab against total consideration of Rs. 85.487 million.

The Modaraba is a perpetual and multi-dimensional Modaraba and is primarily engaged in the business of Ijarah, Musharikhah and Murabaha financing, equity investment and other related businesses in accordance with the injunctions of Islam. Modaraba has obtained approval of the Securities & Exchange Commission of Pakistan to undertake Building, Construction and Real Estate activity by insertion of a new clause for this purpose in prospectus of the Modaraba on January 13, 2021.

The Pakistan Credit Rating Agency (PACRA) has assigned long term rating of A- (December 31, 2022: A-) and short term rating of A-2 (December 31, 2022: A-2) to the Modaraba on September 20, 2023 (December 31, 2022: September 20, 2022).

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

- o International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- o Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan;
- o Requirements of the Modaraba Companies and Modaraba (Floatation and & Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981 and the Modaraba Regulations, 2021; and
- o Provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017.

Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and & Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations, 2021 and Islamic Financial Accounting Standards (IFAS) and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 differ from IFRS Standards, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations, 2021, IFAS and provisions of and directives issued by the Securities and Exchange Commission of Pakistan (SECP) under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Companies Act, 2017 have been followed.

The SECP has issued directive (vide SRO 431 (I) / 2007 dated May 22, 2007) that Islamic Financial Accounting Standard 2 (IFAS 2) shall be followed in preparation of the financial statements by Companies and Modarabas while accounting for Lease Financing transactions as defined by the said standard. The Modaraba has adopted the said standard.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except for defined benefit obligation i.e. gratuity at the present value of the obligation determined through actuarial valuation and discussed further in the respective policy note.

Permissible Islamic financial products including Murabaha (as a liability) and Musharikhah have been used by the Modaraba, in line with similar industry practices. The accounting and presentation of the same are in line with the substance of the transaction and are limited to the extent of actual amount of facility utilized and mutually agreed mark-up / profit thereon. Accordingly, purchases, sales and Musharikhah profits / reserves are not reflected in these financial statements except for Murabaha facility (as an asset) which has been accounted for in line with Islamic Financial Accounting Standard - 1.

### 2.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupee (Rs.) which is the Modaraba's functional and presentation currency. All financial information presented in Pakistan Rupees has been rounded to the nearest rupee unless otherwise indicated.

### 2.4 Critical accounting estimates, judgments and assumptions

The preparation of financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the use of certain critical accounting estimates. In addition, it requires management to exercise judgment in the process of applying the Modaraba's accounting policies. The areas involving a high degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are documented in the following accounting policies and notes, and relate primarily to:

- o Estimates of residual values, useful lives and depreciation methods of ijarah assets (note 4.3)
- o Estimates of residual values, useful lives and depreciation method of assets in own use (note 4.1)
- o Intangible assets (note 4.2)
- o Employees' benefits - gratuity (note 4.11)
- o Development properties - NRV (note 4.6)
- o Contingencies (note 4.19)
- o Provisions (note 4.16).
- o Impairment of financial assets (note 4.15)
- o Impairment of non-financial assets (note 4.15)
- o Provision against non-performing Ijarah rentals receivables, Morabaha financing and Musharikhah financing and FSVs of collaterals (note 4.4)
- o Provision for taxation (note 4.12).
- o Classification

The revisions to accounting estimates (if any) are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

## 3 NEW STANDARDS, INTERPRETATIONS OF AND AMENDMENTS TO PUBLISHED APPROVED ACCOUNTING STANDARDS

### 3.1 Standards, interpretations of and amendments to published approved accounting standards that are effective in the current

There are certain amendments to the published approved accounting standards that are effective in the current year. However, these do not have any significant impact on the Modaraba's operations and, therefore, have not been detailed in these financial statements.

During the period, the SECP vide its S.R.O. 203(1)/2024 dated February 15, 2024 has made amendments in the Modaraba Companies and Modaraba Rules, 1981 with the approval of Federal Government. Through this notification words "balance sheet" and "profit and loss account" have been substituted with words "Statement of Financial Position" and "Statement of Profit and Loss and Other Comprehensive Income" respectively with immediate effect. In addition to this disclosure related change in name of components of financial statements, there are no major amendments in the above referred notification that may require any adjustment to the carrying values of assets and liabilities or disclosure in the financial statements of the Modaraba.

### 3.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

There are certain other new and amended standards, interpretations and amendments that are mandatory for the Modaraba's accounting periods beginning on or after January 01, 2024 but are considered not to be relevant or will not have any significant effect on the Modaraba's operations and are, therefore, not detailed in these financial statements.

The SECP has deferred the effective date of applicability of International Financial Reporting Standard 9 - Financial Instruments for Modarabas for reporting period ending on or after June 30, 2024 via SRO 1827 (I) / 2022 dated September 29, 2022. The provision against investment under Musharikhah, Morabaha and Ijarah has been determined in accordance with requirements of the Modaraba Regulations, 2021 issued by the Securities and Exchange Commission of Pakistan (SECP).

However, Modaraba is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.



#### 4 MATERIAL ACCOUNTING POLICY INFORMATION

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous year except for the changes, if any, explained below:

##### 4.1 Assets in own use

###### Measurement

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes all expenditures that are directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amounts or recognized as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Modaraba and the cost of the items can be measured reliably. All other repairs and maintenance expenses are charged to the statement of profit and loss and other comprehensive income as and when incurred.

###### Depreciation

Depreciation on all operating fixed assets is charged to statement of profit and loss and other comprehensive income by applying the straight line method so as to write off the depreciable amount of the assets over their estimated useful lives at the rates given in Note 5.1. The residual values and useful lives are reviewed by the management at each financial year end and adjusted if impact on depreciation is significant. Depreciation on additions is charged from the date on which the assets are available for use and on disposals up to the date on which the assets are disposed off.

###### Derecognition

An item of assets in use is de-recognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the statement of profit and loss and other comprehensive income in the year the asset is de-recognized.

###### Judgment and estimates

The Modaraba assesses at each reporting date whether there is any indication that assets in own use may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying values exceed the respective recoverable amount, assets are written down to their recoverable amounts and the resulting impairment loss is recognized in statement of profit and loss and other comprehensive income. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Where an impairment loss is recognized, the depreciation charge is adjusted in the future periods to allocate the asset's revised carrying amount over its estimated useful life.

##### 4.2 Intangible assets

###### Measurement

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent costs are included in the assets' carrying amounts or recognized as separate assets, as appropriate, only where it is probable that the future economic benefits associated with the assets will flow to the Modaraba and the cost of the items can be measured reliably. The useful lives and amortization method are reviewed and adjusted, as appropriate, at each reporting date. Amortization is charged when the asset is available for use as intended by management.

Research and development expenditure, if any, is charged to 'administrative and general expenses' in the statement of profit and loss and other comprehensive income, as and when incurred.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any. Gain or loss on disposal of intangible assets, if any, is recognized in the statement of profit and loss and other comprehensive income.

###### Judgment and estimates

The Modaraba assesses at each reporting date whether there is any indication that intangible assets may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amounts. Where the carrying value exceeds the recoverable amount, intangible assets are written down to the recoverable amount and the difference is recognized in the statement of profit and loss and other comprehensive income.



#### 4.3 Ijarah assets

Assets leased out under Ijarah arrangements are recorded as Ijarah assets and are stated at cost less accumulated depreciation and accumulated impairment losses. Cost includes all expenditures that are directly attributable to the acquisition of the assets. Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only 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. All other repairs and maintenance are charged to the statement of profit and loss and other comprehensive income as and when incurred. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date.

Depreciation is charged to the statement of profit and loss and other comprehensive income applying the straight line method whereby the cost of an asset less residual value is depreciated over the estimated useful life of the asset. Depreciation is charged on additions from the date, the asset is available for use and on disposals up to the date, the asset is disposed off.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are recognized in the statement of profit and loss and other comprehensive income, in the year in which these arise.

The carrying amount of the Modaraba's Ijarah assets are reviewed at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such an indication exists, the recoverable amount of the Ijarah assets is estimated and impairment losses are recognized in the statement of profit and loss and other comprehensive income.

Mustajir (lessors) presents the assets subject to Ijarah in their statement of financial position according to the nature of the asset. The Mustajir is required to distinguish these Ijarah assets from the assets in own use.

Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are recognized as expenses.

#### 4.4 Morabaha and Musharikah investment / financing

##### Morabaha investment

Modaraba obtains an undertaking (promise to purchase) from the client and purchases the requested assets / goods from third parties and takes possession of such goods / assets that are the subject matter of murabaha arrangements. However, the Modaraba can appoint the client as its agent to purchase the assets/goods on its behalf. Thereafter, it sells these goods / assets to the client at cost plus the profit agreed upon in the promise. Murabaha sale is recorded at the invoiced amount and profit is recognized in accordance with IFAS-1 (Murabaha) to the extent of pro-rata portion of sale price received as compared to total agreed price. Profit on the portion of sale revenue not due for payment is deferred and recognized as liability.

##### Musharikah investment

Diminishing musharikah financing is recognized initially at cost. Subsequent to initial recognition, this is stated at original cost less principal repayments.

Lease financing installments and diminishing musharikah financing are stated net of provision and suspense income. Provision is recognized for lease financing installments and diminishing musharikah financing, in accordance with the Modaraba Regulations, 2021 for Modarabas. Bad debts are written-off when identified.

#### 4.5 Other investments

Investments intended to be held for less than twelve months from the reporting date or to be sold to raise operating capital are included in current assets, all other investments are classified as non-current. Management determines the classification of its investments at the time of purchase depending on the purpose for which the investments are required and re-evaluates this classification on regular basis

##### Investment in subsidiary

Investment in subsidiary is initially recognized at cost. At subsequent reporting dates, the recoverable amounts are estimated to determine the extent of impairment losses, if any, and carrying amounts of investments are adjusted accordingly. Impairment losses are recognized in the statement of profit and loss and other comprehensive income. Where impairment losses subsequently reverse, the carrying amounts of the investments are increased to the revised recoverable amounts but limited to the extent of initial cost of investments. A reversal of impairment loss is recognized in the statement of profit and loss and other comprehensive income.

##### Held-to-maturity investments

Investments with a fixed maturity that the Modaraba has the intent and ability to hold to maturity are classified as held to maturity investments. These are initially recognized on trade date at cost and derecognized by the Modaraba on the date it commits to sell them off. At subsequent reporting date they are measured at amortized cost using the effective interest rate method.

All purchases and sales of investments are recognized on the trade date which is the date that the Modaraba commits to purchase or sell the investment. Cost of purchase includes transaction cost.

#### **Judgments and estimates**

At each reporting date, the Modaraba reviews the carrying amounts of the investment to assess whether there is any indication that any investment has suffered an impairment loss. If any such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Impairment losses are recognized as expense in the statement of profit and loss and other comprehensive income. Impairment losses on available for sale investments are recognized by reclassifying the losses accumulated in the fair value reserve to statement of profit and loss and other comprehensive income. Impairment losses recognized in the statement of profit and loss and other comprehensive income on equity instruments classified as available for sale are not reversed through the statement of profit and loss and other comprehensive income.

#### **4.6 Development properties**

##### **Measurement**

Property acquired, constructed or in the course of construction for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is classified as development properties and is measured at lower of cost and net realizable value.

All project costs incurred or to be incurred are capitalized as a cost of development properties and mainly includes costs / rights for freehold and leasehold land, construction cost, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs necessary to bring the premises in saleable condition and development charges.

Net realizable value is the estimated selling price in the ordinary course of business, based on market prices at the reporting date less estimated costs of completion and the estimated costs necessarily to be incurred to make the sale.

The cost of sales recognized in statement of profit and loss and other comprehensive income is determined with reference to the costs incurred on the property sold and an allocation of any non-specific costs based on the total area of land sold for property, in relation to total area of land. The development charges are recognized in statement of profit and loss and other comprehensive income on the basis of reimbursable development costs recoverable to date from customers on property sold apportioned to total area of land sold in relation to total area of land. Development charges not recoverable from customers are borne by the Modaraba and charged to statement of profit and loss and other comprehensive income.

##### **Impairment**

At each reporting date, development properties are assessed for impairment. If these impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognized immediately in the cost of revenue in the statement of profit and loss and other comprehensive income.

##### **Judgments and estimates**

The Modaraba reviews the carrying amount of development properties on a regular basis. Carrying amount is adjusted where the net realizable value is below the cost.

#### **4.7 Advances, deposits, prepayments and other receivables**

These are initially recognized when they are originated at the fair value of the consideration receivable and subsequently measured at amortized cost. These assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a counter part to engage in a repayment plan with the Modaraba.

#### **4.8 Cash and cash equivalents**

Cash and cash equivalents are carried in statement of financial position at cost. For the purpose of the cash flow statement, cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short-term highly liquid instruments that are readily convertible into known amounts of cash net of temporary bank or books overdrafts / overdrawn, if any.

#### **4.10 Financing arrangements / funding**

Markup / profit bearing funds / loans are recorded at the proceeds received. Borrowings are subsequently stated at amortized cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognized in the statement of profit and loss and other comprehensive income over the period of the borrowings using the effective interest rate method. Finance costs are accounted for on accrual basis and are reported under accrued mark up to the extent of the amount remaining unpaid.

Subordinated funds are classified as equity as per Modaraba Regulations, 2021, whereas, its recognition and measurement has been made in accordance with applicable accounting and reporting standards.



Interest expense i.e. profit payable is accounted for on the basis of the effective interest method and are included in finance costs which are charged to income in the period in which these are incurred.

Borrowings are reported under profit payable to the extent of the amount remaining unpaid and are classified as current liabilities unless the Modaraba has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

#### **4.11 Employees benefits**

##### **Short-term employee benefits**

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Modaraba has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### **Defined contribution plan**

A defined contribution plan is a recognized post-employment benefit plan under which an entity pays fixed contribution into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognized as an employee benefit expense in the statement of profit and loss and other comprehensive income when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

The Modaraba operates a defined contribution plan in the form of recognized provident fund scheme for all eligible employees. Contributions to fund are made monthly by the Modaraba and employee at 8.33% of the basic salary. The Modaraba's contributions are recognized as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognized as an asset.

##### **Defined benefit plan**

The defined benefit plan represents an unfunded and unrecognized gratuity scheme for its eligible employees completing prescribed period of service in accordance with service rules of the Modaraba. Defined benefit plans provide an amount of gratuity that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined benefit plan is a plan that is not a defined contribution plan. The liability recognized in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets.

The defined benefit obligations are calculated annually by an independent actuary using the projected unit credit method. When the calculation results in a potential asset for the Modaraba, the recognized asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plans. The present values of the defined benefit obligations are determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds or the market rates on government bond. These are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension obligation. Remeasurement gains / losses are recognized in other comprehensive income. The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss and other comprehensive income.

##### **Judgment and estimates**

In determining the liability for long-service payments management must make an estimate of salary increases over the following five years, the discount rate for the next five years to use in the present value calculation, and the number of employees expected to leave before they receive the benefits.

#### **4.12 Taxation**

Income tax comprises of current tax and deferred tax. Income tax expense is recognized in the statement of profit and loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity (if any), and in which case the tax amounts are recognized directly in other comprehensive income or equity.

##### **Current**

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.



The Modaraba designate the amount calculated on taxable income using the notified tax rate as an income tax within the scope of IAS 12 'Income Taxes' and recognize it as current income tax expense. Any excess over the amount designated as income tax, is then recognized as a levy falling under the scope of IFRIC 21/IAS 37.

#### **Deferred**

Deferred tax is recognized using the balance sheet method on all major temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax assets are recognized for all deductible temporary differences, unused tax credits and unused tax losses to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, carry forward unused tax assets and unused tax losses can be utilized. The carrying amounts of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax assets to be utilized. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

#### **Judgment and estimates**

Significant judgment is required in determining the income tax expenses and corresponding provision for tax. There are many transactions and calculations for which the ultimate tax determination is uncertain as these matters are being contested at various legal forums. Modaraba recognizes liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current and deferred tax assets and liabilities in the period in which such determination is made.

Further, the carrying amount of deferred tax assets is reviewed at each reporting date and is adjusted to reflect the current assessment of future taxable profits. If required, carrying amount of deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits to allow the benefit of part or all of that recognized deferred tax asset to be utilized. Any such reduction shall be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

#### **Off-setting**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

#### **4.13 Trade and other payables**

These amounts represent liabilities for supplies and services provided to the Modaraba prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 60 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

#### **4.14 Financial instruments**

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

Financial assets are de-recognized when the Modaraba loses control of the contractual rights that comprise the financial asset. Financial liabilities are de-recognized when they are extinguished, that is, when the obligation specified in the contract is discharged, cancelled, or expired.

Any gain or loss on derecognition of financial assets and financial liabilities is included in the statement of profit and loss and other comprehensive income for the year.

Financial instruments carried on the statement of financial position includes investments, long term loan, long term deposits, trade debts, cash and bank balances, borrowings, trade and other payables and accrued markup. The particular measurement methods adopted are disclosed in the individual policy statements associated with each item.

Financial assets and liabilities are offset and the 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 to settle the liabilities simultaneously.

#### 4.15 Impairment

##### Financial assets

Financial assets not carried at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. Impairment loss in respect of a financial asset measured at fair value is determined by reference to that fair value. Impairment losses on available for sale financial assets are recognized by reclassifying the losses accumulated in the fair value reserve to statement of profit and loss and other comprehensive income.

All impairment losses are recognized in statement of profit and loss and other comprehensive income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. An impairment loss is reversed only to the extent that the financial asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, if no impairment loss had been recognized.

Provision for non performing Islamic financing is made in accordance with the Modaraba Regulations, 2021 for modarabas issued by SECP vide SRO 284 (I) / 2021 dated March 05, 2021 and subsequent amendments made therein, and is charged to statement of profit and loss and other comprehensive income.

##### Non-financial assets

The carrying amount of the Modaraba's non-financial assets, other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less cost to sell. In assessing value in use, the estimated future cash flows are discounted to their present values using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

An impairment loss is recognized if the carrying amount of the assets or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognized in profit or loss. Impairment losses recognized in respect of cash generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the unit on a pro rata basis. Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to that extent that the asset's carrying amount after the reversal does not exceed the carrying amount that would have been determined, net of depreciation and amortization, if no impairment loss had been recognized.

#### 4.16 Provisions

##### Recognition and measurement

Provisions for legal claims and make good obligations are recognized when the Modaraba has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.



**Judgement and estimates**

As the actual outflows can differ from estimates made for provisions due to changes in laws, regulations, public expectations, technology, prices and conditions, and can take place many years in the future, the carrying amounts of provisions are reviewed at each reporting date and adjusted to take account of such changes. Any adjustments to the amount of previously recognized provision is recognized in the statement of profit and loss and other comprehensive income unless the provision was originally recognized as part of cost of an asset.

**4.17 Contract liability**

A contract liability is the obligation of the Modaraba to transfer goods or services to a customer for which the Modaraba has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the Modaraba transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognized as revenue when the Modaraba performs under the contract. It also includes refund liabilities arising out of customers' right to claim amounts from the Modaraba on account of contractual delays in delivery of performance obligations and incentive on target achievements.

**4.18 Earnings per certificate**

Earnings per certificate is calculated by dividing the profit after taxation for the year by weighted average number of certificates outstanding during the year. Diluted earnings per certificate is determined by adjusting the profit or loss attributable to ordinary certificate holders by taking into account the conversion of any diluted potential ordinary certificate.

**4.19 Contingencies and commitments**

A contingent liability is disclosed when the Modaraba has a possible obligation as a result of past events, whose existence will be confirmed only by the occurrence or non-occurrence, of one or more uncertain future events not wholly within the control of the Modaraba; or the Modaraba has a present legal or constructive obligation that arises from past events, but it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

Capital commitments, unless those are actual liabilities, are not incorporated in the books of accounts.

**Judgement and estimates**

The Modaraba reviews the status of all pending litigations and claims against the Modaraba. Based on the judgment and the advice of the legal advisors for the estimated financial outcome, appropriate disclosure or provision is made. The actual outcome of these litigations and claims can have an effect on the carrying amounts of the liabilities recognized at the reporting date.

**4.20 Dividends**

Dividend distribution to the shareholders is recognized as a liability in the period in which the dividends are approved.

**4.21 Segment reporting**

A segment is a distinguishable component of the Modaraba that is engaged either in providing product or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Modaraba has only one reportable segment.

**4.22 Revenue recognition****Ijarah rentals**

Ijarah income is recognized in income on an accrual basis as and when the rental becomes due unless another systematic basis is more representative of the time pattern on which the benefit of use derived from the leased asset is diminished. Unrealized ijarah income pertaining to non-performing ijarah is held in a suspense account, where necessary, in accordance with the requirements of the Modaraba Regulations, 2021.

**Murabaha transaction**

Profit on transactions under murabaha arrangements is recognized on pro-rata basis taking into account the elapsed duration for payment of murabaha amounts payable by the customer. Profit not due for payment in the current year is deferred by the accounting for unearned murabaha income with a corresponding credit to deferred murabaha income which is recorded as a liability. The same is then recognized as revenue on a time proportionate basis as and when the due dates approach for payment of recoverable amounts by the customers.



#### Musharikhah transaction

Profit on musharikhah arrangement is recognized on accrual basis, based on the amount of outstanding principal.

#### Documentation and processing charges

Documentation and processing charges are recognized as income on receipt basis.

#### Sale of development properties

Revenue from the sale of development properties is recognized at the point in time when the performance obligations arising from the contract with a customer is satisfied and the amount of revenue that it expects to be entitled to can be determined. This usually occurs when control of the asset is transferred to the customer, which is when these properties are transferred to the customers. Invoices are generated and revenue is recognized at that point in time. All the sales are on advance basis. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. Revenue is disclosed net of taxes, returns, rebates, discounts and other allowances, if any.

#### Profit on bank deposit

Return on bank deposits is accounted for on a time proportionate basis using the applicable rate of return / interest.

#### Dividend income

Dividend income is recognized in profit or loss as other income when:

- the Modaraba's right to receive payment have been established;
- is probable that the economic benefits associated with the dividend will flow to the Modaraba; and
- the amount of the dividend can be measured reliably.

#### Other income

Other income, if any, is recognized on accrual basis.

#### 4.23 Correction of errors

In the prior years, Modaraba has not recognized and measured staff retirement benefits i.e. gratuity expense and actuarial gain on remeasurement as required by applicable accounting and reporting standards i.e. using Projected Unit Cost (PUC) method. Secondly, salaries of the staff were recorded as receivable rather than as expense to statement of profit and loss and other comprehensive income under the head "salaries and benefits". The accumulated depreciation of ijarah vehicles was also overstated as of December 31, 2022. Income from ijarah rentals was overstated for the year ended June 30, 2019. The impact of these errors was considered material on the financial statements, hence retrospective adjustments have been made on account of this gratuity expense, actuarial gain on remeasurement, salaries of the staff, accumulated depreciation of ijarah vehicles and overstatement of other receivables as per the requirement of para 42 of the IAS - 8, "Accounting Policies, Changes in Accounting Estimates and Errors". The impact of correction is as follows:

#### Statement of financial position

Description	January 01, 2022			December 31, 2022		
	As previously reported	Adjustments (decrease)	As restated	As previously reported	Adjustments (decrease)	As restated
	Rupees			Rupees		
Other receivables	97,516,503	(10,635,133)	106,235,106	118,870,239	(14,081,388)	104,788,851
Receivable from provident fund	-	-	-	-	324,452	324,452
Provident fund payable	-	-	-	(3,498)	3,498	-
Staff retirement benefits - gratuity	(4,419,572)	(3,635,261)	(8,054,833)	(6,488,354)	(3,171,082)	(9,659,436)
Deferred tax	64,398,663	2,335,902	66,734,565	58,876,495	2,169,562	61,046,057
Accumulated depreciation - ijarah assets						
Plant and machinery	(318,261,461)	(4,408,857)	(322,670,318)	(303,973,289)	(4,408,857)	(308,382,146)
Vehicles	(242,538,036)	4,408,857	(238,129,179)	(271,862,052)	6,587,044	(265,275,008)
Accumulated loss	471,759,082	11,934,492	483,693,574	558,326,230	12,576,771	570,903,001

**Statement of profit and loss and other comprehensive income**

Description	For the year ended December 31, 2022		
	As previously reported	Adjustments increase / (decrease)	As restated
	Rupees		
Salaries and benefits	37,704,761	3,125,506	40,830,267
Depreciation of ijarah assets	76,453,471	(2,178,187)	74,275,284
Loss before income tax	80,397,082	947,319	81,344,401
Income tax (deferred tax)	6,170,067	29,639	6,199,706
Loss after income tax	86,567,149	976,958	87,544,107
Loss per certificate	2.54	0.03	2.57
<b>Other comprehensive income</b>			
Description	For the year ended December 31, 2022		
	As previously reported	Adjustments increase / (decrease)	As restated
	Rupees		
Other comprehensive income - actuarial gain	-	471,380	471,380
Related income tax impact	-	(136,700)	(136,700)
	-	334,680	334,680
Total comprehensive loss for the year	86,567,149	642,278	87,209,427

**4.24 Adoption of IAS 12 Application Guidance on Accounting for Minimum taxes and Final Taxes**

The Modaraba has classified its current income tax to the extent of income tax based on revenue i.e. minimum / turnover tax under the section 113 of Income Tax Ordinance, 2001 to levies as explained in IFRIC 21 "Levies" pursuant to "IAS 12 Application Guidance on Accounting for Minimum taxes and Final Taxes" issued by Institute of Chartered Accountant of Pakistan, which clarifies that levies whose calculation use data such as the gross amount of revenues, assets or liabilities do not meet the definition of income taxes provided in IAS 12 Income Taxes" i.e. not within the scope of IAS 12 rather are within the scope of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets". The Modaraba opted to designate the amount calculated on taxable income using the notified tax rate as an income tax within the scope of IAS 12 'Income Taxes' and recognize it as current income tax expense. Any excess over the amount designated as income tax, is then recognized as a levy falling under the scope of IFRIC 21/IAS 37. The respective changes are explained in notes 37 and 38 to these financial statements. The impact is explained as follows:

**Statement of profit and loss and other comprehensive income for the year ended December 31, 2022**

	As previously reported	Adjustments	As restated
	..... (Rupees) .....		
Loss before income tax and minimum tax / levies	81,344,401	-	81,344,401
Levies / minimum tax	-	647,908	647,908
Loss before income tax	81,344,401	647,908	81,992,309
Income tax	6,199,717	(647,908)	5,551,809

5 Tangible fixed assets	Note	2023 Rupees	Restated 2022 Rupees	COST				DEPRECIATION			IMPAIRMENT			NET BOOK VALUE		
				As at 1 January 2023	Additions	Disposals	As at 31 December 2023	As at 1 January 2023	Charge for the year	Transfer	As at 31 December 2023	As at 1 January 2023	Reversal for the year	Disposals	As at 31 December 2023	As at 31 December 2023
jarah assets	5.1	148,066,219	237,096,007													
Assets in own use	5.2	4,066,465	2,972,870													
		152,134,704	240,068,877													
<b>5.1 Jarah assets</b>																
Plant and machinery		383,956,167	1,050,000	(73,648,977)	311,357,190	308,382,146	5,448,522	(70,987,442)	242,843,226	-	-	-	-	68,513,964	As per term	
Vehicles		367,038,224	13,958,913	(110,252,528)	270,704,609	266,275,008	40,660,040	(87,926,437)	216,008,611	-	-	-	-	52,696,988	As per term	
Consumer products		155,101,180	12,965,000	(26,368,500)	139,707,680	95,342,410	39,415,745	(21,908,732)	112,849,423	-	-	-	-	26,858,257	As per term	
<b>2023</b>		<b>906,095,571</b>	<b>28,003,913</b>	<b>(212,330,005)</b>	<b>721,769,679</b>	<b>668,999,564</b>	<b>85,524,307</b>	<b>(180,822,611)</b>	<b>573,701,260</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>148,066,219</b>		

Description	COST				DEPRECIATION			IMPAIRMENT			NET BOOK VALUE			
	As at 1 January 2022	Additions	Disposals	As at 31 December 2022	As at 1 January 2022	Charge for the year	Disposals	As at 31 December 2022	As at 1 January 2022	Reversal for the year	Disposals	As at 31 December 2022	As at 31 December 2022	Life Years
Plant and machinery	405,143,067	1,115,000	(22,301,900)	383,956,167	322,670,318	5,428,090	(19,716,262)	308,382,146	15,593,102	(15,593,102)	-	-	75,574,021	As per term
Vehicles	432,837,429	7,759,613	(73,658,818)	367,038,224	238,120,179	74,275,284	(47,129,455)	265,275,008	1,104,387	(1,104,387)	-	-	101,763,216	As per term
Consumer products	133,893,279	52,190,401	(30,962,500)	155,101,180	62,910,707	53,775,827	(21,344,124)	95,342,410	-	-	-	-	59,758,770	As per term
<b>2022 - restated</b>	<b>971,973,775</b>	<b>61,065,014</b>	<b>(126,943,218)</b>	<b>906,096,571</b>	<b>623,710,204</b>	<b>133,479,201</b>	<b>(88,189,841)</b>	<b>668,999,564</b>	<b>16,697,499</b>	<b>(16,697,499)</b>	<b>-</b>	<b>-</b>	<b>237,096,007</b>	

5.1.1 Depreciation charge for the year has been recognized in income from Jarah rentals.

5.1.2 Above assets include fully depreciated assets of Rs. 475,817,063 (2022: Rs. 352,758,204).



5.2 Assets in own use

Description	COST			DEPRECIATION			NET BOOK VALUE		Life Years	
	As at 1 January 2023	Additions	Disposal	As at 31 December 2023	As at 1 January 2023	Charge for the year	As at 31 December 2023	As at 31 December 2023		
Office equipment	4,749,645	-	-	4,749,645	2,761,397	642,894	-	3,404,291	1,345,354	3 to 7
Furniture and fixtures	2,263,400	20,500	-	2,283,900	1,779,808	249,869	-	2,029,677	254,223	7
Vehicles	2,450,800	2,612,000	(732,000)	4,330,800	1,949,770	646,122	(732,000)	1,863,892	2,466,908	5
<b>2023</b>	<b>9,463,845</b>	<b>2,632,500</b>	<b>(732,000)</b>	<b>11,364,345</b>	<b>6,490,975</b>	<b>1,538,885</b>	<b>(732,000)</b>	<b>7,297,860</b>	<b>4,066,485</b>	

Description	COST			DEPRECIATION			NET BOOK VALUE		Life Years	
	As at 1 January 2022	Additions	Disposal	As at 31 December 2022	As at 1 January 2022	Charge for the year	As at 31 December 2022	As at 31 December 2022		
Office equipment	4,067,045	840,200	(157,600)	4,749,645	2,273,571	580,826	(93,000)	2,761,397	1,988,248	3 to 7
Furniture and fixtures	2,228,600	34,800	-	2,263,400	1,538,062	241,746	-	1,779,808	483,592	7
Vehicles	2,450,800	-	-	2,450,800	1,519,803	429,967	-	1,949,770	501,030	5
<b>2022 - restated</b>	<b>8,746,445</b>	<b>875,000</b>	<b>(157,600)</b>	<b>9,463,845</b>	<b>5,331,436</b>	<b>1,252,539</b>	<b>(93,000)</b>	<b>6,490,975</b>	<b>2,972,870</b>	

5.2.1 Depreciation charge for the year has been recognized in administrative and general expenses.

5.2.2 Above assets include fully depreciated assets of Rs. 2,106,790 (2022: Rs. 2,838,790).

5.2.3 Detail of operating fixed assets disposed of during the year is as follows:

Description	Cost	Accumulated Depreciation	Net Book value	Sale Proceeds	Gain / (Loss)	Mode of Disposal
Vehicle (2023)	732,000	732,000	-	1,000,000	1,000,000	Open market
Office equipment (	157,600	93,000	64,600	97,100	32,500	Open market

	Note	2023 Rupees	2022 Rupees
<b>6 INTANGIBLE ASSETS</b>			
<b>Computer software</b>			
Cost	6.1	4,495,000	4,495,000
Accumulated amortization	6.2	(3,439,393)	(2,772,750)
		<u>1,055,607</u>	<u>1,722,250</u>
<b>6.1 Cost</b>			
Balance as at January 01,		4,495,000	2,495,000
Additions		-	2,000,000
Balance as at December 31,		<u>4,495,000</u>	<u>4,495,000</u>
<b>6.2 Accumulated amortization</b>			
Balance as at January 01,		(2,772,750)	(2,495,000)
Amortization for the year	35	(666,643)	(277,750)
Balance as at December 31,		<u>(3,439,393)</u>	<u>(2,772,750)</u>
Life (Years)		<u>3</u>	<u>3</u>
<b>6.3</b>	The amortization for the year has been charged under the head 'administrative and general expenses.		
<b>6.4</b>	Above intangible assets include fully amortized assets of Rs. 2,495,000 (2022: Rs. 2,495,000).		
<b>7 INVESTMENT IN SUBSIDIARY</b>	7.1	<u>-</u>	<u>76,500,000</u>
<b>7.1</b>	During the year, 100% stake in wholly owned subsidiary i.e. Punjab Capital Securities (Pvt.) Limited was sold to ultimate parent i.e. The Bank of Punjab against total consideration of Rs. 85.487 million. The resultant gain has been disclosed in note 34 to these financial statements.		
<b>8 LONG TERM MUSHARIKAH INVESTMENT - SECURED</b>			
Long term musharika investment	8.2	805,245,048	872,228,440
Less: Current portion of long term musharika investment	13	(346,700,482)	(331,072,764)
		<u>458,544,566</u>	<u>541,155,676</u>
<b>8.1</b>	This represents long term musharika investment - secured for a term of 1 to 10 years.		
<b>8.2</b>	The profit charged on these facilities range from 11.63% to 30.04% per annum (2022: 10.52% to 22.34% per annum).		
<b>8.3 Aging of long term musharika investment-secured</b>			
<b>Classification</b>			
Considered good		599,503,393	662,144,283
Portfolio classified as non-performing			
Other asset especially mentioned (OAEM)		54,439,706	56,759,858
Substandard		32,607,482	19,220,810
Doubtful		3,145,244	3,452,415
Loss		115,549,223	130,651,074
	8.4	<u>205,741,655</u>	<u>210,084,157</u>
		<u>805,245,048</u>	<u>872,228,440</u>
<b>8.4</b>	This represents classification into the categories as defined in the Mudaraba Regulations, 2021.		
<b>8.5</b>	These are secured against registered vehicles and equipment in the name of Mudaraba, personal guarantees and post dated cheques.		
<b>8.6</b>	The maximum outstanding amount of Musharika loans given to Key Management Personnel Mr. Mudassar Kaiser Pal at any time during the year was Rs. 2,914,913. (December 31, 2022: 3,240,000).		
<b>8.7</b>	The maximum outstanding amount of Musharika loans given to other Employees of Mudaraba at any time during the year was nil. (December 31, 2022: nil).		

	Note	2023 Rupees	2022 Rupees
<b>9 LONG TERM MORABAHA INVESTMENT - SECURED</b>			
Long term morabaha investment		58,533,457	46,975,957
Add: Unearned morabaha income		13,445,167	14,275,728
		71,978,624	61,251,685
Less: Current portion of long term morabaha investment	13	(50,913,112)	(29,145,447)
		21,065,512	32,106,238
Less: Current portion of unearned morabaha income	13	(7,563,506)	(5,244,732)
		13,502,006	26,861,506
<b>9.1</b> This represents long term Morabaha investment - secured for a term of 1 to 3 years.			
<b>9.2</b> The rate of profit on morabaha finances ranges from 19.02% to 25.59% per annum (2022: 7.30% to 13.58% per annum).			
<b>9.3 Aging of long term morabaha investment - secured</b>			
<b>Classification</b>			
Considered good		18,322,205	27,824,994
Portfolio classified as non-performing		-	10,350,963
Other asset especially mentioned (OAEM)		25,599,588	-
Substandard		5,811,664	-
Doubtful		8,800,000	8,800,000
Loss	9.4	40,211,252	19,150,963
		58,533,457	46,975,957
<b>9.4</b> This represents classification into the categories as defined in the Modaraba Regulations, 2021.			
<b>9.5</b> These are secured against mortgage of properties, hypothecation, personal guarantees and demand promissory notes.			
<b>10. Long Term Deposit</b>			
	10	203,444	203,444
<b>10.1</b> This represents non-interest bearing security deposits paid to Lahore Electric Supply Company, Pakistan Mobile Communication Limited and Central Depository Company of Pakistan.			
<b>11 DEFERRED TAX</b>			
Ijarah assets		32,733,501	28,800,725
Assets in own use		302,402	156,581
Provision against financing / investments		34,634,871	29,287,525
Gratuity		2,688,735	2,801,236
Brought forward tax losses		39,298,468	-
<b>Deferred tax asset as of December 31</b>		109,657,977	61,046,067
<b>Deferred tax asset as of January 01</b>		(61,046,067)	(66,734,565)
<b>Deferred tax related OCI items</b>		901,450	136,700
<b>Deferred tax credited / (charged) to profit or loss</b>	38	49,513,360	(5,551,798)

**11.1** Deferred tax asset on deductible temporary differences has been recognized to the extent of sufficient probable future taxable income of the Modaraba, however, deferred tax assets in respect of the following deductible temporary differences has not been recognized in these financial statements as follows:



	Rupees - 2023		Rupees - 2022	
	Gross amount	Tax effect	Gross amount	Tax effect
Provisions against financing / investments	264,025,035	76,567,260	236,222,899	68,504,641
Unused tax losses	278,297,607	80,706,306	340,722,060	98,809,397
Unused tax credits	-	7,427,341	-	3,403,930
	<u>542,322,642</u>	<u>164,700,907</u>	<u>576,944,959</u>	<u>170,717,968</u>

11.2 Deferred tax on tax losses not recognized would expire as follows:

Tax losses	Expiry date - tax year	Tax losses	Expiry date - tax year
Rupees		Rupees	
47,369,488	2025	28,766,896	2024
113,456,004	2026	53,980,935	2025
16,519,347	2027	124,289,852	2026
-	2028	67,157,730	2027
-	2029	15,587,858	2028
100,952,768	2030	50,938,789	2029
<u>278,297,607</u>		<u>340,722,060</u>	

11.3 Tax credits not recognized would expire as follows:

	Rupees - 2023		Rupees - 2022	
	Tax credits	Expiry date - tax year	Tax credits	Expiry date - tax year
	Rupees		Rupees	
Turnover tax	3,403,930	2026	3,403,930	2026
Turnover tax	4,023,411	2027	-	-
	<u>7,427,341</u>		<u>3,403,930</u>	

	Note	2023 Rupees	2022 Rupees
<b>12 SHORT TERM MORABAHA INVESTMENT-SECURED</b>			
Short term morabaha investment		375,906,891	407,775,161
Add: Unearned morabaha income		-	1,224,666
		<u>375,906,891</u>	<u>408,999,827</u>
Less: Provision for doubtful morabaha investment	12.3	(202,459,373)	(211,503,873)
		<u>173,447,518</u>	<u>197,495,954</u>
<b>12.1</b>	This represents short term Morabaha investment-secured for a term of 3 months to 1 year.		
<b>12.2</b>	The rate of profit on morabaha finances ranges from 23.42% to 26.43% per annum (2022: 10.75% to 31% per annum).		
<b>12.3</b>	<b>Provision for doubtful morabaha investment</b>		
Opening balance		211,503,873	214,253,873
Additions during the year		-	-
Reversals during the year		(9,044,500)	(2,750,000)
		<u>(9,044,500)</u>	<u>(2,750,000)</u>
Closing balance		<u>202,459,373</u>	<u>211,503,873</u>

	Note	2023 Rupees	2022 Rupees
<b>12.4 Aging of short term morabaha investment-secured</b>			
<b>Classification</b>			
Considered good		-	32,576,000
Portfolio classified as non-performing			
Other asset especially mentioned (OAEM)		-	4,999,998
Substandard		3,010,000	-
Doubtful		6,990,000	-
Loss		365,906,891	370,199,163
	<b>12.5</b>	<b>375,906,891</b>	<b>375,199,161</b>
		<b>375,906,891</b>	<b>407,775,161</b>
<b>12.5</b> This represents classification into the categories as defined in the Modaraba Regulations, 2021.			
<b>12.6</b> These are secured against mortgage of properties, hypothecation, personal guarantees and demand promissory notes.			
<b>13 CURRENT MATURITY OF LONG TERM INVESTMENTS</b>			
Current portion of long term musharikhah investment	<b>8</b>	<b>197,507,829</b>	152,642,904
Principal due but not received	<b>8</b>	<b>149,192,653</b>	178,429,860
Less: Provision against musharikhah investment	<b>13.1</b>	<b>(26,621,425)</b>	(28,287,798)
		<b>122,571,228</b>	150,142,062
		<b>320,079,057</b>	302,784,966
Current portion of long term morabaha investment	<b>9</b>	<b>50,913,112</b>	29,145,447
Add: Unearned morabaha income	<b>9</b>	<b>7,563,506</b>	5,244,732
Less: Provision against morabaha investment	<b>13.2</b>	<b>(8,800,000)</b>	(8,800,000)
		<b>49,676,618</b>	25,590,179
		<b>369,755,675</b>	328,375,145
<b>13.1 Provision against musharikhah investment</b>			
Opening balance		28,287,798	26,392,919
(Reversed) / charged during the year		(1,666,373)	1,894,879
Closing balance		<b>26,621,425</b>	28,287,798
<b>13.2 Provision against morabaha investment</b>			
Opening balance		8,800,000	8,800,000
Change during the year		-	-
Closing balance		<b>8,800,000</b>	8,800,000
<b>14 IJARAH RENTAL RECEIVABLES</b>			
Ijarah rental receivable		189,621,155	223,239,011
Less: Provision against ijarah rental receivable	<b>14.1</b>	<b>(78,258,490)</b>	(78,667,052)
		<b>111,362,665</b>	144,571,959
<b>14.1 Provision against ijarah rental receivable</b>			
Opening balance		78,667,052	57,372,051
Charge during the year		6,360,932	6,017,112
Transfer of impairment		-	16,697,499
Reversal of provision during the year		(6,769,494)	(1,419,610)
Closing balance		<b>78,258,490</b>	78,667,052

	Note	2023 Rupees	2022 Rupees
<b>14.2 Aging of ijarah rental receivable</b>			
<b>Classification</b>			
Considered good		-	3,889,466
Portfolio classified as non-performing			
Other asset especially mentioned (OAEM)		1,751,532	5,102,524
Substandard		9,799,849	3,543,365
Doubtful		1,368,894	17,354,193
Loss		176,700,880	189,853,811
	14.4	189,621,155	215,853,893
		<u>189,621,155</u>	<u>219,743,359</u>
<b>14.3 Future ijarah rentals receivable</b>			
Aggregate amount of future ijarah rentals receivable on the basis of agreements executed up to reporting date are as follows:			
Up to one year		103,090,586	89,676,704
Above one year and up to five year		33,338,027	134,919,144
		<u>136,428,613</u>	<u>224,595,848</u>
<b>14.4</b>	This represents classification into the categories as defined in the Modaraba Regulations, 2021.		
<b>14.5</b>	These are secured against registered vehicles and equipment in the name of Modaraba, personal guarantees and post dated cheques.		
<b>14.6</b>	The maximum amount outstanding of ijarah loans given to key management personnel and other employees of Modaraba are as follows:		
Mr. Mudassar Kaiser Pal		3,055,316	4,313,684
Mr. Saqib Shamim		2,049,350	2,398,262
Other employees		3,315,587	5,084,196
		<u>8,420,253</u>	<u>11,796,142</u>

## 15 SHORT TERM INVESTMENTS

Rupees-2023					
	First Habib Modaraba	NRSP Microfinance Bank Limited	Bank Islami Pakistan Limited	U Microfinance Bank Limited	Total
Opening balance	200,000,000	-	-	-	200,000,000
Investments made during the year	300,000,000	133,000,000	33,000,000	50,000,000	516,000,000
Matured during the year	(250,000,000)	(66,000,000)	-	(50,000,000)	(366,000,000)
Closing balance	<u>250,000,000</u>	<u>67,000,000</u>	<u>33,000,000</u>	<u>-</u>	<u>350,000,000</u>
Rupees-2022					
	First Habib Modaraba	NRSP Microfinance Bank Limited	Bank Islami Pakistan Limited	U Microfinance Bank Limited	Total
Opening balance	200,000,000	-	-	-	200,000,000
Investments made during the year	50,000,000	-	-	-	50,000,000
Matured during the year	(50,000,000)	-	-	-	(50,000,000)
Closing balance	<u>200,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>200,000,000</u>

**15.1** These carrying mark-up at a rate ranging from 16.5% to 24.15% (2022: 11.25% to 16.5%) per annum.



	Note	2023 Rupees	2022 Rupees
<b>16 DEVELOPMENT PROPERTIES</b>			
Constructed		40,881,225	16,004,903
Un-constructed		8,815,359	37,364,795
		<u>49,696,584</u>	<u>53,369,698</u>
16.1	Development properties are stated at the lower of cost and net realizable value (NRV).		
<b>17 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
<b>Profit receivable</b>			
- Morabaha investment		5,319,857	9,310,807
- Musharikhah investment		22,194,533	4,425,141
		27,514,390	13,735,948
Prepayments		1,830,921	2,971,133
Advances	17.1	6,794,757	11,990,953
Non-banking assets		-	4,772,500
Receivable from provident fund		2,349,847	324,452
Other receivables	17.3	185,614,583	104,788,851
		<u>224,104,498</u>	<u>138,583,837</u>
Less: Provision against other receivables	17.2	(67,316,336)	(9,955,643)
		<u>156,788,162</u>	<u>128,628,194</u>
17.1	This includes advances to employees against expenses amounting to Rs. 399,369 (2022: Rs. 106,224) and advances to employees against salary amounting to Rs. 104,440 (2022: Rs. null) as of reporting date.		
17.2	<b>Provision against other receivables</b>		
Opening balance		9,955,643	11,128,292
Charge / (reversal) during the year		57,360,693	(1,172,649)
Closing balance		<u>67,316,336</u>	<u>9,955,643</u>
17.3	This represents amount recoverable from clients for expenses incurred on their behalf since the inception of modaraba, including receivables arising from ijarah, musharikhah and morabaha transactions.		
<b>18 CASH AND BANK BALANCES</b>			
Cash at banks			
- Current accounts		10,621,161	21,532,171
- Deposit accounts		1,382,743	2,888,868
- Savings accounts		221,168,588	2,166,197
- Current account with State Bank of Pakistan	18.2	99,974	3,522
		233,272,466	26,590,758
Cash in hand		272,491	85,029
		<u>233,544,957</u>	<u>26,675,787</u>
18.1	The balance of Rs. 14,296,269 (2022: Rs. 23,682,562) is maintained with The Bank of Punjab (the holding company of the Modaraba Company).		
18.2	This account is utilized by the Modaraba for the payment of online charges of the Electronic Credit Information Bureau.		
<b>19 AUTHORIZED, ISSUED, SUBSCRIBED AND PAID-UP MODARABA CERTIFICATE CAPITAL</b>			
Authorized certificate capital			
50,000,000 modaraba certificates of Rs.10 each		<u>500,000,000</u>	<u>500,000,000</u>

19.1 Issued, subscribed and paid-up certificate capital

	2023 Numbers	2022 Numbers		2023 Rupees	2022 Rupees
	20,000,000	20,000,000	Modaraba certificates of Rs. 10 each fully paid in cash	200,000,000	200,000,000
	14,020,000	14,020,000	Modaraba certificates of Rs. 10 each issued as fully paid in bonus certificates	140,200,000	140,200,000
	<u>34,020,000</u>	<u>34,020,000</u>		<u>340,200,000</u>	<u>340,200,000</u>

19.2 Following certificates held by associated companies of the Modaraba:

	2023		2022	
	Number of certificates	Rupees	Number of certificates	Rupees
Punjab Modaraba Services (Pvt.) Limited	13,320,694	133,206,940	13,320,694	133,206,940
The Bank of Punjab Employees Gratuity Fund	5,099,500	50,995,000	5,099,500	50,995,000
The Bank of Punjab	4,788	47,880	4,788	47,880
	<u>18,424,982</u>	<u>184,249,820</u>	<u>18,424,982</u>	<u>184,249,820</u>

20 RESERVES	Note	2023 Rupees	2022 Rupees
Capital reserve			
Statutory reserve	20.1	218,176,678	218,176,678
Revenue reserves			
Accumulated loss		(680,257,522)	(570,903,001)
		<u>(462,080,844)</u>	<u>(352,726,323)</u>

20.1 Statutory reserve represents profits set aside to comply with the Modaraba Regulations, 2021 issued by the SECP.

21 SUBORDINATED FUNDS

		2023 Rupees	2022 Rupees
21.1 This represents funds extended by The Bank of Punjab - parent company i.e. major sponsor under Musharikhah Agreement dated October 27, 2023 as a support to improve the equity base of the Modaraba and classified as equity under the provisions of Modaraba Regulations, 2021. This amount is unsecured, repayable in three years time i.e. June 30, 2026 and carries profit at the rate of 18.61% per annum payable semi-annually.		<u>500,000,000</u>	-

22 LONG TERM SECURITY DEPOSITS

		2023 Rupees	2022 Rupees
Long term security deposits against Ijarah	22.1	92,902,796	110,640,689
Less: Current maturity of security deposits	26	(90,762,796)	(102,236,889)
		<u>2,140,000</u>	<u>8,403,800</u>

22.1 This represents security deposits payable / adjustable in respect of assets given under Ijarah arrangements (IFAS-2).

23 DEFERRED MORABAHA INCOME

		2023 Rupees	2022 Rupees
Deferred morabaha income - long term	23.1	13,445,167	14,275,728
Less: Current maturity of deferred morabaha income	26	(7,563,506)	(5,244,732)
		<u>5,881,661</u>	<u>9,030,996</u>
Deferred morabaha income - short term		-	1,224,666
		<u>5,881,661</u>	<u>10,255,662</u>

23.1 These represent receivables against morabaha transactions on deferred payment basis at profit margin which ranges from 19.02% to 25.59% per annum (2022 : 7.3% to 31%).

	Note	2023 Rupees	2022 Rupees
<b>24 STAFF RETIREMENT BENEFITS - GRATUITY</b>	<b>24.1</b>	<b>9,271,499</b>	<b>9,659,436</b>
The Modaraba operates an approved funded gratuity scheme for all of its permanent employees. Actuarial valuation of the scheme is carried out every year and the latest actuarial valuation was carried out as at December 31, 2023 using the Projected Unit Credit Method.			
Number of employees under the scheme		<u>35</u>	<u>35</u>
<b>24.1 Movement in the liability recognized in the statement of financial position</b>			
Opening net liability		9,659,436	8,054,833
Amount charged to profit and loss account		2,789,118	2,191,087
Amount (credited) / charged to other comprehensive income		(3,108,447)	(471,380)
Benefits paid during the year		(68,608)	(115,104)
		<u>(387,937)</u>	<u>1,604,603</u>
Closing net liability		<u>9,271,499</u>	<u>9,659,436</u>
<b>24.2 Reconciliation of the present value of defined benefit obligation</b>			
Opening balance		9,659,436	8,054,833
Current service cost		1,393,474	1,251,406
Interest cost on defined benefit obligation		1,395,644	939,681
Benefits paid		(68,608)	(115,104)
Actuarial (gains) / losses from changes in financial assumptions		18,385	49,494
Experience adjustments		(3,126,832)	(520,874)
Closing balance		<u>9,271,499</u>	<u>9,659,436</u>
<b>24.3 Expense recognized in the profit and loss account</b>			
Current service cost		1,393,474	1,251,406
Interest cost on defined benefit obligation		1,395,644	939,681
		<u>2,789,118</u>	<u>2,191,087</u>
<b>24.4 Amount chargeable to other comprehensive income</b>			
Actuarial (gains) / losses from changes in financial assumptions		18,385	49,494
Experience adjustments		(3,126,832)	(520,874)
		<u>(3,108,447)</u>	<u>(471,380)</u>
<b>24.5 Principal actuarial assumptions</b>			
Discount rate used for interest cost in profit and loss charge		14.50%	11.75%
Discount rate used for year end obligation		15.50%	14.50%
Salary increase used for year end obligation:			
Salary Increase FY2023		N/A	13.50%
Salary Increase FY2024		14.50%	13.50%
Salary Increase FY2025		14.50%	13.50%
Salary Increase FY2026		14.50%	13.50%
Salary Increase FY2027		14.50%	13.50%
Salary Increase FY2028		14.50%	13.50%
Salary Increase FY2029 onward		14.50%	13.50%
Next salary is increased		1-Jan-24	1-Jan-23
Mortality rates		SLIC 2001 - 2005	SLIC 2001 - 2005
Withdrawal rates		Setback 1 Year Age-Based	Set back 1 Year Age-Based
Retirement assumption		Age 60	Age 60



	Note	2023 Rupees	2022 Rupees
<b>24.6 Sensitivity Analysis</b>			
<b>Year end sensitivity analysis on defined benefit obligation</b>			
Discount Rate + 100 bps		8,575,385	8,955,535
Discount Rate - 100 bps		10,051,437	10,444,360
Salary Increase + 100 bps		10,063,898	10,456,138
Salary Increase -100 bps		8,552,455	8,932,938
<b>24.7 Expense chargeable in the profit and loss account for the next year is as</b>			
Current service cost		1,393,474	1,251,406
Interest cost on defined benefit obligation		1,395,644	939,681
		<u>2,789,118</u>	<u>2,191,087</u>
<b>24.8 The expected maturity analysis of undiscounted defined benefits is as follow:</b>			
Financial Year 2023		-	361,719
Financial Year 2024		380,796	431,464
Financial Year 2025		453,218	512,741
Financial Year 2026		544,205	613,548
Financial Year 2027		1,196,622	1,268,705
Financial Year 2028		767,937	857,429
Financial Year 2029		1,970,149	8,885,344
Financial Year 2030		1,015,716	895,458
Financial Year 2031		3,800,896	3,523,784
Financial Year 2032		6,913,884	5,582,582
Financial Year 2033		15,678,227	15,678,227
Financial Year 2034 onwards		157,832,179	107,410,678
<b>24.9</b> The weighted average duration of the obligation (in years)		<u>8</u>	<u>8</u>
<b>24.10 Funding policy</b>			
The Modaraba endeavors to ensure that liability under employee benefit scheme is covered by the Fund on any valuation date having regards to the various actuarial assumptions such as projected future salary increase, expected future contributions to the Fund, projected increase in liability associated with future service, etc.			
<b>24.11</b> Following are the significant risks associated with the staff retirement benefit scheme. These may include:			
<b>Life expectancy / Withdrawal rate</b>	The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service/age distribution and the benefit.		
<b>Asset volatility</b>	The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.		
<b>Final salary risk</b>	The risk that the final salary at the time of cessation of service is greater than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.		
<b>25 REDEEMABLE CAPITAL - PARTICIPATORY AND UNSECURED</b>			
Certificate of musharikah - unsecured	25.1	<u>1,485,000,000</u>	<u>-</u>
<b>25.1</b> This represents amount transferred from short term redeemable capital to long term redeemable capital as per terms agreed with the Bank of Punjab - parent company to finance the working capital requirements of the Modaraba. This amount is unsecured, repayable in three years time and carries profit at the rate of 18.61% per annum payable semi-annually.			
<b>26 CURRENT MATURITY OF NON CURRENT LIABILITIES</b>			
Current maturity of long term security deposits	22	90,762,796	102,236,889
Current maturity of deferred morabaha income	23	7,563,506	5,244,732
		<u>98,326,302</u>	<u>107,481,621</u>

	Note	2023 Rupees	2022 Rupees
<b>27 REDEEMABLE CAPITAL - PARTICIPATORY AND UNSECURED</b>			
<b>Certificate of Musharikhah</b>			
Opening balance		1,825,000,000	1,603,000,000
Add: Issued during the year		310,000,000	225,000,000
Add: Re- issued during the year		1,800,000,000	1,600,000,000
Less: Redeemed during the year		(2,450,000,000)	(1,603,000,000)
		<u>1,485,000,000</u>	<u>1,825,000,000</u>
Transferred to non current liability	25.1	(1,485,000,000)	-
Closing balance		<u>-</u>	<u>1,825,000,000</u>
<b>27.1</b>	The certificates of musharikhah have been issued with a maturity upto 3 months. The share of profit payable ranges from 14.70% to 22.10% per annum (2022: 7.5% to 15.80% per annum).		
<b>27.2</b>	These funds have been availed and utilized during the year to finance the working capital requirements of the Modaraba.		
<b>28 PROFIT PAYABLE</b>			
Redeemable capital - participatory and unsecured		95,092,002	28,096,745
Subordinated funds		8,208,794	-
		<u>103,300,796</u>	<u>28,096,745</u>
<b>29 TRADE AND OTHER PAYABLES</b>			
Accrued expenses	29.1	5,700,135	600,000
Tax deducted at source		680,792	1,359,146
Advances against ijarah / morabaha / musharikhah		18,322,724	18,917,300
Other payables		61,448,065	16,877,301
		<u>86,151,716</u>	<u>37,753,747</u>
<b>29.1</b>	This includes an amount of Rs. 4,916,835 (2022: nil) in respect of rent of head office payable to Punjab Modaraba Services (Pvt) Limited - Modaraba Management Company.		
<b>30 CONTINGENCIES AND COMMITMENTS</b>			
<b>30.1 Contingencies</b>			
<b>30.1.1 Proceedings under section 62 and 135 of the Income Tax Ordinance, 1979 - Tax Years 1997-1998 &amp; 1998-1999</b>			
	The Deputy Commissioner Inland Revenue (DCIR), while finalizing assessments for the assessment years 1997-1998 and 1998-1999 passed orders dated 24 February 2004 and 29 April 2002 under sections 62 and 135 of the Income Tax Ordinance, 1979 (the "Ordinance"). The DCIR made certain add backs on account of profit and loss expenses and completed the assessment at net income of Rs. 72,070,564. Being aggrieved with the decision of the DCIR, the Modaraba filed an appeal before the Commissioner Inland Revenue (Appeals) (CIR (A)) against the said orders. The CIR (A) vide order dated 30 April 2005 upheld the orders of the DCIR. Being aggrieved with the decision of CIR (A), the Modaraba filed second appeal before the Appellant Tribunal Inland Revenue (ATIR), who decided the case in favor of the Modaraba and disposed of the appeal. The income tax department has filed a reference before Lahore High Court, Lahore. The Lahore High Court, Lahore heard the appeal and remanded back the case to the Appellant Tribunal Inland Revenue (ATIR) vide Order PTR No.208/2008 dated 26 November 2020. However, till date no notice has been received from ATIR in this respect.		
<b>30.1.2 Proceedings under section 122(5A) of the Income Tax Ordinance, 2001 - Tax Year 2003</b>			
	The Additional Commissioner/Taxation Officer issued order dated 29 December 2008 under section 122(5A) of the Ordinance while rejecting the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance and making additions on account of provision for bad debts in the taxable income of the Modaraba, which resulted in a tax liability of Rs. 27,410,608. The Modaraba filed a rectification application under section 221 of the Ordinance contesting that the Addl. CIR charged tax at the rate of 35% whereas applicable rate in case of Modaraba is 25%. Thus, a rectification Order was passed dated 31 January 2009, reducing the tax liability to Rs. 14,580,110. The Modaraba also filed appeal before the CIR (A), who accepted the claim of exemption and issued a favorable decision vide Order No. 31 dated 27 June 2009 by deleting the entire rectified tax liability of Rs. 14,580,110. The income tax department has filed a second appeal before ATIR against the order of CIR (A), which was decided in favor of the Modaraba. The income tax department has filed a reference before Lahore High Court, Lahore which is pending adjudication. We are hopeful that the matter will be decided in favor of the Modaraba.		

**30.1.3 Proceedings under section 122(5A) of the Ordinance - Tax Year 2005**

The Additional Commissioner Inland Revenue (Addl. CIR) issued order dated 29 December 2008 under section 122(5A) of the Ordinance while rejecting the exemption claimed from tax under Clause 100 of Part I of Second Schedule to the Ordinance, which resulted in a tax liability of Rs. 17,667,886. The Modaraba has filed a rectification application contesting that the Addl. CIR has charged tax at the rate of 35% whereas applicable rate in case of taxpayer company is 25% which is pending till date. Moreover, taxpayer company has also filed appeal to the Commissioner Inland Revenue (Appeal) [CIR (A)] against the order passed under section 122(5A) of the Ordinance, who accepted the claim of exemption and issued a favorable decision vide order No. 49 dated 28 May 2012 by deleting the entire tax liability of Rs. 17,667,886. The income tax department has filed an appeal before the ATIR against the order of CIR (A), which has been decided in favor of the Modaraba. The income tax department has filed a reference before the Lahore High Court, Lahore which is pending adjudication.

**30.1.4 Proceedings under section 182(1) of the Ordinance - Tax Year 2021**

The Deputy Commissioner Inland Revenue (DCIR) issued Show Cause Notice dated 20 June 2022 under section 182(1) of the ordinance, the Modaraba has duly made compliance however, the DCIR issued the order dated 13 October 2022 and created the tax demand amounting to Rs. 710,000. Being dissatisfied with the order passed by the DCIR, the Modaraba preferred an appeal before CIR (Appeals). The CIR (A) vide order dated 28 December 2023 disposed of the appeal and remanded back the case to the department. The department has not initiated remand back proceedings till date.

**30.2 Commitments**

- 30.2.1 There are no Ijarah Commitments approved but not disbursed on balance sheet due date (2022: nil).  
 30.2.2 Morabaha commitments approved but not disbursed as on balance sheet date amount to Rs. Nil (2022: nil).  
 30.2.3 Musharikah commitments approved but not disbursed as on balance sheet date amount to Rs. Nil (2022: nil).

	Nota	2023 Rupees	2022 Rupees
<b>31 INCOME FROM IJARAH RENTALS</b>			
Ijarah income		126,042,625	175,666,928
Less: Depreciation on Ijarah assets		(85,524,307)	(133,479,201)
		<u>40,518,318</u>	<u>42,187,727</u>
<b>32 GAIN FROM SALE OF DEVELOPMENT PROPERTIES</b>			
Revenue from contract with customers		17,300,000	-
Cost of revenue		(14,712,623)	-
Net gain		<u>2,587,377</u>	<u>-</u>
<b>33 GAIN / (LOSS) ON DISPOSAL OF ASSETS</b>			
Gain on disposal of non-banking assets		620,000	317,500
Gain on disposal of assets in use	5.2.3	1,000,000	32,500
Gain / (loss) on disposal of Ijarah assets		3,604,014	(6,422,103)
		<u>5,224,014</u>	<u>(6,072,103)</u>
<b>34 OTHER INCOME</b>			
Profit on bank deposits		63,355,147	29,883,391
Processing fee		935,279	1,500,978
Advising fee		14,100	2,401,000
Cheque return charges		1,731,000	2,340,782
Gain on disposal of subsidiary	7.1	8,987,000	-
Gain on settlement of musharikah		1,241,336	6,412,753
(Loss) / gain on settlement of morabaha		(390,389)	15,648,924
Other payable written back		2,094,624	-
Miscellaneous income		1,182,548	1,238,454
Dividend income		-	4,319,384
Rebate income from takaful		-	3,158,303
		<u>79,150,545</u>	<u>66,903,969</u>



	Note	2023 Rupees	2022 Rupees
<b>35 ADMINISTRATIVE AND GENERAL EXPENSES</b>			
Salaries and benefits	35.1	40,587,311	40,830,267
Traveling and conveyance		409,699	119,009
Legal and professional		4,655,188	174,500
Printing and stationary		1,881,795	1,166,824
Insurance		4,234,341	3,385,392
Fee and subscription		3,650,470	5,123,188
Auditor's remuneration	35.2	1,004,800	935,000
Repair and maintenance		2,759,952	1,957,170
Vehicle running and maintenance		1,174,753	499,514
Power and utilities		2,456,500	2,245,300
Entertainment		1,295,636	778,157
Debit balance no more recoverable / adjustable written off		2,121,512	-
Advertisement		167,000	300,578
Telephone and postage		1,077,795	885,768
Corporate expenses		510,261	709,182
Rent, rates and taxes	35.3	5,577,778	327,000
Selling and marketing expenses		1,022,007	4,715,705
Depreciation -assets in use	5.2	1,538,885	1,252,539
Amortization of intangible assets	6.2	666,643	277,750
Miscellaneous expenses		3,199,874	3,913,286
		<u>79,992,200</u>	<u>69,596,129</u>

35.1 This includes contribution of Rs. 1,120,446 (2022: Rs. 1,084,241) to the staff provident fund and expense in respect of unfunded gratuity scheme amounting to Rs. 2,789,118 (2022: Rs. 2,191,087).

**35.2 Auditors' remuneration**

Annual audit fee	500,000	500,000
Half yearly review	250,000	250,000
Out of pocket expense	184,800	185,000
Certification fee	70,000	-
	<u>1,004,800</u>	<u>935,000</u>

35.3 This includes an amount of Rs. 4,916,835 (2022: nil) in respect of rent of head office.

**36 FINANCE COST**

Financial charges on redeemable capital	349,869,167	220,300,804
Financial charges on subordinated loan	8,208,794	-
Bank charges	312,935	189,905
Financial charges on musharikhah	-	196,055
	<u>358,390,896</u>	<u>220,686,764</u>

	Note	2023 Rupees	Restated 2022 Rupees
<b>37 LEVIES</b>			
Minimum tax		4,365,946	-
Prior year adjustment		3,403,930	-
		7,769,876	-
Final tax on dividend income		-	647,908
		<u>7,769,876</u>	<u>647,908</u>

This represents portion of minimum tax paid under section 113 and final tax on dividend income under section 150 of Income Tax Ordinance, 2001 (ITO, 2001), representing levy in terms of requirements of IFRIC 21/IAS 37.

38 INCOME TAX	Note	2023	Restated
		Rupees	2022 Rupees
Current		-	-
Deferred	11	(49,513,360)	5,551,798
		<u>(49,513,360)</u>	<u>5,551,798</u>

**38.1 Reconciliation of current tax charge charged as per tax laws for the year, with current tax recognized in the profit and loss account, is as follows:**

Current tax liability for the year as per applicable tax laws	4,365,946	647,908
Portion of current tax liability as per tax laws, representing income tax under IAS 12	-	-
Portion of current tax computed as per tax laws, representing levy in terms of requirements of IFRIC 21/IAS 37	(4,365,946)	(647,908)
	<u>-</u>	<u>-</u>

**38.2** The aggregate of minimum / final tax and income tax amounting to Rs. 4.366 million (2022: Rs. 0.648 million) represents tax liability of the Company calculated under the relevant provisions of the Income Tax Ordinance, 2001.

**38.3** Provision for taxation has been made in accordance with section 113 of Income Tax Ordinance, 2001. There is no relationship between aggregate income tax expense and accounting profit before income tax. Accordingly, no numerical reconciliation is presented.

**38.4** The Modaraba computes tax based on the generally accepted interpretations of the tax laws to ensure that sufficient provision for the purpose of taxation is available. During the year, Finance Act, 2023 enacted a turnover tax rate of 1.25% (2022: 1.25%) and the normal tax rate of 29% (2022: 29%), therefore, provision for the current tax is made @ 1.25% (2022: 1.25%) of the income / turnover. The deferred tax is computed at the rate of 29% (2022: 29%).

**39 LOSS PER CERTIFICATE - BASIC AND DILUTED**

39.1 Basic loss per certificate		2023	Restated
			2022
Loss after taxation for the year	(Rupees)	(111,561,518)	(87,544,107)
Weighted average number of ordinary certificates outstanding during the period	(Numbers)	34,020,000	34,020,000
Loss per certificate - basic and diluted	(Rupees)	(3.28)	(2.57)

**39.2 Diluted**

No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instruments which would have an impact on loss / earnings per certificate when exercised.

**40 SALARIES, ALLOWANCES AND OTHER BENEFITS**

The aggregate amount charged in the financial statements for remuneration to officers and other employees of the Modaraba is as follows:

				December 31, 2023		
				Officers	Other employees	Total
	<u>Note</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>		
Remuneration		5,919,723	11,277,564	17,197,287		
Bonus		961,638	1,501,221	2,462,859		
House rent allowance		2,367,889	4,513,015	6,880,904		
Utility allowance		591,972	1,128,254	1,720,226		
Medical allowance		591,972	1,128,254	1,720,226		
Provident fund contribution		385,573	734,873	1,120,446		
Gratuity	24.7	960,082	1,829,036	2,789,118		
Expenses reimbursed		3,637,437	3,058,808	6,696,245		
		<u>15,416,286</u>	<u>25,171,025</u>	<u>40,587,311</u>		
Number of employees at the year end		<u>4</u>	<u>35</u>	<u>39</u>		
Average no of employees		<u>4</u>	<u>36</u>	<u>40</u>		

40.1 The company secretary has been provided a vehicle on Ijarah.

				December 31, 2022 (Restated)		
				Officers	Other employees	Total
	<u>Note</u>	<u>Rupees</u>	<u>Rupees</u>	<u>Rupees</u>		
Remuneration		4,654,438	16,888,150	21,542,588		
Bonus		408,081	2,908,468	3,316,549		
House rent allowance		1,560,375	5,112,762	6,673,137		
Utility allowance		390,094	1,278,198	1,668,292		
Medical allowance		390,094	1,278,198	1,668,292		
Provident fund contribution		324,948	759,293	1,084,241		
Gratuity	24.7	634,639	1,556,448	2,191,087		
Expenses reimbursed		1,893,039	793,042	2,686,081		
		<u>10,255,708</u>	<u>30,574,559</u>	<u>40,830,267</u>		
Number of employees at the year end		<u>2</u>	<u>39</u>	<u>41</u>		
Average number of employees		<u>2</u>	<u>38</u>	<u>40</u>		



#### 41 RELATED PARTIES AND TRANSACTIONS WITH RELATED PARTIES

Following are the related parties of the Modaraba:

Name of related parties	Nature of relationship	Basis of relationship	Direct certificate holding in %age	
			2023	2022
The Bank of Punjab	Holding Company of Modaraba Management Company	Common Management and Control / Ultimate parent	0.01%	0.01%
Punjab Modaraba Services (Pvt.) Limited	Associate	Modaraba Management Company	39.16%	39.16%
The Bank of Punjab Employees Gratuity Fund	Associate	Common Management	14.99%	14.99%
First Punjab Modaraba Employees Provident Fund Trust	Associate	Common Management	-	-
Mr. Mudassar Kaiser Pal	Key management personnel	Key management personnel	-	-
Mr. Saqib Shamin	Key management personnel	Key management personnel	-	-

The Modaraba enters into transactions with related parties in the ordinary course of business and on substantially the same terms as for comparable transactions with person of similar standing. Transactions with related parties and associated undertakings other than remuneration and benefits to key management personnel under the term of employment are as follows:

#### Transactions with the related parties Names of related parties

Names of related parties	Relationship	Nature of transactions	2023	2022
			Rupees	Rupees
The Bank of Punjab	Holding Company of Modaraba Company	Redeemable capital - participatory and unsecured received during the year	310,000,000	225,000,000
		Redeemable capital - participatory and unsecured rolled over during the year	1,800,000,000	1,600,000,000
		Redeemed during the year	2,450,000,000	1,603,000,000
		Subordinated funds received during the year	500,000,000	-
		Repayment of musharikhah finance during the year	-	131,100,952
		Profit paid on musharikhah finance during the year	-	9,659,289
		Profit paid on certificates of musharikhah	283,186,845	79,574,861
		Profit earned from bank accounts maintained with BOP	4,412,751	123,184
		Sale of subsidiary - sales proceed	85,487,000	-
		Gain on sale of subsidiary company	8,987,000	-
Punjab Modaraba Services (Pvt.) Limited	Modaraba Management Company	Rent expense of head office premises	4,916,835	-
Key Management Personnel	Key Management Personnel	Remuneration of key management personnel	15,416,286	10,255,708
Punjab Capital Securities (Private) Limited	Subsidiary Company	Staff loans disbursed during the year	2,696,262	244,380
		Staff loans repaid during the year	2,130,083	3,152,212
		Dividend received during the year	-	4,319,384
First Punjab Modaraba Employees Provident Fund Trust	Associate	Provident fund contributions paid to the fund	2,216,087	2,272,620

Balances with the related parties	Names of related parties	Relationship	Nature of balances	2023	Restated 2022
				Rupees	Rupees
	The Bank of Punjab	Holding Company of Modaraba's Management Company	Redeemable capital - participatory and unsecured	1,485,000,000	1,825,000,000
			Profit payable on redeemable capital - participatory and unsecured	95,092,002	28,096,745
			Subordinated funds / loans	500,000,000	-
			Profit payable on subordinate funds / loans	8,208,794	-
			Outstanding Modaraba certificates	47,880	47,880
			Bank accounts maintained with BOP	28,973,167	23,682,562
	The Bank of Punjab Employees Gratuity Fund	Associate	Outstanding Modaraba certificates	50,995,000	50,995,000
	Punjab Modaraba Services (Pvt.) Limited	Modaraba Management Company	Outstanding Modaraba certificates	133,206,940	133,206,940
	Punjab Capital Securities (Private) Limited	Subsidiary Company	Head office rent payable	4,916,635	-
			Investment at cost	-	76,500,000
			Receivable from subsidiary	-	8,189
	Key Management Personnel	Key Management Personnel	Outstanding loan under Mushankah and ijarah arrangements during the period	8,019,579	9,951,946
	First Punjab Modaraba Employees Provident Fund Trust	Associate	Advance against monthly contribution	2,349,847	324,452

41.1 No remuneration has been paid by the Modaraba to the chief executive and directors of Modaraba Management Company (2022: nil).

41.2 The Modaraba carries out transactions with related parties at commercial terms and conditions as per the Modaraba's policy.

## 42 FINANCIAL INSTRUMENTS BY CATEGORY

	As at December 31, 2023			
	Carrying value	Amortized cost	Fair value	Total
	Rupees	Rupees	Rupees	Rupees
<b>Financial assets</b>				
Long term musharika investment - secured	458,544,566	458,544,566	-	458,544,566
Long term morabaha investment - secured	13,502,006	13,502,006	-	13,502,006
Long term security deposits	203,444	203,444	-	203,444
Short term morabaha investment - secured	173,447,518	173,447,518	-	173,447,518
Current maturity of long term investment	369,755,675	369,755,675	-	369,755,675
Ijarah rental receivable	111,362,665	111,362,665	-	111,362,665
Short term investment	350,000,000	350,000,000	-	350,000,000
Profit and other receivables	148,162,484	148,162,484	-	148,162,484
Cash and bank balances	233,544,957	233,544,957	-	233,544,957
	<b>1,858,523,315</b>	<b>1,858,523,315</b>	<b>-</b>	<b>1,858,523,315</b>

### Financial liabilities

Subordinated funds	500,000,000	500,000,000	-	500,000,000
Redeemable capital - participatory and unsecured	1,485,000,000	1,485,000,000	-	1,485,000,000
Profit payable	103,300,796	103,300,796	-	103,300,796
Trade and other payables	67,148,200	67,148,200	-	67,148,200
Unclaimed dividend	17,190,485	17,190,485	-	17,190,485
	<b>2,172,639,481</b>	<b>2,172,639,481</b>	<b>-</b>	<b>2,172,639,481</b>

	As at December 31, 2022			
	Carrying value	Amortized cost	Fair value	Total
	Rupees	Rupees	Rupees	Rupees
<b>Financial assets</b>				
Long term musharika investment - secured	541,155,676	541,155,676	-	541,155,676
Long term morabaha investment - secured	26,861,506	26,861,506	-	26,861,506
Long term security deposits	203,444	203,444	-	203,444
Short term morabaha investment - secured	197,495,954	197,495,954	-	197,495,954
Current maturity of long term investment	328,375,145	328,375,145	-	328,375,145
Ijarah rental receivable	144,571,959	144,571,959	-	144,571,959
Short term investment	200,000,000	200,000,000	-	200,000,000
Profit and other receivables	108,569,156	108,569,156	-	108,569,156
Cash and bank balances	26,675,787	26,675,787	-	26,675,787
	<b>1,573,908,627</b>	<b>1,573,908,627</b>	<b>-</b>	<b>1,573,908,627</b>

### Financial liabilities

Redeemable capital - participatory and unsecured	1,825,000,000	1,825,000,000	-	1,825,000,000
Profit payable	28,096,745	28,096,745	-	28,096,745
Trade and other payables	17,477,301	17,477,301	-	17,477,301
Unclaimed dividend	17,191,276	17,191,276	-	17,191,276
	<b>1,887,765,322</b>	<b>1,887,765,322</b>	<b>-</b>	<b>1,887,765,322</b>

## 43 CAPITAL MANAGEMENT

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors of management company monitors the return on capital, which the Modaraba defines as net profit after taxation divided by total Certificate holders' equity. The Board of Directors also monitors the level of dividend to ordinary Certificate holders. 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.

The Modaraba is experiencing accumulated losses exceeding fifty percent of the total amount subscribed by holders of the Modaraba Certificates. This situation violates Section 23 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980. To address this issue, the Modaraba took action by obtaining a subordinated loan from The Bank of Punjab during the year ending December 31, 2023. This subordinated loan likely provided additional capital to the Modaraba, which could help mitigate the impact of the accumulated losses and bring it back into compliance with regulatory requirements.

## 44 FINANCIAL INSTRUMENTS

### 44.1 Risk management policies

The Modaraba's objective in managing risks is the creation and protection of Certificate holders' value. Risk is inherent in the Modaraba's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Modaraba's continuing profitability. The Modaraba is exposed to market risk (which includes profit rate risk and price risk), credit risk and liquidity risk arising from the financial instruments it holds.

The Modaraba primarily invests in lease financing assets, diminishing musharika, morabaha and short-term investments. Such investments are subject to varying degrees of risk, which emanates from various factors that include but are not limited to:

- Credit Risk
- Liquidity Risk
- Market Risk



#### 44.2 Credit risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Modaraba by failing to discharge an obligation. The Modaraba's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulatory requirements. The Modaraba seeks to manage its credit risk exposure through diversification of Ijarah activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations of businesses. Modaraba also obtains security deposits when appropriate. Cash at banks are held only with reputable banks with high quality credit worthiness.

#### Exposure to credit risk

The maximum exposure to credit risk before any credit enhancements as of reporting date is the carrying amount of the financial assets as set out below:

	Note	2023 Rupees	2022 Rupees
Long term musharikhah investment - secured	8	458,544,566	541,155,676
Long term morabaha investment - secured	9	13,502,006	26,861,506
Long term deposits	10	203,444	203,444
Short term morabaha investment - secured	12	173,447,518	197,495,954
Current maturity of long term investment	13	369,755,675	328,375,145
Ijarah rental receivable	14	111,362,665	144,571,959
Short term investments	15	350,000,000	200,000,000
Profit and other receivables	17	145,812,637	108,569,156
Bank balances	18	233,272,466	26,590,758
		<u>1,855,900,977</u>	<u>1,573,823,598</u>

#### Credit risk ratings and collaterals held

##### Bank balances

The credit risk rating of the banks and their respective balances are given below:

Banks	Short Term	Long Term	Agency	2023 Rupees	2022 Rupees
The Bank of Punjab	A1+	AA+	PACRA	14,296,269	23,682,562
Al Baraka Bank (Pakistan) Limited	A1	A+	VIS	14,009	14,009
National Bank of Pakistan	A1+	AAA	PACRA	1,797	1,797
NRSP Microfinance Bank Limited	A2	A-	PACRA	1,382,743	2,888,868
Bank Islami Pakistan Limited	A1	AA-	PACRA	217,475,790	-
U Microfinance Bank Limited	A1	A+	PACRA	1,885	-
				<u>233,172,493</u>	<u>26,587,236</u>

##### Collaterals

The Modaraba does not hold any collateral from the counter parties against balances with banks and these are unsecured. The assets leased out by the Modaraba under Ijarah arrangements are secured as the title to the asset is held by the Modaraba. Security deposits / lease key money is also kept against these arrangements. Musharikhah and morabaha investments are secured against registered vehicles and equipment in the name of Modaraba, personal guarantees and post dated cheques.

##### Concentration of credit risk

Concentration is the relative sensitivity of the Modaraba's performance to developments affecting a particular industry or geographical location. Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Modaraba's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit worthy counterparties thereby mitigating any significant concentration of credit risk. Modaraba's concentration of credit risk by industrial distribution is detailed as follows:

	2023				Sector%
	Ijarah Assets	Morabaha investments	Musharikhah investments	Total	
Aviation and transport	43,321,729	-	315,322,120	358,643,849	26%
Others	8,518,840	26,646,298	205,933,446	241,098,584	17%
Textile spinning and composite	100,000	217,584,601	2,146,390	219,830,991	16%
Individuals	42,983,977	31,500,000	172,085,755	246,569,732	18%
Engineering, steel & construction	42,520,000	77,222,218	63,144,323	182,886,541	13%
Sugar and allied	-	53,360,822	-	53,360,822	4%
Food and allied	10,456,874	-	24,480,405	34,937,279	3%
Oil and gas	-	14,887,446	7,870,900	22,758,346	2%
Chemical and pharmaceuticals	166,800	215,320	14,261,709	14,643,829	1%
Electric goods	-	13,023,643	-	13,023,643	1%
	<u>148,068,220</u>	<u>434,440,348</u>	<u>805,245,048</u>	<u>1,387,753,616</u>	<u>100%</u>

	2022				Sector%
	Ijarah Assets	Morabaha investments	Musharikhah investments	Total	
Aviation and transport	86,935,751	-	427,170,814	514,106,565	33%
Others	16,286,315	40,091,465	248,166,315	304,544,095	19%
Textile spinning and composite	7,557,918	200,344,735	8,498,263	216,400,916	14%
Individuals	71,509,240	31,500,000	86,921,209	189,930,449	12%
Engineering, steel & construction	42,520,000	76,388,886	45,767,342	164,676,228	11%
Sugar and allied	-	77,955,554	-	77,955,554	5%
Food and allied	11,906,643	-	34,662,838	46,569,481	3%
Oil and gas	-	15,231,515	7,212,251	22,443,766	1%
Chemical and pharmaceuticals	280,140	215,320	13,829,408	14,324,868	1%
Electric goods	100,000	13,023,643	-	13,123,643	1%
	237,096,007	454,751,118	872,228,440	1,564,075,565	100%

#### 44.3 Liquidity Risk

Liquidity risk is the risk that the Modaraba will not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. In the case of Modaraba, the liquidity level of Modaraba remained on satisfactory level during the year and Modaraba did not face any difficulty or problem for generation of liquidity.

#### Mitigating / managing the risk

Modaraba's policy is to invest the majority of its assets in investments that includes term deposit and morabaha investments that are having short-term maturities. Only a limited proportion of its investments are of long-term in nature.

#### Contractual maturity of the financial assets and financial liabilities of the Modaraba:

	2023					
	Carrying Amount	Contractual cash flow	Six months or less	Six to twelve months	Two to five years	Over five years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Non-derivative financial assets</b>						
Long term musharikhah investment-secured	805,245,048	805,245,048	154,889,530	191,810,952	113,248,188	345,296,378
Morabaha investment - secured	447,885,515	447,885,515	415,653,307	11,166,696	21,065,512	-
Long term deposits	203,444	203,444	-	-	-	203,444
Ijarah rental receivable	189,621,155	189,621,155	189,621,155	-	-	-
Short term investment	350,000,000	350,000,000	350,000,000	-	-	-
Profit and other receivables	215,478,820	215,478,820	215,478,820	-	-	-
Cash and bank balances	233,544,957	233,544,957	233,544,957	-	-	-
	2,241,978,939	2,241,978,939	1,559,187,769	202,977,648	134,313,700	345,499,822
<b>Non-derivative financial liabilities</b>						
Subordinated funds	500,000,000	500,000,000	-	-	500,000,000	-
Redeemable capital - participatory and unsecured	1,485,000,000	1,485,000,000	-	-	1,485,000,000	-
Profit payable	103,300,796	103,300,796	103,300,796	-	-	-
Trade and other payables	67,148,200	67,148,200	67,148,200	-	-	-
Unclaimed profit	17,190,485	17,190,485	17,190,485	-	-	-
	2,172,639,481	2,172,639,481	187,639,481	-	1,985,000,000	-
On-balance sheet gap	69,339,458	69,339,458	1,371,548,288	202,977,648	(1,850,686,300)	345,499,822

	2022					
	Carrying Amount	Contractual cash flow	Six months or less	Six to twelve months	Two to five years	Over five years
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
<b>Non-derivative financial assets</b>						
Long term musharikhah investment-secured	872,228,440	872,228,440	137,946,985	193,125,779	455,257,450	85,898,226
Morabaha investment - secured	470,251,512	470,251,512	437,325,159	4,750,014	26,861,506	-
Long term deposits	203,444	203,444	438,639,992	-	-	203,444
Ijarah rental receivable	223,239,011	223,239,011	223,239,011	-	-	-
Short term investment	200,000,000	200,000,000	200,000,000	-	-	-
Deposits and other receivables	118,524,799	118,524,799	118,524,799	-	-	-
Cash and bank balances	26,675,787	26,675,787	26,675,787	-	-	-
	1,911,122,993	1,911,122,993	1,145,026,574	197,875,793	482,118,956	86,101,670
<b>Non-derivative financial liabilities</b>						
Redeemable capital - participatory and unsecured	1,825,000,000	1,825,000,000	1,825,000,000	-	-	-
Profit payable	28,096,745	28,096,745	28,096,745	-	-	-
Trade and other payables	17,477,301	17,477,301	17,477,301	-	-	-
Unclaimed profit	17,191,276	17,191,276	17,191,276	-	-	-
	1,887,765,322	1,887,765,322	1,887,765,322	-	-	-
On-balance sheet gap	23,357,671	23,357,671	(742,738,748)	197,875,793	482,118,956	86,101,670

#### 44.4 Market Risk

The risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk. Market risk comprise of three types of risks: currency risk, profit / yield rate risk and price risk. The Modaraba manages market risk by monitoring its financial instruments as per the internal risk management policies. The Modaraba is exposed to profit / yield rate risk only.

##### 44.4.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate due to the changes in foreign currency exchange rates. The Modaraba does not have any financial instrument in currencies other than the functional currency of the Modaraba, therefore, the Modaraba is not subject to currency risk.

##### 44.4.2 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk). The Modaraba does not have any investment traded in the market, therefore the Modaraba is not subject to price risk.

The fair values of traded instruments are based on quoted market prices. Fair value of future lease financing installments receivable against lease financing assets, other assets, other liabilities and other items cannot be calculated with sufficient reliability due to absence of current active market for such assets and liabilities.

##### 44.4.3 Profit rate risk

Profit rate risk arises from the effects of fluctuations in the prevailing levels of market profit rates on the fair value of financial assets and liabilities and future cash flows. The Modaraba hasjarah lease, musharikhah and morabaha financing portfolio. The majority of financing portfolio is linked with KIBOR rate as a benchmark. The Modaraba reviews KIBOR on financing portfolio on quarterly / six monthly basis. As of reporting date, the profile of the Modaraba's variable value financial instruments were as follows:

Assets	Notes	2023 Rupees	2022 Rupees
<b>Variable rate instruments</b>			
Musharikhah financing		805,245,048	872,228,440
Bank deposits		222,551,331	5,055,065
Short term investments		350,000,000	200,000,000
		<u>1,377,796,379</u>	<u>1,077,283,505</u>
<b>Fixed rate instruments</b>			
Morabaha financing		434,440,348	454,751,118
		<u>1,812,236,727</u>	<u>1,532,034,623</u>
<b>Liabilities</b>			
<b>Fixed rate instruments</b>			
Redeemable capital - participatory and unsecured		1,485,000,000	1,825,000,000
Subordinated funds		500,000,000	-
		<u>1,985,000,000</u>	<u>1,825,000,000</u>

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

An increase of 100 basis points in interest rates would have increased / decreased the profit and loss by the amounts shown below. Reduction in interest rates by 100 basis points would have a vice versa impact. This analysis assumes that all variables remain constant. The analysis is performed on the same basis for the comparative period.

Asset / liability class (having variable interest rates)	Increase / (Decrease)	2023 Rupees	2022 Rupees
<b>Assets</b>			
Musharikhah financing	± 100 basis points	8,052,450	8,722,284
Bank deposits	± 100 basis points	2,225,513	50,551
Short term investments	± 100 basis points	3,500,000	2,000,000
		<u>13,777,963</u>	<u>10,772,835</u>

Above sensitivities are calculated on the assumption that all factors remain constant except interest rates and resulting variation in fair values of the subjugated investments and impact on the profit and loss.



#### Risk Management / Mitigation

The Modaraba monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities. The Modaraba's policy requires the Modaraba management to manage this risk by measuring the mismatch of the interest rate sensitivity gap of financial assets and liabilities and calculating the average duration of the portfolio of fixed interest securities. The average effective duration of the Modaraba's portfolio is a measure of the sensitivity of the fair value of the Modaraba's variable interest securities to changes in market interest rates. The Modaraba's policy refrains from holding interest bearing instruments that induce the average effective duration of the variable interest portfolio to pass the benchmark of the average duration.

#### 44.4.4 Operational risk

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 behavior. 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 Modaraba. 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;
- Requirements for the 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 takaful where this is effective.

#### 45 FAIR VALUE MEASUREMENTS

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. Consequently, differences can arise between the fair value and the carrying amount. Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Modaraba to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of reporting date, there were no financial instruments which were measured at fair values in these financial statements.

Transfer between levels of the fair value hierarchy are recognized at the end of the reporting period during which the changes have occurred.

During the year, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurement.

The following table shows the carrying amounts and fair values of all financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Carrying Value		Fair Value					
	Loans and Receivables	Other Financial Assets	Other Financial Liabilities	Total	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees				
<b>Financial assets</b>								
Long term musharrikah investment - secured	458,544,566	-	-	458,544,566	-	-	-	-
Long term morabaha investment - secured	13,502,006	-	-	13,502,006	-	-	-	-
Long term security deposits	203,444	-	-	203,444	-	-	-	-
Short term morabaha investment - secured	173,447,518	-	-	173,447,518	-	-	-	-
Current maturity of long term investment	369,755,675	-	-	369,755,675	-	-	-	-
Ijarah rental receivable	111,362,665	-	-	111,362,665	-	-	-	-
Short term investment	350,000,000	-	-	350,000,000	-	-	-	-
Profit and other receivables	148,162,484	-	-	148,162,484	-	-	-	-
Cash and bank balances	233,544,957	-	-	233,544,957	-	-	-	-
	<b>1,856,523,315</b>	-	-	<b>1,856,523,315</b>	-	-	-	-
<b>Financial liabilities</b>								
Redeemable capital - participatory and unsecured	-	-	1,485,000,000	1,485,000,000	-	-	-	-
Profit payable	-	-	103,300,796	103,300,796	-	-	-	-
Trade and other payables	-	-	67,148,200	67,148,200	-	-	-	-
Unclaimed dividend	-	-	17,190,485	17,190,485	-	-	-	-
	-	-	<b>1,672,639,481</b>	<b>1,672,639,481</b>	-	-	-	-

		Carrying Value		Fair Value		
		As at December 31, 2022		Level 1	Level 2	Level 3
Loans and Receivables	Other Financial Assets	Other Financial Liabilities	Total	Level 1	Level 2	Level 3
Rupees	Rupees	Rupees	Rupees			
541,155,676	-	-	541,155,676	-	-	-
26,861,506	-	-	26,861,506	-	-	-
203,444	-	-	203,444	-	-	-
197,495,954	-	-	197,495,954	-	-	-
328,375,145	-	-	328,375,145	-	-	-
144,571,959	-	-	144,571,959	-	-	-
200,000,000	-	-	200,000,000	-	-	-
108,569,156	-	-	108,569,156	-	-	-
26,675,787	-	-	26,675,787	-	-	-
1,573,908,627	-	-	1,573,908,627	-	-	-

#### Financial assets

Long term musharakah investment - secured  
 Long term morabaha investment - secured  
 Long term security deposits  
 Short term morabaha investment - secured  
 Current maturity of long term investment  
 Ijarah rental receivable  
 Short term investment  
 Profit and other receivables  
 Cash and bank balances

#### Financial liabilities

Redeemable capital - participatory and unsecured  
 Profit payable  
 Trade and other payables  
 Unclaimed dividend

45.1 The Mudaraba has not disclosed the fair values for these financial assets, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of fair value.

#### 46 SEGMENT REPORTING

As per IFRS 8 - 'Operating Segments', operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The chief executive officer of the management company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Mudaraba's entire product portfolio and considers the business to have a single operating segment. The Mudaraba's asset allocation decisions are based on a single integrated investment strategy and the Mudaraba's performance is evaluated on an overall basis.

The internal reporting provided to the Chief Executive Officer for the Mudaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of the approved accounting standards as applicable in Pakistan.

The Mudaraba is domiciled in Pakistan. All of the Mudaraba's income is from investments in entities incorporated in Pakistan. All non-current assets of the Mudaraba are located in Pakistan as at the reporting date.

The Mudaraba revenue is not depending upon single customer and there is no single customer from whom mudaraba is generating more than 10% of total revenue.

47 Cash and cash equivalents at the end of the year  
 Cash and bank balances

	2023	2022
Note	Rupees	Rupees
18	233,544,957	26,675,787



		2023	Restated 2022
	Note	Rupees	Rupees
<b>48 CASH GENERATED FROM OPERATIONS</b>			
Loss before income tax and levies for the year		(153,305,002)	(81,344,401)
<b>Adjustments for non cash other items:</b>			
Depreciation of ijarah assets	5.1	85,524,307	133,479,201
Depreciation of assets in own use	5.2	1,538,885	1,252,539
Amortization of intangible assets	6.2	666,643	277,750
(Gain) / loss on disposal of ijarah assets	33	(3,604,014)	6,422,103
Gain on disposal of assets in own use	33	(1,000,000)	(32,500)
Gain on disposal of subsidiary	34	(8,987,000)	-
Provision for gratuity	24.2	2,789,118	2,191,087
Write off of tax refund due from government		-	3,404,592
(Reversal) / Provision for musharrikah investment		(1,666,373)	1,894,879
(Reversal) / Provision for morabaha investment		(9,044,500)	(2,750,000)
(Reversal) / Provision for ijarah rental receivables		(408,563)	4,597,502
(Reversal) / Provision for other receivables		57,360,693	(1,172,649)
Dividend received		-	(4,319,384)
Accrual of profit on bank deposits	34	(63,355,147)	(29,883,391)
Bank charges	36	312,935	189,905
Financial charges on musharrikah finances	36	-	196,055
Financial charges on redeemable capital and subordinated funds	36	358,077,961	220,300,804
		<b>418,204,945</b>	336,048,493
<b>Operating profit before working capital changes</b>		<b>264,899,942</b>	<b>254,704,092</b>
<b>Working capital changes:</b>			
<b>(Increase)/decrease in operating assets:</b>			
Ijarah rental receivables - net	14	33,617,856	51,151,412
Advances, deposits, prepayments and other receivables	17	(78,442,575)	(3,524,167)
		<b>(44,824,719)</b>	<b>47,627,245</b>
<b>Increase / (decrease) in operating liabilities:</b>			
Trade and other payables	29	48,397,969	(60,323,634)
		<b>48,397,969</b>	<b>(60,323,634)</b>
<b>Net changes in operating assets and operating liabilities</b>		<b>3,573,250</b>	<b>(12,696,389)</b>
<b>Cash generated from operations</b>		<b>268,473,192</b>	<b>242,007,703</b>

#### 49 PROVIDENT FUND RELATED DISCLOSURES

The following information is based on the latest un-audited financial statements of the fund:

Size of the fund	9,963,403	7,573,147
Total assets	10,033,403	7,573,147
Cost of investments	9,963,403	7,573,147
Fair value of investments	9,963,403	7,573,147
Percentage of investments made	22%	19.5%

The break-up of fair value of investments is as follows:

	Percentage of the size of the fund	Rupees	Percentage of the size of the fund	Rupees
Investment in listed debt securities	76%	7,528,485	0%	-
Investment in unlisted debt securities	0%	-	0%	-
Investment in listed equity securities	0%	-	0%	-
Bank balances	24%	2,434,918	100%	7,573,147
	<b>100%</b>	<b>9,963,403</b>	<b>100%</b>	<b>7,573,147</b>

Investments out of provident fund have been made in accordance with the provisions of sections 218 of the Companies Act, 2017 and the rules formulated for this purpose.

#### 50 CORRESPONDING FIGURES

Figures of the corresponding period have been reclassified, wherever necessary for comparison and better presentation. Major reclassifications made during the year are as follows:

From	To	December 31, 2022
		Rupees
Long term morabaha investment	Short term morabaha investment- secured	14,066,000
Unearned income of short term morabaha investment	Unearned income of long term Morabaha Investment	6,400,062
Long term deferred morabaha income	Short term deferred morabaha income	1,224,666
Short term morabaha investment-secured	Long term Morabaha Investment - secured	16,000,000
Short term morabaha investment-secured	Long term morabaha investment - secured	1,905,226
Other receivable	Provident fund receivable	327,950
Provident fund payable	Provident fund receivable	3,498
Vehicle (Accumulated depreciation) - ijarah	Plant and machinery (Accumulated depreciation) - ijarah	4,408,857
Equipment (Cost) - owned	Furniture and fixture (Cost) - owned	29,600
Equipment (Accumulated depreciation) - owned	Furniture and fixture (Accumulated depreciation) - owned	11,131

#### 51 DATE OF AUTHORIZATION FOR ISSUE

The financial statements of Modaraba were approved by the Board of Directors of Modaraba Management Company and authorized for issue on June 24, 2024

For Punjab Modaraba Services (Private) Limited  
(Modaraba Company)

  
CHIEF FINANCIAL OFFICER

  
DIRECTOR

  
DIRECTOR

  
DIRECTOR



A Wholly Owned Subsidiary of  
The Bank of Punjab

**FIRST  
PUNJAB  
MODARABA**  
*(An Islamic Financial Institution)*

Managed By:

**Punjab Modaraba Services (Pvt) Ltd.**

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