

GROWTH + PROSPERITY



A Wholly Owned Subsidiary of  
The Bank of Punjab



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

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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
Aamir Malik	Chief Executive
Ijaz ur Rehman Qureshi	Director
Umer Iqbal Sheikh	Director
Imran Bashir	Director
Samina Afsar	Director
Khawar Shahid Ansari	Director

---

## Chief Financial Officer

---

Syed Asad Raza

---

## Company Secretary

---

Mudassar Kaiser Pal

---

## Audit Committee

---

Imran Bashir	Chairman
Ijaz ur Rehman Qureshi	Member
Samina Afsar	Member

---

## Human Resource Committee

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

---

## Board Risk Management Committee

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Ijaz ur Rehman Qureshi	Chairman
Umer Iqbal Sheikh	Member
Aamir Malik	Member

---

## Auditors of the Modaraba

---

A.F. Ferguson & Co. Chartered Accountants

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## Auditors of the Management Company

---

Shinewing Hameed Chaudhry & Co.  
Chartered Accountants

---

## Bankers

---

The Bank of Punjab  
NRSP Microfinance Bank Limited

---

## Registrar

---

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

---

## 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

## Our Mission

**We have committed to progressively enhance fully researched Islamic Financing Products and shall continue to meet our customers needs**





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# SIX YEARS AT A GLANCE

(RUPEES IN '000)

Restated

	June 18	June 19	June 20	June 21	Dec 21	Dec 22
<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	215,477	216,693	216,693	218,177	218,177	218,177
Un-appropriated Profit	(352,254)	(364,283)	(419,594)	(413,658)	(471,759)	(558,326)
<b>Total</b>	<b>203,423</b>	<b>192,609</b>	<b>137,298</b>	<b>144,719</b>	<b>86,618</b>	<b>50</b>
<b>Liabilities:</b>						
Redeemable Capital	400,000	445,518	1,013,549	1,014,102	1,603,000	1,825,000
Musharikah Arrangements	1,193,495	1,223,622	648,739	535,129	131,101	-
Accrued, Deferred & Other Liabilities	195,971	267,847	284,388	254,069	269,688	215,675
<b>Total</b>	<b>1,789,466</b>	<b>1,936,987</b>	<b>1,946,675</b>	<b>1,803,299</b>	<b>2,003,789</b>	<b>2,040,675</b>
<b>Total Equity &amp; Liabilities</b>	<b>1,992,889</b>	<b>2,129,596</b>	<b>2,083,974</b>	<b>1,948,018</b>	<b>2,090,407</b>	<b>2,040,725</b>
<b>Operating Assets:</b>						
Ijarah Assets	225,738	363,711	509,909	450,440	331,566	234,918
Deferred tax	61,834	64,399	64,399	64,399	64,399	58,876
Musharikah Investment	896,722	857,740	650,888	582,556	713,093	872,228
Morabaha Investment	275,416	308,264	305,443	251,927	184,804	221,661
<b>Sub Total</b>	<b>1,459,710</b>	<b>1,594,114</b>	<b>1,530,639</b>	<b>1,349,321</b>	<b>1,293,861</b>	<b>1,387,684</b>
<b>Other Assets:</b>						
Assets in own use	3,390	3,338	3,108	3,217	3,415	2,972
Investment in Subsidiary	76,500	76,500	76,500	76,500	76,500	76,500
Deposits, Prepayments & other receivables	406,090	412,619	448,624	407,232	581,353	546,894
Cash & Bank Balances	47,169	43,025	25,103	111,748	135,278	26,676
<b>Sub Total</b>	<b>533,149</b>	<b>535,482</b>	<b>553,335</b>	<b>598,697</b>	<b>796,546</b>	<b>653,042</b>
<b>Total Assets</b>	<b>1,992,859</b>	<b>2,129,596</b>	<b>2,083,974</b>	<b>1,948,018</b>	<b>2,090,407</b>	<b>2,040,725</b>
<b>PROFIT &amp; LOSS ACCOUNT</b>						
Operating Income	126,999.73	169,527	185,284.30	135,708.18	63,854	148,498
Other Income	12,413	19,475	12,800	17,314	6,492	60,832
<b>Total Income</b>	<b>139,413</b>	<b>189,002</b>	<b>198,084</b>	<b>153,022</b>	<b>70,346</b>	<b>209,330</b>
Operating Expenses	15,117	30,319	45,719	24,877	16,380	69,040
Financial Charges	93,504	150,423	207,676	119,205	55,318	220,687
Management Fee	3,079	-	-	-	-	-
<b>Total Expenses</b>	<b>111,700</b>	<b>180,742</b>	<b>253,395</b>	<b>144,082</b>	<b>71,698</b>	<b>289,727</b>
Profit before Taxation	27,713	6,688	(55,311)	8,941	(1,352)	(80,397)
Taxation	1,041	(463)	-	(1,520)	-	(6,170)
<b>Profit for the year</b>	<b>28,754</b>	<b>6,225</b>	<b>(55,311)</b>	<b>7,421</b>	<b>(1,352)</b>	<b>(86,567)</b>
<b>DISTRIBUTION:</b>						
Cash Dividend(%)	5.00	-	-	-	-	-
Bonus (%)	-	-	-	-	-	-
<b>RATIOS:</b>						
Breakup Value (Rs.)	5.98	5.66	4.04	4.25	2.55	0.001
Earning per Certificate (Rs.)	0.81	0.18	(1.63)	0.22	(0.04)	(2.54)
Return on Equity (Rs.)	14.14	3.23	N-A	5.13	N-A	N-A

# CHAIRMAN'S REVIEW

I am pleased to address you on behalf of the Board of Directors (“the Board”) of Punjab Modaraba Services (Pvt) Limited. I extend my heartfelt appreciation to each and every one of you for your enduring support.

I highlight critical factors impacting the Country’s economy and emphasize upon the Board’s indispensable role in governing the Modaraba. Our leadership shows unwavering dedication to transparency and a conducive business environment. Success is measured by our commitment to respect, fairness, and integrity in all endeavors.

Throughout the year, the Board focused on financial reporting and strategic guidance for sustainable growth. As we enter the new year, we prioritize continuous learning, sustainability, and data-driven decisions to future-proof our businesses.

As part of a financial services group, the Modaraba benefits from well-crafted strategies and policies derived from banking expertise, earning us a distinct market position. The Board ensures non-executive and independent directors are present on committees as per requirements of Code of Corporate Governance. Each member possesses the necessary skills and experience. Meetings have the required quorum, and decisions are recorded in comprehensive minutes. The Board unwaveringly adheres to relevant laws and regulations, making compliance a top priority in decision-making.

The Board diligently fulfills its duties as per the Modaraba Ordinance, Companies Act and Corporate Governance Regulations. It provides effective guidance in strategic affairs, monitors management performance, and addresses major risk areas. All Directors, including Independent Directors, actively participate and contribute to decision-making processes.

As a Chairman of the Modaraba, I am fully committed to leading the Board and ensuring strict compliance with all regulations. Our management team will prioritize value-generating decisions in short, medium, and long term for your benefit.

I express deep gratitude to regulators, service providers, customers, partners, our dedicated team, and all stakeholders, with special acknowledgment to the Registrar Modaraba. I also commend each Board Member for their unwavering commitment as custodians of the Modaraba’s vision.

Once again, I sincerely thank you all for your unwavering support.

Yours sincerely,



Nadeem Amir  
Chairman

July 30, 2023

## محترم سٹوکیٹ ہولڈرز،

مجھے پنجاب مضاربہ سروسز (پرائیویٹ) لمیٹڈ کے بورڈ آف ڈائریکٹرز ("بورڈ") کی جانب سے آپ کو مخاطب کرتے ہوئے خوشی ہو رہی ہے۔ میں آپ میں سے ہر ایک کو آپ کے مسلسل تعاون کے لیے دل کی گہرائیوں سے خراج تحسین پیش کرتا ہوں۔

میں ملکی معیشت پر اثر انداز ہونے والے اہم عوامل کو اجاگر کرتا ہوں اور مضاربہ کو چلانے میں بورڈ کے ناگزیر کردار پر زور دیتا ہوں۔ ہماری قیادت شفافیت اور سازگار کاروباری ماحول کے لیے غیر متزلزل لگن کو ظاہر کرتی ہے۔ کامیابی کا اندازہ تمام کوششوں میں احترام، انصاف اور دیانت کے لیے ہمارے عزم سے ہوتا ہے۔ سال بھر، بورڈ نے مسلسل ترقی کے لیے مالیاتی رپورٹنگ اور حکمت عملی پر توجہ دی ہے۔ جیسے ہی ہم نئے سال میں داخل ہو رہے ہیں، ہم اپنے کاروبار کو مستقبل میں مستحکم کرنے کے لیے، پائیدار، اور حقائق پر مبنی فیصلوں کو ترجیح دیتے ہیں۔

مالیاتی خدمات کے گروپ کے حصے کے طور پر، مضاربہ بینکنگ کی مہارت سے حاصل کردہ اچھی طرح سے تیار کردہ حکمت عملیوں اور پالیسیوں سے فائدہ اٹھاتا ہے، جس سے ہمیں ایک منفرد مارکیٹ پوزیشن حاصل ہوتی ہے۔ بورڈ اس بات کو یقینی بناتا ہے کہ کوڈ آف کارپوریٹ گورننس کے تقاضوں کے مطابق نان ایگزیکٹو اور آزاد ڈائریکٹرز کمیٹیوں میں موجود ہوں۔ ہر رکن کے پاس ضروری مہارت اور تجربہ ہے۔ مینٹننگ میں مطلوبہ کورم ہوتا ہے، اور فیصلے جامع الفاظ میں ریکارڈ کیے جاتے ہیں۔ بورڈ غیر متزلزل طور پر متعلقہ قوانین اور ضوابط کی پابندی کرتا ہے، فیصلہ سازی میں تعمیل کو اولین ترجیح بناتا ہے۔

مضاربہ آرڈیننس کمیٹی ایکٹ اور کارپوریٹ گورننس ریگولیشنز کے مطابق بورڈ تہذیبی سے اپنے فرائض کو پورا کرتا ہے۔ یہ تہذیبی امور میں موثر رہنمائی فراہم کرتا ہے، انتظامی کارکردگی پر نظر رکھتا ہے، اور بڑے رسک والے عوامل کو حل کرتا ہے۔ تمام ڈائریکٹرز، بشمول آزاد ڈائریکٹرز، فعال طور پر حصہ لیتے ہیں اور فیصلہ سازی کے عمل میں حصہ ڈالتے ہیں۔

مضاربہ کے چیئرمین کے طور پر، میں بورڈ کی قیادت کرنے اور تمام ضوابط کی سختی سے تعمیل کو یقینی بنانے کے لیے پوری طرح پابند ہوں۔ ہماری انتظامی ٹیم آپ کے فائدے کے لیے مختصر، درمیانی اور طویل مدت میں قدر پیدا کرنے والے فیصلوں کو ترجیح دے گی۔

میں رجسٹرار مضاربہ کے خصوصی اعتراف کے ساتھ ریگولیشنز، سروس فراہم کرنے والوں، صارفین، شرکاء، اداروں، ہماری سرشار ٹیم، اور تمام اسٹیک ہولڈرز کا تہہ دل سے شکریہ ادا کرتا ہوں۔ میں مضاربہ کے وٹن کے محافظ کے طور پر ہر بورڈ ممبر کی ان کے غیر متزلزل عزم کے لیے بھی تعریف کرتا ہوں۔

ایک بار پھر، میں آپ کی غیر متزلزل حمایت کے لیے آپ سب کا تہہ دل سے شکریہ ادا کرتا ہوں۔

آپ کا مخلص،



ندیم عامر  
چیئرمین

30 جولائی 2023



# DIRECTORS' REPORT

We are delighted to present the 30th Directors' Report of Punjab Modaraba Services (Pvt.) Limited, the esteemed Management Company overseeing the First Punjab Modaraba (the Modaraba). This report encompasses the audited financial statements and auditors' report for the year ended on December 31, 2022.

## Economic Outlook and Future Prospects

In early 2022, the Russian-Ukraine conflict elevated global commodity prices, fueled inflation and domestic inflation rates further. Threats from high inflation, rising interest rates, lingering supply constraints, and mounting uncertainties affected the global economic forecasts. The International Monetary Fund (IMF) has forecasted global growth at 2.8 percent in 2023.

Though economy of Pakistan recovered from the pandemic and maintained V-Shaped recovery by posting real GDP growth of 5.97 percent in the fiscal year 2022, this high growth, however, is unsustainable and has resulted in financial and macroeconomic imbalances. Devastating floods and political unrest further aggravated the situation. Thus, FY2022 has been a challenging year for Pakistan's economy.

The CPI inflation for the period January-December FY2022 was recorded at 12.2 percent as against 8.9 percent during the same period last year. Currently, the fiscal policy at the global level is functioning in a highly volatile environment and Pakistan is no exception.

## Principal activities and performance of Modaraba

The Modaraba operates as a perpetual and multi-dimensional financial institution, adhering to the principles of Islamic finance. Its core activities revolve around Ijarah (leasing), Musharikah (partnership), and Morabaha (cost-plus financing), along with equity investments and other related businesses that comply with Islamic principles.

The Modaraba experienced positive impact from booking of fresh assets of Rs.840 million during the year which translated in growth of 47 % in income on year to year basis. However, the exorbitant hike in SBP discount rate from 10.75% in 2021 to 17.00% in 2022 greatly affected the expenditure side resulting in 94% increase in financial cost alone and 74% increase on overall basis. This unprecedented increase in financial cost, in such short span of time, overshadowed all positivity on income side thereby recording pre-tax loss of Rs. 80.397 million. The tax charge of Rs.6.170 million including net reversal of deferred tax asset caused net loss of Rs.86.567 million for the year under consideration.

As fully explained in note 4 to the financial statements, a prior period error was identified in respect of depreciation expense on ijarah assets. The error emanated in previous years amid system glitch and continued till year under consideration. The consequent accounting treatment under IAS-8 has been made by restating the opening balances of assets, liabilities and equity for the earliest prior period presented.

## Management's assessment of Going Concern assumption

The auditors have drawn attention to note 1.1 to the financial statements. As fully explained in the said note, in order to provide the financial support to the Modaraba, the ultimate parent, The Bank of Punjab (BOP), has approved the following arrangements to reduce the finance costs of the Modaraba and to improve its financial performance:

- a) Conversion of redeemable capital - participatory and unsecured of Rs. 500,000,000 into long term subordinated loan for capital support under Modaraba Companies (Floatation and Control) Ordinance, 1980, repayable after 3 years; and

b) Conversion of redeemable capital - participatory and unsecured of Rs. 1,325,000,000 into non-current liabilities of the Modaraba.

Further, the BOP has confirmed that it shall continue to provide financial support to the Modaraba in managing the requisite capital requirements and the liquidity requirements of the Modaraba.

Based on the above arrangements, the management has devised a five years business plan along with financial projections, duly approved by the Board of Modaraba Management Company, covering future business performance, business prospects, recovery against non-performing assets and commitment of BOP to provide the continued financial support. The financial projections are based on reasonable assumptions and reflect the management's and Board's future plans for Modaraba to perform under the current economic circumstances.

In light of the enduring support of BOP, actions as outlined above and the projections prepared by the management, duly approved by the Board of Directors of the management company, the Board is of the view that the Modaraba would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

### Future strategy

The Modaraba recognizes the importance of acquiring new assets to expand its business and enhance its portfolio. It will actively seek opportunities to secure fresh assets that align with its growth objectives and meet the needs of its stakeholders.

Efforts to recover from non-performing assets will remain a key priority, as the Modaraba aims to optimize its asset quality and maximize returns. This strategic focus on recovering from non-performing assets will contribute to the overall financial strength and stability of the Modaraba.

In summary, the Modaraba's business strategy emphasizes the importance of booking fresh assets for sustainable growth and resolving non-performing assets. These strategic aspects will guide the Modaraba's operations and contribute to its continued success.

### Financial Results

The financial results of the Modaraba are summarized below:

Loss for the year	(86,567,149)	(1,352,324)
Accumulated loss brought forward	(471,759,092)	(470,406,768)
Other comprehensive income	-	-
Profit available for appropriation	-	-
<b>Appropriations</b>		
Transfer to statutory reserve	-	-
Final dividend: Nil (December 2021:Nil)		
Accumulated loss carried forward	(558,326,241)	(471,759,092)
Earning per certificate - Rs.	(2.54)	(0.04)

### 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.

## FPM 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 is the result of PACRA's comprehensive annual and interim reviews, which evaluate various factors and indicators related to the Modaraba's financial strength, performance, and outlook. The reaffirmed ratings and stable outlook reflect the Modaraba's continued commitment to sound financial management and adherence to industry best practices.

## Corporate and 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 or its subsidiary.
- 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) except 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 and 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, six 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 2022, except for those disclosed in financial statements.

p) The value of investments of the staff provident fund, based on management accounts, was Rs. 7,865,496/- as at 31 December, 2022.

### Compliance with the 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.

### The Board of Directors

#### 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 is seven (7) comprising of six (6) male and one (1) female directors.
2. The Board included one (1) executive, and six (6) non-executive directors out of whom two (2) were independent directors.
3. The composition of Board of Directors (the Board) is as follows:

Sr. No	Category	Names
1	Independent Directors	Mr. Imran Bashir
2	Independent Directors	Ms. Samina Afsar
3	Non-Executive Directors	Mr. Nadeem Aamir
4	Non-Executive Directors	Mr. Ijaz ur Rehman Qureshi
5	Non-Executive Directors	Mr. Umar Sheikh,
6	Non-Executive Directors	Mr. Khawar Shahid Ansari
7	Executive Directors	Mr. Aamir Malik

### Board Meeting and Attendance

During the year six (6) meetings of the Board of Directors of the Modaraba were held; attendance by each director is shown below:

Sr. No.	Name	Designation	Number of meetings Attended
1	Mr. Nadeem Amir	Chairman / Director	6
2	Mr. Aamir Malik	Chief Executive / Director	6
3	Mr. Ijaz-ur-Rehman	Director	4
4	Mr. Umer Iqbal Sheikh	Director	5
5	Mr. Imran Bashir	Director	6
6	Ms. Samina Afsar	Director	6
7	Mr. Khawar Shahid Ansari	Director	5

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 Meeting and Attendance

During the year three (3) meeting of the Board Audit Committee of the Modaraba was held; attendance by each member is as under:

Sr. No.	Name	Designation	Number of meetings Attended
1	Mr. Imran Bashir	Chairman	3
2	Mr. Ijaz-ur-Rehman Qureshi	Member	2
3	Ms. Samina Afsar	Member	2

### Human Resource Committee Meeting and Attendance

During the year one meeting of the Human Resource Committee of the Modaraba was held.

- Leave of absence was granted to the Directors, who could not attend the Board meetings.

- The Modaraba has the policy to pay Rs. 25,000 as fee to independent directors only, for attending every meeting of the Board of Directors or committees of the Board. During the year, an accumulated amount of Rs.425,000/- was paid to two independent directors.

- No trades in certificates of the Modaraba were carried out by the Directors, Executives or their spouses and minor children during the year ended 31 December, 2022.

### Related Party Transactions

All transactions involving related parties during the financial year ending on December 31, 2022 were diligently presented to the Audit Committee and the Board for their thorough review and subsequent approval. The Audit Committee carefully assessed these transactions, ensuring they were compliant with the approved transfer pricing methods and the policy for related parties, as endorsed by the Board.

### Role of Certificate-Holders

With the utmost commitment to transparency and accountability, the Board strives to keep the Modaraba's esteemed certificate holders well-informed regarding significant developments that impact the Modaraba's overall state of affairs. To achieve this objective, comprehensive information is conveyed to 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 high level of accountability and ensuring that their valuable insights are taken into consideration.

## Auditors

The retiring auditors are eligible for reappointment as auditors for year ending December 31, 2023, subject to approval of Registrar Modaraba, Securities and Exchange Commission of Pakistan.

## Statement of Ethics and Business Practices

The Board has embraced a Code of Conduct that outlines fundamental values pertaining to the lawful and ethical conduct of business. Each employee has been provided with a copy of this code and is expected to uphold the highest standards of integrity and fair dealings when interacting with customers, fellow staff members, and regulatory entities. This Code of Conduct serves as an integral component of the Modaraba's compliance framework, ensuring a culture of ethical behavior throughout the organization.

## Social, Ethical and Environmental Responsibilities

The Board maintains a strong awareness of social, ethical, and environmental matters and acknowledges their significance in the realm of public interest. With a firm commitment to corporate responsibility, the Board is actively engaged in planning for its ongoing participation in these areas. By proactively addressing social, ethical, and environmental concerns, the Board strives to contribute positively to society and the environment while upholding the Modaraba's values and principles.

## Chairman's Review

The attached Chairman's review provides a comprehensive assessment of the Modaraba's performance for the year ended on December 31, 2022, as well as an outlook for the future. The Board of Directors wholeheartedly endorses the contents of the review, affirming its alignment with the Board's assessment of the Modaraba's performance and its vision for the future.

## Relationship with Stakeholders

The Modaraba is dedicated to nurturing 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 grateful to report that, Alhamdulillah, throughout the period, our relations with all stakeholders have remained positive and harmonious. This continued collaboration and support contribute significantly to the Modaraba's success and growth.

## Post Balance Sheet Events

During the year, the wholly owned subsidiary i.e. Punjab Capital Securities (Private) Limited achieved a net profit of Rs. 1.495 million. The total assets of the Company stood at Rs. 107.100 million at the end of the year.

Subsequent to year end, the Company has been sold to parent Bank i.e. The Bank of Punjab.

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.

## Acknowledgments

The Board expresses sincere gratitude for the ongoing guidance and support received from the Registrar Modaraba and the Securities & Exchange Commission of Pakistan. Their invaluable assistance has played a vital role in the Modaraba's operations. The Board looks forward to continue this fruitful collaboration in the future, benefiting from their guidance and support to further enhance the Modaraba's endeavors.

For and on behalf of the Board

Lahore:  
August 30, 2023

  
Aamir Malik  
Chief Executive

  
Imran Bashir  
Director

# ڈائریکٹرز کی رپورٹ

ہمیں پنجاب مضاربہ سروسز (پرائیویٹ) لمیٹڈ کے 30 ویں ڈائریکٹرز کی رپورٹ پیش کرتے ہوئے خوشی ہو رہی ہے، جو کہ فرسٹ پنجاب مضاربہ کی مینجمنٹ کمپنی ہے۔ اس رپورٹ میں 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے آڈٹ شدہ مالیاتی گوشوارے اور آڈیٹرز کی رپورٹ شامل ہے۔

## اقتصادی آؤٹ لک اور مستقبل کے امکانات

سال 2022 کی شروعات میں، روسی-یوکرین تنازعہ نے اشیاء کی عالمی قیمتوں میں اضافہ کیا، افراط زر کی شرح میں مزید اضافہ ہوا۔ بلند افراط زر، بڑھتی ہوئی شرح سود، سہولتوں کی کمی اور رکاوٹوں اور بڑھتی ہوئی غیر یقینی صورتحال کے خطرات نے عالمی اقتصادی پیشین گوئیوں کو متاثر کیا۔ بین الاقوامی مالیاتی فنڈ (آئی ایم ایف) نے 2023 میں عالمی شرح ترقی 2.8 فیصد رہنے کی پیش گوئی کی ہے۔

اگرچہ معیشت و بائی امراض سے بازیافت ہوئی اور مالی سال 2022 میں جی ڈی پی کی شرح ترقی 5.97 فیصد برقرار رہی، تاہم یہ شرح ترقی غیر یقینی اور اس کے نتیجے میں مالیاتی اور معاشی عدم توازن پیدا ہوا ہے۔ تاہم کن سیلاب اور غیر یقینی سیاسی حالات نے صورتحال کو مزید گھمبیر کر دیا۔ اس طرح مالی سال 2022 پاکستان کی معیشت کے لیے ایک کٹھن سال رہا ہے۔ جنوری تا دسمبر مالی سال 2022 کے دوران CPI افراط زر 12.2 فیصد ریکارڈ کیا گیا جو کہ گزشتہ سال اسی مدت کے دوران 8.9 فیصد تھا۔ اس وقت عالمی سطح پر مالیاتی پالیسی انتہائی غیر مستحکم ماحول میں کام کر رہی ہے اور پاکستان بھی اس سے مستثنیٰ نہیں ہے۔

## مضاربہ کی بنیادی سرگرمیاں اور کارکردگی

مضاربہ اسلامی مالیاتی اصولوں پر عمل کرتے ہوئے ایک مستقل اور کثیر جہتی مالیاتی ادارے کے طور پر کام کرتا ہے۔ اس کی بنیادی سرگرمیاں اجارہ، مشارکہ اور مراہجہ کے ساتھ ساتھ ایکویٹی سرمایہ کاری اور اسلامی اصولوں کے مطابق دیگر متعلقہ کاروبار ہیں۔

مضاربہ نے سال کے دوران 840 ملین روپے کے تازہ اثاثوں کی بنگ کے مثبت اثرات کا فائدہ اٹھایا جس سے سالانہ بنیادوں پر آمدنی 47 فیصد اضافہ ہوا۔ تاہم SBP کی شرح سود میں بے تحاشہ اضافے یعنی، 2021 میں 10.75% سے 2022 میں 17.00% تک نے اخراجات کی طرف بہت زیادہ متاثر کیا جس کے نتیجے میں صرف مالیاتی لاگت میں 94% اضافہ اور مجموعی طور پر 74% اضافہ ہوا۔ مالی لاگت میں اتنے مختصر عرصے میں اس بے مثال اضافے نے، آمدنی کے حوالے سے تمام مثبتیت کو چھپایا ہوا ہے جس سے 80.397 ملین روپے کا قبل از ٹیکس نقصان ریکارڈ کیا گیا ہے۔ 6.170 ملین روپے کے ٹیکس چارجز بشمول ڈیفریڈ ٹیکس اثاثہ کے ریورسل کی وجہ سے زیر غور سال کے لیے 86.567 ملین روپے کا نقصان ہوا۔

جیسا کہ نوٹ 4 میں مکمل وضاحت کی گئی ہے، اجارہ اثاثوں پر فرسودگی کے اخراجات کے سلسلے میں ایک سابقہ مدت کی غلطی کی نشاندہی کی گئی تھی۔ خرابی پچھلے سالوں میں نظام کی خرابی کے باعث پیدا ہوئی اور زیر غور سال تک جاری رہی۔ IAS-8 کے تحت اکاؤنٹنگ کے نتیجے میں پیش کردہ ابتدائی مدت کے لیے اثاثوں، واجبات اور ایکویٹی کے اوپننگ بیلنس کو از سر نو بیان کیا گیا ہے۔

## گوٹنگ کنٹرن مفروضے کے بارے میں انتظامیہ کا اندازہ

آڈیٹرز نے نوٹ 1.1 کی طرف توجہ مبذول کرائی ہے۔ جیسا کہ مذکورہ نوٹ میں مکمل وضاحت کی گئی ہے، مضاربہ کو مالی مدد فراہم کرنے کے لیے، جتنی پیرنٹ، دی بینک آف پنجاب (BOP) نے مضاربہ کے مالیاتی اخراجات کو کم کرنے اور اس کی مالی کارکردگی کو بہتر بنانے کے لیے درج ذیل انتظامات کی منظوری دی ہے:-

(a) ریڈیمیل کپٹل کی منتقلی۔ مضاربہ کیپٹل (فلوئیشن اینڈ کنٹرول) آرڈیننس، 1980 کے تحت کپٹل سپورٹ کے لیے طویل مدتی ماتحت قرض میں 500,000,000 روپے کی منتقلی، 3 سال کے بعد قابل ادائیگی

(b) قابل واپسی سرمائے ریڈیمیل۔ شرکتی اور غیر محفوظ روپے۔ مضاربہ کی نان کرنٹ قرضہ جات 1,325,000,000 روپے میں منتقلی۔

مزید برآں، BOP نے تصدیق کی ہے کہ وہ مضاربہ کی سرمایہ کی ضروریات اور لیکویڈیٹی کی ضروریات کو پورا کرنے کے لیے مضاربہ کو مالی مدد فراہم کرتا رہے گا۔

مندرجہ بالا انتظامات کی بنیاد پر، انتظامیہ نے مالیاتی تخمینوں کے ساتھ پانچ سالہ کاروباری منصوبہ تیار کیا ہے، جس کی باقاعدہ منظوری مضاربہ مینجمنٹ کمپنی کے بورڈ نے دی ہے، جس میں مستقبل کی کاروباری کارکردگی، کاروباری امکانات، نادر ہندہ اثاثوں کے خلاف ریکوری اور BOP کی طرف سے مستقل مالی حمایت فراہم کرنے کے عزم کا احاطہ کیا گیا ہے۔ مالی تخمینے

معتول مفروضوں پر مبنی ہیں اور موجودہ معاشی حالات میں مضاربہ کے لیے انتظامیہ اور بورڈ کے مستقبل کے منصوبوں کی عکاسی کرتے ہیں۔  
بی او پی کی پائیدار حمایت، اوپر بیان کیے گئے اقدامات اور انتظامیہ کی طرف سے تیار کیے گئے تخمینوں کی روشنی میں، جو کہ انتظامی کمپنی کے بورڈ آف ڈائریکٹرز کے ذریعے منظور شدہ ہیں، بورڈ کا خیال ہے کہ مضاربہ کے پاس اپنا کاروبار جاری رکھنے کے لیے کافی وسائل ہوں گے۔ مستقبل قریب میں پائیدار بنیادوں پر۔

### مستقبل کی حکمت عملی

مضاربہ اپنے کاروبار کو بڑھانے اور اپنے پورٹ فولیو کو بڑھانے کے لیے نئے اثاثوں کے حصول کی اہمیت کو تسلیم کرتا ہے۔ یہ فعال طور پر نئے اثاثوں کو محفوظ کرنے کے مواقع تلاش کرے گا جو اس کے ترقی کے مقاصد کے مطابق ہوں اور اس کے اسٹیک ہولڈرز کی ضروریات کو پورا کریں۔  
نادہندہ اثاثوں سے بازیابی کی کوششیں ایک اہم ترجیح رہے گی، کیونکہ مضاربہ کا مقصد اپنے اثاثوں کے معیار کو بہتر بنانا اور زیادہ سے زیادہ منافع حاصل کرنا ہے۔ نادہندہ اثاثوں سے بازیابی پر یہ اسٹریٹجک توجہ مضاربہ کی مجموعی مالی طاقت اور استحکام میں معاون ثابت ہوگی۔  
خلاصہ طور پر، مضاربہ کی کاروباری حکمت عملی پائیدار ترقی کے لیے نئے اثاثوں کی ہنگامہ اور نادہندہ اثاثوں کو حل کرنے کی اہمیت پر زور دیتی ہے۔ یہ اسٹریٹجک پہلو مضاربہ کے آپریشنز کی رہنمائی کریں گے اور اس کی مسلسل کامیابی میں اپنا حصہ ڈالیں گے۔

### مالیاتی نتائج

مضاربہ کے مالی نتائج کا خلاصہ ذیل میں دیا گیا ہے:

دو بار بیان کردہ	دسمبر-2021	دسمبر-2022	
روپے	روپے	روپے	
(1,352,324)	(86,567,149)		نقصان برائے موجودہ سال
(470,406,768)	(471,759,092)		جمع شدہ نقصان
			دیگر جامع آمدنی
-	-		مختص کے لیے دستیاب منافع
			مخصصات
-	-		ریزرو میں منتقلی
-	-		حتمی ڈیویڈنڈ
(471,759,092)	(558,326,241)		جمع شدہ نقصان
(0.04)	(2.54)		آمدنی/نقصان فی شیئہ کی شرح

آمدنی/نقصان فی شیئہ کی شرح  
منافع کی تقسیم اور ذخائر میں منتقلی۔

بورڈ نے سال کے دوران نقصان کی وجہ سے، کوئی ڈیویڈنڈ کا اعلان نہیں کیا گیا اور اسی وجہ سے ریزرو میں کوئی رقم منتقل نہیں کی گئی۔

### FPM مالیاتی طاقت کی درجہ بندی

ہمیں یہ بتاتے ہوئے خوشی ہو رہی ہے کہ پاکستان کریڈٹ ریٹنگ ایجنسی (پرائیویٹ) لمیٹڈ (PACRA) نے مضاربہ کی طویل مدتی درجہ بندی "A" اور "A2" کی مختصر مدتی درجہ بندی کی "مستحکم" آؤٹ لک کے ساتھ دوبارہ تصدیق کی ہے۔ درجہ بندی کا یہ جائزہ PACRA کے جامع سالانہ اور عبوری جائزوں کا نتیجہ ہے، جو مضاربہ کی مالی طاقت، کارکردگی اور آؤٹ لک سے متعلق مختلف عوامل اور اشارے کا جائزہ لیتے ہیں۔ دوبارہ تصدیق شدہ درجہ بندی اور مستحکم آؤٹ لک مضاربہ کے درست مالیاتی انتظام اور صنعت کے بہترین طریقوں پر عمل



کرنے کے مسلسل عزم 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 کے ضوابط کی ضرورت ہے۔ اس کے مطابق، ڈائریکٹرز مندرجہ ذیل کی تصدیق کرتے ہوئے پرمسرت ہیں:

(a) مضاربہ کی انتظامیہ کی طرف سے تیار کردہ مالیاتی گوشوارے، اس کی حالت، اس کے آپریشنز، نقدی کے بہاؤ اور ایکویٹی میں تبدیلیوں کے نتائج کو منصفانہ طور پر پیش کرتے ہیں۔  
(b) مضاربہ کے مالیاتی کھاتوں کی مناسب دیکھ بھال کی گئی ہے۔

(c) مالیاتی گوشواروں کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کا مسلسل اطلاق کیا گیا ہے اور اکاؤنٹنگ کے 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 بیرونی کی گئی ہے اور وہاں سے کسی بھی انحراف 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 درپیش کوئی بنیادی خطرہ یا غیر یقینی صورتحال نہیں تھی۔

(h) مضاربہ یا اس کے ذیلی ادارے کے کاروبار کی نوعیت سے متعلق کوئی خاص تبدیلیاں نہیں کی گئیں۔

(i) کارپوریٹ گورننس کے بہترین طریقوں سے کوئی اہم انحراف نہیں ہے جیسا کہ لسٹنگ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے مطابق ماسوائے ان کے جو شیڈولڈ آف کمپلائنس میں بیان شدہ 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 ٹیم مضاربہ کو موجودہ غیر یقینی صورتحال سے نکلنے کے لیے پوری طرح پرعزم ہے اور اس کے لیے ایک اسٹریٹجک منصوبہ تیار کیا گیا ہے اور اس سے مستقبل قریب میں مثبت بہتری کی توقع ہے۔

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

(m) سال کے دوران بورڈ آف ڈائریکٹرز کے چھ 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 ڈائریکٹر ہیں۔

(o) 31 دسمبر 2022 تک ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں قانونی ادائیگیوں کے کوئی بقایا مطالبات نہیں ہیں، سوائے مالیاتی گوشواروں میں ظاہر کیے گئے مطالبات کے۔

(p) اسٹاف پراویڈنٹ فنڈ کی سرمایہ کاری کی مالیت 31 دسمبر 2022 تک کے شیڈولڈ اکاؤنٹس کے مطابق 7,865,496 روپے تھی۔

### کارپوریٹ گورننس کے ضابطہ کی تعمیل

کمپنی نے 31 دسمبر 2022 کو ختم ہونے والے سال کے دوران لسٹنگ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 میں بیان کردہ تقاضوں کی پوری تہہ ہی سے پابندی کی ہے۔ اگر کوئی انحراف تھا تو اسے شفافیت سے شیڈولڈ آف کمپلائنس میں بیان کیا گیا ہے۔

### بورڈ آف ڈائریکٹرز

#### بورڈ کی تشکیل

سات کئی بورڈ آف ڈائریکٹرز تمام ڈائریکٹرز کیٹیگریز میں قانونی نمائندگی کو یقینی بناتا ہے، جیسا کہ لسٹنگ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 کے ذریعے لازمی قرار دیا گیا ہے۔ بورڈ اہم کاروباری معاملات کو چلاتے ہوئے وضع کردہ طریقوں اور منسلک خطرات کو مد نظر رکھتا ہے اور اہم امور پر سٹریٹجیک فیصلے کرتا ہے۔ بورڈ تعمیل کو یقینی بنانے کے لیے ہدایات کی بھی نگرانی کرتا ہے۔

1. ڈائریکٹرز کی کل تعداد سات (7) ہے جس میں چھ (6) مرد اور ایک (1) خاتون ڈائریکٹر شامل ہیں۔

2. بورڈ میں ایک (1) ایگزیکٹو، اور چھ (6) نان ایگزیکٹو ڈائریکٹرز شامل ہیں جن میں سے دو (2) آزاد ڈائریکٹرز ہیں۔  
3. بورڈ آف ڈائریکٹرز (بورڈ) کی تشکیل حسب ذیل ہے:

نام	کیٹیگری
جناب عمران بشیر	انڈیپنڈنٹ ڈائریکٹرز
محترمہ شمینہ افسر	انڈیپنڈنٹ ڈائریکٹرز
جناب ندیم عامر	نان ایگزیکٹو ڈائریکٹرز
جناب اعجاز الرحمن قریشی	نان ایگزیکٹو ڈائریکٹرز
جناب عمر شیخ	نان ایگزیکٹو ڈائریکٹرز
جناب خاور شاہد انصاری	نان ایگزیکٹو ڈائریکٹرز
جناب عامر ملک	ایگزیکٹو ڈائریکٹرز

#### بورڈ میٹنگ اور حاضری

سال کے دوران مضاربہ کے بورڈ آف ڈائریکٹرز کے چھ (6) اجلاس منعقد ہوئے۔ ہر ڈائریکٹر کی حاضری ذیل میں دکھائی گئی ہے۔

نمبر	نام	عہدہ	میٹنگز کی تعداد
1	جناب ندیم عامر	چیئر مین / ڈائریکٹر	6
2	جناب عامر ملک	چیف ایگزیکٹو / ڈائریکٹر	6
3	جناب اعجاز الرحمن قریشی	ڈائریکٹر	4
4	جناب عمر اقبال شیخ	ڈائریکٹر	5
5	جناب عمران بشیر	ڈائریکٹر	6
6	محترمہ شمینہ افسر	ڈائریکٹر	6
7	جناب خاور شاہد انصاری	ڈائریکٹر	5

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 کا اجلاس اور حاضری

سال کے دوران مضاربہ کی بورڈ آڈٹ کمیٹی کے تین (3) اجلاس منعقد ہوئے۔ ہر ممبر کی حاضری حسب ذیل ہے:

نمبر	نام	عہدہ	میٹنگز کی تعداد
1	جناب عمران بشیر	چیئر مین	3
2	جناب اعجاز الرحمن قریشی	ممبر	2
3	محترمہ شمینہ افسر	ممبر	2

## ہیومن ریسورس کمیٹی کا اجلاس اور حاضری

سال کے دوران مضاربہ کی ہیومن ریسورس کمیٹی کا ایک اجلاس منعقد ہوا۔  
 - ڈائریکٹرز کو غیر حاضری کی چھٹی دی گئی، جو بورڈ کے اجلاسوں میں شرکت نہیں کر سکے۔  
 - مضاربہ کے پاس فیس ادا کرنے کی پالیسی ہے۔ بورڈ آف ڈائریکٹرز یا بورڈ کی کمیٹیوں کی ہر میٹنگ میں شرکت کے لیے 25,000 بطور فیس صرف آزاد ڈائریکٹرز کو ادا کئے جاتے ہیں۔  
 سال کے دوران، دو آزاد ڈائریکٹرز کو 425,000/- کی کل رقم ادا کی گئی۔  
 - 31 دسمبر 2022 کو ختم ہونے والے سال کے دوران ڈائریکٹرز، ایگزیکٹوز یا ان کی شریک حیات اور نابالغ بچوں کے ذریعہ مضاربہ کے سرٹیفکیٹس میں کوئی تجارت نہیں کی گئی۔

## متعلقہ پارٹی لین دین

31 دسمبر 2022 کو ختم ہونے والے مالی سال کے دوران متعلقہ فریقین پر مشتمل تمام لین دین کو پوری تہی سے آڈٹ کمیٹی اور بورڈ کو ان کے مکمل جائزہ اور بعد میں منظوری کے لیے پیش کیا گیا۔ آڈٹ کمیٹی نے ان لین دین کا بغور جائزہ لیا، اس بات کو یقینی بناتے ہوئے کہ وہ منظور شدہ منتقلی کی قیمتوں کے تعین کے طریقوں اور متعلقہ فریقوں کے لیے پالیسی کے مطابق ہیں، جیسا کہ بورڈ نے توثیق کی ہے۔

## مٹھولیکٹ ہولڈرز کا کردار

شفافیت اور جوابدہی کے لیے انتہائی وابستگی کے ساتھ، بورڈ مضاربہ کے معزز مٹھولیکٹ ہولڈرز کو مضاربہ کی مجموعی حالت پر اثر انداز ہونے والی اہم پیش رفتوں کے بارے میں اچھی طرح سے باخبر رکھنے کی کوشش کرتا ہے۔ اس مقصد کو حاصل کرنے کے لیے، سہ ماہی، ششماہی اور سالانہ رپورٹس کے ذریعے مٹھولیکٹ ہولڈرز کو جامع معلومات پہنچائی جاتی ہیں۔  
 بورڈ سالانہ جائزہ اجلاس کے دوران مٹھولیکٹ ہولڈرز کی فعال شرکت کو انتہائی قدر کی نگاہ سے دیکھتا 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 31 دسمبر 2023 کو ختم ہونے والے سال کے لیے بطور آڈیٹرز دوبارہ تقرری کے اہل ہیں، رجسٹرڈ مضاربہ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی منظوری سے مشروط ہیں۔

## اخلاقیات اور کاروباری طریقوں کا بیان

بورڈ نے ایک ضابطہ اخلاق کو قبول کیا ہے جو کاروبار کے قانونی اور اخلاقی طرز عمل سے متعلق بنیادی اقدار کا خاکہ پیش کرتا ہے۔ ہر ملازم کو اس کوڈ کی ایک کاپی فراہم کی گئی ہے اور توقع کی جاتی ہے کہ وہ گاہکوں، ساتھی عملے کے اراکین، اور ریگولیٹری اداروں کے ساتھ بات چیت کرتے وقت دیانتداری اور منصفانہ لین دین کے اعلیٰ ترین معیارات کو برقرار رکھے گا۔ یہ ضابطہ اخلاق مضاربہ کے تعمیل کے فریم ورک کے ایک لازمی جزو کے طور پر کام کرتا ہے، جو پوری تنظیم میں اخلاقی رویے کی ثقافت کو یقینی بناتا ہے۔

## سماجی، اخلاقی اور ماحولیاتی ذمہ داریاں

بورڈ سماجی، اخلاقی اور ماحولیاتی معاملات کے بارے میں مضبوط بیداری رکھتا ہے اور عوامی مفاد کے دائرے میں ان کی اہمیت کو تسلیم کرتا ہے۔ کارپوریٹ ذمہ داری کے لیے پختہ عزم کے ساتھ، بورڈ ان شعبوں میں اپنی جاری شرکت کے لیے منصوبہ بندی میں سرگرم عمل ہے۔ سماجی، اخلاقی اور ماحولیاتی خدشات کو فعال طور پر حل کرتے ہوئے، بورڈ مضاربہ کی اقدار اور اصولوں کو برقرار رکھتے ہوئے معاشرے اور ماحول کے لیے مثبت کردار ادا کرنے کی کوشش کرتا ہے۔

## چیئرمین کا جائزہ

منسلک چیئرمین کا جائزہ 31 دسمبر 2022 کو ختم ہونے والے سال کے لیے مضاربہ کی کارکردگی کا ایک جامع جائزہ فراہم کرتا ہے اور ساتھ ہی مستقبل کے لیے ایک نقطہ نظر بھی فراہم کرتا ہے۔ بورڈ آف ڈائریکٹرز پورے دل سے جائزے کے مندرجات کی توثیق کرتا ہے، مضاربہ کی کارکردگی اور مستقبل کے لیے اس کے وژن کے بورڈ کے جائزے کے ساتھ اس کی ہم آہنگی کی تصدیق کرتا ہے۔

## اسٹیک ہولڈرز کے ساتھ تعلقات

مضاربہ پاکستان اسٹاک ایکسچینج، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان (SECP) اور دیگر قابل قدر کاروباری شراکت داروں سمیت تمام اسٹیک ہولڈرز کے ساتھ باہمی طور پر فائدہ مند تعلقات کو فروغ دینے کے لیے سرشار ہے۔ ہم یہ بتاتے ہوئے شکرگزار ہیں کہ الحمد للہ، اس پورے عرصے کے دوران تمام اسٹیک ہولڈرز کے ساتھ ہمارے تعلقات مثبت اور ہم آہنگ رہے ہیں۔ یہ مسلسل تعاون مضاربہ کی کامیابی اور ترقی میں اہم کردار ادا کرتا ہے۔

## بعد از بیلنس شیٹ کے واقعات

سال کے دوران، مکمل ملکیتی ذیلی کمپنی یعنی پنجاب کیمپنل سیکورٹیز (پرائیویٹ) لمیٹڈ نے 1.495 ملین روپے کا منافع حاصل کیا۔ کمپنی کے کل اثاثے سال کے آخر میں 107.100 ملین روپے تھے۔

سال کے اختتام کے بعد کمپنی کو پیرنٹ یعنی بینک آف پنجاب کو فروخت کر دیا گیا ہے۔

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

## اعترافات

بورڈ رجسٹرار مضاربہ اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان سے جاری رہنمائی اور تعاون کا تہہ دل سے شکریہ ادا کرتا ہے۔ ان کی انمول مدد نے مضاربہ کی کارروائیوں میں اہم کردار ادا کیا ہے۔ بورڈ مضاربہ کی کوششوں کو مزید بڑھانے کے لیے ان کی رہنمائی اور تعاون سے مستفید ہوتے ہوئے مستقبل میں بھی اس نتیجہ خیز تعاون کو جاری رکھنے کا منتظر ہے۔

بورڈ کے لیے اور اس کی جانب سے



(عمران بشیر)

ڈائریکٹر



(عامر ملک)

چیف ایگزیکٹو

لاہور: 30 جولائی 2023

# STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

Name of Company: FIRST PUNJAB MODARABA

Year ended: December 31, 2022

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

1. The total number of Directors are seven as per the following:

- a. Male: 6
- b. Female: 1

2. The composition of the board is as follows:

CATEGORY		NAMES
a.	Independent Directors	Mr. Imran Bashir Ms. Samina Afsar
b.	Non-Executive Directors	Mr. Nadeem Amir Mr. Ijaz ur Rehman Qureshi Mr. Khawar Shahid Ansari Mr. Umar Iqbal Sheikh
c.	Executive Directors	Mr. Aamir Malik
d.	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 which is less than 0.5, has not been rounded up as one.

- 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 five (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.

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 committee were as per following:-

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

Accounts of the modaraba for half year ended June 30, 2022 were reviewed by Audit Committee along with accounts for quarter ended September 30, 2022 in one meeting;

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.



NADEEM AMIR  
Chairman



## **INDEPENDENT REVIEW REPORT TO THE CERTIFICATE HOLDERS**

### 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, 2022 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 Modaraba'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 Modaraba's and 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 control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the 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, for and on behalf of the Modaraba, in all material respects, with the requirements contained in the Regulations as applicable to the Modaraba for the year ended December 31, 2022.





Further, we highlight below instance of non-compliance with the requirements of the Regulations as reflected in the note 14, where these are stated in the Statement of Compliance:

Sr.	Reference	Non-Compliance
1	14	The Modaraba held one meeting of Audit Committee for the approval of the half yearly financial statements for the period ended June 30, 2022 and for the quarter ended September 30, 2022, thus resulting in the non-compliance of meeting of Audit Committee at least once in every quarter.

A. F. Ferguson & Co.  
Chartered Accountants  
Place: Lahore  
Date: 02 August 2023  
UDIN: CR202210092xRDocq2eu

# NOTICE OF THE ANNUAL REVIEW MEETING

The Certificate Holders are hereby notified that the Certificate Transfer Books shall remain closed from 23-08-2023 to 30-08-2023 (both days inclusive), for the purpose of attending Annual Review Meeting. All transfers received in order upto close of business hours on August 22, 2023 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 Wednesday, August 30, 2023 through video link (Zoom Meeting) to review the performance of the Modaraba for the year ended December 31, 2022 in terms of Regulation No.33, Chapter IV of Modaraba Regulations, 2021.

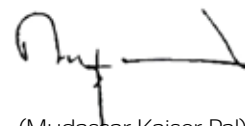
The Certificate Holders are requested to send intimation through valid email ID to the address given below to participate in the meeting through video link, at least seven (07) days prior to the date of meeting:

armdec2022@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. 0300 0774434, at least seven (07) days prior to the date of meeting.

The annual audited financial statements of the Modaraba for year ended December 31, 2022 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, 2022

Number of Shareholders	Shares held Range		Total Shares held	Percentage
	From	To		
924	1 -	100	40,529	0.12
1379	101 -	500	384,828	1.13
1043	501 -	1000	854,594	2.51
575	1001 -	5000	1,291,310	3.80
101	5001 -	10000	737,559	2.17
40	10001 -	15000	498,385	1.46
33	15001 -	20000	594,976	1.75
14	20001 -	25000	315,883	0.93
11	25001 -	30000	312,353	0.92
5	30001 -	35000	166,418	0.49
5	35001 -	40000	184,068	0.54
4	40001 -	45000	168,500	0.50
4	45001 -	50000	198,000	0.58
6	50001 -	55000	318,500	0.94
1	55001 -	60000	59,000	0.17
3	65001 -	70000	204,550	0.60
2	70001 -	75000	150,000	0.44
1	75001 -	80000	78,500	0.23
2	80001 -	85000	168,000	0.49
1	85001 -	90000	86,500	0.25
6	95001 -	100000	595,500	1.75
2	100001 -	105000	202,000	0.59
4	105001 -	110000	432,786	1.27
1	110001 -	115000	112,500	0.33
1	115001 -	120000	117,923	0.35
1	130001 -	135000	135,000	0.40
1	150001 -	155000	151,000	0.44
1	175001 -	180000	178,500	0.52
1	190001 -	195000	193,500	0.57
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	265001 -	270000	266,000	0.78
1	285001 -	290000	287,000	0.84
1	350001 -	355000	351,000	1.03
1	365001 -	370000	367,500	1.08
1	405001 -	410000	407,000	1.20
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
4,190			34,020,000	100.00

# CATEGORIES OF SHAREHOLDERS AS ON DECEMBER 31, 2022

Categories of Shareholders	No. of Certificate Holders	Shares Held	Percentage
<b>Associated Companies, Undertakings and Related Parties</b>			
PUNJAB MODARABA SERVICES (PVT) LTD.		8,088,500	23.7757
THE BANK OF PUNJAB		4,788	0.0141
PUNJAB MODARABA SERVICES (PVT) LTD.		5,232,194	15.3798
TRUSTEE-THE BANK OF PUNJAB EMPLOYEES GRATUITY FUND		5,099,500	14.9897
	4	18,424,982	54.1593
<b>Public Sector Companies and Corporations</b>			
INVESTMENT CORP. OF PAKISTAN		400	0.0012
	1	400	0.0012
<b>Banks, Development Financial Institutions, Non Banking Financial Institutions</b>			
SAUDI-PAK INDUSTRIAL & AGRI- CULTURAL INV. CO. (PVT) LTD		24,535	0.0721
AL-FAISAL INVESTMENT BANK LTD.		100	0.0003
N.B.P. TRUSTEE DEPARTMENT H.O.		260	0.0008
NATIONAL DEVELOPMENT LEASING- CORPORATION		5,200	0.0153
KARACHI INVESTMENT COMPANY (PRIVATE) LIMITED		189	0.0006
ATLAS BOT INVESTMENT BANK LTD.		429	0.0013
MUHAMMAD AMER RIAZ SECURITIES (PVT.) LIMITED		20	0.0001
NATIONAL DEVELOPMENT FINANCE- CORPORATION (INVESTER)		3,300	0.0097
NATIONAL BANK OF PAKISTAN		656	0.0019
ESCORTS INVESTMENT BANK LIMITED		19,760	0.0581
FRANKLIN INVESTMENT BANK LTD		1,100	0.0032
IDBL (ICP UNIT)		2,408	0.0071
DIAMOND INDUSTRIES LTD		151,000	0.4439
NATIONAL BANK OF PAKISTAN TRUSTEE WING HEAD OFFICE		965	0.0028
	14	209,922	0.6171
<b>Insurance Companies</b>			
STATE LIFE INSURANCE CORP. OF PAKISTAN		1,265,777	3.7207
	1	1,265,777	3.7207

### Modarabas and Mutual Funds

GENERAL LEASING MODARABA	56	0.0002
SECURITY STOCK FUND LTD.	3,100	0.0091
TRUST MODARABA	1,752	0.0051
FIRST IBL MODARABA	100,000	0.2939
PRUDENTIAL STOCKS FUND LIMITED	100	0.0003
FIRST FIDELITY LEASING MODARBA	300	0.0009

6	105,308	0.3095
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### General Public (Local)

4137	13,634,005	40.0764
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### Joint Stock Companies

MSMANIAR FINANCIALS (PVT) LTD.	132	0.0004
DR. ARSLAN RAZAQUE SECURITIES (PVT.) LIMITED	200	0.0006
ALI USMAN STOCK BROKERAGE (PVT) LIMITED	275	0.0008
MUHAMMAD AHMED NADEEM SECURITIES (SMC-PVT) LIMITED	240	0.0007
CAPITAL VISION SECURITIES (PVT) LTD.	3,310	0.0097
MILLENNIUM SECURITIES & INVEST.(PVT) LTD	20	0.0001
DOSSLANI'S SECURITIES (PVT) LIMITED	350	0.0010
S.H. BUKHARI SECURITIES (PVT) LIMITED	382	0.0011
MAPLE LEAF CAPITAL LIMITED	1	0.0000
SARFRAZ MAHMOOD (PRIVATE) LTD	570	0.0017
PRUDENTIAL SECURITIES LIMITED	2,000	0.0059
PRUDENTIAL SECURITIES LIMITED	260	0.0008
EJAZ SPINNING MILLS LIMITED	178,500	0.5247
SHAFFI SECURITIES (PVT) LIMITED	20,000	0.0588

14	206,240	0.6062
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### Others

MORGAN STANLEY TRUST	19,335	0.0568
B.R.R INVESTMENTS (PVT.) LTD	8,750	0.0257
MORGAN STANLEY INTERNATIONAL TRUST LEASING CORPORATION LTD.	1,200	0.0035
DADABHOY LEASING COMPANY LTD.	1,775	0.0052
IMPEX CORPORATION (PVT.) LTD.	6,804	0.0200
BILAL ASSOCIATES	3,248	0.0095
BILAL ASSOCIATES	19	0.0001
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT F	3,747	0.0110
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSIO	106,786	0.3139
ALLY BROTHERS & COMPANY M/S. (PAKISTAN) LTD.	17,500	0.0514
JAHANGIR SIDDIQUI & CO. LTD.	3,202	0.0094
HAJVERI HOLDINGS (PVT) LTD	500	0.0015
SAPPHIRE FIBRES LTD	500	0.0015

13	173,366	0.5096
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<b>Grand Total:</b>	<b>4190</b>	<b>34,020,000</b>	<b>100.0000</b>
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A close-up photograph of a business meeting. In the foreground, a person's hands are typing on a silver laptop keyboard. To the left, another person's hands are holding a smartphone. The background shows a person in a light blue blazer. The overall scene is professional and collaborative.

**UNCONSOLIDATED  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED  
31 DECEMBER 2022

...ity of staff recruitment

# AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed unconsolidated balance sheet of First Punjab Modaraba (the Modaraba) as at December 31, 2022 and the related unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the Modaraba Management Company in respect of First Punjab Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;

(b) in our opinion:

i) the unconsolidated balance sheet and unconsolidated profit and loss account and unconsolidated statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied in the financial statements with which we concur;

ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and



iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

(c) in our opinion and to the best of our information and according to the explanations given to us, the unconsolidated balance sheet, unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated cash flow statement and unconsolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at December 31, 2022 and of the loss and other comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

### Material Uncertainty Related to Going Concern

We draw attention to note 1.1 in the unconsolidated financial statements, which indicates that the Modaraba has accumulated losses net of capital reserves of Rs. 340,149,563 as at December 31, 2022 and, as of that date, the Modaraba's current liabilities exceeded its current assets by Rs. 914,260,873. As stated in note 1.1, these events or conditions, along with other matters as set forth in note 1.1, indicate that a material uncertainty exists that may cast significant doubt on the Modaraba's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Matter

The unconsolidated financial statements of the Modaraba for the six months period ended December 31, 2021 were audited by another firm of chartered accountants who had expressed an unmodified opinion thereon vide their report dated April 19, 2022.

A. F. Ferguson & Co.  
Chartered Accountants  
Lahore  
Engagement Partner: Hammad Ali Ahmad  
UDIN:AR2022100920ZYE5lmya



# SHARI'AH ADVISOR'S REPORT AS ON DECEMBER 31, 2022

I have conducted the Shari'ah review of First Punjab Modaraba (FPM) managed by Punjab Modaraba Services (Private) Limited for the year ended December 31, 2022, in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that:

- i. The Modaraba has 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. Internal Shariah training for internal Shariah Auditor has been conducted during the year.
- iii. 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.
- iiii. During the year, the Shari'ah Advisor visited the premises regularly to provide Shari'ah assistance in day-to-day operations.
- v. Shari'ah compliance review has been conducted and some cases which were required to be consulted in accordance with Shari'ah principles have been discussed with concerned staff.
- vi. The earnings including dividend income have been reviewed and income realized from sources or by means prohibited by Shariah have been credited to charity account and it is advised to FPM to disburse remaining charity.

## Observation(s)

- 1) During the year, some inflows / investments and finance cases though infrequent in number have been reviewed and found that these were required pre-approval.
- 2) It has been observed that internal shariah audit function of FPM needs trained resource having proper certification of shariah audit mechanism. Due to this reason, FPM may face hurdles in order to implement Shariah guidelines and process flows advised by shariah advisor as well as checking and verification of routine operations in accordance with Shariah'ah principles.

## Recommendation(s):

- 1) Pre-approvals in all such cases as referred above must be obtained by providing relevant information to Shari'ah Advisor to analyze and confirm the Shari'ah Compliance status of transactions. Shariah Advisor has already advised this to FPM in last Shari'ah Advisor report of December 31, 2021.
- 2) To fulfil the requirements of Shariah Compliance & Shariah Audit Mechanism for Modaraba's, FPM should allocate a well-trained, dedicated and qualified internal shariah auditor.

## Conclusion:

To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba, and overall business operations are in conformity with the Shari'ah requirements.

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



MUFTI MUHAMMAD UMAR  
SHARI'AH ADVISOR  
Dated : June 30, 2023

# STATEMENT OF FINANCIAL POSITION

## UNCONSOLIDATED BALANCE SHEET (AUDITED)

AS AT 31 DECEMBER 2022

	Note	2022 Rupees	Restated 2021 Rupees	Restated July 01, 2021 Rupees
<b>Assets</b>				
<b>Non current assets</b>				
Tangible fixed assets				
- Ijarah assets	5.1	234,917,820	331,566,072	393,690,579
- Assets in own use	5.2	2,972,870	3,415,009	2,814,634
Intangible assets	6	1,722,250	1,100,000	402,186
Investment in subsidiary	7	76,500,000	76,500,000	76,500,000
Long term musharikhah investment - secured	8	541,155,676	289,701,023	220,934,378
Long term morabaha investment - secured	9	16,622,218	4,280,524	-
Long term deposits	10	203,444	203,444	203,444
Deferred tax asset	11	58,876,494	64,398,663	64,398,663
		932,970,772	771,164,735	758,943,884
<b>Current assets</b>				
Short term morabaha investment - secured	12	207,735,242	204,569,839	251,718,651
Current maturity of long term investment	13	328,375,145	399,344,987	346,068,240
Ijarah rental receivable	14	144,571,959	200,621,167	235,750,535
Short term investment		200,000,000	200,000,000	-
Development properties - Land	15	53,369,698	39,483,636	6,975,000
Advances, deposits, prepayments and other receivables	16	142,385,130	135,742,658	175,942,859
Tax refund due from government		4,641,407	4,201,717	4,121,734
Cash and bank balances	17	26,675,787	135,278,267	111,748,425
		1,107,754,368	1,319,242,271	1,132,325,444
<b>TOTAL ASSETS</b>		<b>2,040,725,140</b>	<b>2,090,407,006</b>	<b>1,891,269,328</b>
<b>EQUITY AND LIABILITIES</b>				
Authorized certificate capital				
50,000,000 (31 Dec 2021: 50,000,000) modaraba certificates of Rs. 10 each		500,000,000	500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital				
34,020,000 (31 Dec 2021: 34,020,000) Mudarabah certificates of Rs. 10 each	18	340,200,000	340,200,000	340,200,000
Capital reserves	19	218,176,678	218,176,678	218,176,678
Revenue reserves		(558,326,241)	(471,759,092)	(470,406,768)
		50,437	86,617,586	87,969,910
<b>Non current liabilities</b>				
Long term security deposits	20	8,403,800	42,274,729	42,775,909
Deferred morabaha income	21	10,255,662	-	-
Long term musharikhah finance - secured	22	-	131,100,952	535,128,774
		18,659,462	173,375,681	577,904,683
<b>Current liabilities</b>				
Current maturity of non current liabilities	23	107,481,621	84,225,155	89,927,377
Redeemable capital - participatory and unsecured	24	1,825,000,000	1,603,000,000	1,014,101,593
Profit payable	25	28,096,745	22,864,964	23,762,005
Trade and other payables	26	44,245,599	101,600,451	78,716,762
Provision for taxation		-	1,519,913	1,519,913
Unclaimed profit		17,191,276	17,203,256	17,367,085
		2,022,015,241	1,830,413,739	1,225,394,735
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,040,725,140</b>	<b>2,090,407,006</b>	<b>1,891,269,328</b>
<b>CONTINGENCIES AND COMMITMENTS</b>				
	27			

The attached notes 1 to 46 form an integral part of these unconsolidated financial statements.

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

  
CHIEF FINANCIAL OFFICER

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

# STATEMENT OF PROFIT OR LOSS

UNCONSOLIDATED PROFIT AND LOSS ACCOUNT (AUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

Restated

	Note	Jan 01 to Dec 31, 2022 Rupees	July 01 to Dec 31 2021 Rupees
<b>Income</b>			
Income from Ijarah rentals	28	40,009,540	28,891,566
Income from Morabaha financing		11,841,154	6,356,403
Income from Diminishing Musharaka financing		96,647,477	28,606,164
(Loss) / gain on disposal of assets	29	(6,072,103)	661,332
Other income	30	66,903,969	5,830,444
<b>Total Income</b>		<b>209,330,037</b>	<b>70,345,909</b>
<b>Expenses</b>			
Administrative expenses	31	66,470,623	26,721,922
Finance cost	32	220,686,764	55,318,235
<b>Total Expenses</b>		<b>287,157,387</b>	<b>82,040,157</b>
<b>Operating loss before provision for the year / period</b>		<b>(77,827,350)</b>	<b>(11,694,248)</b>
Provision against Ijarah rentals - net	14.1	(4,597,502)	(333,800)
Reversal of provision against Morabaha investment	12.3	2,750,000	21,307,500
Provision against Musharaka investment	13.1	(1,894,879)	(10,631,776)
Reversal of provision against other receivables	16.1	1,172,649	-
Total (provision) / reversal during the year / period		(2,569,732)	10,341,924
<b>Operating loss after provision and impairment for the year / period</b>		<b>(80,397,082)</b>	<b>(1,352,324)</b>
Modaraba Company's management fee		-	-
<b>Operating loss after provision for the year / period</b>		<b>(80,397,082)</b>	<b>(1,352,324)</b>
<b>Taxation</b>	33	<b>(6,170,067)</b>	<b>-</b>
<b>Loss for the year / period</b>		<b>(86,567,149)</b>	<b>(1,352,324)</b>
<b>Loss per certificate - basic and diluted</b>		<b>(2.54)</b>	<b>(0.04)</b>

The attached notes 1 to 46 form an integral part of these unconsolidated financial statements. For

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

  
CHIEF FINANCIAL OFFICER

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

# STATEMENT OF COMPREHENSIVE INCOME

UNCONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (AUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	Jan 01 to Dec 31, 2022 Rupees	Restated July 01 to Dec 31 2021 Rupees
Loss for the year / period		(86,567,149)	(1,352,324)
Other Comprehensive income/ (loss) for the year / period			
Items that will not be reclassified to profit and loss account		-	-
Items that will be reclassified to profit and loss account		-	-
Total other comprehensive income/ (loss) for the year / period		-	-
Total comprehensive loss for the year / period		(86,567,149)	(1,352,324)

The attached notes 1 to 46 form an integral part of these unconsolidated financial statements.

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

  
CHIEF FINANCIAL OFFICER

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

# STATEMENT OF CASH FLOWS

UNCONSOLIDATED CASH FLOW STATEMENT (AUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2022

Restated  
Jan 01 to Dec 31, 2022  
July 01 to Dec 31  
2021  
Rupees

	Note	2022 Rupees	2021 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>CASH GENERATED FROM OPERATIONS</b>	43	20,841,132	106,062,505
Profit paid on Redeemable capital - participatory and unsecured		(205,605,789)	(35,807,885)
Profit paid on long term Musharikhah finance - secured		(9,659,289)	(20,343,294)
Income tax paid		(6,012,093)	(79,983)
		(221,277,171)	(56,231,162)
<b>Net cash (used in) / generated from operating activities</b>		(200,436,039)	49,831,343
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on assets under Ijarah arrangements	5.1	(61,065,014)	(35,822,400)
Capital expenditure of fixed assets in own use	5.2	(875,000)	(1,345,250)
Proceeds from disposal of ijarah assets		32,331,274	27,259,393
Proceeds from disposal of fixed assets in own use		97,100	-
Capital expenditure on intangible assets		(900,000)	(1,100,000)
Profit received on bank deposits		27,038,747	-
Short term investments made in certificates of Musharikhah		-	(200,000,000)
Dividend income received		4,319,384	-
<b>Net cash generated from / (used in) investing activities</b>		946,491	(211,008,257)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term Musharikhah finance - secured		(131,100,952)	(404,027,822)
Proceeds from redeemable capital - participatory and unsecured		222,000,000	588,898,407
Profit distributed among the certificate holders		(11,980)	(163,829)
<b>Net cash generated from financing activities</b>		90,887,068	184,706,756
<b>Net (decrease) / increase in cash and cash equivalents</b>		(108,602,480)	23,529,842
<b>Cash and cash equivalents at the beginning of the period</b>		135,278,267	111,748,425
<b>Cash and cash equivalents at the end of the period</b>	42	26,675,787	135,278,267

The attached notes 1 to 46 form an integral part of these unconsolidated financial statements.

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

  
CHIEF FINANCIAL OFFICER

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

# STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

	Issued, subscribed and paid-up certificate capital	Capital Reserve Statutory reserve	Revenue Reserve Accumulated loss	Total
Rupees				
<b>Balance as at July 1, 2021</b> - as reported earlier	340,200,000	218,176,678	(413,657,696)	144,718,982
Correction of error (as referred to in note 4)	-	-	(56,749,072)	(56,749,072)
<b>Balance as at July 1, 2021 (Restated)</b>	340,200,000	218,176,678	(470,406,768)	87,969,910
Loss for the period	-	-	(1,352,324)	(1,352,324)
Other comprehensive income for the period	-	-	-	-
Total comprehensive loss for the period	-	-	(1,352,324)	(1,352,324)
<b>Balance as at 31 Dec 2021 (Restated)</b>	340,200,000	218,176,678	(471,759,092)	86,617,586
<b>Balance as at December 31, 2021</b> - as reported earlier	340,200,000	220,303,614	(405,149,952)	155,353,662
Correction of error (as referred to in note 4)	-	(2,126,936)	(66,609,140)	(68,736,076)
<b>Balance as at 31 Dec 2022 (Restated)</b>	340,200,000	218,176,678	(471,759,092)	86,617,586
Loss for the year	-	-	(86,567,149)	(86,567,149)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(86,567,149)	(86,567,149)
<b>Balance as at 31 Dec 2022</b>	340,200,000	218,176,678	(558,326,241)	50,437

The attached notes 1 to 46 form an integral part of these unconsolidated financial statements.

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

  
CHIEF FINANCIAL OFFICER

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

# NOTES TO AND FORMING PART OF THE UNCONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2022

## 1. Status and nature of business

First Punjab Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (the Modaraba Management 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.

The 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 is situated at 3rd Floor, LSE Plaza, 19-Khayabane Aiwane Iqbal, Lahore. The Company is mainly engaged in the business of brokerage services, portfolio management and consultancy services.

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.

During the year ended December 31, 2021, the Modaraba changed its financial year end from June 30, 2021 to December 31, 2021. Accordingly, the financial statements of the Modaraba were prepared for the six months period ended December 31, 2021.

The corresponding figures have been presented from the period July 1, 2021 to December 31, 2021 and therefore, are not entirely comparable in respect of the unconsolidated profit and loss account, unconsolidated statement of comprehensive income, unconsolidated statement of changes in equity, unconsolidated cash flow statement, and notes to and forming part of the unconsolidated financial statements.

The Pakistan Credit Rating Agency (PACRA) has assigned long term rating of A- (December 31, 2021: A-) and short term rating of A-2 (December 31, 2021: A-2) to the Modaraba on September 20, 2022 (December 31, 2021: September 24, 2021).

### 1.1 Management's assessment of Going Concern assumption

During the year ended December 31, 2022, the Modaraba has incurred loss after tax of Rs. 86,567,149. The accumulated losses - net of capital reserves, as at December 31, 2022 amount to Rs. 340,149,563, (December 2021: Rs. 253,582,414) which exceeds fifty percent of the total amount subscribed by the holders of the Modaraba Certificates, which is a non-compliance of Section 23 of Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (the Modaraba Ordinance). The current liabilities of the Modaraba exceed its current assets by Rs. 914,260,873 as at December 31, 2022. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Modaraba's ability to continue as a going concern.

Accordingly, in order to provide the financial support to the Modaraba, the ultimate parent, The Bank of Punjab (BOP), has approved the following arrangements to reduce the finance costs of the Modaraba and to improve its financial performance:

- a) Conversion of redeemable capital - participatory and unsecured of Rs. 500,000,000 into long term subordinated loan for capital support under Modaraba Companies (Floatation and Control) Ordinance, 1980, repayable after 3 years; and
- b) Conversion of redeemable capital - participatory and unsecured of Rs. 1,325,000,000 into non-current liabilities of the Modaraba.

Further, the BOP has confirmed that it shall continue to provide financial support to the Modaraba in managing the requisite capital requirements and the liquidity requirements of the Modaraba.

Based on the above arrangements, the management has devised a five years business plan along with financial projections, duly approved by the Board of Modaraba Management Company, covering future business performance, business prospects, recovery against non-performing assets and commitment of BOP to provide the continued financial support. The financial projections are based on reasonable assumptions and reflect the management's and Board's future plans for Modaraba to perform under the current economic circumstances.

In light of the enduring support of BOP, actions as outlined above and the projections prepared by the management, duly approved by the Board of Directors of the management company, the Board is of the view that the Modaraba would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

## 2. Basis of preparation

### 2.1 Statement of compliance

These unconsolidated 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:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;

- 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; and

- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981.

Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFAS), the Companies Act, 2017 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, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, IFAS, the Companies Act, 2017 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.

Islamic Financial Accounting Standard (IFAS) 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the SECP vide SRO 431(1)/ 2007 dated May 22, 2007. Under IFAS 2, the Ijarah transactions are accounted for in the following manner:



- Mustajir (lessors) presents the assets subject to Ijarah in their balance sheet 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 recognised as expenses.

- Ijarah income is recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

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 Musharikah, 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).

These financial statements are the unconsolidated financial statements of the Modaraba in which investments in subsidiary are accounted for on the basis of direct equity interest rather than on the basis of reported results. Consolidated financial statements are prepared separately.

## 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

## 2.3 Functional and presentation currency

These unconsolidated financial statements are presented in Pakistan Rupees which is also the Modaraba's functional currency.

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

There are certain amendments to the published approved accounting standards that are mandatory for the Modaraba's accounting period beginning on January 1, 2022. However, these do not have any significant impact on the Modaraba's operations and, therefore, have not been detailed in these unconsolidated financial statements.

## 2.5 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 1, 2023 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 unconsolidated financial statements.

## 2.6 Significant accounting estimates and judgments

The preparation of these unconsolidated financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgments in application of the Modaraba's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be

reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. Significant accounting estimates and areas where judgments were made by the management in the application of the accounting policies are as follows:

- Estimates of residual values, useful lives and depreciation methods of ijarah assets, fixed assets in own use and intangible assets;
- Impairment of financial assets; (note 3.5)
- Impairment of non-financial assets; (note 3.1, 3.2, 3.3)
- Provision against non-performing ijarah rentals receivables, Morabaha investment and Musharikhah investment; (note 3.4, 3.6, 3.7, 3.11) and
- Provision for taxation (note 3.14).

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these unconsolidated financial statements are consistent with those of the previous year except for the change explained below:

#### 3.1 Assets in own use

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 profit and unconsolidated loss account as and when incurred.

Depreciation is charged to unconsolidated profit and loss account on straight line basis, so as to write off the historical cost of an asset over its estimated useful life at rates mentioned in note 5.2. Residual values and the useful lives of the assets are reviewed at least at each financial year end and adjusted if appropriate.

The Modaraba assesses at each balance sheet 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 unconsolidated profit and loss account. 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.

#### 3.2 Intangible assets

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 from the month the asset is available for use while in the case of assets disposed of, it is charged in the month preceding the month of disposal.

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 unconsolidated profit and loss account.

The Modaraba assesses at each balance sheet 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 unconsolidated profit and loss account.

### 3.3 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 unconsolidated profit and loss account 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 unconsolidated profit and loss account 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 unconsolidated profit and loss account, 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 unconsolidated profit and loss account.

### 3.4 Provision against Ijarah rental receivable

Provision for non-performing Ijarah rental receivable, if any, is made in accordance with the requirements of the Modaraba Regulations 2021 issued by the Securities and Exchange Commission of Pakistan (SECP), and is charged to the unconsolidated profit and loss account.

### 3.5 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 unconsolidated profit and loss account. 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 unconsolidated profit and loss account.

### 3.6 Morabaha investments

Morabaha investments are stated net of provision. Provision is recognized for Morabaha investments in accordance with the Prudential Regulations for Modaraba's issued by the Securities and Exchange Commission of Pakistan. Bad debts are written off when identified.

Morabaha receivable are recorded by the Modaraba at the invoiced amount and disclosed as such in the unconsolidated balance sheet. Purchase and sales under Morabaha and the resultant profit are accounted for on the culmination of Morabaha transaction.

### 3.7 Musharikhah investment

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

### 3.8 Development properties

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 realisable value.

All project costs incurred or to be incurred are capitalised as a cost of development properties and mainly includes costs / rights for free-hold 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 unconsolidated profit and loss account 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 unconsolidated profit and loss account 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 unconsolidated profit and loss account.

### 3.9 Cash and cash equivalents

Cash and cash equivalents are carried in balance sheet at cost. These include cash in hand, balances with banks in deposit, current and savings accounts.

### 3.10 Finance arrangements including Certificates of Musharikhah

These are carried on the unconsolidated balance sheet at principal amount. Profits on these arrangements are recognized in the unconsolidated profit and loss account.

### 3.11 Provisions

Provisions are recognized when the Modaraba has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic

benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

### 3.12 Staff retirement benefit

#### Defined contribution plan

The Modaraba operates a recognized provident fund for all eligible employees. Equal monthly contributions of 8.33% of the basic salary are made to the fund both by the Modaraba and employees.

#### Defined benefit plan

The Modaraba operates an un-funded gratuity scheme for its eligible employees completing prescribed period of service in accordance with service rules of the Modaraba. Provision is made for gratuity in accordance with the requirements laid down by IAS 19. The actuarial gains and losses are recognized in the consolidated statement of other comprehensive income when they occur. Amounts recognized in the consolidated profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income (expense). All other changes in the net defined benefit asset / (liability) are recognized in consolidated statement of comprehensive income with no subsequent reclassification to consolidated profit and loss account.

### 3.13 Revenue recognition

#### Ijarah rentals

Ijarah rentals are recognized as income on accrual basis, as and when rentals become due.

Documentation and processing charges are recognized as income on receipt basis. Unrealized ijarah income pertaining to non-performing ijarah is held in suspense account, where necessary, in accordance with the requirements of the Modaraba Regulations 2021 issued by the Securities and Exchange Commission of Pakistan (SECP).

#### Murabaha transaction

Profit on Murabaha transaction is recognized over the period the payment becomes due. The unearned portion of the income is reflected as deferred Murabaha income and is recognized as earned income in consolidated profit and loss account on accrual basis.

#### Musharikhah transaction

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

#### Profit on bank deposit

Return on bank deposits are recognized on accrual basis.

#### Dividend income

Dividend income on equity instruments is recognized when the right to receive the same is established.

### 3.14 Taxation

#### Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years. Provision for current taxation is made on taxable income at the prevailing rates of tax after taking into account tax credits available, if any.

#### Deferred

Deferred tax is recognised 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 recognised 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 recognised 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 realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

### 3.15 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.

### 3.16 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.

## 4 Correction of material error in calculating depreciation

During the year ended December 31, 2022, the Modaraba has identified a computational error in calculating depreciation on some of its Ijarah assets. This error resulted in a material understatement of depreciation expense on Ijarah assets recognised for the year ended December 31, 2021 and prior financial years and have resulted in the corresponding overstatement of Ijarah assets.

The error has been corrected by restating each of the affected unconsolidated financial statement line items for the prior periods as follows:

Unconsolidated Balance Sheet (extract)	Previously reported Dec 31, 2021	Increase / (Decrease)	Restated Dec 31, 2021	Previously reported July 1, 2021	Increase / (Decrease)	Restated July 1, 2021
Ijarah assets	402,480,335	(14,165,191)	388,315,144	450,439,651	(56,749,072)	393,690,579
Provision for taxation	3,698,100	(2,178,187)	1,519,913	1,519,913	-	1,519,913
<b>Net assets</b>	<b>155,353,662</b>	<b>(11,987,004)</b>	<b>143,366,658</b>	<b>144,718,982</b>	<b>(56,749,072)</b>	<b>87,969,910</b>
Capital reserves	220,303,614	(2,126,936)	218,176,678	218,176,678	-	218,176,678
Revenue reserves	(405,149,952)	(9,860,068)	(415,010,020)	(413,657,696)	(56,749,072)	(470,406,768)
<b>Total equity</b>	<b>155,353,662</b>	<b>(11,987,004)</b>	<b>143,366,658</b>	<b>144,718,982</b>	<b>(56,749,072)</b>	<b>87,969,910</b>

	Previously reported July 1 to Dec 31, 2021	Increase / (Decrease)	Restated July 1 to Dec 31, 2021
<b>Unconsolidated Profit and Loss Account (extract)</b>			
Income from ijarah rentals	43,056,757	(14,165,191)	28,891,566
<b>Operating profit / (loss) after provision and impairment</b>	<b>12,812,867</b>	<b>(14,165,191)</b>	<b>(1,352,324)</b>
Taxation	2,178,187	(2,178,187)	-
<b>Profit / (loss) for the year / period</b>	<b>10,634,680</b>	<b>(11,987,004)</b>	<b>(1,352,324)</b>
<b>Unconsolidated Statement of Comprehensive Income (extract)</b>			
Profit / (loss) for the year / period	10,634,680	(11,987,004)	(1,352,324)
Other comprehensive income for the year / period	-	-	-
<b>Total comprehensive income / (loss) for the year / period</b>	<b>10,634,680</b>	<b>(11,987,004)</b>	<b>(1,352,324)</b>

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for basic and diluted earnings per share was a decrease of Rupee 0.35 per share.

2022                      2021  
Rupees                      Rupees

**5. Tangible fixed assets**

Ijarah assets  
Assets in own use

5.1	234,917,820	331,566,072
5.2	2,972,870	3,415,009
	237,890,690	334,981,081

**5.1 Ijarah assets**

Particulars	Cost				Depreciation				Impairment		Net book value		
	As at January 1, 2022	Additions	Disposals	As at December 31, 2022	Charge for the Year	Disposals	As at December 31, 2022	As at January 1, 2022	Disposal	As at December 31, 2022	As at December 31, 2022	As at December 31, 2022	Life Years
	Rupees in '000												
Plant and machinery	405,143,067	1,115,000	(22,301,900)	383,956,167	5,428,090	(19,716,262)	303,973,289	15,593,102	(15,593,102)	-	79,982,878	-	As per lease term
Vehicle	432,937,429	7,759,613	(73,658,818)	367,038,224	76,453,471	(47,129,455)	271,862,052	1,104,397	(1,104,397)	-	95,176,172	-	As per lease term
Consumer products	133,893,279	52,190,401	(30,982,500)	155,101,180	53,775,827	(21,344,124)	95,342,410	-	-	-	59,758,770	-	As per lease term
	971,973,775	61,065,014	(126,943,218)	906,095,571	135,657,388	(88,189,841)	671,177,751	16,697,499	(16,697,499)	-	234,917,820	-	

**2021 (Restated)**

Particulars	Cost				Depreciation				Impairment		Net book value		
	As at July 1, 2021	Additions	Disposals	As at December 31, 2021	Charge for the Period	Disposals	As at December 31, 2021	As at July 01, 2021	Disposal	As at December 31, 2021	As at December 31, 2021	As at December 31, 2021	Life Years
	Rupees in '000												
Plant and machinery	475,281,171	1,011,900	(71,150,004)	405,143,067	5,879,522	(61,961,940)	318,261,461	15,593,102	-	15,593,102	71,288,504	-	As per lease term
Vehicle	442,297,959	2,805,000	(12,165,530)	432,937,429	107,652,181	(9,850,058)	242,538,036	1,104,397	-	1,104,397	189,294,996	-	As per lease term
Consumer products	113,774,738	32,005,500	(11,886,959)	133,893,279	24,908,139	(7,134,358)	62,910,707	-	-	-	70,982,572	-	As per lease term
	1,031,353,868	35,822,400	(95,202,493)	971,973,775	138,439,842	(78,946,356)	623,710,204	16,697,499	-	16,697,499	331,566,072	-	

**5.1.1** Depreciation charge for the year has been recognised in Income from Ijarah rentals.

**5.1.2** Above assets include fully depreciated assets of Rs. 352,758,204 (December 31, 2021: 361,201,704).



## 5.2 Assets in own use

2022										
Particulars	As at			Cost			Depreciation			Net book value
	January 1, 2022	Additions	Disposals	As at December 31, 2022	As at January 01, 2022	Charge for the Year	Disposal	As at December 31, 2022	As at December 31, 2022	Life Year
Rupees										
Office Equipment	4,096,645	840,200	(157,600)	4,779,245	2,284,702	580,826	(93,000)	2,772,528	2,006,717	3 to 7
Furniture & Fixtures	2,199,000	34,800	-	2,233,800	1,526,931	241,746	-	1,768,677	465,123	7
Vehicles	2,450,800	-	-	2,450,800	1,519,803	429,967	-	1,949,770	501,030	5
	8,746,445	875,000	(157,600)	9,463,845	5,331,436	1,252,539	(93,000)	6,490,975	2,972,870	-

2021										
Particulars	As at			Cost			Depreciation			Net book value
	July 1, 2021	Additions	Disposals	As at December 31, 2021	As at July 01, 2021	Charge for the Period	Disposal	As at December 31, 2021	As at December 31, 2021	Life Year
Rupees										
Office Equipment	2,942,895	1,153,750	-	4,096,645	2,264,876	19,826	-	2,284,702	1,811,943	3 to 7
Furniture & Fixtures	2,199,000	-	-	2,199,000	1,400,032	126,899	-	1,526,931	672,069	7
Vehicles	2,259,300	191,500	-	2,450,800	921,653	598,150	-	1,519,803	930,997	5
	7,401,195	1,345,250	-	8,746,445	4,586,561	744,875	-	5,331,436	3,415,009	-

**5.2.1** Depreciation charge for the year has been recognised in administrative expenses.

**5.2.2** Above assets include fully depreciated assets of Rs. 2,838,790 (December 31, 2021: 2,040,941) still in the Modaraba's use.

	Note	2022 Rupees	Restated 2021 Rupees
<b>6. Intangible Assets</b>			
Computer software	6.1	1,722,250	-
Capital work in progress	6.2	-	1,100,000
		<u>1,722,250</u>	<u>1,100,000</u>
<b>6.1 Computer software</b>			
Cost	6.1.1	4,495,000	2,495,000
Amortization	6.1.2	(2,772,750)	(2,495,000)
		<u>1,722,250</u>	<u>-</u>
<b>6.1.1 Carrying Amount</b>			
Balance as at January 1, 2022 / July 1, 2021		2,495,000	2,495,000
Additions for the year / period		2,000,000	-
Closing balance		<u>4,495,000</u>	<u>2,495,000</u>
<b>6.1.2 Amortization</b>			
Balance as at January 1, 2022 / July 1, 2021		(2,495,000)	(2,092,814)
Amortization for the year / period	31	(277,750)	(402,186)
Closing balance		<u>(2,772,750)</u>	<u>(2,495,000)</u>
Life (Years)		<u>3</u>	<u>3</u>
<b>6.2 Capital work in progress</b>			
Advance against purchase of software		-	1,100,000
		<u>-</u>	<u>1,100,000</u>
<b>7 Investment in subsidiary</b>			
<b>In subsidiary undertaking - at cost</b>			
Unquoted			
Punjab Capital Securities (Private) Limited		<u>76,500,000</u>	<u>76,500,000</u>

7,650,000 (December 31, 2021: 7,650,000) fully paid ordinary shares of Rs.10/- each wholly owned subsidiary of the Modaraba

As a result of Stock Exchange (Corporatization, Demutualization and Integration) Act 2012, the Modaraba acquired Trading Rights Entitlement Certificate (TREC) and the subsidiary has been setup to undertake brokerage business and thereby utilize the TREC. The Modaraba obtained permission from SECP vide letter dated October 21, 2016 to form a wholly owned subsidiary to undertake brokerage business and the subsidiary was incorporated on November 29, 2016. As at December 31, 2022, total investment in subsidiary remained at Rs. 76,500,000 (December 31, 2021: Rs. 76,500,000).

	Note	2022 Rupees	2021 Rupees
<b>8 Long term musharikhah investment - secured</b>			
Long term musharikhah investment	8.2	872,228,440	713,092,641
Less: Current portion of long term musharikhah investment shown in current assets	13	(331,072,764)	(423,391,618)
		<u>541,155,676</u>	<u>289,701,023</u>

8.1 This represents long term Musharikhah investment - secured for a term of 1 to 10 years.

8.2 The profit charge on these facilities range from 10.52% to 22.34% per annum (December 31, 2021: 9.60% to 19.98% per annum).

	Note	2022 Rupees	2021 Rupees
<b>8.3 Aging of long term Musharikhah investment - secured</b>			
<b>Classification</b>			
Considered good		662,144,283	480,924,367
Portfolio classified as non-performing			
Other asset especially mentioned (OAEM)		56,759,858	34,488,292
Substandard		19,220,810	14,464,166
Doubtful		3,452,415	15,499,604
Loss		130,651,074	167,716,212
	8.4	<u>210,084,157</u>	<u>232,168,274</u>
		<u>872,228,440</u>	<u>713,092,642</u>

8.4 This includes classification into the categories defined in the Modaraba Regulations 2021.

8.5 These are secured against registered vehicles in the name of Modaraba, personal guarantees and post dated cheques.

8.6 The maximum outstanding amount of Musharikhah loans given to Key Management Personnel Mr. Mudassar Kaiser Pal at any time during the year is Rs. 3,240,000 (December 31, 2021: Nil).

	Note	2022 Rupees	Restated 2021 Rupees
<b>9 Long term Morabaha investment - secured</b>			
Long term morabaha investment		45,041,957	13,522,222
Add: Unearned morabaha income		5,970,440	1,904,590
		<u>51,012,397</u>	<u>15,426,812</u>
Less: Current portion of long term morabaha investment	13	(29,145,447)	(10,466,668)
		<u>21,866,950</u>	<u>4,960,144</u>
Less: Current portion of unearned morabaha income	13	(5,244,732)	(679,620)
		<u>16,622,218</u>	<u>4,280,524</u>

9.1 This represents long term Morabaha investment - secured for a term of 1 to 3 years.

9.2 The rate of profit on morabaha finances ranges from 7.30% to 13.58% per annum (December 31, 2021: 7.30% to 13.58% per annum).

	Note	2022 Rupees	2021 Rupees
<b>9.3 Aging of long term Morabaha investment - secured</b>			
<b>Classification</b>			
Considered good		25,890,994	4,722,222
Portfolio classified as non-performing			
Other asset especially mentioned (OAEM)		10,350,963	-
Loss		8,800,000	8,800,000
	9.4	19,150,963	8,800,000
		<u>45,041,957</u>	<u>13,522,222</u>

9.4 This includes classification into the categories defined in the Modaraba Regulations 2021.

9.5 These are secured against mortgage of properties, hypothecation, personal guarantees and demand promissory notes.

	Note	2022 Rupees	2021 Rupees
<b>10 Long term deposits</b>			
Long term deposits	10.1	203,444	203,444

10.1 The deposits represent the non-interest bearing security deposit paid to Lahore Electric Supply Company, Pakistan Mobile Communications Limited and Central Depository Company of Pakistan.

	Note	2022 Rupees	2021 Rupees
<b>11 Deferred tax</b>			
Deferred tax asset		58,876,494	64,398,663
Taxable temporary difference		-	-
Deductible temporary differences	11.1	58,876,494	64,398,663
		<u>58,876,494</u>	<u>64,398,663</u>

11.1 The management, based on their projections / assessment of future taxable profits, believes that the Modaraba will be able to achieve sufficient taxable profits in future to adjust the recognized deferred tax assets and accordingly has recorded the asset on such basis as at December 31, 2022.

	Note	2022 Rupees	Restated 2021 Rupees
<b>12 Short term morabaha investment-secured</b>			
Short term Morabaha investment		409,709,161	416,172,013
Add: Unearned morabaha income		9,529,954	2,651,705
		419,239,115	418,823,718
Less: Provision against Morabaha investment	12.3	(211,503,873)	(214,253,879)
		207,735,242	204,569,839

12.1 This represents short term Morabaha investment-secured for a term of 3 months to 1 year.

12.2 The rate of profit on morabaha finances ranges from 10.75% to 31% per annum (December 31, 2021: 11.93% to 19.90% per annum).

	Note	2022 Rupees	2021 Rupees
<b>12.3 Provision against Morabaha investment</b>			
Opening balance as at January 1, 2022 / July 1, 2021		214,253,879	235,561,379
Reversals during the year / period		(2,750,000)	(21,307,500)
Closing balance		211,503,879	214,253,879
<b>12.4 Ageing of short term Morabaha investment-secured</b>			
<b>Classification</b>			
Considered good		34,510,000	1,170,013
Portfolio classified as non-performing			
Other asset especially mentioned (OAEM)		4,999,998	-
Doubtful		-	826,000
Loss		370,199,163	414,176,000
	12.5	375,199,161	415,002,000
		409,709,161	416,172,013

12.5 This includes classification into the categories defined in the Modaraba Regulations 2021.

12.6 These are secured against mortgage of properties, hypothecation, personal guarantees and demand promissory notes.

	Note	2022 Rupees	Restated 2021 Rupees	
<b>13</b>	<b>Current maturity of long term investment</b>			
	Current portion of long term musharikhah investment	8	331,072,764	423,391,618
	Less: Provision against musharika investment	13.1	(28,287,798)	(26,392,919)
			302,784,966	396,998,699
	Current portion of long term morabaha investment	9	29,145,447	10,466,668
	Add: Unearned morabaha income	9	5,244,732	679,620
	Less: Provision against morabaha investment	13.2	(8,800,000)	(8,800,000)
			25,590,179	2,346,288
			328,375,145	399,344,987
<b>13.1</b>	<b>Provision against musharikhah investment</b>			
	Opening balance as at January 1, 2022 / July 1, 2021		26,392,919	15,761,143
	Charge during the year / period		1,894,879	10,631,776
	Closing balance		28,287,798	26,392,919
<b>13.2</b>	<b>Provision for doubtful morabaha investment</b>			
	Opening balance as at January 1, 2022 / July 1, 2021		8,800,000	8,800,000
	Closing balance		8,800,000	8,800,000
<b>14</b>	<b>Ijarah rental receivables</b>			
	Ijarah rental receivable		223,239,011	257,993,218
	Less: Provision against Ijarah rental receivable	14.1	(78,667,052)	(57,372,051)
			144,571,959	200,621,167
<b>14.1</b>	<b>Provision against Ijarah rental receivable</b>			
	Opening balance as at January 1, 2022 / July 1, 2021		57,372,051	57,038,251
	Charge during the year / period		6,017,112	333,800
	Transfer of impairment		16,697,499	-
	Reversal of provision during the year/ period		(1,419,610)	-
	Closing balance		78,667,052	57,372,051
<b>14.2</b>	<b>Aging of Ijarah rental receivable</b>			
	Classification			
	Considered good		3,889,466	9,133,684
	Portfolio classified as non-performing			
	Other asset especially mentioned (OAEM)		5,102,524	13,029,595
	Substandard		3,543,365	4,775,160
	Doubtful		17,354,193	8,069,028
	Loss		189,853,811	222,985,751
		14.3	215,853,893	248,859,534
			219,743,359	257,993,218

14.3 This includes classification into the categories defined in the Modaraba Regulations 2021.

14.4 These are secured against registered vehicles and equipment in the name of Modaraba, personal guarantees and post dated cheques.

14.5 The maximum outstanding amount of Ijarah loans given to Key Management Personnel are as follows:

	Note	2022 Rupees	2021 Rupees
Mudasser Kaiser Pal		4,313,684	2,544,333
Saqib Shamim		2,398,262	3,982,679
		6,711,946	6,527,012
<b>15 Development Properties - Land</b>			
Constructed		16,004,903	-
Un-Constructed		37,364,795	39,483,636
		53,369,698	39,483,636

15.1 Development properties are stated at the lower of cost and net realizable value (NRV).

	Note	2022 Rupees	Restated 2021 Rupees
<b>16 Advances, deposits, prepayments and other receivables</b>			
Profit receivable			
- Morabaha investment		9,310,807	732,319
- Musharikhah investment		4,425,141	33,728,953
		13,735,948	34,461,272
Prepayments		2,971,133	4,431,221
Advances to suppliers		11,990,953	2,070,704
Non-banking assets		4,772,500	8,391,250
Other receivables		118,870,239	97,516,503
		152,340,773	146,870,950
Less: Provision against other receivables	16.1	(9,955,643)	(11,128,292)
		142,385,130	135,742,658
	Note	2022 Rupees	2021 Rupees
<b>16.1 Provision against other receivables</b>			
Opening balance as at January 1, 2022 / July 1, 2021		11,128,292	11,128,292
Reversals during the year / period		(1,172,649)	-
Closing balance		9,955,643	11,128,292

	Note	2022 Rupees	2021 Rupees
<b>17 Cash and bank balances</b>			
Cash at banks			
Current accounts		21,532,171	32,709,947
Deposit accounts		2,888,868	102,073,480
Savings accounts		2,166,197	-
Current account with State Bank of Pakistan	17.2	3,522	233,586
		<u>26,590,758</u>	<u>135,017,013</u>
Cash in hand		85,029	261,254
		<u>26,675,787</u>	<u>135,278,267</u>

**17.1** The balance of Rs. 23,682,562 (December 31, 2021: Rs.32,694,141) is maintained with The Bank of Punjab (the holding company of the Modaraba's Management Company).

**17.2** This account is utilized by the Modaraba for the payment of online charges of the Credit Information Bureau.

	Note	2022 Rupees	2021 Rupees
<b>18 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>
Number of Modaraba certificates		<u>50,000,000</u>	<u>50,000,000</u>

**18.1 Issued, subscribed and paid-up modaraba certificate capital**

2022	2021		2022	2021
Number of certificate			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 certificate of Rs. 10 each issued as fulluy paid in bonus certificate	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>

	Note	2022 Rupees	2021 Rupees
Cetificates of Rs. 10/- fully paid on cash		200,000,000	200,000,000
Cetificates of Rs. 10/- issued as bonus certificates		140,200,000	140,200,000
		<u>340,200,000</u>	<u>340,200,000</u>



## 18.2 Following certificates are held by associated companies of the Modaraba:

	2022 Number of certificate	Rupees	2021 Number of certificate	Rupees
Punjab Modaraba Services (Pvt.) Limited.	13,320,694	133,206,940	13,320,694	133,206,940
Trustee - 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
	18,424,982	184,249,820	18,424,982	184,249,820

	Note	2022 Rupees	Restated 2021 Rupees
<b>19 Reserves</b>			
<b>Capital reserve</b>			
Statutory reserve	19.1	218,176,678	218,176,678
<b>Revenue reserves</b>			
Accumulated loss		(558,326,241)	(471,759,092)
		<u>(340,149,563)</u>	<u>(253,582,414)</u>

**19.1** Statutory reserve represents profits set aside to comply with the Modaraba Regulations, 2021 issued by the SECP. These regulations require a Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equal 100% of the paid-up capital.

During the year ended December 31, 2022, the Modaraba has not transferred any amount to the statutory reserve. (December 31, 2021: Nil), since the Modaraba did not incur any profit after tax during the year.

	Note	2022 Rupees	2021 Rupees
<b>20 Long term security deposits</b>			
Long term security deposits against Ijarah	20.1	110,640,689	121,944,089
Less: Current maturity of security deposits	23	(102,236,889)	(79,669,360)
		<u>8,403,800</u>	<u>42,274,729</u>

**20.1** This represents security deposits payable in respect of assets given under Ijarah arrangements (IFAS-2).

	Note	2022 Rupees	2021 Rupees
<b>21 Deferred morabaha income</b>			
Deferred morabaha income	21.1	15,500,394	4,555,795
Less: Current maturity of deferred morabaha income	23	(5,244,732)	(4,555,795)
		<u>10,255,662</u>	<u>-</u>

21.1 These represent receivables against morabaha transactions on deferred payment basis at profit margin which ranges from 7.3% to 31% per annum (December 31, 2021 : 11.64% to 16.24%).

	Note	2022 Rupees	2021 Rupees
<b>22 Long term musharikhah finance secured</b>			
Opening balance as at January 1, 2022 / July 1, 2021		131,100,952	535,128,774
Proceeds during the year / period		-	2,038,378,738
Less: repaid during the year / period		(131,100,952)	(2,442,406,560)
		<u>(131,100,952)</u>	<u>(404,027,822)</u>
Closing balance		<u>-</u>	<u>131,100,952</u>

22.1 The Modaraba had availed musharikhah finance facilities from The Bank of Punjab having approved limits of Rs. 1,585 million (December 31, 2021: Rs. 1,585 million) and tenor of 3 years. The facilities had expired on December 31, 2021. These facilities were secured by way of first pari passu charge over present and future fixed assets of Modaraba for amount of Rs. 860 million, first pari passu charge over present and future current assets of Modaraba for an amount of Rs. 1,040 million and ranking charge over present and future current assets for an amount of Rs. 860 million. The estimated share of profit payable on musharikhah facilities was 3 months - KIBOR plus 0.25% per annum. The facilities have been settled during the year.

	Note	2022 Rupees	2021 Rupees
<b>23 Current maturity of non current liabilities</b>			
Current maturity of long term security deposits	20	102,236,889	79,669,360
Current maturity of deferred morabaha income	21	5,244,732	4,555,795
		<u>107,481,621</u>	<u>84,225,155</u>
<b>24 Redeemable capital - participatory and unsecured</b>			
Unsecured			
Certificates of Mushrikah placements	24.1	1,825,000,000	1,603,000,000
		<u>1,825,000,000</u>	<u>1,603,000,000</u>
<b>24.1 Movement in certificates of Mushrikah placements</b>			
Opening balance as at January 1, 2022 / July 1, 2021		1,603,000,000	1,014,101,593
Add: Issued during the year / period		225,000,000	600,000,000
Add: Re- issued during the year / period		1,600,000,000	1,000,000,000
Less: Redeemed during the year / period		(1,603,000,000)	(1,011,101,593)
		<u>222,000,000</u>	<u>588,898,407</u>
Closing balance		<u>1,825,000,000</u>	<u>1,603,000,000</u>

24.2 The Certificates of Musharaka placements have been issued with a maturity of upto 3 months. The share of profit payable ranges from 7.5% to 15.80% per annum (December 31, 2021: 5.65% to 13.60% per annum).

24.3 Redeemable capital - participatory and unsecured include the funds from the Bank of Punjab that has been availed and utilized during the year to finance the working capital requirements of the Modaraba.

	Note	2022 Rupees	2021 Rupees
<b>25 Profit payable</b>			
Long term musharikhah finance - secured		-	9,463,234
Redeemable capital - participatory and unsecured		28,096,745	13,401,730
		28,096,745	22,864,964
<b>26 Trade and other payables</b>			
Accrued expenses	26.1	600,000	802,500
Tax deducted at source		1,359,146	1,382,147
Advances against ijarah / morabaha / musharikhah		18,917,300	46,016,677
Provident fund payable		3,498	107,931
Gratuity payable		6,488,354	4,419,572
Other payables		16,877,301	48,871,624
		44,245,599	101,600,451

26.1 This includes amount in respect of gratuity payable to employees amounting to Rs. 6,488,354 (December 31, 2021: Rs. 4,419,572).

## 27 Contingencies and commitments

### 27.1 Contingencies

Contingencies outstanding as at December 31, 2022 are as follows:

27.1.1 While finalizing the tax assessments for the years 1997-98 and 1998-99, the assessing officer made certain add backs out of profit and loss account. The Modaraba had filed an appeal before the Commissioner of Income Tax (Appeals) CIT-(A), who rejected the appeal. In response, the Modaraba filed an appeal against the order of CIT-(A), before the honorable Income Tax Appellate Tribunal (ITAR), which was decided in favor of the Modaraba.

However, the Income Tax Department filed an appeal before honorable Lahore High Court. As at December 31, 2022, the Modaraba expects a favorable outcome of the case.

27.1.2 For the tax year 2003, Additional Commissioner Inland Revenue (ACIR) issued an order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) and rejected the exemption claimed by the Modaraba from Income Tax under Clause 100 of Part I of Second Schedule to the Ordinance and made add backs on account of provision for bad debts, which resulted in a tax liability of Rs. 27.410 million. The Modaraba filed a rectification application under the section 221 of the Ordinance for reducing the tax rate from 35% to 25%. In response of which the tax department passed the rectification order and reduced the tax liability to Rs. 14.580 million.

The Modaraba also filed an appeal before the CIR (Appeals) for the relief against the order of ACIR issued in respect of tax year 2003. After hearing, the CIR (Appeals) accepted the claim of the Modaraba and issued a favorable order and relieved the Modaraba of the tax liability of Rs. 14.580 million.

However, the income tax department filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which was also decided in favor of the Modaraba. In response, the Income Tax Department has filed a reference in Lahore High Court against decision of Appellate Tribunal Inland Revenue which is pending for adjudication. As at December 31, 2022, the Modaraba expects a favorable outcome of the case.

**27.1.3** For the tax year 2005, Additional Commissioner Inland Revenue (ACIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) and rejected the exemption claimed by the Modaraba from income tax under Clause 100 of Part I of Second Schedule to the Ordinance and assessed the tax liability to be Rs. 17.67 million. The Modaraba filed a rectification application under section 221 of the Ordinance for reducing the tax rate from 35% to 25%.

The Modaraba also filed an appeal before the CIR (Appeals) for the relief against the order of ACIR issued in respect of tax year 2005. After hearing, the CIR (Appeals) accepted the claim of the Modaraba and issued a favorable order and relieved the Modaraba of the tax liability of Rs. 17.67 million.

However, the Income Tax Department filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which was also decided in favor of the Modaraba. The Income Tax Department has filed a reference in Lahore High Court against the decision of the Appellate Tribunal Inland Revenue which is pending for adjudication. As at December 31, 2022, the Modaraba expects a favorable outcome of the case.

#### 27.1.4 Legal suits against Modaraba

Suit for rendition of account Rs. 22.145 million filed by a defaulter against the Modaraba. The suit is pending in Honorable Banking Court. As at December 31, 2022, the Modaraba expects a favorable outcome of the case.

## 27.2 Commitments

**27.2.1** There are no Ijarah commitments approved but not disbursed as at December 31, 2022 (December 31, 2021: Rs. 138.38 Million)

**27.2.2** There are no Morabaha commitments approved but not disbursed as at December 31, 2022 (December 31, 2021: 15 Million).

**27.2.3** There are no Musharikhah commitments approved but not disbursed as at December 31, 2022 (December 31, 2021: Rs.122.38 million).

	Note	Jan 01 to Dec 31, 2022 Rupees	July 01 to Dec 31, 2021 Rupees
<b>28</b>	<b>Income from Ijarah rentals</b>		
	Ijarah rental income	175,666,928	110,582,336
	Less: Depreciation on Ijarah assets	(135,657,388)	(81,690,770)
		<u>40,009,540</u>	<u>28,891,566</u>

		Jan 01 to Dec 31, 2022	July 01 to Dec 31 2021
	Note	Rupees	Rupees
<b>29</b>	<b>(Loss) / gain on disposal of assets</b>		
	Gain on disposal of non banking assets	317,500	-
	Gain on disposal of owned assets	32,500	-
	(Loss) / gain on disposal of Ijarah assets	(6,422,103)	661,332
		<u>(6,072,103)</u>	<u>661,332</u>
<b>30</b>	<b>Other income</b>		
	Profit on bank deposits	29,883,391	2,331,611
	Processing fee	1,500,978	724,890
	Advising fee	2,401,000	-
	Cheque return charges	2,340,782	-
	Gain on settlement of Musharikah	6,412,753	1,089,165
	Gain on settlement of Morabaha	15,648,924	106,578
	Dividend income	4,319,384	-
	Miscellaneous income	1,238,454	395,000
	Rebate income from Takaful arrangements	3,158,303	1,183,200
		<u>66,903,969</u>	<u>5,830,444</u>
<b>31</b>	<b>Administrative expenses</b>		
	Salaries and benefits	37,704,761	15,529,889
	Traveling and conveyance	119,009	130,835
	Depreciation	1,252,637	744,875
	Amortization of intangible assets	277,750	402,186
	Legal and professional charges	174,500	190,000
	Printing and stationery	1,166,824	705,692
	Insurance	3,385,392	1,476,242
	Fee and subscription	5,123,188	1,810,503
	Auditor's remuneration	935,000	410,000
	Repair and maintenance expenses	1,957,170	1,499,330
	Vehicle running and maintenance	499,514	117,370
	Power and utilities	2,245,300	810,673
	Entertainment expenses	778,157	387,838
	Advertisement expenses	300,578	190,150
	Telephone and postage expenses	885,768	349,391
	Corporate expenses	709,182	217,441
	Rent rates and taxes	327,000	106,600
	Selling and marketing expenses	4,715,705	1,399,683
	Miscellaneous expenses	3,913,188	243,224
		<u>66,470,623</u>	<u>26,721,922</u>

**31.1** This includes contribution of Rs. 1,084,240 (December 31, 2021: Rs. 491,174) to the staff provident fund and expense in respect of unfunded gratuity scheme amounting to Rs. 2,068,782 (December 31, 2021: Rs. 55,648)

		Jan 01 to Dec 31, 2022	July 01 to Dec 31 2021
	Note	Rupees	Rupees
<b>31.2 Auditors' remuneration</b>			
Annual audit fee		500,000	300,000
Fee for review of half yearly financial statements		250,000	-
Out of pocket expenses		185,000	110,000
		<u>935,000</u>	<u>410,000</u>
<b>32 Finance cost</b>			
Financial charges on long term musharikhah finance - secured		196,055	18,636,257
Financial charges on redeemable capital - participatory and unsecured		220,300,804	36,617,881
Bank charges		189,905	64,097
		<u>220,686,764</u>	<u>55,318,235</u>

		Jan 01 to Dec 31, 2022	Restated July 01 to Dec 31 2021
	Note	Rupees	Rupees
<b>33 Taxation</b>			
Current tax		647,908	-
Deferred tax		5,522,159	-
		<u>6,170,067</u>	<u>-</u>

There is no relationship between the tax expense and accounting profit since the Modaraba has not incurred any profit during the current year. Accordingly, no numerical reconciliation has been presented.

### 34 Loss per certificate - Basic and Diluted

#### 34.1 Basic loss per certificate

Basic loss per certificate are calculated by dividing the net loss for the year / period by the weighted average number of certificates outstanding during the year / period as follows:

		Jan 01 to Dec 31, 2022	July 01 to Dec 31 2021
	Note	Rupees	Rupees
Loss for the year / period		(86,567,149)	(1,352,324)
Weighted average number of ordinary certificates outstanding during the year / period		<u>34,020,000</u>	<u>34,020,000</u>
Loss per certificate - basic and diluted		<u>(2.54)</u>	<u>(0.04)</u>

### 34.2 Diluted loss per certificate

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

### 35 Transactions with related parties

The related parties and associated undertakings comprise of The Bank of Punjab, Punjab Modaraba Services (Private) Limited, Punjab Capital Securities (Private) Limited, Staff Provident Fund, Trustee - The Bank of Punjab Employees Gratuity Fund and Rizwan & Company. 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:

#### 35.1 Balances outstanding at the end of year / period

Name	Relationship	Periods endbalance	Dce 31, 2022	Dec 31, 2021
The Bank of Punjab	Holding Company of Modaraba's Management Company	Long term musharikhah finance - secured	-	131,100,952
		Profit payable on long term musharikhah finance - secured	-	9,463,234
		Redeemable capital - participatory and unsecured	1,825,000,000	1,600,500,000
		Profit payable on redeemable capital - participatory and unsecured	28,096,745	12,908,324
		Outstanding Modaraba certificates	47,880	47,880
Punjab Modaraba Services (Private) Limited	Modaraba Management Company	Outstanding Modaraba certificates	133,206,940	133,206,940
Trustee - The Bank of Punjab Employees Gratuity Fund	Associated Company	Outstanding Modaraba certificates	50,995,000	50,995,000
Punjab Capital Securities (Private) Limited	Subsidiary Company	Investment at cost	76,500,000	76,500,000
		Receivable from subsidiary	8,189	-
Key Management Personnel	Key Management Personnel	Outstanding loan under Musharikhah and Ijarah arrangements	9,656,201	6,503,989
Staff provident fund	Provident fund of the Modaraba	Provident fund contributions payable	3,498	107,931

## 35.2 Transactions during the year / period

Name	Relationship	Periods endbalance	Jan 01 to Dec 31, 2022	July 01 to Dec 31, 2021
The Bank of Punjab	Holding Company of Modaraba's Management Company	Redeemable capital - participatory and unsecured received during the year / period	225,000,000	600,000,000
		Redeemable capital - participatory and unsecured rolled over during the year/ period	1,600,000,000	1,000,000,000
		Repayment of long term musharikhah finance - secured during the year / period	131,100,952	404,027,822
		Profit paid on long term musharikhah finance - secured during the year / period	9,659,289	20,350,556
		Profit paid on redeemable capital - participatory and unsecured during the year / period	205,605,789	35,807,885
Key Management Personnel	Key Management Personnel	Remuneration of key management personnel paid during the year / period	10,255,708	4,265,226
		Staff loans disbursed during the year / period	244,380	3,056,977
		Staff loans repaid during the year / period	3,152,212	871,240
Punjab Capital Securities (Private) Limited	Subsidiary Company	Dividend received during the year / period	4,319,384	-
		Brokerage commission paid during the year / period	15,013	-
Staff provident fund	Provident fund of the Modaraba	Provident fund contributions paid to the fund	2,272,620	1,030,876



## 36 Remuneration of officers and executives

Jan 01 to Dec 31, 2022

	Executives Employees	Other Employees	Total
Remuneration	4,654,438	13,884,950	18,539,388
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 Fund	634,639	1,434,143	2,068,782
Expenses reimbursed	1,893,039	793,042	2,686,080
	10,255,708	27,449,054	37,704,761
Number of employees at the year end	2	39	41
Average no of employees	2	38	40

### 36.1 The company secretary has been provided a vehicle on Ijarah.

July 01 to Dec 31, 2021

	Executives Employees	Other Employees	Total
Remuneration	1,938,486	5,865,820	7,804,306
Bonus	323,081	1,005,944	1,329,025
House rent allowance	775,392	2,271,397	3,046,789
Utility allowance	193,848	1,149,601	1,343,449
Medical allowance	193,848	405,646	599,494
Provident fund contribution	161,478	329,696	491,174
Gratuity Fund	55,648	-	55,648
Expenses reimbursed	623,445	236,559	860,004
	4,265,226	11,264,663	15,529,889
Number of employees at the year end	2	37	39
Average number of employees	2	37	39

### 37 Financial instruments by category

2022			
Carrying Value	Amortised cost	Fair value	Total
----- Rupees -----			
<b>Financial assests</b>			
Long term musharikhah investment - secured	541,155,676	541,155,676	- 541,155,676
Long term morabaha investment - secured	16,622,218	16,622,218	- 16,622,218
Long term deposits	203,444	203,444	- 203,444
Short term morabaha investment - secured	207,735,242	207,735,242	- 207,735,242
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
Deposits and other receivables	122,650,544	122,650,544	- 122,650,544
Cash and bank balances	26,675,787	26,675,787	- 26,675,787
	<b>1,587,990,015</b>	<b>1,587,990,015</b>	<b>- 1,587,990,015</b>
<b>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	44,245,596	44,245,596	- 44,245,596
Unclaimed profit	17,191,276	17,191,276	- 17,191,276
	<b>1,914,533,617</b>	<b>1,914,533,617</b>	<b>- 1,914,533,617</b>
2021			
Carrying Value	Amortised cost	Fair value	Total
----- Rupees -----			
<b>Financial assests</b>			
Long term musharikhah investment - secured	289,701,023	289,701,023	- 289,701,023
Long term morabaha investment - secured	4,280,524	4,280,524	- 4,280,524
Long term deposits	203,444	203,444	- 203,444
Short term morabaha investment - secured	204,569,839	204,569,839	- 204,569,839
Current maturity of long term investment	399,344,987	399,344,987	- 399,344,987
Ijarah rental receivable	200,621,167	200,621,167	- 200,621,167
Short term investment	200,000,000	200,000,000	- 200,000,000
Deposits and other receivables	120,849,483	120,849,483	- 120,849,483
Cash and bank balances	135,278,267	135,278,267	- 135,278,267
	<b>1,554,848,734</b>	<b>1,554,848,734</b>	<b>- 1,554,848,734</b>
<b>Financial liabilities</b>			
Long term musharikhah finance - secured	131,100,952	131,100,952	- 131,100,952
Redeemable capital - participatory and unsecured	1,603,000,000	1,603,000,000	- 1,603,000,000
Profit payable	22,864,964	22,864,964	- 22,864,964
Trade and other payables	101,600,451	101,600,451	- 101,600,451
Unclaimed profit	17,203,256	17,203,256	- 17,203,256
	<b>1,875,769,623</b>	<b>1,875,769,623</b>	<b>- 1,875,769,623</b>

## 38 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 Modaraba Management Company monitors the return on capital, which the Modaraba defines as net profit after taxation divided by total Certificate holders' equity.

During the year ended December 31, 2022 the Modaraba's accumulated losses - net of capital reserves exceeds the fifty percent of the total amount subscribed by the holders of the Modaraba Certificates, which is a non-compliance of Section 23 of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (the Modaraba Ordinance) and would impact the maximum exposure of the Modaraba to a person or group in accordance with the clause 3 of Section II of the Modaraba Regulations 2021. In light of this, the Board of Modaraba Management Company has taken the steps necessary as mentioned in note 1.1 of these unconsolidated financial statements to ensure that Modaraba's equity can recover from the current circumstances and complies with the capital requirement of the Ordinance and Regulations.

## 39 Financial instruments

### 39.1 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 musharaka, morabaha and short term investments. Such investments are subject to varying degrees of risk, which emanate from various factors that include but are not limited to:

- Credit Risk
- Liquidity Risk
- Market Risk

### 39.2 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 regulator 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 or 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 at the reporting date is as follows:

	Note	2022 Rupees	2021 Rupees
Long term musharika investment - secured		541,155,676	289,701,023
Long term morabaha investment - secured		16,622,218	4,280,524
Long term deposits		203,444	203,444
Short term morabaha investment - secured		207,735,242	204,569,839
Current maturity of long term investment		328,375,145	399,344,987
Ijarah rental receivable		144,571,959	200,621,167
Short term investment		200,000,000	200,000,000
Deposits and other receivables		122,650,544	120,849,483
Bank balances		26,590,758	135,017,013
		<u>1,587,904,986</u>	<u>1,554,587,480</u>

### 39.2.1 Credit risk ratings and collaterals held

39.2.1.1 Credit risk rating of the banks and their respective balances are given below:

Banks	Rating Agency	Short Term	Long Term	2022 Rupees	2021 Rupees
The Bank of Punjab	PACRA	A1+	AA+	23,682,562	32,694,141
Al Baraka Bank (Pakistan) Limited	PACRA / VIS	A1/A1	A/A+	14,009	14,009
National Bank of Pakistan	PACRA / VIS	A1+/A1+	AAA/AAA	1,797	1,797
NRSP Microfinance Bank Limited	PACRA / VIS	A1/A1	A/A	2,888,868	102,073,480
				<u>26,587,236</u>	<u>134,783,527</u>

### 39.2.1.2 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 are also kept against these arrangements.

### 39.2.1.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Modaraba's total credit exposure. Concentrations of credit risk indicate the relative sensitivity of the Modaraba's performance to developments affecting a particular industry.

Details of the Modaraba's concentration of credit risk of financial instruments by industrial distributions are as follows:

	2022				
	Ijarah Assests	Morabaha investment	Musharikhah investment	Total	Sector %
Aviation and transport	86,935,751	-	427,170,814	514,106,565	32.92%
Others	14,108,127	40,091,465	248,166,316	302,365,909	19.36%
Textile spinning and composite	7,557,918	200,344,735	8,498,263	216,400,916	13.86%
Individuals	71,509,240	31,500,000	86,921,209	189,930,449	12.16%
Engineering, steel & construction	42,520,000	76,388,886	45,767,342	164,676,228	10.54%
Sugar and allied	-	77,955,554	-	77,955,554	4.99%
Food and allied	11,906,643	-	34,662,838	46,569,481	2.98%
Oil and gas	-	15,231,515	7,212,251	22,443,766	1.44%
Chemical and pharmaceuticals	280,140	215,320	13,829,408	14,324,867	0.92%
Electric goods	100,000	13,023,643	-	13,123,643	0.84%
	234,917,819	454,751,118	872,228,441	1,561,897,378	100.00%

	Restated 2021				
	Ijarah Assests	Morabaha investment	Musharikhah investment	Total	Sector %
Others	23,832,101	101,091,835	397,533,457	522,457,393	35.44%
Aviation and transport	166,598,279	-	14,797,860	181,396,139	12.30%
Textile Spinning and Composite	15,816,326	181,900,588	-	197,716,914	13.41%
Food and Allied	2,358,420	-	190,615,120	192,973,540	13.09%
Individuals	81,919,050	31,458,000	-	113,377,050	7.69%
Engineering, Steel & Construction	40,526,037	67,500,000	936,300	108,962,337	7.39%
Paper and Board	-	-	32,042,113	32,042,113	2.17%
Sugar and Allied	-	32,000,000	-	32,000,000	2.17%
Jute	-	-	31,645,895	31,645,895	2.15%
Oil and Gas	-	-	31,092,480	31,092,480	2.11%
Electric Goods	100,000	13,023,643	12,215,033	25,338,676	1.72%
Chemical and Pharmaceuticals	415,859	2,720,170	-	3,136,029	0.21%
Bank and NBFIs	-	-	2,214,383	2,214,383	0.15%
Cement	-	-	-	-	0.00%
	331,566,072	429,694,235	713,092,641	1,474,352,948	100.00%

### 39.3 Liquidity Risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations arising from its financial liabilities that are settled by delivering cash or another financial assets, or that such obligations will have to be settled in a manner disadvantageous to the Modaraba. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected.

The Modaraba's approach to manage the liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. In an urgent situation, the Modaraba may also opt for borrowing funds from its parent Bank i.e., The Bank of Punjab as the Bank has agreed to provide the financial support to the Modaraba as disclosed in note 1.1 of the unconsolidated financial statements.

## Maturities of assets and liabilities - Based on contractual maturity of the financial assets and financial liabilities of the Modaraba

	2022					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	Over five years
----- Rupees -----						
<b>Non-derivative financial assets</b>						
Long term musharika investment - secured	872,228,440	872,228,440	137,946,985	193,125,779	455,257,450	85,898,227
Morabaha investment - secured	454,751,118	454,751,118	437,325,159	4,750,014	12,675,945	-
Long term deposits	203,444	203,444	-	-	-	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	122,650,544	122,650,544	-	-	-	-
Cash and bank balances	26,675,787	26,675,787	26,675,787	-	-	-
	1,899,748,344	1,899,748,344	1,147,837,486	197,875,793	467,933,395	86,101,671
<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	44,245,599	44,245,599	44,245,599	-	-	-
Unclaimed profit	17,191,276	17,191,276	17,191,276	-	-	-
	1,914,533,617	1,914,533,617	1,914,533,620	-	-	-
On-balance sheet gap	(14,785,276)	(14,785,276)	(766,696,134)	197,875,793	467,933,395	86,101,671

	2021					
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	Over five years
----- Rupees -----						
<b>Non-derivative financial assets</b>						
Long term musharika investment - secured	713,092,641	713,092,641	391,451,249	31,940,369	54,616,934	235,084,089
Morabaha investment - secured	429,694,235	429,694,235	412,268,276	4,750,014	12,675,945	-
Long term deposits	203,444	203,444	-	-	-	203,444
Ijarah rental receivable	257,993,218	257,993,218	200,621,167	-	-	-
Short term investment	200,000,000	200,000,000	200,000,000	-	-	-
Deposits and other receivables	120,849,483	120,849,483	120,849,483	-	-	-
Cash and bank balances	135,278,267	135,278,267	135,278,267	-	-	-
	1,857,111,288	1,857,111,288	1,517,840,493	36,690,383	67,292,879	235,287,533
<b>Non-derivative financial liabilities</b>						
Long term musharika finance - secured	131,100,952	131,100,952	131,100,952	-	-	-
Redeemable capital - participatory and unsecured	1,603,000,000	1,603,000,000	1,603,000,000	-	-	-
Profit payable	22,864,964	22,864,964	22,864,964	-	-	-
Trade and other payables	101,600,451	101,600,451	101,600,451	-	-	-
Unclaimed profit	17,203,256	17,203,256	17,203,256	-	-	-
	1,875,769,623	1,875,769,623	1,875,769,623	-	-	-
On-balance sheet gap	(18,658,335)	(18,658,335)	(357,929,130)	36,690,383	67,292,879	235,287,533

## 39.4 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 optimising the return on risk. Market risk comprise of three types of risks : currency risk, interest rate risk and price risk.

The Management Company manages market risk by monitoring its financial instruments as per the internal risk management policies.

The Modaraba is exposed to interest rate risk only.

### 39.4.1 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.

### 39.4.2 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.

### 39.4.3 Interest 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 does not have any fixed rate financial assets and liabilities, therefore a change in interest rate at the end of the reporting year would not affect profit or loss. The Modaraba has the following variable interest rate based financial instruments:

	Note	2022 Rupees	2021 Rupees
<b>Assets</b>			
Long term musharikhah investment - secured		872,228,440	713,092,641
Morabaha investment - secured		454,751,118	429,694,235
Ijarah rental receivable		223,239,011	257,993,218
Short term investment		200,000,000	200,000,000
Bank balances		5,055,065	102,073,480
<b>Liabilities</b>			
Redeemable capital - participatory and unsecured		1,825,000,000	1,603,000,000
Long term musharikhah finance - secured		-	131,100,952

## Sensitivity Analysis

Increase or decrease of 1% in the interest rates would have increased / decreased the profit and loss account by the amounts as mentioned below.

		Change in the profit and loss account	
		Jan 01 to Dec 31, 2022	July 01 to Dec 31, 2021
Increase / (Decrease)		Rupees	Rupees
<b>Assets</b>			
Long term musharikhah investment - secured	± 1%	8,722,284	7,130,926
Morabaha investment - secured	± 1%	4,547,511	4,296,942
Ijarah rental receivable	± 1%	2,232,390	2,579,932
Short term investment	± 1%	2,000,000	2,000,000
Bank balances	± 1%	50,551	1,020,735
		17,552,736	17,028,535
<b>Liabilities</b>			
Redeemable capital - participatory and unsecured	± 1%	18,250,000	16,030,000
Long term musharikhah finance - secured	± 1%	-	1,311,010
		18,250,000	17,341,010

## 39.5 Operational risks

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

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for 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.

#### 40 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 carrying values and the fair value estimates.

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 at December 31, 2022 and December 31, 2021, there were no financial instruments which were measured at fair values in these unconsolidated financial statements.

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.

December 31, 2022							
Carrying Value				Fair Value			
Loans and Receivables	Other financial Assets	Other financial Liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>							
Investment in subsidiary	76,500,000	-	76,500,000	-	-	-	-
Long term musharrikah investment - secured	541,155,676	-	541,155,676	-	-	-	-
Long term morabaha investment - secured	16,622,218	-	16,622,218	-	-	-	-
Long term security deposits	203,444	-	203,444	-	-	-	-
Short term morabaha investment - secured	207,735,242	-	207,735,242	-	-	-	-
Current maturity of long term investment	328,375,145	-	328,375,145	-	-	-	-
Ijarah rental receivable	144,571,959	-	144,571,959	-	-	-	-
Short term investment	200,000,000	-	200,000,000	-	-	-	-
Advances, deposits and other receivables	122,650,544	-	122,650,544	-	-	-	-
Cash and bank balances	26,675,787	-	26,675,787	-	-	-	-
	<u>1,664,490,015</u>	<u>-</u>	<u>1,664,490,015</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>							
Redeemable capital - participatory and unsecured	-	1,825,000,000	1,825,000,000	-	-	-	-
Profit payable	-	28,096,745	28,096,745	-	-	-	-
Trade and other payables	-	44,245,599	44,245,599	-	-	-	-
Unclaimed dividend	-	17,191,276	17,191,276	-	-	-	-
	<u>-</u>	<u>1,914,533,620</u>	<u>1,914,533,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

December 31, 2021							
Carrying Value				Fair Value			
Loans and Receivables	Other financial Assets	Other financial Liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>							
Investment in subsidiary	76,500,000	-	76,500,000	-	-	-	-
Long term musharrikah investment - secured	289,701,023	-	289,701,023	-	-	-	-
Long term morabaha investment - secured	4,280,524	-	4,280,524	-	-	-	-
Long term security deposits	203,444	-	203,444	-	-	-	-
Short term morabaha investment - secured	204,569,839	-	204,569,839	-	-	-	-
Current maturity of long term investment	399,344,987	-	399,344,987	-	-	-	-
Ijarah rental receivable	200,621,167	-	200,621,167	-	-	-	-
Short term investment	200,000,000	-	200,000,000	-	-	-	-
Advances, deposits and other receivables	120,849,483	-	120,849,483	-	-	-	-
Cash and bank balances	135,278,267	-	135,278,267	-	-	-	-
	<u>1,631,348,734</u>	<u>-</u>	<u>1,631,348,734</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities</b>							
Long term security deposits	-	42,274,729	42,274,729	-	-	-	-
Long term musharrikah finance - secured	-	131,100,952	131,100,952	-	-	-	-
Redeemable capital - participatory and unsecured	-	1,603,000,000	1,603,000,000	-	-	-	-
Profit payable	-	22,864,964	22,864,964	-	-	-	-
Trade and other payables	-	101,600,451	101,600,451	-	-	-	-
Unclaimed dividend	-	17,203,256	17,203,256	-	-	-	-
	<u>-</u>	<u>1,918,044,352</u>	<u>1,918,044,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**40.1** The Modaraba has not disclosed the fair values for the above financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their fair values are not significantly different from their carrying amounts.

## 41 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 Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

The internal reporting provided to the Chief Executive Officer for the Modaraba'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 Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan. The Modaraba has a diversified product portfolio whereby resources have been allocated.

		Jan 01 to Dec 31 2022	July 01 to Dec 31 2021
	Note	Rupees	Rupees
<b>42 Cash and cash equivalents at the end of the year / period</b>			
Cash and bank balances	18	26,675,787	135,278,267
Total cash and cash equivalents at the end of the year / period		<u>26,675,787</u>	<u>135,278,267</u>

		Jan 01 to Dec 31 2022	July 01 to Dec 31 2021
	Note	Rupees	Rupees
<b>43 Cash flow from operating activities</b>			
Loss for the year / period		(80,397,082)	(1,352,324)
Adjustments for:			
Depreciation of Ijarah assets	5.1	135,657,388	81,690,770
Depreciation of assets in own use	5.2	1,252,539	744,875
Amortization of intangible assets	31	277,750	402,186
Loss on disposal of Ijarah assets	29	6,422,103	(661,332)
Gain on disposal of owned assets	29	(32,500)	-
Gain on disposal of non-banking assets	29	(317,500)	-
Reversal of provision against Morabaha investment	12.3	(2,750,000)	(21,307,500)
Provision against Musharika investment	13.1	1,894,879	10,631,776
Reversal of provision against other receivables	16.1	(1,172,649)	-
Write off of tax refund due from the government		3,404,592	-
Dividend income	30	(4,319,384)	-
Accrued profit on bank deposits	30	(29,883,391)	-
Provision against Ijarah rentals - net	14.1	4,597,502	333,800
Financial charges on musharika finances	32	196,055	18,636,257
Financial charges on redeemable capital	32	220,300,804	36,617,881
		335,528,188	127,088,713
<b>Operating profit before working capital changes</b>		255,131,106	125,736,389
<b>Working capital changes</b>			
(Increase)/decrease in operating assets:			
Morabaha investment		(36,218,801)	43,077,059
Musharika investment - net		(159,135,799)	(131,287,945)
Development properties - Land		(13,886,062)	(32,508,636)
Ijarah rental receivable - net		51,151,412	44,165,151
Advances, deposits, prepayments and other receivables		(6,642,472)	36,747,551
		(164,731,722)	(39,806,820)
Increase / (decrease) in operating liabilities:			
Security deposits - net		(11,303,400)	(6,203,402)
Trade and other payables		(58,254,852)	26,336,338
		(69,558,252)	20,132,936
Net changes in operating assets and operating liabilities		(234,289,974)	(19,673,884)
Cash generated from operations		20,841,132	106,062,505

#### 44 Subsequent events

Subsequent to the year end, on March 31, 2023 the Modaraba decided to sell its 100% shareholding in the Punjab Capital Securities (Private) Limited (the Company) to the Bank of Punjab (the ultimate parent) at price of Rs. 85.487 million.

The shareholders of the Bank of Punjab, in their Annual General Meeting on March 29, 2023 have given the approval of acquisition of the Company by the Bank.

#### 45 Date of authorization for issue

The unconsolidated financial statements of Modaraba were approved by the Directors of Modaraba Management Company and authorized for issue on July 30th, 2023.

#### 46 General

Figures have been rounded off to the nearest rupees unless otherwise provided.

#### 46.1 Reclassification of corresponding figures

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of better presentation and comparison. No significant reclassifications have been made during the current period except for the following;

From	To	As at December 31, 2021 (Rupees)
Advances, deposits, prepayments and other receivables	Intangible assets	1,100,000
Trade and other payables	Advances, deposits, prepayments and other receivables	3,452,649
Short term morabaha investment - secured	Long term morabaha investment - secured	4,280,524
Short term morabaha investment - secured	Current maturity of long term investment	2,346,288

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

CHIEF FINANCIAL OFFICER

CHIEF EXECUTIVE

DIRECTOR

DIRECTOR

A close-up photograph of a business meeting. In the foreground, a person's hands are typing on a silver laptop keyboard. To the left, another person's hands are holding a smartphone. The background shows a person in a light blue blazer. The overall scene is professional and focused on technology and collaboration.

**CONSOLIDATED  
FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED  
31 DECEMBER 2022

# AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed consolidated balance sheet of First Punjab Modaraba (the Modaraba) as at December 31, 2022 and the related consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

(a) in our opinion, proper books of accounts have been kept by the Modaraba Management Company in respect of the Group as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;

(b) in our opinion:

- i) the consolidated balance sheet and consolidated profit and loss account and consolidated statement of comprehensive income together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied in the financial statements with which we concur;
- ii) the expenditure incurred during the year was for the purpose of the Group's business; and
- iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Group;



(c) in our opinion and to the best of our information and according to the explanations given to us, the consolidated balance sheet, consolidated profit and loss account, consolidated statement of comprehensive income, consolidated cash flow statement and consolidated statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Group's affairs as at December 31, 2022 and of the loss and other comprehensive income, its cash flows and changes in equity for the year then ended; and

(d) in our opinion, no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

### Material Uncertainty Related to Going Concern

We draw attention to note 1.1 in the consolidated financial statements, which indicates that the Group has accumulated losses net of capital reserves of Rs. 336,515,638 as at December 31, 2022 and, as of that date, the Group's current liabilities exceeded its current assets by Rs. 874,437,097. As stated in note 1.1, these events or conditions, along with other matters as set forth in note 1.1, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

### Other Matter

The consolidated financial statements of the Group for the six months period ended December 31, 2021 were audited by another firm of chartered accountants who had expressed an unmodified opinion thereon vide their report dated April 19, 2022.

A. F. Ferguson & Co.  
Chartered Accountants  
Lahore  
Engagement Partner: Hammad Ali Ahmad  
UDIN:AR202210092yZOB1WPhn



# STATEMENT OF FINANCIAL POSITION

## CONSOLIDATED BALANCE SHEET (AUDITED)

AS AT 31 DECEMBER 2022

	Note	2022 Rupees	Restated 2021 Rupees	Restated July 01, 2021 Rupees
<b>Assets</b>				
<b>Non current assets</b>				
<b>Tangible fixed assets</b>				
- Ijarah assets	5.1	234,917,820	331,566,072	393,690,579
- Assets in own use	5.2	4,789,385	4,539,641	3,800,611
Intangible assets	6	8,862,475	8,240,225	7,542,411
Long term investment	7	23,879,429	20,466,394	20,533,912
Long term musharikhah investment - secured	8	541,155,676	289,701,023	220,934,378
Long term morabaha investment - secured	9	16,622,218	4,280,524	-
Long term deposits	10	8,495,471	8,395,471	3,295,435
Deferred tax asset	11	58,058,447	63,799,180	64,386,484
		896,780,921	730,988,530	714,183,810
<b>Current assets</b>				
Short term morabaha investment - secured	12	207,735,242	204,569,839	251,718,651
Current maturity of long term investment	13	328,375,145	399,344,987	346,068,240
Ijarah rental receivable	14	144,571,959	200,621,167	235,750,535
Short term Investment		200,000,000	200,000,000	-
Development properties - Land	15	53,369,698	39,483,636	6,975,000
Trade debts	16	7,556,938	7,778,595	32,655,884
Advances, deposits, prepayments and other receivables	17	162,849,880	166,679,460	209,553,424
Tax refund due from government		6,824,365	5,743,208	6,874,104
Cash and bank balances	18	62,435,184	163,486,952	140,072,304
		1,173,718,411	1,387,707,844	1,229,668,142
<b>TOTAL ASSETS</b>		<b>2,070,499,332</b>	<b>2,118,696,374</b>	<b>1,943,851,952</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Authorized certificate capital</b>				
50,000,000 (31 Dec 2021: 50,000,000) modaraba certificates of Rs. 10 each		500,000,000	500,000,000	500,000,000
<b>Issued, subscribed and paid-up certificate capital</b>				
34,020,000 (31 Dec 2021: 34,020,000) certificates of Rs. 10 each	19	340,200,000	340,200,000	340,200,000
Capital reserves	20	224,955,417	223,818,696	227,951,419
Revenue reserves		(561,471,055)	(471,894,315)	(478,926,583)
		3,684,362	92,124,381	89,224,836
<b>Non current liabilities</b>				
Long term security deposits	21	8,403,800	42,274,729	42,775,909
Deferred morabaha income	22	10,255,662	-	-
Long term musharikhah finance - secured	23	-	131,100,952	535,128,774
		18,659,462	173,375,681	577,904,683
<b>Current liabilities</b>				
Current maturity of non current liabilities	24	107,481,621	84,225,155	89,927,377
Redeemable capital - participatory and unsecured	25	1,825,000,000	1,603,000,000	1,014,101,593
Profit payable	26	28,096,745	22,864,964	23,762,005
Trade and other payables	27	69,847,613	123,378,039	128,486,054
Provision for taxation		538,253	2,524,898	3,078,319
Unclaimed profit		17,191,276	17,203,256	17,367,085
		2,048,155,508	1,853,196,312	1,276,722,433
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>2,070,499,332</b>	<b>2,118,696,374</b>	<b>1,943,851,952</b>
<b>CONTINGENCIES AND COMMITMENTS</b>				
	29			

The attached notes 1 to 49 form an integral part of these unconsolidated financial statements.

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

  
CHIEF FINANCIAL OFFICER

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

# STATEMENT OF PROFIT OR LOSS

CONSOLIDATED PROFIT AND LOSS ACCOUNT (AUDITED)  
FOR THE YEAR ENDED DECEMBER 31, 2022

Restated  
Jan 01 to Dec 31, 2022  
July 01 to Dec 31  
2021  
Rupees Rupees

	Note	Jan 01 to Dec 31, 2022 Rupees	Restated July 01 to Dec 31 2021 Rupees
<b>Income</b>			
Income from Ijarah rentals	30	40,009,543	28,891,566
Income from Morabaha financing		11,841,154	6,356,403
Income from Diminishing Musharaka financing		96,647,477	28,606,164
Brokerage income	31	18,547,299	15,056,850
(Loss) / gain on disposal of assets	32	(6,072,103)	661,332
Other income	33	69,091,010	7,581,585
<b>Total Income</b>		<b>230,064,380</b>	<b>87,153,900</b>
<b>Expenses</b>			
Administrative expenses	34	88,329,100	37,610,975
Finance cost	35	220,715,818	55,325,497
<b>Total Expenses</b>		<b>309,044,918</b>	<b>92,936,472</b>
<b>Operating (loss) before provision for the year / period</b>		<b>(78,980,538)</b>	<b>(5,782,572)</b>
Provision against Ijarah rentals - net	14.1	(4,597,502)	(333,800)
Reversal of provision against Morabaha investment	12.3	2,750,000	21,307,500
Provision against Musharika investment	13.1	(1,894,879)	(10,631,776)
Reversal of provision against other receivables	17.2	1,172,649	-
		153,092	10,341,924
Total (provision) / reversal during the year / period		(2,569,732)	10,341,924
<b>Operating (loss) / profit after provision for the year / period</b>		<b>(81,550,270)</b>	<b>4,559,352</b>
Modaraba Company's management fee		-	-
<b>Operating (loss) / profit after provision for the year / period</b>		<b>(81,550,270)</b>	<b>4,559,352</b>
Taxation	36	(8,026,470)	(1,592,289)
<b>Loss for the year / period</b>		<b>(89,576,740)</b>	<b>2,967,063</b>
<b>Loss per certificate - basic and diluted</b>	37	<b>(2.63)</b>	<b>0.09</b>

The attached notes 1 to 49 form an integral part of these unconsolidated financial statements.

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

  
CHIEF FINANCIAL OFFICER

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

# STATEMENT OF COMPREHENSIVE INCOME

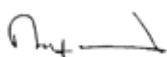
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (AUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2022

	Note	Jan 01 to Dec 31, 2022 Rupees	Restated July 01 to Dec 31 2021 Rupees
(Loss) / profit for the year / period		(89,576,740)	2,967,063
Other Comprehensive income/ (loss) for the year / period			
Items that will not be reclassified to profit and loss account		1,136,721	(67,518)
Items that will be reclassified to profit and loss account		-	-
Total other comprehensive income/ (loss) for the year / period		1,136,721	(67,518)
Total comprehensive (loss) / income for the year / period		(88,440,019)	2,899,545

The attached notes 1 to 49 form an integral part of these unconsolidated financial statements.

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR

# STATEMENT OF CASH FLOWS

CONSOLIDATED CASH FLOW STATEMENT (AUDITED)

FOR THE YEAR ENDED DECEMBER 31, 2022

		Jan 01 to Dec 31, 2022	Restated July 01 to Dec 31 2021
	Note	Rupees	Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>CASH GENERATED FROM OPERATIONS</b>	46	33,011,146	110,876,860
Profit paid on Redeemable capital - participatory and unsecured		(205,605,789)	(35,807,885)
Profit paid on long term Musharikhah finance - secured		(9,659,289)	(20,350,556)
Income tax paid		(7,658,545)	(427,512)
		(222,923,623)	(56,585,953)
<b>Net cash (used in) / generated from operating activities</b>		(189,912,477)	54,290,907
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Capital expenditure on assets under Ijarah arrangements	5.1	(61,065,014)	(35,822,400)
Capital expenditure of fixed assets in own use	5.2	(1,824,126)	(1,579,550)
Proceeds from disposal of ijarah assets		32,331,274	27,259,393
Proceeds from disposal of fixed assets in own use		97,100	-
Capital expenditure on intangible assets		(900,000)	(1,100,000)
Profit received on bank deposits		27,100,254	-
Markup income received on margin financing and deposits National Clearing Company of Pakistan Limited (NCCPL)		4,486,289	-
Short term investments made in certificates of Musharikhah		-	(200,000,000)
Payment against right offer of shares		(3,375,900)	-
Security deposits paid		(100,000)	(5,100,036)
Dividend income received		1,223,764	759,578
<b>Net cash generated from / (used in) investing activities</b>		(2,026,359)	(215,583,015)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Repayment of long term Musharikhah finance - secured		(131,100,952)	(404,027,822)
Proceeds from redeemable capital - participatory and unsecured		222,000,000	588,898,407
Profit distributed among the certificate holders		(11,980)	(163,829)
<b>Net cash generated from financing activities</b>		90,887,068	184,706,756
<b>Net (decrease) / increase in cash and cash equivalents</b>		(101,051,768)	23,414,648
<b>Cash and cash equivalents at the beginning of the period</b>		163,486,952	140,072,304
<b>Cash and cash equivalents at the end of the period</b>	45	62,435,184	163,486,952

The attached notes 1 to 49 form an integral part of these unconsolidated financial statements.

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

  
CHIEF FINANCIAL OFFICER

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED DECEMBER 31, 2022

	Capital Reserves		Revenue reserves		Total
	Issued, subscribed and paid-up certificate capital	Statutory reserve	Fair value reserve	Accumulated losses	
	Rupees				
Balance as at July 1, 2021 - as reported earlier	340,200,000	218,176,678	9,774,741	(422,177,511)	145,973,908
Correction of error (as referred to in note 4)	-	-	-	(56,749,072)	(56,749,072)
Balance as at July 1, 2021 (Restated)	340,200,000	218,176,678	9,774,741	(478,926,583)	89,224,836
Profit / (Loss) for the period	-	-	-	2,967,063	2,967,063
Other comprehensive income for the period	-	-	(67,518)	-	(67,518)
Total comprehensive loss for the period	-	-	(67,518)	2,967,063	2,899,545
Adjustment of fair value reserve	-	-	(4,065,205)	4,065,205	-
Balance as at December 31, 2021 (Restated)	340,200,000	218,176,678	5,642,018	(471,894,315)	92,124,381
Balance as at December 31, 2021 - as reported earlier	340,200,000	220,303,614	5,642,018	(405,285,175)	160,860,457
Correction of error (as referred to in note 4)	-	(2,126,936)	-	(66,609,140)	(68,736,076)
Balance as at December 31, 2021 (Restated)	340,200,000	218,176,678	5,642,018	(471,894,315)	92,124,381
Profit / (Loss) for the year	-	-	1,136,721	(89,576,740)	(88,440,019)
Other comprehensive income for the year	-	-	-	-	-
Total comprehensive loss for the year	-	-	1,136,721	(89,576,740)	(88,440,019)
Balance as at December 31, 2022	340,200,000	218,176,678	6,778,739	(561,471,055)	3,684,362

The attached notes 1 to 49 form an integral part of these unconsolidated financial statements.

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

  
CHIEF FINANCIAL OFFICER

  
CHIEF EXECUTIVE

  
DIRECTOR

  
DIRECTOR

# NOTES TO AND FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER, 2022

## 1. Status and nature of business

First Punjab Modaraba (the Group) comprises of the First Punjab Modaraba (the Modaraba) and Punjab Capital Securities (Private) Limited (the Company). The company is wholly owned by the Modaraba. For the purpose of these consolidated financial statements, First Punjab Modaraba and Punjab Capital Securities (Private) Limited are referred to as “the Group”.

During the year ended December 31, 2021, the Group changed its financial year end from June 30, 2021 to December 31, 2021. Accordingly, the financial statements of the Group were prepared for the six months period ended December 31, 2021.

The corresponding figures have been presented from the period July 1, 2021 to December 31, 2021 and therefore, are not entirely comparable in respect of the consolidated profit and loss account, consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated cash flow statement, and notes to and forming part of the consolidated financial statements.

### First Punjab Modaraba

First Punjab Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and rules framed there under and is managed by Punjab Modaraba Services (Private) Limited (the Modaraba Management 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.

The 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 is situated at 3rd Floor, LSE Plaza, 19-Khayabane Aiwane Iqbal, Lahore. The Company is mainly engaged in the business of brokerage services, portfolio management and consultancy services.

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, 2021: A-) and short term rating of A-2 (December 31, 2021: A-2) to the Modaraba on September 20, 2022 (December 31, 2021: September 24, 2021).

### Punjab Capital Securities (Private) Limited

The Punjab Capital Securities (Private) Limited (“the Company”) is incorporated in Pakistan under the repealed Companies Ordinance, 1984 (the Ordinance) which has now been replaced by the Companies Act 2017 (the Act), as a company limited by shares on November 29, 2016. The Company is a holder of Trading Right Entitlement Certificate (TREC) of Pakistan Stock Exchange Limited. The Company is mainly engaged in business of brokerage services, portfolio management and consultancy services. The registered office of the Company is situated at Room No 319, 3rd Floor, Lahore Stock Exchange (LSE) Building, Lahore.

## 1.1 Management's assessment of Going Concern assumption

During the year ended December 31, 2022, the Group has incurred loss after tax of Rs. 89,576,740. The accumulated losses - net of capital reserves, as at December 31, 2022 amount to Rs. 336,515,638, (December 2021: Rs. 248,075,619) which exceeds fifty percent of the total amount subscribed by the holders of the Modaraba Certificates, which is a non-compliance of Section 23 of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (the Modaraba Ordinance). The current liabilities of the Group exceed its current assets by Rs. 874,437,097 as at December 31, 2022. These factors indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern.

Accordingly, in order to provide the financial support to the Group, the ultimate parent, The Bank of Punjab (BOP), has approved the following arrangements to reduce the finance costs of the Group and to improve its financial performance:

- a) Conversion of redeemable capital - participatory and unsecured of Rs. 500,000,000 into long term subordinated loan for capital support under Modaraba Companies (Floatation and Control) Ordinance, 1980, repayable after 3 years; and
- b) Conversion of redeemable capital - participatory and unsecured of Rs. 1,325,000,000 into non-current liabilities of the Group.

Further, the BOP has confirmed that it shall continue to provide financial support to the Group in managing the requisite capital requirements and the liquidity requirements of the Group.

Based on the above arrangements, the management has devised a five years business plan along with financial projections, duly approved by the Board of Modaraba Management Company, covering future business performance, business prospects, recovery against non-performing assets and commitment of BOP to provide the continued financial support. The financial projections are based on reasonable assumptions and reflect the management's and Board's future plans for Group to perform under the current economic circumstances.

In light of above enduring support of BOP, actions as outlined above and the projections prepared by the management, duly approved by the Board of Directors of the management company, the Board is of the view that the Group would have adequate resources to continue its business on a sustainable basis in the foreseeable future.

- ## 1.2
- Subsidiaries are all entities over which the Modaraba has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Modaraba controls the other entity. The Modaraba also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise in circumstances where the size of the Modaraba's voting rights relative to the size and dispersion of holdings of other shareholders give the Modaraba, the power to govern the financial and operating policies etc. The Group financial statements include the financial statements of the Modaraba and its subsidiary.

Subsidiaries are consolidated from the date on which control is established by the Modaraba. The financial statements of subsidiary have been consolidated on line by line basis. All significant inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions are also eliminated.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests

issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities, contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognizes any non-controlling interest in the acquiree on an acquisition by acquisition basis, at the non-controlling interest's proportionate share of the recognized amounts of acquiree's identifiable net assets. The financial statements of the Modaraba and its subsidiary are prepared upto the same reporting date using consistent accounting policies.

Acquisition-related costs are expensed as incurred. If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through consolidated profit and loss account.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognized either in consolidated profit and loss account or as a change to consolidated statement of comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill, if any, is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized in consolidated profit and loss account. After initial recognition, is measured at carrying value i.e. cost at the date of acquisition less any accumulated impairment.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognized in consolidated profit and loss account. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in consolidated statement of comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This means that amounts previously recognized in consolidated statement of comprehensive income are reclassified to consolidated profit and loss account.

## 2. Basis of preparation

### 2.1 Statement of compliance

These consolidated 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:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the Companies Act, 2017;

- Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Act, 2017;



- 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; and

- Requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Modaraba Companies and Modaraba Rules, 1981.

Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFAS), the Companies Act, 2017 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, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, IFAS, the Companies Act, 2017 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.

Islamic Financial Accounting Standard (IFAS) 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the SECP vide SRO 431(1)/ 2007 dated May 22, 2007. Under IFAS 2, the Ijarah transactions are accounted for in the following manner:

- Mustajir (lessors) presents the assets subject to Ijarah in their balance sheet 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 recognised as expenses.

- Ijarah income is recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

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 Musharikah, 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).

## 2.2 Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention except for long term investment in LSE Financial Services Limited which are carried at the fair value.

## 2.3 Functional and presentation currency

These consolidated financial statements are presented in Pakistan Rupees which is also the Group's functional currency.

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

There are certain amendments to the published approved accounting standards that are mandatory for the Group's accounting period beginning on January 1, 2022. However, these do not have any significant impact on the Group's operations and, therefore, have not been detailed in these consolidated financial statements.

## 2.5 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 Group's accounting periods beginning on or after January 1, 2023 but are considered not to be relevant or will not have any significant effect on the Group's operations and are, therefore, not detailed in these consolidated financial statements.

## 2.6 Significant accounting estimates and judgments

The preparation of these consolidated financial statements in conformity with the approved accounting standards as applicable in Pakistan requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgments in application of the Group's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. Significant accounting estimates and areas where judgments were made by the management in the application of the accounting policies are as follows:

- Estimates of residual values, useful lives and depreciation methods of ijarah assets, fixed assets in own use and intangible assets; (note 3.1, 3.2, 3.3, 3.5)
- Impairment of financial assets; (note 3.5)
- Impairment of non-financial assets; (note 3.1, 3.2, 3.3, 3.5)
- Provision against non-performing Ijarah rentals receivables, Morabaha investment and Musharikah investment; (note 3.5, 3.6, 3.7, 3.8) and
- Provision for taxation (note 3.15).

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these consolidated financial statements are consistent with those of the previous year except for the change explained below:

### 3.1 Assets in own use

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 Group and the cost of the items can be measured reliably. All other repairs and maintenance expenses are charged to the consolidated profit and loss account as and when incurred.

Depreciation is charged to consolidated profit and loss account on straight line basis, so as to write off the historical cost of an asset over its estimated useful life at rates mentioned in note 5.2. Residual values and the useful lives of the assets are reviewed at least at each financial year end and adjusted if appropriate.

The Group assesses at each balance sheet 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 consolidated profit and loss account. 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.

### 3.2 Intangible assets

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 Group 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 from the month the asset is available for use while in the case of assets disposed of, it is charged in the month preceding the month of disposal.

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 consolidated profit and loss account.

The Group assesses at each balance sheet 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 consolidated profit and loss account.

### 3.3 Trading Right Entitlement Certificate (TREC)

TREC is classified as intangible asset (with transferable rights), having a perpetual useful life and it is classified as intangible asset with indefinite useful life. Impairment assessment is made at the end of each reporting period where the valuation allowed by the Pakistan Stock Exchange (PSX) in Base Minimum Capital requirement is considered as appropriate basis for the unique instrument. Further, TREC is accounted for as per the accounting policy note 4.2 stated above.

### 3.4 Lease Rights on LSE Room

It is stated at cost less impairment if any. The carrying amount is reviewed at each reporting date to assess whether it is in excess of its recoverable amount, and where the carrying value exceeds estimated recoverable amount, it is written down to its estimated recoverable amount. Further, these lease rights are purchased from LSE for indefinite period hence no amortization is charged on the lease rights on LSE room. Further, LSE room is accounted for as per the accounting policy note 4.2 stated above.

### 3.5 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated profit and loss account 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 profit and loss account 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 consolidated profit and loss account, in the year in which these arise.

The carrying amount of the Group'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 consolidated profit and loss account.

### **3.6 Provision against Ijarah rental receivable**

Provision for non-performing Ijarah rental receivable, if any, is made in accordance with the requirements of the Modaraba Regulations 2021 issued by the Securities and Exchange Commission of Pakistan (SECP), and is charged to the consolidated profit and loss account.

### **3.7 Morabaha investments**

Morabaha investments are stated net of provision. Provision is recognized for Morabaha investments in accordance with the Prudential Regulations for Modaraba's issued by the Securities and Exchange Commission of Pakistan. Bad debts are written off when identified.

Morabaha receivable are recorded by the Group at the invoiced amount and disclosed as such in the balance sheet. Purchase and sales under Morabaha and the resultant profit are accounted for on the culmination of Morabaha transaction.

### **3.8 Musharikhah investment**

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

### **3.9 Development properties**

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 realisable value.

All project costs incurred or to be incurred are capitalised as a cost of development properties and mainly includes costs / rights for free-hold 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 consolidated profit and loss account 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 consolidated profit and loss account 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 Group and charged to consolidated profit and loss account.

### 3.10 Cash and cash equivalents

Cash and cash equivalents are carried in consolidated balance sheet at cost. These include cash in hand, balances with banks in deposit, current and savings accounts.

### 3.11 Finance arrangements including Certificates of Musharikah

These are carried on the balance sheet at principal amount. Profits on these arrangements are recognized in the consolidated profit and loss account.

### 3.12 Provisions

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

### 3.13 Staff retirement benefit

#### Defined contribution plan

The Group operates a recognized provident fund for all eligible employees. Equal monthly contributions of 8.33% of the basic salary are made to the fund both by the Group and employees.

#### Defined benefit plan

The Group operates an un-funded gratuity scheme for its eligible employees completing prescribed period of service in accordance with service rules of the Group. Provision is made for gratuity in accordance with the requirements laid down by IAS 19. The actuarial gains and losses are recognized in other comprehensive income when they occur. Amounts recognized in the consolidated profit and loss account are limited to current and past service costs, gains or losses on settlements and net interest income (expense). All other changes in the net defined benefit asset / (liability) are recognized in consolidated statement of comprehensive income with no subsequent reclassification to consolidated profit and loss account.

### 3.14 Revenue recognition

#### Ijarah rentals

Ijarah rentals are recognized as income on accrual basis, as and when rentals become due. Documentation and processing charges are recognized as income on receipt basis. Unrealized ijarah income pertaining to non-performing ijarah is held in suspense account, where necessary, in accordance with the requirements of the Modaraba Regulations 2021 issued by the Securities and Exchange Commission of Pakistan (SECP).

### Murabaha transaction

Profit on Murabaha transaction is recognized over the period the payment becomes due. The unearned portion of the income is reflected as deferred Murabaha income and is recognized as earned income in consolidated profit and loss account on accrual basis.

### Musharikhah transaction

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

### Profit on bank deposit

Return on bank deposits are recognized on accrual basis.

### Dividend income

Dividend income on equity instruments is recognized when the right to receive the same is established.

### Income from the brokerage services

The Group recognizes revenue when the performance obligations are fulfilled. The obligations are fulfilled when the services have been rendered to the customer. Therefore, the Group recognizes revenue at the fair value of the consideration received or receivable on the following basis:

- a) Brokerage revenue arising from sales / purchase of securities on client's behalf is recognized on the date of execution of the transaction by the Group i.e. on trade date basis;
- b) Interest income on margin financing is recognized on outstanding balance at the rate of KIBOR plus margin at each day of the margin financing outstands.

## 3.15 Taxation

### Current

Provision of current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also include adjustments, where considered necessary, to provision for tax made in previous years arising from assessments finalized during the current year for such years. Provision for current taxation is made on taxable income at the prevailing rates of tax after taking into account tax credits available, if any.

### Deferred

Deferred tax is recognised using consolidated 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 recognised 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 recognised 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 realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

### 3.16 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.

### 3.17 Segment reporting

A segment is a distinguishable component of the Group 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.

## 4 Correction of material error in calculating depreciation

During the year ended December 31, 2022, the Group has identified a computational error in calculating depreciation on some of its Ijarah assets. This error resulted in a material understatement of depreciation expense on Ijarah assets recognized for the year ended December 31, 2021 and prior financial years and have resulted in the corresponding overstatement of Ijarah assets.

The error has been corrected by restating each of the affected consolidated financial statement line items for the prior periods as follows:

Consolidated Balance Sheet (extract)	Previously reported Dec 31, 2021	Increase / (Decrease)	Restated Dec 31, 2021	Previously reported July 1, 2021	Increase / (Decrease)	Restated July 1, 2021
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Ijarah assets	402,480,335	(14,165,191)	388,315,144	450,439,651	(56,749,072)	393,690,579
Provision for taxation	4,703,085	(2,178,187)	2,524,898	3,078,319	-	3,078,319
<b>Net assets</b>	<b>160,860,457</b>	<b>(11,987,004)</b>	<b>148,873,453</b>	<b>145,973,908</b>	<b>(56,749,072)</b>	<b>89,224,836</b>
Capital reserves	225,945,632	(2,126,936)	223,818,696	227,951,419	-	227,951,419
Revenue reserves	(405,285,175)	(9,860,068)	(415,145,243)	(422,177,511)	(56,749,072)	(478,926,583)
<b>Total equity</b>	<b>160,860,457</b>	<b>(11,987,004)</b>	<b>148,873,453</b>	<b>145,973,908</b>	<b>(56,749,072)</b>	<b>89,224,836</b>

**Consolidated Profit and Loss Account (extract)**

	Previously reported July 1 to Dec 31, 2021	Increase / (Decrease)	Restated July 1 to Dec 31, 2021
Income from ijarah rentals	43,056,757	(14,165,191)	28,891,566
<b>Operating profit / (loss) after provision and impairment</b>	<b>18,724,543</b>	<b>(14,165,191)</b>	<b>4,559,352</b>
Taxation	3,770,476	(2,178,187)	1,592,289
<b>Profit / (loss) for the year / period</b>	<b>14,954,067</b>	<b>(11,987,004)</b>	<b>2,967,063</b>
<b>Consolidated Statement of Comprehensive Income (extract)</b>			
Profit / (loss) for the year / period	14,954,067	(11,987,004)	2,967,063
Other comprehensive income for the year / period	(67,518)	-	(67,518)
<b>Total comprehensive income / (loss) for the year / period</b>	<b>14,886,549</b>	<b>(11,987,004)</b>	<b>2,899,545</b>

Basic and diluted earnings per share for the prior year have also been restated. The amount of the correction for basic and diluted earnings per share was a decrease of Rupee 0.35 per share.

	Note	2022 Rupees	2021 Rupees
<b>5. Tangible fixed assets</b>			
Ijarah assets	5.1	234,917,820	331,566,072
Assets in own use	5.2	4,789,385	4,539,641
		<u>239,707,205</u>	<u>336,105,713</u>



## 5.1 Ijarah assets

Particulars	2022													
	Cost				Depreciation				Impairment				Net book value	
	As at January 1, 2022	Additions	Disposals	As at December 31, 2022	Charge for the Year	Disposals	As at December 31, 2022	As at January 1, 2022	Disposal	As at December 31, 2022	As at December 31, 2022	As at December 31, 2022	Life Years	
Plant and machinery	405,143,067	1,115,000	(22,301,900)	383,956,167	5,428,090	(19,716,262)	303,973,289	15,593,102	(15,593,102)	-	79,982,878	As per lease term		
Vehicle	432,937,429	7,759,613	(73,658,818)	367,038,224	76,453,471	(47,129,455)	271,862,052	1,104,397	(1,104,397)	-	95,176,172	As per lease term		
Consumer products	133,893,279	52,190,401	(30,982,500)	155,101,180	53,775,827	(21,344,124)	95,342,410	-	-	-	59,758,770	As per lease term		
	971,973,775	61,065,014	(126,943,218)	906,095,571	135,657,388	(88,189,841)	671,177,751	16,697,499	(16,697,499)	-	234,917,820			

## 2021 (Restated)

Particulars	2021 (Restated)													
	Cost				Depreciation				Impairment				Net book value	
	As at July 1, 2021	Additions	Disposals	As at December 31, 2021	Charge for the Period	Disposals	As at December 31, 2021	As at July 01, 2021	Disposal	As at December 31, 2021	As at December 31, 2021	As at December 31, 2021	Life Years	
Plant and machinery	475,281,171	1,011,900	(71,150,004)	405,143,067	5,879,522	(61,961,940)	318,261,461	15,593,102	-	15,593,102	71,288,504	As per lease term		
Vehicle	442,297,959	2,805,000	(12,165,530)	432,937,429	107,652,181	(9,850,058)	242,538,036	1,104,397	-	1,104,397	189,294,996	As per lease term		
Consumer products	113,774,738	32,005,500	(11,886,959)	133,893,279	24,908,139	(7,134,358)	62,910,707	-	-	-	70,982,572	As per lease term		
	1,031,353,868	35,822,400	(95,202,493)	971,973,775	138,439,842	(78,946,356)	623,710,204	16,697,499	-	16,697,499	331,566,072			

5.1.1 Depreciation charge for the year has been recognised in Income from Ijarah rentals.

5.1.2 Above assets include fully depreciated assets of Rs. 352,758,204 (December 31, 2021 : 361,201,704) still outstanding.

## 5.2 Assets in own use

2022										
Particulars	Cost				Depreciation			Net book value		
	As at January 1, 2022	Additions	Disposals	As at December 31, 2022	Charge for the Year	Disposal	As at December 31, 2022	As at December 31, 2022	As at December 31, 2022	Life Years
	Rupees in '000									
Office Equipment	5,042,797	1,250,680	(157,600)	6,135,877	683,440	(93,000)	3,284,766	2,851,111		3 to 7
Furniture & Fixtures	2,947,985	431,746	-	3,379,731	313,737	-	2,246,234	1,133,497		7
Vehicles	2,450,800	-	-	2,450,800	429,967	-	1,949,770	501,030		5
Computer and related accessories	1,240,980	141,700	-	1,382,680	82,638	-	1,078,933	303,747		3
	11,682,562	1,824,126	(157,600)	13,349,088	1,509,782	(93,000)	8,559,703	4,789,385		-

2021										
Particulars	Cost				Depreciation			Net book value		
	As at July 1, 2021	Additions	Disposals	As at December 31, 2021	Charge for the Year	Disposal	As at December 31, 2021	As at December 31, 2021	As at December 31, 2021	Life Years
	Rupees in '000									
Office Equipment	3,682,747	1,360,050	-	5,042,797	49,388	-	2,694,326	2,348,471		3 to 7
Furniture & Fixtures	2,947,985	-	-	2,947,985	154,744	-	1,932,497	1,015,488		7
Vehicles	2,259,300	191,500	-	2,450,800	598,150	-	1,519,603	930,997		5
Computer and related accessories	1,212,980	28,000	-	1,240,980	38,238	-	996,295	244,685		3
	10,103,012	1,579,550	-	11,682,562	840,520	-	7,142,921	4,539,641		-

**5.2.1** Depreciation charge for the year has been recognised in administrative expenses.

**5.2.2** Above assets include fully depreciated assets of Rs. 2,838,790 (December 31, 2021: 2,040,941) still in the Group's use.

	Note	2022 Rupees	2021 Rupees
<b>6. Intangible Assets</b>			
Computer software	6.1	1,722,250	-
Lahore Stock Exchange (LSE) Financial Services Limited - Lease rights	6.2	4,640,225	4,640,225
Trading Right Entitlement Certificate (TREC)	6.3	2,500,000	2,500,000
Capital work in progress	6.4	-	1,100,000
		<u>8,862,475</u>	<u>8,240,225</u>
<b>6.1 Computer software</b>			
Cost	6.1.1	4,495,000	2,495,000
Amortization	6.1.2	(2,772,750)	(2,495,000)
		<u>1,722,250</u>	<u>-</u>
<b>6.1.1 Carrying Amount</b>			
Balance as at January 1, 2022 / July 1, 2021		2,495,000	2,495,000
Additions for the year / period		2,000,000	-
Closing balance		<u>4,495,000</u>	<u>2,495,000</u>
<b>6.1.2 Amortization</b>			
Balance as at January 1, 2022 / July 1, 2021		(2,495,000)	(2,092,814)
Amortization for the year / period	34	(277,750)	(402,186)
Closing balance		<u>(2,772,750)</u>	<u>(2,495,000)</u>
Life (Years)		<u>3</u>	<u>3</u>
<b>6.2 Lahore Stock Exchange (LSE) Financial Services Limited - Lease rights</b>			
Cost	6.2.1	<u>4,640,225</u>	<u>4,640,225</u>
<b>6.2.1</b> This represents the cost of the lease rights given by the LSE Financial Services Limited to the Group with the indefinite useful life. These are considered to be indefinite as there is no foreseeable limit on the period during which the Group expects to consume the future economic benefits.			
	Note	2022 Rupees	2021 Rupees
<b>6.3 Trading Right Entitlement Certificate (TREC)</b>			
Cost		5,000,000	5,000,000
Accumulated Impairment	6.3.2	(2,500,000)	(2,500,000)
		<u>2,500,000</u>	<u>2,500,000</u>

**6.3.1** This represents the TREC received by the Group in accordance with the Stock Exchanges (Corporatization, Demutualization and Integration) Act ,2012 as amended by the Stock Exchanges (Corporatization, Demutualization and Integration) (Amendment) Act, 2015. These have been carried at cost less accumulated impairment losses.

Further in 2021, the TREC was under lien in favour of PSX to meet the requirement of the Base Minimum Capital (BMC) of the Risk Management Regulation of PSX Rule Book.

**6.3.2** PSX vide notice no. PSX/N-255 dated February 16, 2021 have notified the notional fees of Trading Entitlement Certificates which amounts to Rs 2,500,000.

	Note	2022 Rupees	2021 Rupees
<b>6.4 Capital work in progress</b>			
Advance against purchase of software		-	1,100,000
		-	1,100,000
	Note	2022 Number of Shares	2021
<b>7 Long term investment</b>			
<b>LSE Financial Services Limited</b>			
Opening number of shares as at January 1, 2022 / July 1, 2021		843,975	843,975
Add: Right issue exercised during the year / period 7.2		337,590	-
Closing number of shares		1,181,565	843,975
	Note	2022 Rupees	2021 Rupees
Opening balance (revalued amount) as at January 1, 2022 / July 1, 2021		20,466,394	20,533,912
Right issue exercised during the year (at right price of Rs. 10)	7.2	3,375,900	-
Revaluation gain / (loss) during the year / period		37,135	(67,518)
Closing balance		23,879,429	20,466,394

**7.1** In the absence of the active market for shares of LSE Financial Services Limited, investment in the shares of the Company are measured using the net asset value of LSE Financial Services Limited as at December 31, 2022 of Rs. 20.21 (December 2021: Rs. 24.25), which approximates the fair value of shares of LSE Financial Services Limited as majority of the assets held by LSE Financial Services Limited are carried at revaluation / fair value model.

**7.2** Board of Directors of the LSE Financial Services Limited in their meeting held on March 25, 2022 had offered the right issue of 40% to the existing shareholders at right price of Rs. 10.

**7.3** 843,975 (December 31, 2021: 843,975) shares of LSE Financial Services Limited are under lien in favor of Pakistan Stock Exchange (PSX) on account of the Base Minimum Capital (BMC) prescribed by the Risk Management Regulation of PSX Rule Book.

	Note	2022 Rupees	2021 Rupees
<b>8 Long term musharikhah investment - secured</b>			
Long term musharikhah investment	8.2	872,228,440	713,092,641
Less: Current portion of long term musharikhah investment shown in current assets	13	(331,072,764)	(423,391,618)
		<u>541,155,676</u>	<u>289,701,023</u>

8.1 This represents long term Musharikhah investment - secured for a term of 1 to 10 years.

8.2 The profit charge on these facilities range from 10.52% to 22.34% per annum (December 31, 2021: 9.60% to 19.98% per annum).

	Note	2022 Rupees	2021 Rupees
<b>8.3 Aging of long term Musharikhah investment - secured</b>			
<b>Classification</b>			
Considered good		662,144,283	480,924,367
Portfolio classified as non-performing			
Other asset especially mentioned (OAEM)		56,759,858	34,488,292
Substandard		19,220,810	14,464,166
Doubtful		3,452,415	15,499,604
Loss		130,651,074	167,716,212
	8.4	<u>210,084,157</u>	<u>232,168,273</u>
		<u>872,228,440</u>	<u>713,092,641</u>

8.4 This includes classification into the categories defined in the Modaraba Regulations 2021.

8.5 These are secured against registered vehicles in the name of Modaraba, personal guarantees and post dated cheques.

8.6 The maximum outstanding amount of Musharikhah loans given to key management personnel Mr. Mudassar Kaiser Pal at any time during the year is Rs. 3,240,000 (December 31, 2021: Nil).

	Note	2022 Rupees	Restated 2021 Rupees
<b>9 Long term Morabaha investment - secured</b>			
Long term morabaha investment		45,041,957	13,522,222
Add: Unearned morabaha income		5,970,440	1,904,590
		<u>51,012,397</u>	<u>15,426,812</u>
Less: Current portion of long term morabaha investment	13	(29,145,447)	(10,466,668)
		<u>21,866,950</u>	<u>4,960,144</u>
Less: Current portion of unearned morabaha income	13	(5,244,732)	(679,620)
		<u>16,622,218</u>	<u>4,280,524</u>

9.1 This represents long term Morabaha investment - secured for a term of 1 to 3 years.

9.2 The rate of profit on morabaha finances ranges from 7.30% to 13.58% per annum (December 31, 2021: 7.30% to 13.58% per annum).

	Note	2022 Rupees	2021 Rupees
<b>9.3 Aging of long term Morabaha investment - secured</b>			
<b>Classification</b>			
Considered good		25,890,994	4,722,222
Portfolio classified as non-performing			
Other asset especially mentioned (OAEM)		10,350,963	-
Loss		8,800,000	8,800,000
	9.4	19,150,963	8,800,000
		45,041,957	13,522,222

9.4 This includes classification into the categories defined in the Modaraba Regulations 2021.

9.5 These are secured against mortgage of properties, hypothecation, personal guarantees and demand promissory notes.

	Note	2022 Rupees	2021 Rupees
<b>10 Long term deposits</b>			
<b>Deposits placed with National Clearing Company of Pakistan Limited</b>			
Initial security deposit		200,000	200,000
Basic deposit for trading in regular market		200,000	200,000
Basic deposit for trading in future market		1,000,000	1,000,000
Deposit against MSF		100,000	100,000
<b>Deposits placed with Central Depository Company of Pakistan</b>			
Initial security deposit		192,500	192,500
<b>Deposits placed with Pakistan Stock Exchange Limited</b>			
Deposit against Base Minimum Capital	10.1	6,490,527	6,490,527
<b>Other security deposits</b>			
Others	10.2	312,444	212,444
		8,495,471	8,395,471

- 10.1** This represents the amount deposited with the Pakistan Stock Exchange (PSX) on account of the Base Minimum Capital (BMC) prescribed by the Risk Management Regulation of PSX Rule Book.
- 10.2** This includes the deposit of Rs 100,000 made to Chief Executive Officer of the Company, Mr. Muhammad Imran Butt against the office rented by the Company in Lahore Stock Exchange (LSE) Building, Lahore.

The deposits represent the non-interest bearing security deposit paid to Lahore Electric Supply Company and Pakistan Mobile Communications Limited.

	Note	2022 Rupees	2021 Rupees
<b>11</b>	<b>Deferred tax</b>		
	Deferred tax asset	58,058,447	63,799,180
	Taxable temporary difference	1,173,608	2,327,848
	Deductible temporary differences	59,232,055	66,127,028
		58,058,447	63,799,180

- 11.1** The management, based on their projections / assessment of future taxable profits, believes that the Group will be able to achieve sufficient taxable profits in future to adjust the recognized deferred tax assets and accordingly has recorded the asset on such basis at December 31, 2022.

	Note	2022 Rupees	2021 Rupees
<b>12</b>	<b>Short term morabaha investment-secured</b>		
	Short term Morabaha investment	409,709,161	416,172,013
	Add: Unearned morabaha income	9,529,954	2,651,705
		419,239,115	418,823,718
	Less: Provision against Morabaha investment	(211,503,873)	(214,253,879)
		207,735,242	204,569,839

- 12.1** This represents short term Morabaha investment-secured for a term of 3 months to 1 year.
- 12.2** The rate of profit on morabaha finances ranges from 10.75% to 31% per annum (December 31, 2021: 11.93% to 19.90% per annum).

	Note	2022 Rupees	2021 Rupees
<b>12.3</b>	<b>Provision against Morabaha investment</b>		
	Opening balance as at January 1, 2022 / July 1, 2021	214,253,879	235,561,379
	Reversals during the year / period	(2,750,000)	(21,307,500)
	Closing balance	211,503,873	214,253,879

	Note	2022 Rupees	2021 Rupees
<b>12.4 Ageing of short term Morabaha investment-secured</b>			
<b>Classification</b>			
Considered good		34,510,000	1,170,013
Portfolio classified as non-performing			
Other asset especially mentioned (OAEM)		4,999,998	-
Doubtful		-	826,000
Loss		370,199,163	414,176,000
	12.5	<u>375,199,161</u>	<u>415,002,000</u>
		<u>409,709,161</u>	<u>416,172,013</u>

12.5 This includes classification into the categories defined in the Modaraba Regulations 2021.

12.6 These are secured against mortgage of properties, hypothecation, personal guarantees and demand promissory notes.

	Note	2022 Rupees	2021 Rupees
<b>13 Current maturity of long term investment</b>			
Current portion of long term musharikhah investment	8	331,072,764	423,391,618
Less: Provision against musharika investment	13.1	(28,287,798)	(26,392,919)
		302,784,966	396,998,699
Current portion of long term morabaha investment	9	29,145,447	10,466,668
Add: Unearned morabaha income	9	5,244,732	679,620
Less: Provision against morabaha investment	13.2	(8,800,000)	(8,800,000)
		25,590,179	2,346,288
		<u>328,375,145</u>	<u>399,344,987</u>
<b>13.1 Provision against Musharikhah investment</b>			
Opening balance as at January 1, 2022 / July 1, 2021		26,392,919	15,761,143
Charge during the year / period		1,894,879	10,631,776
		<u>1,894,879</u>	<u>10,631,776</u>
Closing balance		<u>28,287,798</u>	<u>26,392,919</u>
<b>13.2 Provision against Morabaha investment</b>			
Opening balance as at January 1, 2022 / July 1, 2021		8,800,000	8,800,000
Closing balance		<u>8,800,000</u>	<u>8,800,000</u>



	Note	2022 Rupees	2021 Rupees
<b>14 Ijarah rental receivable</b>			
Ijarah rental receivable		223,239,011	257,993,218
Less: Provision against Ijarah rental receivable	14.1	(78,667,052)	(57,372,051)
		<u>144,571,959</u>	<u>200,621,167</u>
<b>14.1 Provision against Ijarah rental receivable</b>			
Opening balance as at January 1, 2022 / July 1, 2021		57,372,051	57,038,251
Charge during the year / period		6,017,112	333,800
Transfer of impairment		16,697,499	-
Reversal of provision during the year/ period		(1,419,610)	-
Closing balance		<u>78,667,052</u>	<u>57,372,051</u>
<b>14.2 Aging of Ijarah rental receivable</b>			
<b>Classification</b>			
Considered good		3,889,466	9,133,684
Portfolio classified as non-performing			
Other asset especially mentioned (OAEM)		5,102,524	13,029,595
Substandard		3,543,365	4,775,160
Doubtful		17,354,193	8,069,028
Loss		189,853,811	222,985,751
	14.3	<u>215,853,893</u>	<u>248,859,534</u>
		<u>219,743,359</u>	<u>257,993,218</u>

**14.3** This includes classification into the categories defined in the Modaraba Regulations 2021.

**14.4** These are secured against registered vehicles and equipment in the name of Modaraba, personal guarantees and post dated cheques.

**14.5** The maximum outstanding amount of Ijarah loans given to Key Management Personnel are as follows:

	Note	2022 Rupees	2021 Rupees
Mudasser Kaiser Pal		4,313,684	2,544,333
Saqib Shamim		2,398,262	3,982,679
		<u>6,711,946</u>	<u>6,527,012</u>

	Note	2022 Rupees	2021 Rupees
<b>15</b>	<b>Development Properties - Land</b>		
	Constructed	16,004,903	-
	Un-Constructed	37,364,795	39,483,636
		<u>53,369,698</u>	<u>39,483,636</u>
<b>15.1</b>	Development properties are stated at the lower of cost and net realizable value (NRV).		
<b>16</b>	<b>Trade debts</b>		
	Receivable from customers	4,568,058	1,599,673
	Receivable against margin financing	2,383,665	5,168,847
	Receivable from National Clearing Company of Pakistan Limited	605,215	1,010,075
		<u>7,556,938</u>	<u>7,778,595</u>
	Considered good	7,556,938	7,778,595
<b>16.1</b>	This includes the receivable against the marketable securities and brokerage commission receivable.		
<b>16.2</b>	<b>Ageing analysis</b>		
	Upto 5 days	4,131,928	385,453
	Above 5 days	436,130	1,214,220
		<u>4,568,058</u>	<u>1,599,673</u>
<b>16.3</b>	<b>Due from Related parties</b>		
	The Bank of Punjab	124,192	1,306,246
		<u>124,192</u>	<u>1,306,246</u>
<b>16.3.1</b>	<b>The ageing of trade debts from related parties as at reporting date is as follows:</b>		
	Past due 1 - 30 days	124,192	652,483
	Past due 31 - 60 days	-	284,659
	Past due 61 - 90 days	-	369,104
		<u>124,192</u>	<u>1,306,246</u>
<b>16.4</b>	<b>Customer assets</b>		
	Central Depository System	299,935,314	669,202,799

	Note	2022 Rupees	2021 Rupees
<b>17 Advances, deposits, prepayments and other receivables</b>			
Profit receivable			
- Morabaha investment		9,310,807	732,319
- Musharikhah investment		4,425,141	33,728,953
		<u>13,735,948</u>	<u>34,461,272</u>
Prepayments		2,972,558	4,530,524
Advances to suppliers		12,710,953	2,867,844
Non-banking assets		4,772,500	8,391,250
Deposits		18,900,000	29,917,195
Other receivables		119,713,564	97,639,667
		<u>172,805,523</u>	<u>177,807,752</u>
Less: Provision against other receivables		(9,955,643)	(11,128,292)
		<u>162,849,880</u>	<u>166,679,460</u>

**17.1** This includes the accrued mark-up on deposits maintained with the National Clearing Company of Pakistan Limited against exposure arising out of the trading in securities in accordance with the regulations of the National Clearing Company of Pakistan Limited.

	Note	2022 Rupees	2021 Rupees
<b>17.2 Provision against other receivables</b>			
Opening balance as at January 1, 2022 / July 1, 2021		11,128,292	11,128,292
Reversals during the year / period		(1,172,649)	-
		<u>9,955,643</u>	<u>11,128,292</u>
<b>18 Cash and bank balances</b>			
Cash at banks			
Current accounts		56,809,852	58,258,429
Deposit accounts		2,888,868	102,073,480
Savings accounts		2,647,913	2,660,203
Current account with State Bank of Pakistan	18.3	3,522	233,586
		<u>62,350,155</u>	<u>163,225,698</u>
Cash in hand		85,029	261,254
		<u>62,435,184</u>	<u>163,486,952</u>

18.1 The bank balance include customer's bank balance held in designated bank accounts amounting to Rs 24,537,318 (December 31, 2021: Rs 24,877,206).

18.2 The balance of Rs. 23,682,562 (December 31, 2021: Rs.32,694,141) is maintained with The Bank of Punjab (the holding company of the Modaraba's Management Company).

18.3 This account is utilized by the Modaraba for the payment of online charges of the Credit Information Bureau.

	Note	2022 Rupees	2021 Rupees
<b>19 Authorized, Issued, subscribed and paid-up modaraba certificate capital</b>			
Authorized certificate capital			
50,000,000 modaraba certificates of Rs.10 each		500,000,000	500,000,000
Number of Modaraba certificates		50,000,000	50,000,000

**19.1 Issued, subscribed and paid-up modaraba certificate capital**

2022		2021	2022		2021
Number of certificate			Rupees in '000'		
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 certificate of Rs. 10 each issued as fulluy paid in bonus certificate	140,200,000	140,200,000	
34,020,000	34,020,000		340,200,000	340,200,000	

	Note	2022 Rupees	2021 Rupees
Cetificates of Rs. 10/- fully paid on cash		200,000,000	200,000,000
Cetificates of Rs. 10/- issued as bonus certificates		140,200,000	140,200,000
		340,200,000	340,200,000

**19.2 Following certificates are held by associated companies of the Group:**

	2022 Number of certificate	Rupees	2021 Number of certificate	Rupees
Punjab Modaraba Services (Pvt.) Limited.	13,320,694	133,206,940	13,320,694	133,206,940
Trustee - 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
	18,424,982	184,249,820	18,424,982	184,249,820

	Note	2022 Rupees	2021 Rupees
<b>20 Reserves</b>			
<b>Capital reserve</b>			
Statutory reserve	20.1	218,176,678	218,176,678
Fair value reserve		6,778,739	5,642,018
<b>Revenue reserves</b>			
Accumulated loss		(561,471,055)	(471,894,315)
		<u>(336,515,638)</u>	<u>(248,075,619)</u>

**20.1** Statutory reserve represents profits set aside by the Group to comply with the Modaraba Regulations, 2021 issued by the SECP. These regulations require a Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equal 100% of the paid-up capital.

During the year ended December 31, 2022, the Group has not transferred any amount to the statutory reserve. (December 31, 2021: Nil), since the Modaraba did not incur any profit after tax during the year.

	Note	2022 Rupees	2021 Rupees
<b>21 Long term security deposits</b>			
Long term security deposits against Ijarah	21.1	110,640,689	121,944,089
Less: Current maturity of security deposits	24	(102,236,889)	(79,669,360)
		<u>8,403,800</u>	<u>42,274,729</u>

**21.1** This represents security deposits payable in respect of assets given under Ijarah arrangements (IFAS-2).

	Note	2022 Rupees	2021 Rupees
<b>22 Deferred morabaha income</b>			
Deferred morabaha income	22.1	15,500,394	4,555,795
Less: Current maturity of deferred morabaha income	24	(5,244,732)	(4,555,795)
		<u>10,255,662</u>	<u>-</u>

**22.1** These represent receivables against morabaha transactions on deferred payment basis at profit margin which ranges from 7.3% to 31% per annum (December 31, 2021 : 11.64% to 16.24% per annum).

	Note	2022 Rupees	2021 Rupees
<b>23 Long term musharikhah finance secured</b>			
Opening balance as at January 1, 2022 / July 1, 2021		131,100,952	535,128,774
Proceeds during the year / period		-	2,038,378,738
Less: repaid during the year / period		(131,100,952)	(2,442,406,560)
		<u>(131,100,952)</u>	<u>(404,027,822)</u>
Closing balance		<u>-</u>	<u>131,100,952</u>

**23.1** The Group had availed musharikhah finance facilities from The Bank of Punjab having approved limits of Rs. 1,585 million (December 31, 2021: Rs. 1,585 million) and tenor of 3 years. The facilities had expired on December 31, 2021. These facilities were secured by way of first pari passu charge over present and future fixed assets of Modaraba for amount of Rs. 860 million, first pari passu charge over present and future current assets of Modaraba for an amount of Rs. 1,040 million and ranking charge over present and future current assets for an amount of Rs. 860 million. The estimated share of profit payable on musharikhah facilities was 3 months - KIBOR plus 0.25% per annum. The facilities have been settled during the year.

	Note	2022 Rupees	Restated 2021 Rupees
<b>24 Current maturity of non current liabilities</b>			
Current maturity of long term security deposits	21	102,236,889	79,669,360
Current maturity of deferred morabaha income	22	5,244,732	4,555,795
		<u>107,481,621</u>	<u>84,225,155</u>
<b>25 Redeemable capital - participatory and unsecured</b>			
Unsecured			
Certificates of Mushrikah placements	25.1	<u>1,825,000,000</u>	<u>1,603,000,000</u>
<b>25.1 Movement in certificates of Mushrikah placements</b>			
Opening balance as at January 1, 2022 / July 1, 2021		1,603,000,000	1,014,101,593
Add: Issued during the year / period		225,000,000	600,000,000
Add: Re- issued during the year / period		1,600,000,000	1,000,000,000
Less: Redeemed during the year / period		(1,603,000,000)	(1,011,101,593)
		<u>222,000,000</u>	<u>588,898,407</u>
Closing balance		<u>1,825,000,000</u>	<u>1,603,000,000</u>

**25.2** The Certificates of Musharaka placements have been issued with a maturity of upto 3 months. The share of profit payable ranges from 7.5% to 15.80% per annum (December 31, 2021: 5.65% to 13.60% per annum).

25.3 Redeemable capital - participatory and unsecured include the funds from the Bank of Punjab that has been availed and utilized during the year to finance the working capital requirements of the Group.

	Note	2022 Rupees	2021 Rupees
<b>26 Profit payable</b>			
Long term musharikhah finance - secured		-	9,463,234
Redeemable capital - participatory and unsecured		28,096,745	13,401,730
		<u>28,096,745</u>	<u>22,864,964</u>
<b>27 Trade and other payables</b>			
Trade payables	27.1	19,371,358	13,881,979
Accrued expenses	27.2	600,000	802,500
Tax deducted at source		1,359,146	1,382,147
Advances against ijarah / morabaha / musharikhah		18,917,300	46,016,677
Provident fund payable		3,498	2,795,038
Gratuity payable		6,488,354	4,419,572
Other payables	27.3	23,107,957	54,080,126
		<u>69,847,613</u>	<u>123,378,039</u>

27.1 This includes an amount of Rs.19,379,547 (December 31, 2021: Rs.13,881,979) has been reported under trade date basis while the balance under settlement date basis amounts to Rs. 19,413,448 (December 31, 2021: Rs. 15,052,576).

27.2 This includes amount in respect of gratuity payable to employees amounting to Rs. 6,488,354 (December 31, 2021: Rs. 4,419,572).

27.3 This includes an amount payable to NCCPL amounting to Rs. 4,083,042 (December 31, 2021: Rs. 2,200,851).

This also includes penalty imposed by the Securities and Exchange Commission of Pakistan (the SECP) amounting to Rs 275,000. In 2020, the SECP issued a Show Cause Notice No. 2 (256) SMD /ADJ-I /2020 /427 (the Show Cause Notice) dated November 10, 2020 to the Company in violation of Securities and Exchange Commission of Pakistan (Anti Money Laundering and Countering Financing of Terrorism) Regulations, 2018. An Order No. 2 (256) SMD /ADJ-I /2020 /653 was passed on January 6, 2021 imposing the aforementioned penalty on the Company. The Company on February 6, 2021, being aggrieved by the Order, filed a review application under section 33 of the SECP Act, 1997 to the Learned Executive Director, HOD Adjudication Division (AD-1) and appealed to the Commission to reduce / waive off the penalty amount. The appeal is still pending adjudication.

	Note	2022 Rupees	2021 Rupees
<b>28 The following amounts are payable to related parties:</b>			
Chief Executive Officer		2,471	23,648
Head of Operations		909	11,714
Head of Risk		26,468	288
Head of Internal Audit		59	290
		<u>29,907</u>	<u>35,940</u>

## 29 Contingencies and commitments

### First Punjab Modaraba

#### 29.1 Contingencies

Contingencies outstanding as at December 31, 2022 are as follows:

- 29.1.1** While finalizing the tax assessments for the years 1997-98 and 1998-99, the assessing officer made certain add backs out of profit and loss account. The Modaraba had filed an appeal before the Commissioner of Income Tax (Appeals) CIT-(A), who rejected the appeal. In response, the Modaraba filed an appeal against the order of CIT-(A), before the honorable Income Tax Appellate Tribunal (ITAR), which was decided in favor of the Modaraba.

However, the Income Tax Department filed an appeal before honorable Lahore High Court. As at December 31, 2022, the Group expects a favorable outcome of the case.

- 29.1.2** For the tax year 2003, Additional Commissioner Inland Revenue (ACIR) issued an order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) and rejected the exemption claimed by the Modaraba from income tax under Clause 100 of Part I of Second Schedule to the Ordinance and made add backs on account of provision for bad debts, which resulted in a tax liability of Rs. 27.410 million. The Modaraba filed a rectification application under the section 221 of the Ordinance for reducing the tax rate from 35% to 25%. In response of which the tax department passed the rectification order and reduced the tax liability to Rs. 14.580 million.

The Modaraba also filed an appeal before the CIR (Appeals) for the relief against the order of ACIR issued in respect of tax year 2003. After hearing, the CIR (Appeals) accepted the claim of the Modaraba and issued a favorable order and relieved the Modaraba of the tax liability of Rs. 14.580 million.

However, the income tax department filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which was also decided in favor of the Modaraba. In response, the Income Tax Department has filed a reference in Lahore High Court against decision of Appellate Tribunal Inland Revenue which is pending for adjudication. As at December 31, 2022, the Group expects a favorable outcome of the case.

- 29.1.3** For the tax year 2005, Additional Commissioner Inland Revenue (ACIR) issued order under section 122 (5A) of the Income Tax Ordinance, 2001, (the Ordinance) and rejected the exemption claimed by the Modaraba from income tax under Clause 100 of Part I of Second Schedule to the Ordinance and assessed the tax liability to be Rs. 17.67 million. The Modaraba filed a rectification application under section 221 of the Ordinance for reducing the tax rate from 35% to 25%.

The Modaraba also filed an appeal before the CIR (Appeals) for the relief against the order of ACIR issued in respect of tax year 2005. After hearing, the CIR (Appeals) accepted the claim of the Modaraba and issued a favorable order and relieved the Modaraba of the tax liability of Rs. 17.67 million.

However, the Income Tax Department filed an appeal before Appellate Tribunal Inland Revenue against the order of CIR (Appeals) which was also decided in favor of the Modaraba. The Income Tax Department has filed a reference in Lahore High Court against the decision of the Appellate Tribunal Inland Revenue which is pending for adjudication. As at December 31, 2022, the Group expects a favorable outcome of the case.



### 29.1.4 Legal suits against Modaraba

Suit for rendition of account Rs. 22.145 million filed by a defaulter against the Modaraba. The suit is pending in Honorable Banking Court. As at December 31, 2022, the Group expects a favorable outcome of the case.

### 29.2 Commitments

**29.2.1** There are no Ijara commitments approved but not disbursed as at December 31, 2022 (December 31, 2021: Rs. 138.38 Million)

**29.2.2** There are no Morabaha commitments approved but not disbursed as at December 31, 2022 (December 31, 2021: 15 Million).

**29.2.3** There are no Musharikhah commitments approved but not disbursed as at December 31, 2022 (December 31, 2021: Rs.122.38 million).

### 29.3 Punjab Capital Securities (Private) Limited

There are no material contingencies and commitments at the balance sheet date.(2021: Nil).

	Note	Jan 01 to Dec 31, 2022 Rupees	July 01 to Dec 31 2021 Rupees
<b>30</b>	<b>Income from Ijarah rentals</b>		
	Ijarah rental income	175,666,928	110,582,336
	Less: Depreciation on Ijarah assets	(135,657,385)	(81,690,770)
		40,009,543	28,891,566
<b>31</b>	<b>Brokerage income</b>		
	Gross Brokerage Income	22,082,977	17,924,822
	Less: Federal Excise Duty	3,535,678	2,867,972
		18,547,299	15,056,850
<b>31.1</b>	<b>Major revenue streams</b>		
	Retail clients	13,161,156	11,478,473
	Institutional clients	5,386,143	3,578,377
		18,547,299	15,056,850
	<b>Geographical region:</b>		
	Pakistan	18,547,299	15,056,850
	<b>Timing of provision of service</b>		
	Service provided to customer at point in time	18,547,299	15,056,850

		Jan 01 to Dec 31, 2022	July 01 to Dec 31 2021
	Note	Rupees	Rupees
<b>32</b>	<b>(Loss) / gain on disposal of assets</b>		
	Gain on disposal of non banking assets	317,500	-
	Gain on disposal of owned assets	32,500	-
	(Loss) / gain on disposal of Ijarah assets	(6,422,103)	661,332
		<u>(6,072,103)</u>	<u>661,332</u>
<b>33</b>	<b>Other income</b>		
	Profit on bank deposits	29,944,898	2,335,386
	Processing fee	1,500,978	724,890
	Advising fee	2,401,000	-
	Cheque return charges	2,340,782	-
	Gain on settlement of Musharikhah	6,412,753	1,089,165
	Gain on settlement of Morabaha	15,648,924	106,578
	Markup income on margin financing	1,476,948	269,389
	Markup income on exposure deposit maintained with NCCPL	2,765,092	709,794
	Markup income on exposure deposit maintained with PSX for BMC	972,599	-
	Dividend income	1,223,764	759,578
	Miscellaneous income	1,244,969	403,605
	Rebate income from Takaful arrangements	3,158,303	1,183,200
		<u>69,091,010</u>	<u>7,581,585</u>
<b>34</b>	<b>Administrative expenses</b>		
	Salaries and benefits	50,425,843	20,832,134
	Traveling and conveyance	208,181	153,235
	Depreciation	1,509,880	840,520
	Amortization of intangible assets	277,750	402,186
	Legal and professional charges	1,133,945	775,525
	Printing and stationery	1,391,636	830,945
	Insurance	3,657,587	1,652,473
	Fee and subscription	5,562,276	2,008,163
	Auditor's remuneration	1,335,000	670,000
	Repair and maintenance expenses	2,869,015	1,631,587
	Vehicle running and maintenance	499,514	117,370
	Power and utilities	3,032,683	1,139,722
	Entertainment expenses	1,061,240	505,178
	Advertisement expenses	300,578	190,150
	Telephone and postage expenses	885,768	349,391
	Corporate expenses	709,182	217,441
	Rent rates and taxes	966,298	215,818
	Selling and marketing expenses	7,536,584	4,078,784
	PSX, clearing house and CDC charges	1,063,892	747,722
	Miscellaneous expenses	3,902,248	252,631
		<u>88,329,100</u>	<u>37,610,975</u>

34.1 This includes contribution of Rs. 1,564,765 (December 31, 2021: Rs. 708,242) to the staff provident fund and expense in respect of unfunded gratuity scheme amounting to Rs. 2,068,782 (December 31, 2021: Rs. 55,648)

	Note	Jan 01 to Dec 31, 2022 Rupees	July 01 to Dec 31 2021 Rupees
<b>34.2 Auditors' remuneration</b>			
Annual audit fee		900,000	560,000
Fee for review of half yearly financial statements		250,000	-
Out of pocket expenses		185,000	110,000
		1,335,000	670,000
<b>35 Finance cost</b>			
Financial charges on long term musharikhah finance - secured		196,055	18,636,257
Financial charges on redeemable capital - participatory and unsecured		220,300,804	36,617,881
Bank charges		218,959	71,359
		220,715,818	55,325,497
<b>34 Taxation</b>			
Current tax		1,186,161	1,004,985
Deferred tax		6,840,309	587,304
		8,026,470	1,592,289

There is no relationship between the tax expense and accounting profit since the Group has not incurred any profit during the current year. Accordingly, no numerical reconciliation has been presented.

### 37 (Loss) / Earning per certificate - Basic and Diluted

#### 37.1 Basic (loss) / earning per certificate

Basic (loss) / earning per certificate are calculated by dividing the net (loss) / profit for the year / period by the weighted average number of certificates outstanding during the year / period as follows:

	Note	Jan 01 to Dec 31, 2022 Rupees	July 01 to Dec 31 2021 Rupees
(Loss) / profit for the year / period		(89,576,740)	2,967,063
Weighted average number of ordinary certificates outstanding during the year / period		34,020,000	34,020,000
(Loss) / earning per certificate - basic and diluted		(2.63)	0.09

### 37.2 Diluted (loss) / per certificate

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

### 38 Transactions with related parties

The related parties and associated undertakings comprise of The Bank of Punjab, Punjab Modaraba Services (Private) Limited, Staff Provident Fund, Trustee - The Bank of Punjab Employees Gratuity Fund and Rizwan & Company. 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:

#### 38.1 Balances outstanding at the end of year / period

Name	Relationship	Periods endbalance	Dce 31, 2022	Dec 31, 2021
The Bank of Punjab	Holding Company of Modaraba's Management Company	Long term musharikhah finance - secured	-	131,100,952
		Profit payable on long term musharikhah finance - secured	-	9,463,234
		Redeemable capital - participatory and unsecured	1,825,000,000	1,600,500,000
		Profit payable on redeemable capital - participatory and unsecured	28,096,745	12,908,324
		Outstanding Modaraba certificates	47,880	47,880
Punjab Modaraba Services (Private) Limited	Modaraba Management Company	Outstanding Modaraba certificates	133,206,940	133,206,940
Trustee - The Bank of Punjab Employees Gratuity Fund	Associated Company	Outstanding Modaraba certificates	50,995,000	50,995,000
Key Management Personnel	Key Management Personnel	Outstanding loan under Musharikhah and Ijarah arrangements	9,656,201	6,503,989
Staff provident fund	Provident fund of the Modaraba	Provident fund contributions payable	3,498	107,931

## 38.2 Transactions during the year / period

Name	Relationship	Periods endbalance	Jan 01 to Dec 31, 2022	July 01 to Dec 31, 2021
The Bank of Punjab	Holding Company of Modaraba's Management Company	Redeemable capital - participatory and unsecured received during the year / period	225,000,000	600,000,000
		Redeemable capital - participatory and unsecured rolled over during the year/ period	1,600,000,000	1,000,000,000
		Repayment of long term musharikhah finance - secured during the year / period	131,100,952	404,027,822
		Profit paid on long term musharikhah finance - secured during the year / period	9,659,289	20,350,556
		Profit paid on redeemable capital - participatory and unsecured during the year / period	205,605,789	35,807,885
		Brokerage Commission charged by the Company	4,567,491	1,934,378
		Key Management Personnel	Key Management Personnel	Remuneration of key management personnel paid during the year / period
Associated Company	Staff loans disbursed during the year / period		244,380	3,056,977
	Staff loans repaid during the year / period		3,152,212	871,240
	Chief Executive Officer		Brokerage Commission charged by the Company	949,948
Head of Operations	Security deposit paid by the Company		100,000	-
	Rent paid by the Company		180,000	-
	Brokerage Commission charged by the Company		9,206	3,443
	Senior Risk Manager		Brokerage Commission charged by the Company	1,161
Head of Internal Audit	Brokerage Commission charged by the Company		6,002	3,718
Staff provident fund	Provident fund of the Modaraba		Provident fund contributions paid to the fund	2,272,620
	Provident fund of the Company	Provident fund contributions paid to the fund	3,106,574	-

### 39 Remuneration of officers and executives

	December 31, 2022			
	Cheif Executive	Executive employees	Other employees	Total
	----- Rupees -----			
Remuneration	3,808,356	4,654,438	20,547,787	29,010,581
Bonus	172,480	408,081	3,112,327	3,692,888
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	198,276	324,948	1,041,542	1,564,766
Gratuity Fund	-	634,639	1,434,143	2,068,782
Expenses reimbursed	1,203,879	1,893,039	982,187	4,079,105
	5,382,991	10,255,708	34,787,144	50,425,843
Number of employees at the year end	1	2	52	55
Average no of employees	1	2	50	53

	December 31, 2021			
	Cheif Executive	Executive employees	Other employees	Total
	----- Rupees -----			
Remuneration	1,567,104	1,938,486	8,774,026	12,279,616
Bonus	-	323,081	1,005,944	1,329,025
House rent allowance	-	775,392	2,271,397	3,046,789
Utility allowance	-	193,848	1,149,601	1,343,449
Medical allowance	-	193,848	405,646	599,494
Provident fund contribution	81,588	161,478	465,176	708,242
Gratuity Fund	-	55,648	-	55,648
Expenses reimbursed	533,067	623,445	313,359	1,469,871
	2,181,759	4,265,226	14,385,149	20,832,134
Number of employees at the year end	1	2	48	51
Average number of employees	1	2	48	51

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

#### 40 Financial instruments by category

December 31, 2022				
	Carrying value	Amortised cost	Fair value	Total
----- Rupees -----				
<b>Financial assets</b>				
Long term musharikhah investment - secured	541,155,676	541,155,676	-	541,155,676
Long term morabaha investment - secured	16,622,218	16,622,218	-	16,622,218
Long term investment	23,879,429	-	23,879,429	23,879,429
Long term deposits	8,495,471	8,495,471	-	8,495,471
Short term morabaha investment - secured	207,735,242	207,735,242	-	207,735,242
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
Trade debts	7,556,938	7,556,938	-	7,556,938
Deposits and other receivables	142,393,869	142,393,869	-	142,393,869
Cash and bank balances	62,435,184	62,435,184	-	62,435,184
	1,683,221,131	1,659,341,702	23,879,429	1,683,221,131

#### 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	69,847,613	69,847,613	-	69,847,613
Unclaimed profit	17,191,276	17,191,276	-	17,191,276
	1,940,135,634	1,940,135,634	-	1,940,135,634

December 31, 2021				
	Carrying value	Amortised cost	Fair value	Total
----- Rupees -----				

#### Financial assets

Long term musharikhah investment - secured	289,701,023	289,701,023	-	289,701,023
Long term morabaha investment - secured	4,280,524	4,280,524	-	4,280,524
Long term investment	20,466,394	-	20,466,394	20,466,394
Long term deposits	8,395,471	8,395,471	-	8,395,471
Short term morabaha investment - secured	204,569,839	204,569,839	-	204,569,839
Current maturity of long term investment	399,344,987	399,344,987	-	399,344,987
Ijarah rental receivable	200,621,167	200,621,167	-	200,621,167
Short term investment	200,000,000	200,000,000	-	200,000,000
Trade debts	7,778,595	7,778,595	-	7,778,595
Deposits and other receivables	150,889,842	150,889,842	-	150,889,842
Cash and bank balances	163,486,952	163,486,952	-	163,486,952
	1,649,534,794	1,629,068,400	20,466,394	1,649,534,794

#### Financial liabilities

Long term musharikhah finance - secured	131,100,952	131,100,952	-	131,100,952
Redeemable capital - participatory and unsecured	1,603,000,000	1,603,000,000	-	1,603,000,000
Profit payable	22,864,964	22,864,964	-	22,864,964
Trade and other payables	123,378,039	123,378,039	-	123,378,039
Unclaimed profit	17,203,256	17,203,256	-	17,203,256
	1,897,547,211	1,897,547,211	-	1,897,547,211

## 41 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 Modaraba Management Company monitors the return on capital, which the Group defines as net profit after taxation divided by total Certificate holders' equity.

During the year ended December 31, 2022 the Modaraba's accumulated losses - net of capital reserves exceeds the fifty percent of the total amount subscribed by the holders of the Modaraba Certificates, which is a non-compliance of Section 23 of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (the Modaraba Ordinance) and would impact the maximum exposure of the Modaraba to a person or group in accordance with the clause 3 of Section II of the Modaraba Regulations 2021. In light of this, the Board of Modaraba Management Company has taken the steps necessary as mentioned in note 1.1 of these consolidated financial statements to ensure that Modaraba's equity can recover from the current circumstances and complies with the capital requirement of the Ordinance and Regulations.

Further, the subsidiary of the Group, Punjab Capital Securities (Private) Limited is required under the Securities Brokers (Licensing and Operation) Regulations, 2016 to disclose the following statements to comply with the requisite capital requirements:

- Liquid Capital Statement
- Net Capital Balance
- Capital Adequacy Level

The complete disclosures of the statements are available at the website of the subsidiary (<https://punjabcapital.com.pk/wp-content/uploads/2023/05/PCSL-Financial-Stat.-Dec.2022Audited.pdf>).

## 42 Financial instruments

### 42.1 Risk management policies

The Group's objective in managing risks is the creation and protection of Certificate holders' value. Risk is inherent in the Group'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 Group's continuing profitability. The Group 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 Group primarily invests in lease financing assets, diminishing musharaka, morabaha and short term investments. Such investments are subject to varying degrees of risk, which emanate from various factors that include but are not limited to:

- Credit Risk
- Liquidity Risk
- Market Risk

### 42.2 Credit risk

Credit risk is the risk that the counter party to a financial instrument will cause a financial loss for the Group by failing to discharge an obligation. The Group's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines and regulator requirements. The Group 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 or businesses. The Group 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 at the reporting date is as follows:

	Note	2022 Rupees	2021 Rupees
Long term musharikhah investment - secured		541,155,676	289,701,023
Long term morabaha investment - secured		16,622,218	4,280,524
Long term deposits		8,495,471	8,395,471
Short term morabaha investment - secured		207,735,242	204,569,839
Current maturity of long term investment		328,375,145	399,344,987
Ijarah rental receivable		144,571,959	200,621,167
Short term investment		200,000,000	200,000,000
Trade debts		7,556,938	7,778,595
Deposits and other receivables		142,393,869	150,889,842
Bank balances		62,435,184	163,486,952
		<u>1,659,341,702</u>	<u>1,629,068,400</u>

### 42.2.1 Credit risk ratings and collaterals held

42.2.1.1 Credit risk rating of the banks and their respective balances are given below:

Banks	Rating Agency	Short Term	Long Term	2022 Rupees	2021 Rupees
Bank Alfalah Limited	PACRA	A1+	AA+	32,068,752	19,955,621
The Bank of Punjab	PACRA	A1+	AA+	23,682,562	32,694,141
MCB Bank Limited	PACRA	A1+	AAA	2,376,001	3,276,159
Bank Al Habib Limited	PACRA	A1+	AAA	1,314,644	4,976,905
Al Baraka Bank (Pakistan) Limited	PACRA / VIS	A1/A1	A/A+	14,009	14,009
National Bank of Pakistan	PACRA / VIS	A1+/A1+	AAA/AAA	1,797	1,797
NRSP Microfinance Bank Limited	PACRA / VIS	A1/A1	A/A	2,888,868	102,073,480
				<u>62,346,633</u>	<u>162,992,112</u>

### 42.2.1.2 Collaterals

The Group does not hold any collateral from the counter parties against balances with banks and these are unsecured. The assets leased out by the Group under ijarah arrangements are secured as the title to the asset is held by the Modaraba. Security deposits are also kept against these arrangements.

### 42.2.1.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Group's total credit exposure. Concentrations of credit risk indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

Details of the Group's concentration of credit risk of financial instruments by industrial distributions are as follows:

December 31, 2022					
	Ijarah Assests	Morabaha investment	Musharikhah investment	Total	Sector %
Aviation and transport	86,935,751	-	427,170,814	514,106,565	32.92%
Others	14,108,127	40,091,465	248,166,316	302,365,908	19.36%
Textile spinning and composite	7,557,918	200,344,735	8,498,262	216,400,915	13.86%
Individuals	71,509,240	31,500,000	86,921,209	189,930,449	12.16%
Engineering, steel & construction	42,520,001	76,388,886	45,767,342	164,676,228	10.54%
Sugar and allied	-	77,955,554	-	77,955,554	4.99%
Food and allied	11,906,643	-	34,662,838	46,569,481	2.98%
Oil and gas	-	15,231,515	7,212,251	22,443,766	1.44%
Chemical and pharmaceuticals	280,140	215,320	13,829,408	14,324,868	0.92%
Electric goods	100,000	13,023,643	-	13,123,643	0.84%
	234,917,820	454,751,118	872,228,440	1,561,897,378	100.00%

Restated December 31, 2021					
	Ijarah Assests	Morabaha investment	Musharikhah investment	Total	Sector %
Others	23,832,101	101,091,834	397,533,457	522,457,392	35.44%
Aviation and transport	166,598,279	-	14,797,860	181,396,139	12.30%
Textile Spinning and Composite	15,816,326	181,900,588	-	197,716,914	13.41%
Food and Allied	2,358,420	-	190,615,120	192,973,540	13.09%
Individuals	81,919,050	31,458,001	-	113,377,051	7.69%
Engineering, Steel & Construction	40,526,037	67,500,000	936,300	108,962,337	7.39%
Paper and Board	-	-	32,042,113	32,042,113	2.17%
Sugar and Allied	-	32,000,000	-	32,000,000	2.17%
Jute	-	-	31,645,895	31,645,895	2.15%
Oil and Gas	-	-	31,092,480	31,092,480	2.11%
Electric Goods	100,000	13,023,642	12,215,033	25,338,675	1.72%
Chemical and Pharmaceuticals	415,859	2,720,170	-	3,136,029	0.21%
Bank and NBFI's	-	-	2,214,383	2,214,383	0.15%
	331,566,072	429,694,235	713,092,641	1,474,352,948	100.00%

### 42.3 Liquidity Risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its financial obligations arising from its financial liabilities that are settled by delivering cash or another financial assets, or that such obligations will have to be settled in a manner disadvantageous to the Group. Liquidity risk arises because of the possibility that the Group could be required to pay its liabilities earlier than expected.

The Group's approach to manage the liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. In an urgent situation, the Group may also opt for borrowing funds from its parent Bank i.e., The Bank of Punjab as the Bank has agreed to provide the financial support to the Modaraba as disclosed in note 1.1 of the consolidated financial statements.

**Maturities of assets and liabilities - Based on contractual maturity of the financial assets and financial liabilities of the Modaraba**

December 31, 2022						
Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	Over five years	
----- Rupees -----						
<b>Non-derivative financial assets</b>						
Long term musharikhah investment - secured	872,228,440	872,228,440	137,946,985	193,125,780	455,257,450	85,898,225
Morabaha investment - secured	454,751,118	454,751,118	437,325,159	4,750,014	12,675,945	-
Long term deposits	8,495,471	8,495,471	-	-	-	8,495,471
Ijarah rental receivable	223,239,011	223,239,011	223,239,011	-	-	-
Short term investment	200,000,000	200,000,000	200,000,000	-	-	-
Trade debts	7,556,938	7,556,938	7,556,938	-	-	-
Deposits and other receivables	142,393,869	142,393,869	142,393,869	-	-	-
Cash and bank balances	62,435,184	62,435,184	62,435,184	-	-	-
	1,971,100,031	1,971,100,031	1,210,897,146	197,875,794	467,933,395	94,393,696
<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	69,847,613	69,847,613	69,847,613	-	-	-
Unclaimed profit	17,191,276	17,191,276	17,191,276	-	-	-
	1,940,135,634	1,940,135,634	1,940,135,634	-	-	-
On-balance sheet gap	30,964,397	30,964,397	(729,238,488)	197,875,794	467,933,395	94,393,696

December 31, 2021						
Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years	Over five years	
----- Rupees -----						
<b>Non-derivative financial assets</b>						
Long term musharikhah investment - secured	713,092,641	713,092,641	391,451,249	31,940,369	54,616,934	235,084,089
Morabaha investment - secured	429,694,235	429,694,235	412,268,276	4,750,014	12,675,945	-
Long term deposits	8,395,471	8,395,471	-	-	-	8,395,471
Ijarah rental receivable	257,993,218	257,993,218	257,993,218	-	-	-
Short term investment	200,000,000	200,000,000	200,000,000	-	-	-
Trade debts	7,778,595	7,778,595	7,778,595	-	-	-
Deposits and other receivables	150,889,842	150,889,842	150,889,842	-	-	-
Cash and bank balances	163,486,952	163,486,952	163,486,952	-	-	-
	1,931,330,954	1,931,330,954	1,583,868,132	36,690,383	67,292,879	243,479,560
<b>Non-derivative financial liabilities</b>						
Long term musharikhah finance - secured	131,100,952	131,100,952	131,100,952	-	-	-
Redeemable capital - participatory and unsecured	1,603,000,000	1,603,000,000	1,603,000,000	-	-	-
Profit payable	22,864,964	22,864,964	22,864,964	-	-	-
Trade and other payables	123,378,039	123,378,039	123,378,039	-	-	-
Unclaimed profit	17,203,256	17,203,256	17,203,256	-	-	-
	1,897,547,211	1,897,547,211	1,897,547,211	-	-	-
On-balance sheet gap	33,783,743	33,783,743	(313,679,079)	36,690,383	67,292,879	243,479,560

#### 42.4 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 optimising the return on risk. Market risk comprise of three types of risks : currency risk, interest rate risk and price risk.

The Management Company manages market risk by monitoring its financial instruments as per the internal risk management policies.

The Group is exposed to interest rate risk only.

##### 42.4.1 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 Group does not have any financial instrument in currencies other than the functional currency of the Group, therefore the Group is not subject to currency risk.

##### 42.4.2 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 Group does not have any investment traded in the market other than the investment in the unquoted shares of LSE Financial Services Limited.

The Group is exposed to price risks because of investments held by the Group in shares of LSE Financial Services Limited (carried at the Level 3). In case of 1% increase / decrease in the market price of the shares held, the other comprehensive income before tax of the Group would be higher / lower by Rs. 238,794. (December 31, 2021: Rs. 204,664).

##### 42.4.3 Interest 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 Group does not have any fixed rate financial assets and liabilities, therefore a change in interest rate at the end of the reporting year would not affect profit or loss. The Group has the following variable interest rate based financial instruments:

	Note	2022 Rupees	2021 Rupees
<b>Assets</b>			
Long term musharikhah investment - secured		872,228,440	713,092,641
Morabaha investment - secured		454,751,118	429,694,235
Ijarah rental receivable		223,239,011	257,993,218
Short term investment		200,000,000	200,000,000
Bank balances		5,536,781	104,733,683
Deposit against Base Minimum Capital		6,490,527	6,490,527
Receivable against margin financing		2,383,665	5,168,847
Deposits maintained with National Clearing Company of Pakistan Limited - against exposure arising out of the trading in securities		18,900,000	29,917,195
		<u>1,783,529,542</u>	<u>1,747,090,346</u>
<b>Liabilities</b>			
Redeemable capital - participatory and unsecured		1,825,000,000	1,603,000,000
Long term musharikhah finance - secured		-	131,100,952
		<u>1,825,000,000</u>	<u>1,734,100,952</u>

### Sensitivity Analysis

Increase or decrease of 1% in the interest rates would have increased / decreased the profit and loss account by the amounts as mentioned below.

		Change in the profit and loss account	
		Jan 01 to Dec 31, 2022	July 01 to Dec 31, 2021
Increase / (Decrease)		Rupees	Rupees
<b>Assets</b>			
Long term musharikhah investment - secured	± 1%	8,722,284	7,130,926
Morabaha investment - secured	± 1%	4,547,511	4,296,942
Ijarah rental receivable	± 1%	2,232,390	2,579,932
Short term investment	± 1%	2,000,000	2,000,000
Bank balances	± 1%	55,368	1,047,337
Deposit against Base Minimum Capital	± 1%	64,905	64,905
Receivable against margin financing	± 1%	23,837	51,688
Deposits maintained with National Clearing Company of Pakistan Limited - against exposure arising out of the trading in securities	± 1%	189,000	299,172
		<u>17,835,295</u>	<u>17,470,902</u>
<b>Liabilities</b>			
Redeemable capital - participatory and unsecured	± 1%	18,250,000	16,030,000
Long term musharikhah finance - secured	± 1%	-	1,311,010
		<u>18,250,000</u>	<u>17,341,010</u>

#### 42.5 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Group's operations either internally within the Group or externally at the Group'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 Group's activities. The Group's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders. The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Modaraba Management Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- documentation of controls and procedures;
- 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.

#### 43 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 carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Group 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 within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

**43.1** Level 3 investments in unlisted shares of LSE Financial Services Limited, as mentioned in note 8 of the financial statements are valued using the net assets value method as at December 31, 2022.

#### 43.2 Valuation inputs and relationships to fair value

Description	Fair value at		Unobservable inputs	Range of inputs (Fair value per share)	
	2022	2021		2022	2021
Unlisted equity securities	23,879,429	20,466,394	Net assets value	20.21	24.25

Net asset value determined approximates the fair value of shares of LSE Financial Services Limited as majority of the assets held by LSE Financial Services Limited are carried at revaluation / fair value model.

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.

December 31, 2022							
Carrying Value				Fair Value			
Loans and Receivables	Other financial Assets	Other financial Liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>							
Long term musharikah investment - secured	541,155,676	-	541,155,676	-	-	-	-
Long term morabaha investment - secured	16,622,218	-	16,622,218	-	-	-	-
Long term security deposits	8,495,471	-	8,495,471	-	-	-	-
Long term investments	-	23,879,429	23,879,429	-	-	23,879,429	23,879,429
Short term morabaha investment - secured	207,735,242	-	207,735,242	-	-	-	-
Current maturity of long term investment	328,375,145	-	328,375,145	-	-	-	-
Ijarah rental receivable	144,571,959	-	144,571,959	-	-	-	-
Short term investment	200,000,000	-	200,000,000	-	-	-	-
Trade debts	7,556,938	-	7,556,938	-	-	-	-
Advances, deposits and other receivables	132,424,517	-	132,424,517	-	-	-	-
Cash and bank balances	62,435,184	-	62,435,184	-	-	-	-
	<u>1,649,372,350</u>	<u>23,879,429</u>	<u>1,673,251,779</u>	<u>-</u>	<u>-</u>	<u>23,879,429</u>	<u>23,879,429</u>
<b>Financial liabilities</b>							
Redeemable capital - participatory and unsecured	-	1,825,000,000	1,825,000,000	-	-	-	-
Profit payable	-	28,096,745	28,096,745	-	-	-	-
Trade and other payables	-	69,847,613	69,847,613	-	-	-	-
Unclaimed dividend	-	17,191,276	17,191,276	-	-	-	-
	<u>-</u>	<u>1,940,135,634</u>	<u>1,940,135,634</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

December 31, 2021							
Carrying Value				Fair Value			
Loans and Receivables	Other financial Assets	Other financial Liabilities	Total	Level 1	Level 2	Level 3	Total
<b>Financial assets</b>							
Long term musharikah investment - secured	289,701,023	-	289,701,023	-	-	-	-
Long term morabaha investment - secured	4,280,524	-	4,280,524	-	-	-	-
Long term security deposits	8,395,471	-	8,395,471	-	-	-	-
Long term investment	-	20,466,394	20,466,394	-	-	20,466,394	20,466,394
Short term morabaha investment - secured	204,569,839	-	204,569,839	-	-	-	-
Current maturity of long term investment	399,344,987	-	399,344,987	-	-	-	-
Ijarah rental receivable	200,621,167	-	200,621,167	-	-	-	-
Short term investment	200,000,000	-	200,000,000	-	-	-	-
Trade debts	7,778,595	-	7,778,595	-	-	-	-
Advances, deposits and other receivables	100,507,511	-	100,507,511	-	-	-	-
Cash and bank balances	163,486,952	-	163,486,952	-	-	-	-
	<u>1,578,686,069</u>	<u>20,466,394</u>	<u>1,599,152,463</u>	<u>-</u>	<u>-</u>	<u>20,466,394</u>	<u>20,466,394</u>
<b>Financial liabilities</b>							
Long term musharikah finance - secured	-	131,100,952	131,100,952	-	-	-	-
Redeemable capital - participatory and unsecured	-	1,603,000,000	1,603,000,000	-	-	-	-
Profit payable	-	22,864,964	22,864,964	-	-	-	-
Trade and other payables	-	123,378,039	123,378,039	-	-	-	-
Unclaimed dividend	-	17,203,256	17,203,256	-	-	-	-
	<u>-</u>	<u>1,897,547,211</u>	<u>1,897,547,211</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



43.4 The Modaraba has not disclosed the fair values for the above financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their fair values are not significantly different from their carrying amounts.

#### 44 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 Group's entire product portfolio and considers the business to have a single operating segment. The Group's asset allocation decisions are based on a single integrated investment strategy and the Group's performance is evaluated on an overall basis.

The internal reporting provided to the Chief Executive Officer for the Group'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 Group is domiciled in Pakistan. All of the Group's income is from investments in entities incorporated in Pakistan. The Group has a diversified product portfolio whereby resources have been allocated.

	Note	2022 Rupees	2021 Rupees
<b>45 Cash and cash equivalents at the end of the year / period</b>			
Cash and bank balances	18	62,435,184	163,486,952
Total cash and cash equivalents at the end of the year / period		<u>62,435,184</u>	<u>163,486,952</u>

		Jan 01 to Dec 31, 2022	Restated July 01 to Dec 31 2021
	Note	Rupees	Rupees
<b>46 Cash flow from operating activities</b>			
Loss for the year / period		(81,550,270)	4,559,352
Adjustments for:			
Depreciation of Ijarah assets	5.1	135,657,388	81,690,770
Depreciation of assets in own use	5.2	1,509,782	840,520
Amortization of intangible assets	34	277,750	402,186
Loss on disposal of Ijarah assets	32	6,422,103	(661,332)
Gain on disposal of owned assets	32	(32,500)	-
Gain on disposal of non-banking assets	32	(317,500)	-
Reversal of provision against Morabaha investment	12.3	(2,750,000)	(21,307,500)
Provision against Musharika investment	13.1	1,894,879	10,631,776
Reversal of provision against other receivables	17.2	(1,172,649)	-
Write off of tax refund due from the government		3,404,592	-
Dividend income	33	(1,223,764)	(759,578)
Accrued profit on bank deposits	33	(29,944,898)	(123,164)
Markup on margin financing and deposits maintained with National Clearing Company of Pakistan Limited (NCCPL)	33	(5,214,639)	7,262
Provision against Ijarah rentals - net	14.1	4,597,502	333,800
Financial charges on musharika finances	35	196,055	18,636,257
Financial charges on redeemable capital	35	220,300,804	36,617,881
		333,604,905	126,308,878
<b>Operating profit before working capital changes</b>		252,054,635	130,868,230
<b>Working capital changes</b>			
(Increase)/decrease in operating assets:			
Morabaha investment		(36,218,801)	43,077,059
Musharika investment - net		(159,135,799)	(131,287,945)
Development properties - Land		(13,886,062)	(32,508,636)
Ijarah Rental Receivable - net		51,151,412	44,165,151
Trade debts		221,657	24,877,289
Advances, deposits, prepayments and other receivables		4,557,930	39,544,480
		(153,309,663)	(12,182,602)
Increase / (decrease) in operating liabilities:			
Security deposits - net		(11,303,400)	(6,203,402)
Trade and other payables		(54,430,426)	(1,655,366)
		(65,733,826)	(7,858,768)
<b>Net changes in operating assets and operating liabilities</b>		(219,043,489)	(19,991,370)
<b>Cash generated from operations</b>		33,011,146	110,876,860

#### 47 Subsequent events

Subsequent to the year end, on March 31, 2023 First Punjab Modaraba decided to sell its 100% shareholding in the Punjab Capital Securities (Private) Limited (the Company) to the Bank of Punjab (the ultimate parent) at price of Rs. 85.487 million.

The shareholders of the Bank of Punjab, in their Annual General Meeting on March 29, 2023 have given the approval of acquisition of the Company by the Bank.

#### 48 Date of authorization for issue

The consolidated financial statements of Modaraba were approved by the Directors of Modaraba Management Company and authorized for issue on July 30th 2023.

#### 49 General

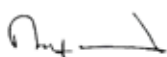
Figures have been rounded off to the nearest rupees unless otherwise provided.

#### 49.1 Reclassification of corresponding figures

Corresponding figures have been rearranged and reclassified, wherever necessary for the purpose of better presentation and comparison. No significant reclassifications have been made during the current period except for the following;

From	To	As at December 31, 2021 (Rupees)
Advances, deposits, prepayments and other receivables	Intangible assets	1,100,000
Trade and other payables	Advances, deposits, prepayments and other receivables	3,452,649
Short term morabaha investment - secured	Long term morabaha investment - secured	4,280,524
Short term morabaha investment - secured	Current maturity of long term investment	2,346,288

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



CHIEF FINANCIAL OFFICER



CHIEF EXECUTIVE



DIRECTOR



DIRECTOR



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

Managed By:

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

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