

GOVERNMENT OF PAKISTAN  
SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

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*Islamabad, the 15<sup>th</sup> February, 2024.*

NOTIFICATION

**S.R.O. 203 (I)/2024.**- In exercise of the powers conferred by sub-section (2) of section 41 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), read with clause (b) of section 43 of the Securities and Exchange Commission of Pakistan Act, 1997 (XLII of 1997), the Securities and Exchange Commission of Pakistan with the approval of the Federal Government is pleased to direct that the following further amendments shall be made in the Modaraba Companies and Modaraba Rules, 1981, as the same were previously published in the official Gazette vide Notification S.R.O 84(I)/2020 dated 4<sup>th</sup> February 2020, as required by the said section 41, namely:-

In the aforesaid Rules, -

- (1) in rule 8, for sub-rule (4), the following shall be substituted, namely: -

“(4) Every statement of financial position of a modaraba shall give a true and fair view of the state of affairs of the modaraba as at the end of its financial year and every statement of profit and loss and other comprehensive income, cash flow statement and statement of changes in equity of a modaraba shall respectively give a true and fair view of the result of its operations, cash flows and changes in equity for the year then ended.”;

- (2) for rule 9, the following shall be substituted, namely: -

**“9. Submission of annual report by modaraba company.** - (1) The annual report required by section 14 to be furnished by the modaraba company shall include a statement of financial position, a statement of profit and loss and other comprehensive income, a cash flow statement and a statement of changes in equity in respect of each modaraba and fullest information and explanations in regard to any reservation, observation, qualification or adverse remarks contained in the auditor’s report.

(2) The statement of financial position and statement of profit and loss and other comprehensive income, included in the annual report prepared by the modaraba company shall comply with the requirements of the Third Schedule as nearly as possible and the statement of financial position, statement of profit and loss and other comprehensive income, cash flow statement and statement of changes in equity prepared by the modaraba company shall conform with such international accounting standards and other standards as are notified from time to time in the official Gazette by the Securities and Exchange Commission of Pakistan under sections 510 and 225 of the Companies Act, 2017 (XIX of 2017).

(3) The statement of financial position, statement of profit and loss and other comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof and statement of profit and loss and other comprehensive income and statement of financial changes shall be audited by the auditor of the modaraba and the report of the auditor shall be as set out in Form XI.”;

(3) for rule 10, the following shall be substituted, namely: -

**“10. Submission of periodical report. —** (1) Every modaraba company shall prepare in accordance with such international accounting standards and other standards, as may be specified from time to time by notification in the official Gazette, for the purpose by the Securities and Exchange Commission of Pakistan under section 510, read with section 225 of the Companies Act, 2017 (XIX of 2017), the quarterly financial statements of each modaraba within the period of—

- (a) thirty days of the close of first and third quarters of its year of accounts; and
- (b) sixty days of the close of its second quarter of its year of accounts:

Provided that the cumulative figures for the half year, presented in the second quarter accounts shall be subjected to a limited scope review by the statutory auditors of the modaraba in such manner and according to such terms and conditions as may be determined by the Institute of Chartered Accountants of Pakistan and approved by the Commission.

(2) The quarterly financial statements shall be posted on the modaraba’s website for the information of its certificate holders and also be transmitted electronically to the registrar and securities exchange within the period specified under sub-section (1):

Provided that a copy of the quarterly financial statements shall be dispatched in physical form if so requested by any certificate holder without any fee:

Provided further that the Commission may specify the time period for which the quarterly financial statements shall be made available on the website of the modaraba.”;

(4) in rule 11, -

- (a) for the marginal heading, the marginal heading “Annual statement of financial position” shall be substituted; and
- (b) for sub-rule (1), the following shall be substituted, namely: -

“(1) The directors of every modaraba company shall, on some date not later than eighteen months after the floatation of each modaraba and subsequently once at least in every calendar year, prepare an annual statement of financial position and statement of profit and loss and other comprehensive income in respect of each modaraba for the period in the case of the first account since the floatation of the modaraba and in any other case since the preceding account.”;

(5) for rule 12, the following shall be substituted, namely: -

**“12. Authentication of statement of financial position.** - (1) Save as provided by sub-rule (2), the statement of financial position, statement of profit and loss and other comprehensive income, cash flow statement and statement of changes in equity shall be signed by the chief executive and two directors of the modaraba company.

(2) When the total number of directors of the modaraba company for the time being in Pakistan is less than the number of directors whose signatures are required under sub-rule (1), then the statement of financial position, statement of profit and loss and other comprehensive income, cash flows statement and statement of changes in equity shall be signed by all the directors for the time being in Pakistan or, if there is only one director for the time being in Pakistan, by such director, but in such a case there shall be sub-joined to the statement of financial position, statement of profit and loss and other comprehensive income, cash flows statement and statement of changes in equity a statement signed by such directors or director explaining the reason for non-compliance with the provisions of sub-rule (1).”;

(6) in rule16, -

(a) in sub-rule (2), for the words “Profit and Loss Account” the words “statement of profit and loss and other comprehensive income” shall be substituted; and

(b) in sub-rule (3), for the words “audited profit and loss account”, the words “audited statement of profit and loss and other comprehensive income” shall be substituted;

(7) in rule 17, in sub-rule (1), for the words “profit and loss account”, the words “statement of profit and loss and other comprehensive income” shall be substituted;

(8) in the First Schedule, in Form No. 1, for clause (3), the following shall be substituted, namely: -

“(3) Five copies each of the latest audited statement of financial position and statement of profit and loss of modaraba company and existing modarabas.”;

- (9) in the Annex to Form No. IX, for clause (3), occurring at the end, the following shall be substituted, namely: -

“(3) Last three years audited statement of financial position and statement of profit and loss and other comprehensive income together with related documents, certified by the company’s auditors.”;

- (10) for “Form No. XI” the following shall be substituted, namely: -

**“FORM No. XI**  
*[See rule 9 (3)]*

**Independent Auditor’s Report to the Certificate holders of  
\_\_\_\_\_ Modaraba (name of the modaraba)**

**Report on the Audit of the Financial Statements**

**A. Opinion**

1. We have audited the annexed financial statements (or revised financial statements, if applicable) of \_\_\_\_\_(Name of Modaraba) (the “Modaraba”), which comprise the statement of financial position as at \_\_\_\_\_, and the statement of profit and loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

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

**B. Basis for Opinion**

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

**C. Material uncertainty relating to going concern (if applicable):-**

**D. Emphasis of matter (if any): -**

**E. Key audit matter(s): -**

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

S. No.	Key audit matters	How matter was addressed in our audit
(1)	(2)	(3)

**F. Information other than the financial statements and Auditor’s Report thereon**

[Reporting in accordance with the reporting requirements in ISA 720 (Revised)]

**G. Responsibilities of management and Board of Directors of the modaraba company for the financial statements**

1. Management of the Modaraba Company is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Modaraba Companies and

Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and for such internal control as management of the Modaraba Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Modaraba's internal control;

- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Modaraba Company;
  - (d) Conclude on the appropriateness of the management of the Modaraba Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Modaraba's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Modaraba to cease to continue as a going concern; and
  - (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
3. We communicate with the board of directors of the Modaraba Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
  4. We also provide the board of directors of the Modaraba Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
  5. From the matters communicated with the board of directors of the Modaraba Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**I Report on other legal and regulatory requirements**

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

- (a) Proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980);
- (b) the statement of financial position, the statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and are in agreement with the books of account;
- (c) business conducted, investments made, expenditure incurred and guarantees extended during the year by the Modaraba were in accordance with the objects, terms and conditions of the Modaraba; and
- (d) zakat deductible at source under the *Zakat and Ushr* Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**J. Other matters: -**

**K. Prior Year Financial Statements Audited by Predecessor Auditor: -**

The engagement partner on the audit resulting in this independent auditor's report is [name].

[Signature]

[Place /location]

[Date]

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**Notes**

i. Where due to events occurring after the issuance of audit report an audit report is required to be revised, this fact along with specific justification and impact shall be conspicuously stated in the title and text of the report. For this, the following paragraph shall be included in an Emphasis of Matter Paragraph or Other Matter paragraph.

Reasons for Revision of Financial Statements and the Audit Report (if applicable).

We have issued the previous Audit Report to the certificate holders for audit of the financial statements for the year ended \_\_\_\_\_ on \_\_\_\_\_. The previous Audit Report was unqualified. Those financial statements were approved by the Board of Directors of the Modaraba Company on \_\_\_\_\_. Subsequent to issuing of the audit report, material changes in the reported value of \_\_\_\_\_ were discovered due to which the reported amount of \_\_\_\_\_ and the profit is reduced/increased by Rs. \_\_\_\_\_. As a result, the financial statements were revised and the Board of Directors of the Modaraba Company approved it on \_\_\_\_\_.



ii. In the case of a un-listed Modaraba, the section of key audit matter(s) in the report and the related last two paragraphs in the auditor's responsibilities section may be omitted.

iii. In case there is no key audit matters, following wording may be used:  
We have determined that there are no key audit matters to communicate in our report.

iv. In accordance with section 505 of the Companies Act, 2017 (the Companies Act), the provisions of the Companies Act will also apply to Modarabas and Modaraba Companies, except where the said provisions are inconsistent with the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

With Reference to explanation of Section 249(3) and Section 249(4) of the Companies Act, 2017 (XIX of 2017):

- Where any of the matters referred in the Auditor's Report in answered in negative or with a qualification the report shall state the reasons for such answers along with the factual position to the best of auditor's information.
- Where the auditor's report contains a reference to any other report, statement or remarks which they have made on the financial statements examined by them, such statement or remarks shall be annexed to the auditor's report and shall be deemed to be a part of the auditor's report.

<sup>v</sup>Where no Zakat is deductible, substitute "no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980)".

The paragraph is not required in cases where the auditor of the Modaraba is same in the previous year.";

(11) in Third Schedule,-

- (a) for the heading "GENERAL PROVISIONS AS TO BALANCE SHEET AND PROFIT AND LOSS ACCOUNT" the heading "GENERAL PROVISIONS AS TO STATEMENT OF FINANCIAL POSITION AND STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME" shall be substituted;
- (b) for the first sub-heading "Requirements as to Balance Sheet" the sub-heading "Requirements as to statement of financial position" shall be substituted;
- (c) for the words "balance sheet", wherever appearing, the words "statement of financial position" shall be substituted;
- (d) in clause 7, in clause A, for sub-clause (i), the following shall be substituted, namely: -  
"(i)reserves, distinguishing between capital reserves and revenue reserves. Capital reserves shall include certificate premium account, surplus on revaluation of fixed assets, profit prior to certificate flotation or on re-issue of forfeited certificates or any reserve not available for distribution by way of revenue profit (to be specified), while revenue reserves shall include general reserve, profit distribution equalization reserve, other reserves, created out of profit (to be specified), and unappropriated profits i.e., credit balance of statement of profit and loss and other comprehensive income after appropriations for the period to the date of statement of financial position. Addition to and deductions from each item of reserves shall be shown in the statement of financial position under the respective items unless they are


disclosed in the statement of profit and loss and other comprehensive income or a statement or a report annexed thereto. Only revaluation element included in the book value of the fixed assets at the statement of financial position date be treated as capital reserves.”; and

(e) in PART II,-

- (i) for the heading “REQUIREMENTS AS TO PROFIT AND LOSS ACCOUNT” the heading “REQUIREMENTS AS TO STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME” shall be substituted; and
- (ii) in clause 1,-
  - (A) for the words “profit and loss account”, the words “statement of profit and loss and other comprehensive income” shall be substituted;
  - (B) in sub-clause (G), in paragraph (vii), for the words “profit and loss account”, the words “statement of profit and loss and other comprehensive income” shall be substituted;
  - (C) in clause 3, in sub-clause (i), in paragraph (m), for the words “profit and loss account” the words “statement of profit and loss and other comprehensive income” shall be substituted;
  - (D) in clause 5, for the words “profit and loss account” the words “statement of profit and loss and other comprehensive income” shall be substituted;
  - (E) in clause 6, for the words “profit and loss account” wherever appearing, the words “statement of profit and loss and other comprehensive income” shall be substituted; and
  - (F) in clause 7, for the words “profit and loss account”, wherever occurring, the words “statement of profit and loss and other comprehensive income” shall be substituted.

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[File No. SY/SECP/8/13]

  
( Bilal Rasul )  
Secretary to the Commission