

Financial statements disclosure requirements for Shariah compliant companies and companies listed on Islamic indices

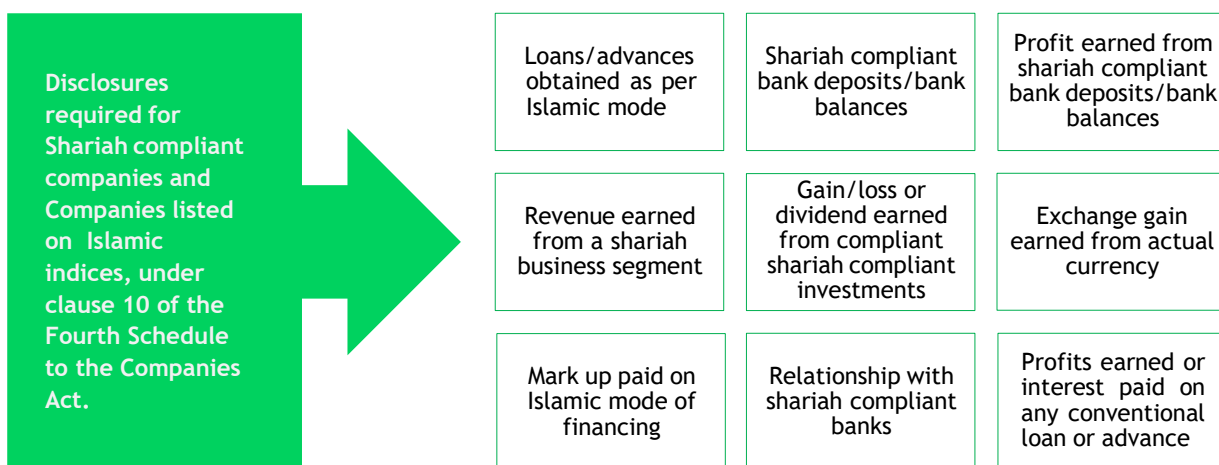
The Institute's Technical Services team has prepared this brief with the objective to draw attention of preparers of financial statements that are either 'Shariah compliant companies' or 'Companies listed on Islamic Indices' of Pakistan Stock Exchange (PSX) towards specific disclosures required under the Fourth Schedule to the Companies Act, 2017.

The objective of financial statements is to provide information about the financial position, performance and cash flows of a reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity. In other words financial statements should effectively communicate relevant and sufficient information.

The disclosure in focus

The Fourth Schedule to the Companies Act, 2017 specifies disclosure requirements for the 'Shariah compliant companies' and 'Companies listed on Islamic Index'.

The disclosure of required information assists in identification of companies that meet the Shariah screening criteria for their inclusion in Islamic indices. The disclosures also help analysts and investors in making more informed decisions regarding Shariah compliance status as per the indices' respective screening criteria.



Shariah compliant companies

Companies Act defines a Shariah compliant company as a company which is conducting its business according to the principles of Shariah. Further, section 451 of the Companies Act and related Regulations outline the statutory requirements for a Shariah compliant company.

Companies listed on Islamic indices

These represent companies listed on Islamic indices at PSX (PSX - KMI All Share Index and KMI 30 Index). The financial statements and other information of companies are analysed against a selection criteria for inclusion in Islamic indices.

The preparers of the financial statements of Shariah compliant companies and the companies listed on the Islamic Indices are requested to ensure compliance with the disclosures required under clause 10 of the Fourth Schedule to the Companies Act.