


# ANNUAL REPORT | 2017



IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

**SINDH MODARABA**





بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

وَمَا أَرْسَلْنَاكَ إِلَّا رَحْمَةً لِّلْعَالَمِينَ

And We have sent you not but as a mercy for Al-Alamin.

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## **Vision & Mission Statements**

# VISION

Our vision is to be one of the leading Islamic Financial Institution within Modaraba sector by offering Shari'ah compliant solutions for an optimal satisfaction of customers.

# MISSION

The basic aim of Sindh Modaraba is to seek Allah's blessing for transformation of our business dealings in accordance with the principles enshrined in the Islamic Shari'ah and to develop an Islamic Institution by implementing Allah's will in the line with the practices of His Prophet (P.B.U.H.) by meeting its stated objectives built on Trust, Integrity, Innovation and good governance for meeting expectation of its stakeholders.



## Corporate Information

### Board of Directors

Mr. Muhammad Bilal Sheikh	-Chairman	-Non-Executive Director
Syed Hasan Naqvi		-Non-Executive Director
Mr. Muhammad Shahid Murtaza		-Independent Director
Mr. Asif Haider Mirza		-Independent Director
Mr. Kamal Ahmed*		-Independent Director
Mr. Muhammad Naimuddin Farooqui		-Chief Executive

### CFO & Company Secretary

Mr. Zulfiqar Ali

### Audit Committee

Mr. Muhammad Shahid Murtaza	-Chairman
Mr. Asif Haider Mirza	-Member
Mr. Kamal Ahmed	-Member

### Shariah Advisor

Mufti Zeeshan Abdul Aziz

### Human Resource Committee

Mr. Muhammad Bilal Sheikh	-Chairman
Mr. Muhammad Shahid Murtaza	-Member
Mr. Asif Haider Mirza	-Member
Mr. Muhammad Naimuddin Farooqui	-Member

### Legal Advisor

Mohsin Tayebaly & Co.

### Nomination Committee

Syed Hasan Naqvi	-Chairman
Mr. Muhammad Bilal Sheikh	-Member
Mr. Muhammad Shahid Murtaza	-Member
Mr. Asif Haider Mirza	-Member

### Share Registrar

Technology Trade (Pvt.) Ltd  
Dagia House, 241-C Block 2,  
P.E.C.H.S., Shara-e-Quaideen,  
Karachi.  
Tel: (92-21) 34391316

### Procurement Committee

Syed Hasan Naqvi	-Chairman
Mr. Muhammad Shahid Murtaza	-Member
Mr. Asif Haider Mirza	-Member

### Risk Management Committee

Mr. Muhammad Bilal Sheikh	-Chairman
Mr. Muhammad Shahid Murtaza	-Member
Mr. Asif Haider Mirza	-Member
Mr. Muhammad Naimuddin Farooqui	-Member

### Registered/Head Office

1<sup>st</sup> Floor, Imperial Court,  
Dr. Ziauddin Ahmed Road,  
Karachi.  
Tel: (92-21) 35640708-9

### Bankers

Sindh Bank Limited-Islamic Banking (Saadat)

### Lahore Branch

Escort House No. 28,  
Davis Road,  
Lahore.

### Auditors

Grant Thornton Anjum Rahman  
Chartered Accountants

\*Appointed w.e.f 15<sup>th</sup> August 2017.

## Directors' Report

On behalf of the Board of Directors of Sindh Modaraba Management Limited, we are presenting the 3rd annual report of Sindh Modaraba together with Audited Accounts for the year ended June 30, 2017.

### 1. Economy

The financial indicators of the country are showing improving trends with the GDP growth rate at 5.2%, highest in last 10 years. Service and Industrial sectors registered growth of 6% and 5% respectively. The Government has put emphasis on the growth of Agriculture Sector and as a result of continuous monitoring of disbursements of Agri Credit by the Commercial Banks, the SBP has reported meeting the Agri Credit target for the fiscal year 2016-17 by the Commercial Banks.

Inflation has been contained at around 4% while the Rupee has remained stable at about Rs. 105/106 per US\$, though temporarily there has been a glitch when the rupee had touched Rs.108.0/US\$.

All the foregoing factors augur well for the Corporate Sector and hence expected improved utilization of Credit from the Financial Sector.

The political situation appears to have stabilized in the country after the in house change by electing a new Prime Minister. The Stock Market which had fallen to 43,000 levels has bounced back to 45,000 level reflecting business confidence. However, 2018, being an election year, much would depend on the continuation of Government Policies for consolidating and further improving the economic gains. Government would have to focus on improvement of power supply in the country, reduction of current account deficit and improvement of exports which are hurting the economic growth.

### 2. Operating Results and Business Overview

	June 30, 2017	June 30, 2016
	(Rupees)	
<b>Balance Sheet</b>		
Certificate capital	450,000,000	450,000,000
Total equity	983,671,641	473,134,681
Investment in Ijarah/Diminishing Musharaka	631,611,597	458,637,100
<b>Profit &amp; Loss</b>		
Revenue (net of Ijarah asset depreciation)	55,107,914	34,633,861
Operating expenses	24,123,893	17,232,616
Profit before management fee	30,240,620	23,890,309
Net Profit	26,286,960	20,743,478
<b>Appropriations</b>		
Profit distribution @ 4.5% (2016: 3.50%)	20,250,000	15,750,000
Statutory Reserve	5,257,392	4,148,696
<b>Earning per Certificate</b>	<b>0.58</b>	<b>0.46</b>

The Modaraba earned net profit of Rs. 26.286 million during the year under review as compared to profit of Rs. 20.743 million earned during period ended June 30, 2016. Financing facilities worth Rs. 342 million were disbursed to reputable customers during the year bringing the total financing portfolio to Rs 632 million. The Management Company provided interest free loan of Rs. 500 million to support the growth of the Modaraba. Exercising tight control over expenses, the operating expenses increased by approx 40% as compared to 60% growth in the revenue. This ratio would be endeavored to be reduced further in the coming periods. Despite increasing portfolio and advancing financial facilities to diversified sectors, we are pleased to report Non-performing loans at zero level.



## Directors' Report

### 3. Outlook

The Modaraba will continue its policy of building a high quality financing portfolio while keeping its mandate in mind to finance SMEs. With the availability of liquidity and credit lines the Modaraba is well positioned to capitalize on the opportunities available for the Islamic Finance Institutions in the country. In addition to the credit lines from banks, the management also intends to generate additional funds for future growth of the Modaraba by issuing Shariah compliant instruments, with the approval of the regulators. All efforts will be made to keep the operating cost at sustainable level and non-performing loans at zero level.

### 4. Profit distribution

The Board of Directors has approved cash dividend @ 4.5% (2016:3.50%) i.e. Re. 0.45 (2016: Re. 0.35) per certificate for the year ended 30<sup>th</sup> June 2017.

As per Prudential Regulations issued by Securities & Exchange Commission of Pakistan, Modarabas are required to transfer a minimum 20% and maximum 50% post-tax profit to statutory reserves. The Board of Directors has appropriated Rs. 5,257,392/- (20%) towards the Statutory Reserve.

### 5. External Annual Audit

The financial statements of Modaraba have been audited without any qualification by the auditors namely M/s Grant Thornton Anjum Rahman, Chartered Accountants.

### 6. Corporate Governance

The Modaraba is required to comply with various requirements of the Code of Corporate Governance (CCG) contained in Pakistan Stock Exchange Regulations as well as Public Sector Companies (Corporate Governance) Rules, 2013 (Rules) issued by the SECP.

The statutory auditors are also required to issue their review report over the compliance statement of the best practices, which is published with the financial statements.

The Board of Directors has reviewed the CCG and Rules and confirms that:

- The Board has consistently complied with the relevant principles of corporate governance and has identified the rules that have not been complied with the period in which such non-compliance continued and the reasons for such non-compliance.
- Financial statements, prepared by the management, present fairly the state of affairs, the results of its operations, cash flows and change in equity.
- Proper books of account have been maintained.
- Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The appointment of chairman and other members of the Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Modaraba as well as in line with the best practices.
- International Financial Reporting Standards, as applicable to modarabas in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.

## Directors' Report

- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2017, except for those disclosed in financial statements.
- The value of Investment in Employees Provident Fund based on financial statements of the Fund as of June 30, 2017 is Rs. 3.35 million.
- Key operating and financial data of last three years is annexed as this is the third year of Modaraba's operations.
- Six Board meetings of the Modaraba Company were held during the year. Attendance of each director is appended hereunder:

Name of Directors	No. of Meetings attended
Mr. Muhammad Bilal Sheikh	6
Syed Hasan Naqvi	4
Mr. Muhammad Naimuddin Farooqui	5
Mr. Muhammad Shahid Murtaza	6
Syed Shahnawaz Nadir Shah	5
Mr. Moin Mohajir	-
Mr. Asif Haider Mirza	6
Mr. Javed Iqbal-(Former CEO)	1

Leave of absences were granted to the director who could not attend the meeting.

- Four Audit Committee meetings of the Modaraba Company were held during the year under review. Attendance of each member is appended hereunder:

Name of Directors	No. of Meetings attended
Mr. Muhammad Shahid Murtaza	4
Mr. Muhammad Naimuddin Farooqui	2
Syed Shahnawaz Nadir Shah	3
Mr. Moin Mohajir	-
Mr. Asif Haider Mirza	2

- The Board has also established Human Resource, Risk Management, Nomination and Procurement Committees as required under the Rules. Only one meeting of Nomination Committee was held during the period under review which was attended by Mr. Muhammad Bilal Sheikh, Mr. Muhammad Shahid Murtaza and Mr. Asif Haider Mirza.
- The pattern of certificate holding is annexed to this report.
- The Directors, CEO, Executives and their spouses and minor children did not carry out any transaction in the certificates of the Modaraba during the year.



## Directors' Report

### 7. The Board of Directors

During the year, Government of Sindh appointed Syed Hassan Naqvi as Secretary Finance Department. Accordingly, he has been co-opted as director on the Board of the Modaraba Company in place of Mr. Sohail Khan Rajput. Mr. Moin Mohajir, an independent director and Syed Shahnawaz Nadir Shah also resigned from the Board during FY-2017. Furthermore, Mr. Javed Iqbal also resigned as CEO of the Company. Mr. Muhamad Naimuddin Farooqui, an existing director of the Company, has been appointed as CEO in his place.

The Board wishes to place on record its appreciation for the valuable contributions made by Mr. Sohail Khan Rajput, Syed Shahnawaz Nadir Shah and Mr. Moin Mohajir as directors and Mr. Javed Iqbal as CEO of the Company.

### 8. Social Responsibility

Corporate social responsibility (CSR) refers to business practices involving initiatives that benefit society. The Modaraba ensures its role of a Responsible Corporate Citizen by adhering to the following principles:

- Conducting business in a socially responsible and ethical manner.
- Protecting the environment and the safety of people.
- Supporting human rights; and
- Supporting the communities and cultures with which it works.

The Modaraba is committed to maintain the highest standards of integrity and corporate governance practices in order to maintain excellence in its daily operations, and to build-up confidence in its governance systems.

The Modaraba constantly strives to build trust and demonstrate respect for human dignity and rights in all relationships, including respect for cultures, customs and values of individuals and groups.

### 9. Credit Rating

JCR-VIS has assigned long term and short term credit rating of A+ and A1 respectively to the Modaraba with a stable outlook.

### 10. Auditors

On the recommendation of Audit Committee, the Board has approved the reappointment of present auditors M/s Grant Thornton Anjum Rahman, Chartered Accountants, as auditors for the financial year ending June 30, 2018. However, their appointment will be subject to the approval of Registrar Modaraba.

### 11. Acknowledgment

The Board would like to thank the SECP for its continued guidance and support. It would also like to thank the valued customers of the Modaraba for their continued trust and support. The Board also appreciates dedication and hard work of the employees of the Modaraba.

(On behalf of the Board)



**Muhammad Naimuddin Farooqui**  
Chief Executive Officer



**Muhammad Bilal Sheikh**  
Chairman

Karachi  
August 16, 2017

## ڈائریکٹرز کی رپورٹ

سندھ مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، ہم سندھ مضاربہ کی تیسری سالانہ رپورٹ بتاریخ 30 جون، 2017ء کو مکمل ہونے والے سال کے آڈٹ شدہ اکاؤنٹس کے ہمراہ پیش کر رہے ہیں۔

## (1) معیشت

جی ڈی پی کے 2.5 فیصد شروع نموجو کہ گزشتہ دس سالوں میں سب سے زیادہ ہے کے ساتھ ملک کے مالیاتی اشارے بہتری کے رجحان کو ظاہر کر رہے ہیں خدمات اور صنعتی شعبے میں بالترتیب 6 فیصد اور 5 فیصد نمو ظاہر ہوئی۔ گورنمنٹ نے زراعت کے شعبے پر خاص توجہ دی اور کمرشل بینکوں کے زرعی قرضوں کی فراہمی کی مسلسل نگرانی کے سبب اسٹیٹ بینک نے کمرشل بینکوں کے سال 2016-17 کے اہداف کو حاصل کرنے کی آگاہی دی۔

افراط زر کو 4 فیصد تک محدود کیا گیا جبکہ روپیہ ڈالر کے مقابلے میں 105/106 پر مستحکم رہا۔ اگرچہ عارضی طور پر خرابی کی وجہ سے روپیہ 108 کی سطح تک بھی پہنچا تھا۔ مندرجہ بالا تمام عنصر کارپوریٹ شعبے کے لیے مثبت ثابت ہوئے اور مالیاتی شعبے سے قرضوں کے استعمال میں بہتری آئی۔

نئے وزیراعظم کے اندرونی خانہ انتخاب کے باعث ملک کی سیاسی صورتحال میں استحکام آیا۔ اسٹاک مارکیٹ جو کہ 43000 کی سطح تک گر گئی تھی وہ 45000 کی سطح پر واپس آئی جو کاروباری اعتماد کا مظہر ہے جبکہ سال 2018 انتخابی سال ہونے کی وجہ سے بہت کچھ حکومتی پالیسیوں کے تسلسل اور معاشی کامیابیوں کو مزید بہتر بنانے پر منحصر ہیں۔ گورنمنٹ کو ملک میں توانائی کی فراہمی میں بہتری، کرنٹ اکاؤنٹ خسارے میں کمی اور برآمدات میں اضافہ پر توجہ دینی ہوگی جو کہ معاشی نمو کو متاثر کر رہی ہیں۔

## (2) آپریٹنگ نتائج اور کاروبار کا جائزہ

2017، جون، 30	2016، جون، 30
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روپے

450,000,000

450,000,000

983,671,641

473,134,684

631,611,597

458,637,100

55,107,914

34,633,861

24,123,893

17,232,616

30,240,620

23,890,309

26,286,960

20,743,478

20,250,000

15,750,000

5,257,392

4,148,696

0.58

0.46

بیلنس شیٹ

سرٹیفکیٹ کیپٹل

کل ایکویٹی

اجارہ / گھنٹا ہوا مشارکہ میں سرمایہ کاری

نفع اور نقصان

آمدنی (خالص اجارہ اثاثہ کی فرسودگی)

آپریٹنگ اخراجات

منافع قبل از مینجمنٹ کی فیس

خالص منافع

مختص کردہ رقوم

منافع کی تقسیم 14 اعشاریہ 50 فیصد (13 اعشاریہ 50 فیصد: 2016)

دستوری محفوظ زخائر

آمدنی فی سرٹیفکیٹ



## ڈائریکٹرز کی رپورٹ

مضاربہ نے گذشتہ سال 30 جون 2016ء ختم ہونے والے سال میں 20 اعشاریہ 74 ملین روپے کے مقابلے میں زیر غور سال کے دوران 26 اعشاریہ 28 ملین روپے کمائے۔ سال کے دوران اپنے معزز گاہکوں کو 342 ملین روپے مالیت کے قرضہ جات کی سہولیات فراہم کی گئیں۔ جس نے پورٹ فولیو کی سطح کو 632 ملین تک پہنچا دیا۔

مضاربہ کی نمو میں مدد کیلئے مینجمنٹ کمپنی نے 500 ملین روپے کا بلا سود قرضہ فراہم کیا۔ آمدنی میں 60 فیصد اضافہ کے برعکس اخراجات پر سخت قابو کی وجہ سے تقریباً 40 فیصد اضافہ ہوا۔ آنے والے وقتوں میں اس تناسب میں مزید کمی کی کوشش کی جائے گی۔ پورٹ فولیو میں اضافی اور متنوع شعبوں میں قرضوں کی فراہمی کے باوجود ہم یہ بتانے پر خوشی محسوس کر رہے ہیں کہ نان پرفارمنگ قرضوں کی سطح صفر فیصد ہے۔

### (3) امید مستقبل

مضاربہ ایس ایم ای کو قرضوں کی فراہمی کے مینڈیٹ کو مد نظر رکھتے ہوئے اعلیٰ معیار کے فنانشل پورٹ فولیو بنانے کی پالیسی کو جاری رکھے گا۔ لیکویڈیٹی اور قرضوں کی سہولیات کی دستیابی کے باعث، مضاربہ اسلامک فنانس اداروں کو میسر مواقع سے فائدہ اٹھانے کی بہتر پوزیشن میں ہے۔ بینکوں سے قرضوں کی سہولیات کے علاوہ مینجمنٹ مضاربہ کی نمو کیلئے ریگولیٹری اجازت کے بعد شرعی آلات کے اجراء کے ذریعے فنڈز اکٹھا کرنے کا ارادہ رکھتی ہے آپریٹنگ اخراجات کو قابل برداشت حد اور نان پرفارمنگ قرضوں کو صفر فیصد رکھنے کیلئے تمام کاوشیں بروئے کار لائی جائیں گی۔

### (4) منافع کی تقسیم

بورڈ آف ڈائریکٹرز نے 30 جون 2017ء کو ختم ہونے والے سال کے لئے ڈیویڈنڈ @ 14 اعشاریہ 50 فیصد (3 اعشاریہ 50 فیصد: 2016) یعنی 45 پیسے (35 پیسے: 2016) فی سٹیک کیٹ کا اعلان کیا ہے۔

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ پروٹیکشن ریگولیشنز کے مطابق مضاربہ کے لئے لازم ہے کہ وہ بعد از ٹیکس منافع کا کم سے کم 20 فیصد اور زیادہ سے زیادہ 50 فیصد دستوری ذخائر لے لیے مختص کرے۔ بورڈ آف ڈائریکٹرز نے دستوری ذخائر کے لیے 5,257,392 روپے (20 فیصد) مختص کئے ہیں۔

### (5) سالانہ بیرونی آڈٹ

مضاربہ کے مالیاتی اسٹیٹمنٹس کو بغیر کسی کوالیفیکیشن کے آڈیٹرز گرانٹ تھورنٹن انٹرمیڈیاٹ، چارٹرڈ اکاؤنٹنٹس آڈٹ کر چکے ہیں۔

### (6) کارپوریٹ گورننس

مضاربہ کے لیے لازم ہے کہ وہ پاکستان اسٹاک ایکسچینج ریگولیشنز میں درج کارپوریٹ گورننس (سی سی جی) اور اس کے ساتھ ساتھ ایس ای سی پی کے جاری کردہ پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) قوانین 2013 کے ضوابط کی پابندی کرے۔

دستوری آڈیٹ کے لیے ضروری ہے کہ وہ بہترین طریقوں پر عملدرآمد کرنے کے بارے میں اپنی جائزہ رپورٹ بھی دے جو مالیاتی اسٹیٹمنٹس کے ساتھ شائع کی جاتی ہے۔ بورڈ آف ڈائریکٹرز سی سی جی اور قوانین کا جائزہ لے چکے ہیں اور تصدیق کرتے ہیں کہ

- بورڈ متعلقہ اصولوں کی پابندی کر چکا ہے اور جن پر عملدرآمد نہیں ہوا ان کی شناخت کر چکا ہے اور وہ مدت جس میں عدم عملدرآمد جاری رہا اور ان کی وجوہات کیا تھیں۔
- مینجمنٹ کے تیار کردہ مالیاتی اسٹیٹمنٹس معاملات، آپریشن کے نتائج، کیش فلوا اور ایکویٹی میں ردوبدل کی درست تصویر پیش کرتے ہیں۔
- مناسب طور سے کھاتوں کی بکس رکھی گئی ہے۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو استعمال کیا گیا ہے اور اکاؤنٹنگ تخمینوں کی بنیاد مناسب اور محفوظ اندازے ہیں۔
- اندرونی نگرانی نظام کا ڈیزائن مضبوط ہے اور اس کا موثر طور پر نفاذ کیا جا چکا ہے اور اس کی موثر نگرانی کی جاتی ہے۔
- چیئرمین اور بورڈ کے دیگر ممبران کا انتخاب ان کے انتخاب کی مدت اور ان کے مشاہدوں کی پالیسی مضاربہ کے بہترین مفاد میں اور بہترین طریقوں کے مطابق ہیں۔

## ڈائریکٹرز کی رپورٹ

- مالیاتی اسٹیٹمنٹس کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈز جو پاکستان میں مضاربہ پر لاگو ہوتے ہیں ان پر عملدرآمد کیا گیا اور ان پر عملدرآمد نہ ہونے کی صورت میں ان کو مناسب طور پر ظاہر کیا اور اس کی وضاحت کی گئی ہے۔
- مضاربہ کے ایک جاری رہنے والے ادارے کے ہونے کی صلاحیت کے بارے میں کوئی خاص شبہات نہیں ہیں۔
- 30 جون 2017ء پر ٹیکس، ڈیویڈنڈ، لیویز اور چارجز کی مد میں کوئی دستوری ادائیگیاں نہیں ہیں ماسوائے ان کے جو مالیاتی اسٹیٹمنٹس میں ظاہر کیے گئے ہیں۔
- 30 جون 2017ء تک ملازمین کے پراویڈینڈ فنڈز سے 3.35 ملین کی سرمایہ کاری کی گئی ہے۔
- گذشتہ تین سالوں کا اہم آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے کیونکہ مضاربہ کے آپریشن کا یہ تیسرا سال ہے۔
- سال میں مضاربہ کمپنی کے بورڈ کے چھ اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہیں۔

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب محمد بلال شیخ	6
سید حسن نقوی	4
جناب محمد نعیم الدین فاروقی	5
جناب محمد شاہد مرتضیٰ	6
سید شاہنواز نادر شاہ	5
جناب معین مہاجر	-
جناب آصف حیدر مرزا	6
جناب جاوید اقبال (سابق سی ای او)	1

- جو ڈائریکٹر اجلاس میں شرکت نہ کر سکے ان کو رخصت دے دی گئی۔
- سال میں مضاربہ کمپنی کی آڈٹ کمیٹی کے چار اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے۔

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب محمد شاہد مرتضیٰ	4
جناب محمد نعیم الدین فاروقی	2
سید شاہنواز نادر شاہ	3
جناب معین مہاجر	-
جناب آصف حیدر مرزا	2

- بورڈ ہیومن ریسورس، رسک مینجمنٹ، نامزدگی اور پروکیورمنٹ کی کمیٹیوں کو قوانین کے مطابق قائم کر چکا ہے۔ زیر غور مدت کے دوران صرف نامزدگی کمیٹی کا ایک اجلاس ہوا جس میں جناب محمد بلال شیخ، جناب محمد شاہد مرتضیٰ اور جناب آصف حیدر مرزا شریک ہوئے۔
- اس رپورٹ کے ساتھ سٹیفیکٹیٹ ہولڈنگ کا خاکہ منسلک ہے۔
- ڈائریکٹرز سی ای او اور ڈیویڈنڈ اور ان کے شریک حیات اور ان کے نابالغ بچوں نے سال کے دوران مضاربہ کے سٹیفیکٹیٹس کا کوئی لین دین نہیں کیا۔

## (7) بورڈز آف ڈائریکٹرز

سال کے دوران حکومت سندھ نے سید حسن نقوی کی تقرری بطور سیکریٹری فنانس ڈیپارٹمنٹ کی اور اس طرح سے ان کو جناب سہیل خان راجپوت کی جگہ بورڈ میں شامل کیا۔ جناب معین مہاجر نے جو کہ آزاد ڈائریکٹر تھے اور سید شاہنواز نادر شاہ نے مالی سال 2017ء میں استعفیٰ دے دیئے۔ علاوہ ازیں جناب جاوید اقبال نے بھی بطور کمپنی کے سی ای او کے استعفیٰ دیا۔ جناب نعیم فاروقی جو کہ کمپنی کے موجودہ ڈائریکٹر ہیں، کو ان کی جگہ سی ای او مقرر کیا گیا۔

بورڈ جناب سہیل خان راجپوت، سید شاہنواز نادر شاہ اور معین مہاجر کی بطور ڈائریکٹرز اور جناب جاوید اقبال کی بطور کمپنی کے سی ای او کے کمپنی کے لیے گرانقدر خدمات کو سراہتے ہوئے ریکارڈ پر لانا چاہتا ہے۔



## ڈائریکٹرز کی رپورٹ

## (8) سماجی ذمہ داری

ادارے کی سماجی ذمہ داری (سی ایس آر) سے مراد وہ اقدامات ہیں جو معاشرے کو فائدہ پہنچائے۔ مضاربہ اپنے کردار کو بطور ذمہ دار کارپوریٹ شہری کے درج ذیل اصولوں کی بنیاد پر یقینی بناتا ہے۔

- کاروبار سماجی طور پر ذمہ دار اور اخلاقی طریقے سے ادا کرنا۔
- ماحول کا تحفظ اور لوگوں کی حفاظت کرنا۔
- انسانی حقوق کی حمایت کرنا۔
- جن معاشرتی گروہوں اور تہذیب میں کام کرے ان کی مدد کرنا۔

مضاربہ پر عزم ہے کہ وہ سالمیت اور کارپوریٹ گورننس کے اعلیٰ ترین طریقہ کار کو برقرار رکھے تاکہ روزمرہ کے کاروباری معاملات میں اعلیٰ کارکردگی دکھاسکے اور اپنی گورننس (حسن کارکردگی) پر اعتماد پیدا کرسکے۔

مضاربہ مسلسل کوشش کر رہا ہے کہ اعتماد کو بڑھائے اور تمام تعلقات میں انسانی وقار اور حقوق کا مظاہرہ دکھائے۔ بشمول افراد اور گروہوں کی تہذیبوں، رواجوں اور اقدار کا احترام کرے۔

## (9) کریڈٹ ریٹنگ

جے۔سی۔آر۔وی۔آئی۔ ایس نے مضاربہ کو طویل اور قلیل مدت کے لئے بالترتیب A+ اور A1 ریٹنگ تفویض کے ہے۔

## (10) آڈیٹرز

آڈٹ کمیٹی کی سفارش پر بورڈ موجودہ آڈیٹرز میسرز گرانٹ تھورنٹن انجم رحمان، چارٹرڈ اکاؤنٹینٹس کی بطور آڈیٹرز برائے مالی سال جس کا اختتام 30 جون 2018ء کو ہوگا۔ دوبارہ انتخاب کی منظوری دے چکا ہے۔ لیکن ان کا انتخاب رجسٹرار مضاربہ کی منظوری سے مشروط ہے۔

## (11) اعتراف

بورڈ ایس ای سی پی کی مسلسل رہنمائی اور حمایت کے لئے شکریہ ادا کرنا چاہتا ہے اور وہ مضاربہ کے معزز گاہکوں کا اس پر اعتماد اور حمایت کرنے کا بھی شکریہ ادا کرنا چاہتا ہے۔ بورڈ مضاربہ کے ملازمین کے خلوص اور سخت محنت کو بھی سراہتا ہے۔

بورڈ کی جانب سے



محمد بلال شیخ  
چیئرمین



محمد نعیم الدین فاروقی  
چیف ایگزیکٹو آفیسر

کراچی

16 اگست 2017ء

## Key Operating and Financial Data

Particulars	June 30, 2017	June 30, 2016	June 30, 2015
	Rupees		
<b>Balance Sheet</b>			
Certificate capital	450,000,000	450,000,000	450,000,000
Reserves	33,671,641	23,134,681	9,591,203
Total equity	983,671,641	473,134,681	459,591,203
Total Assets	1,028,593,706	515,424,898	478,410,050
Financing Portfolio	631,611,597	458,637,100	163,224,858
Current Assets	468,490,917	77,776,379	324,459,810
Current Liabilities	25,344,941	9,604,892	9,491,879
Total Liabilities	44,922,065	42,290,217	18,818,847
<b>Profit &amp; Loss</b>			
Revenue (net of Ijarah asset depreciation)	55,107,914	34,633,861	22,683,644
Operating expenses	24,123,893	17,232,616	4,501,890
Profit before management fee	30,240,620	23,890,309	11,071,202
Net Profit	26,286,960	20,743,478	9,591,203
<b>Appropriations</b>			
Profit distribution (%)	4.50%	3.50%	1.60%
Profit distribution	20,250,000	15,750,000	7,200,000
Statutory Reserve	5,257,392	4,148,696	1,918,241
<b>Ratios</b>			
Earning per Certificate	0.58	0.46	0.21
P/E Ratio	7.87	8.46	32.80
Breakup Value	10.75	10.51	10.21
Current ratio	18.48	8.10	34.18
Earning asset to total asset (%)	97.24%	97.79%	98.83%
Return on asset (%)	3.41%	4.17%	2.00%
Return on equity (%)	3.61%	4.45%	2.09%



## Statement of Compliance with the Code of Corporate Governance & Public Sector Companies (Corporate Governance) Rules, 2013

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in regulations of Pakistan Stock Exchange and Public Sector Companies (Corporate Governance) Rules 2013 (the Rules) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance for the year ended June 30, 2017.

The Board of Directors of Sindh Modaraba Management Limited - the Modaraba Management Company (the Management Company) is responsible for management of affairs of Sindh Modaraba (the Modaraba). The Management Company has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule No.	Tick the relevant box		Remarks												
			Y	N													
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓														
2.	<p>The Board has the requisite percentage of independent directors. At present the board includes :</p> <table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td>- M. Shahid Murtaza - Asif Haider</td> <td>31<sup>st</sup> Oct. 2014 31<sup>st</sup> Oct. 2014</td> </tr> <tr> <td>Executive Directors</td> <td>- M. Naimuddin Farooqi</td> <td>22<sup>nd</sup> Sep. 2016</td> </tr> <tr> <td>Non-Executive Directors</td> <td>- M. Bilal Sheikh - Syed Hasan Naqvi</td> <td>31<sup>st</sup> Oct. 2014 11<sup>th</sup> Nov. 2016</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	- M. Shahid Murtaza - Asif Haider	31 <sup>st</sup> Oct. 2014 31 <sup>st</sup> Oct. 2014	Executive Directors	- M. Naimuddin Farooqi	22 <sup>nd</sup> Sep. 2016	Non-Executive Directors	- M. Bilal Sheikh - Syed Hasan Naqvi	31 <sup>st</sup> Oct. 2014 11 <sup>th</sup> Nov. 2016	3(2)	✓		
Category	Names	Date of appointment															
Independent Directors	- M. Shahid Murtaza - Asif Haider	31 <sup>st</sup> Oct. 2014 31 <sup>st</sup> Oct. 2014															
Executive Directors	- M. Naimuddin Farooqi	22 <sup>nd</sup> Sep. 2016															
Non-Executive Directors	- M. Bilal Sheikh - Syed Hasan Naqvi	31 <sup>st</sup> Oct. 2014 11 <sup>th</sup> Nov. 2016															
3.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓		Except one for which exemption granted by SECP												
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.	3(7)	✓														
5.	The chairman of the board is working separately from the chief executive of the Company.	4(1)	✓														
6.	The chairman has been elected by the board of directors.	4(4)	✓														
7.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✓														
8.	(a) The company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. ( <a href="http://www.sindhmodarabalttd.com">www.sindhmodarabalttd.com</a> )	5(4)	✓														

## Statement of Compliance with the Code of Corporate Governance & Public Sector Companies (Corporate Governance) Rules, 2013

S. No.	Provision of the Rules	Rule No.	Tick the relevant box		Remarks
			Y	N	
	(b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.				
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholder, in the manner prescribed in the Rules.	5(5)	✓		
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓		
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b)(vi)	✓		
12.	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. (b) A Committee has been formed to investigating deviations from the company's code of conduct.	5(5)(c)(ii)	✓		
13.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services, in accordance with the SPPRA Rules.	5(5)(c)(iii)	✓		
14.	The Board has developed a vision or mission statement, corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.	5(6)	✓		
15.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and have submitted its request for appropriate compensation to the Government for consideration.	5(8)			N/A
16.	a) The Board has met at least four times during the year.	6(1)	✓		
	b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✓		
	c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	✓		



## Statement of Compliance with the Code of Corporate Governance & Public Sector Companies (Corporate Governance) Rules, 2013

S. No.	Provision of the Rules	Rule No.	Tick the relevant box		Remarks																				
			Y	N																					
17.	The board has monitored and assessed the performance of senior management on annual basis.	8	✓																						
18.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓																						
19.	The Board has approved the profit and loss account for and balance sheet as at the end of first, second and third quarter as well as the financial year end and has placed the annual financial statements on the Company's website.	10	✓																						
20.	All the board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	✓																						
21.	<p>(a) The Board has formed the requisite committees, as specified in the Rules.</p> <p>(b) The Committees were provided with written term of reference defining their duties, authority and composition.</p> <p>(c) The minutes of the meetings of the committees were circulated to all the board members.</p> <p>(d) The committees were chaired by the following non-executive directors:</p> <table border="1" data-bbox="230 1243 912 1668"> <thead> <tr> <th>Committee</th> <th>Numbers of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>2</td> <td>- M. Shahid Murtaza</td> </tr> <tr> <td>Risk Management Committee</td> <td>4</td> <td>- M. Bilal Sheikh</td> </tr> <tr> <td>Human Resources Committee</td> <td>4</td> <td>- M. Bilal Sheikh</td> </tr> <tr> <td>Procurement Committee</td> <td>3</td> <td>- Syed Hasan Naqvi</td> </tr> <tr> <td>Nomination Committee</td> <td>4</td> <td>- Syed Hasan Naqvi</td> </tr> </tbody> </table>	Committee	Numbers of Members	Name of Chair	Audit Committee	2	- M. Shahid Murtaza	Risk Management Committee	4	- M. Bilal Sheikh	Human Resources Committee	4	- M. Bilal Sheikh	Procurement Committee	3	- Syed Hasan Naqvi	Nomination Committee	4	- Syed Hasan Naqvi	12	✓	✓	✓	✓	
Committee	Numbers of Members	Name of Chair																							
Audit Committee	2	- M. Shahid Murtaza																							
Risk Management Committee	4	- M. Bilal Sheikh																							
Human Resources Committee	4	- M. Bilal Sheikh																							
Procurement Committee	3	- Syed Hasan Naqvi																							
Nomination Committee	4	- Syed Hasan Naqvi																							
22.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualification.	13/14	✓		Internal Audit function is outsourced to a reputed Chartered Accountant firm.																				
23.	The Company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of sub-section (3) of section 225 of the Companies Act 2017.	16	✓																						

## Statement of Compliance with the Code of Corporate Governance & Public Sector Companies (Corporate Governance) Rules, 2013

S. No.	Provision of the Rules	Rule No.	Tick the relevant box		Remarks												
			Y	N													
24.	The directors' report for this year has been prepared in compliance with the requirements of the Companies Act, 2017 and the Rules and fully described the salient matters required to be disclosed.	17	✓														
25.	The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.	18	✓														
26.	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the company contains criteria and details of remuneration of each director.	19			N/A												
27.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before approval of the board.	20	✓														
28.	<p>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:</p> <table border="1" data-bbox="230 996 911 1272"> <thead> <tr> <th>Name of Member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>M. Shahid Murtaza</td> <td>Independent</td> <td>Banker</td> </tr> <tr> <td>Asif Haider</td> <td>Independent</td> <td>Chartered Accountant</td> </tr> <tr> <td>Syed Shahnawaz Nadir Shah</td> <td>Non-Executive Director</td> <td>Investment Specialist</td> </tr> </tbody> </table> <p>The Chief Executive and Chairman of the Board are not members of the audit committee.</p>	Name of Member	Category	Professional background	M. Shahid Murtaza	Independent	Banker	Asif Haider	Independent	Chartered Accountant	Syed Shahnawaz Nadir Shah	Non-Executive Director	Investment Specialist	21	✓		Syed Shahnawaz Nadir Shah resigned w.e.f. April 18, 2017
Name of Member	Category	Professional background															
M. Shahid Murtaza	Independent	Banker															
Asif Haider	Independent	Chartered Accountant															
Syed Shahnawaz Nadir Shah	Non-Executive Director	Investment Specialist															
29.	The Board has set up an effective internal audit function, which has an audit charter, duly approved by the committee, and which worked in accordance with the applicable standards.	22	✓														
30.	The Company has appointed its external auditors in line with the requirements envisaged under the Rules.	23	✓														
31.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guideline on Code of Ethics as applicable in Pakistan.	23(4)	✓														
32.	The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guideline issued by IFAC in this regard.	23(5)	✓														
33.	The Company has complied with all the corporate and financial reporting requirements of the Rules.	24	✓														



## Statement of Compliance with the Code of Corporate Governance & Public Sector Companies (Corporate Governance) Rules, 2013

### CERTAIN ADDITIONAL DISCLOSURES REQUIRED UNDER CCG

- All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
- The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's certificates, was determined and intimated to directors, employees and stock exchange.
- Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
- The Company has complied with the requirements relating to maintenance of register of persons having inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.



**Muhammad Naimuddin Farooqui**  
Chief Executive Officer



**Muhammad Bilal Sheikh**  
Chairman

## Shari'ah Advisor's Report



I have conducted the Shari'ah review of Sindh Modaraba managed by Sindh Modaraba Management Limited for the financial year ended June 30, 2017 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas issued by SECP and report that except the observations as reported hereunder, in my opinion:

- i. The Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
- ii. During the year, the financings were mainly done on Diminishing Musharakah mode.
- iii. The agreement(s) entered into 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;
- iv. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas.
- v. The Modaraba does not have any deposit raising product at the moment, therefore no profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising product apply.
- vi. No earnings that have been realized from the sources or by means prohibited by Shari'ah.

### Observation(s)

1. The Modaraba has a part of its portfolio of assets covered through conventional insurance companies instead of Shariah Compliant Takaful. It must be converted into Takaful as soon as possible upon the next renewal.

### Recommendation(s)

1. It is recommended that the Modaraba completely gets its financial assets covered through Takaful.

### Conclusion

In my opinion and to the best of my knowledge and information provided by the Modaraba, I am of the view that during the period overall business activities of the Modaraba are Shariah Compliant.

And Allah knows best.

**Mufti Zeeshan Abdul Aziz**  
Shari'ah Advisor

Sindh Modaraba  
Dated: 08-08-2017



## **Auditors' Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rule, 2013**

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) and Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) for the year ended June 30, 2017 prepared by the Board of Directors (the Board) of Sindh Modaraba Management Limited (the Management Company) to comply with the respective Listing Regulations of the Pakistan Stock Exchange, where in the Modaraba is listed and the provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

The responsibility for compliance with the Code and the Rules is that of the Board of Modaraba Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Modaraba's compliance with the provisions of the Code and the Rules and report if it does not as to highlight any non-compliance with the requirements of the Code or the Rules. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code and the Rules.

As part of our audit of 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's statement on internal controls covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Modaraba's corporate governance procedures and risks.

Further, the Code and the Rules require the Modaraba to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board upon recommendation of the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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 Modaraba's compliance, in all material respects with the best practices contained in the Code and the Rules as applicable to the Modaraba for the year ended June 30, 2017.

Date : August 16, 2017  
Karachi.

**Grant Thornton Anjum Rahman**  
Chartered Accountants

**Muhammad Shaukat Naseeb**  
Engagement Partner



## Independent Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of the Sindh Modaraba (the Modaraba) as at June 30, 2017 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here in after 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 Company's (Sindh Modaraba Management Company 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 financial 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 above said 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 Management Company in respect of the Sindh Modaraba, 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 account have been kept by the Modaraba Company in respect of Sindh 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 balance sheet and profit and loss account 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 the accounting policies consistently applied;
  - (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 balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and 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 June 30, 2017 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, 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.

Date : August 16, 2017  
Karachi.

**Grant Thornton Anjum Rahman**  
Chartered Accountants

**Muhammad Shaukat Naseeb**  
Engagement Partner



**BALANCE SHEET**

AS AT JUNE 30, 2017

	Note	June 30, 2017	June 30, 2016
(Rupees)			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	4	370,776,004	40,445,905
Ijarah rental receivables	5	3,546,890	1,711,015
Advances, prepayments and other receivables	6	17,721,303	9,341,792
Current portion of Diminishing Musharaka	7	76,122,720	25,953,667
Current portion of long term loan	9	324,000	324,000
<b>Total current assets</b>		<b>468,490,917</b>	<b>77,776,379</b>
<b>Non - current assets</b>			
Diminishing Musharaka	7	419,108,369	224,349,085
Ijarah assets	8	136,380,508	208,334,348
Long term loan	9	540,000	864,000
Fixed assets - in own use	10	4,073,912	4,101,086
<b>Total non - current assets</b>		<b>560,102,789</b>	<b>437,648,519</b>
<b>TOTAL ASSETS</b>		<b>1,028,593,706</b>	<b>515,424,898</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	11	12,029,419	9,598,094
Current portion of customers' security deposit	12	13,258,571	-
Profit distribution payable		56,951	6,798
		<b>25,344,941</b>	<b>9,604,892</b>
<b>Non - current liabilities</b>			
Customers' security deposit	12	19,577,124	32,685,325
<b>TOTAL LIABILITIES</b>		<b>44,922,065</b>	<b>42,290,217</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>			
<b>Certificate capital</b>			
Authorised certificate capital	13	500,000,000	500,000,000
Issued, subscribed, and paid - up certificate capital	13	450,000,000	450,000,000
Reserves	14	33,671,641	23,134,681
Long term loan	15	500,000,000	-
		<b>983,671,641</b>	<b>473,134,681</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,028,593,706</b>	<b>515,424,898</b>
<b>Contingencies and commitments</b>	16		

The annexed notes 1 to 31 form an integral part of these financial statements.

For Sindh Modaraba Management Limited  
(Management Company)



Chairman



Chief Executive



Director

**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED JUNE 30, 2017

	Note	June 30, 2017	June 30, 2016
(Rupees)			
<b>Income from:</b>			
- Diminishing Musharaka		23,339,004	14,867,889
- Ijarah rental		89,630,101	59,085,026
- Bank deposits		19,607,349	10,259,851
Gain on disposal of investments		-	1,280,724
		<b>132,576,454</b>	<b>85,493,490</b>
Administrative and operating expenses	17	(24,123,893)	(17,232,616)
Depreciation - Ijarah assets	8	(77,468,540)	(50,859,629)
General provision for doubtful receivables		(1,240,021)	(1,266,401)
		<b>(102,832,454)</b>	<b>(69,358,646)</b>
		<b>29,744,000</b>	<b>16,134,844</b>
<b>Other income</b>	18	<b>496,620</b>	<b>7,755,465</b>
		<b>30,240,620</b>	<b>23,890,309</b>
Modaraba Management Company's remuneration	19	(3,024,062)	(2,389,031)
Sindh sales tax on Management Company's remuneration		(393,129)	(334,464)
Workers' welfare fund		(536,469)	(423,336)
		<b>(3,953,660)</b>	<b>(3,146,831)</b>
<b>Profit before taxation</b>		<b>26,286,960</b>	<b>20,743,478</b>
Taxation	20	-	-
<b>Profit for the year</b>		<b>26,286,960</b>	<b>20,743,478</b>
<b>Earnings per certificate - basic and diluted</b>	21	<b>0.58</b>	<b>0.46</b>

The annexed notes 1 to 31 form an integral part of these financial statements.


For Sindh Modaraba Management Limited  
(Management Company)



Chairman



Chief Executive



Director



**STATEMENT OF COMPREHENSIVE INCOME**  
 FOR THE YEAR ENDED JUNE 30, 2017

	June 30, 2017	June 30, 2016
	(Rupees)	
<b>Profit for the year</b>	<b>26,286,960</b>	<b>20,743,478</b>
Other comprehensive income for the year		
- items that may be reclassified to profit and loss account	-	-
- items that will not be reclassified to profit and loss account subsequently	-	-
<b>Total comprehensive income for the year</b>	<b>26,286,960</b>	<b>20,743,478</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

For Sindh Modaraba Management Limited  
(Management Company)



Chairman



Chief Executive



Director

**CASH FLOW STATEMENT**

FOR THE YEAR ENDED JUNE 30, 2017

Note	June 30, 2017	June 30, 2016
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	26,286,960	20,743,478
<b>Adjustments for non - cash and other items</b>		
Depreciation on Ijarah assets	8 77,468,540	50,859,629
Depreciation on fixed assets - in own use	17 976,451	660,655
Amortisation of Intangible assets	17 291,860	102,158
General provision for doubtful receivables	1,240,021	1,266,401
Workers' welfare fund	536,469	423,336
Gain on disposal of Ijarah assets	-	(262,933)
Gain on disposal of investments	-	(1,280,724)
Income on bank deposits	(19,607,349)	(10,259,851)
Provision for provident fund (employer's contribution)	419,835	336,435
Provision for gratuity	352,015	-
Reversal of preliminary expenses	-	(7,189,552)
	<b>61,677,842</b>	<b>34,655,554</b>
<b>Working capital changes</b>		
Increase in advances, prepayments and other receivables	(6,209,733)	(7,922,031)
Increase in Ijarah rental receivables	(1,845,101)	(989,096)
Increase in Diminishing Musharaka	(246,159,132)	(134,348,737)
Increase in creditors, accrued and other liabilities	1,542,841	4,756,206
Increase in security deposit against Ijarah assets	150,370	23,358,357
	<b>(252,520,755)</b>	<b>(115,145,301)</b>
Provident fund contribution paid (employer's contribution)	(419,835)	(336,435)
Recovery of loan	324,000	324,000
<b>Net cash used in operations</b>	<b>(164,651,788)</b>	<b>(59,758,704)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Ijarah assets	8 (5,514,700)	(224,987,527)
Sale proceeds from disposal of Ijarah assets	-	12,069,523
Purchase of fixed assets-owned	10.1 (87,587)	(1,947,587)
Purchase of Intangibles-owned	10.2 (553,550)	(525,432)
Fixed capital expenditure	10.3 (600,000)	-
Income received on bank deposits	17,437,571	13,185,310
<b>Net cash generated from/(used in) investing activities</b>	<b>10,681,734</b>	<b>(202,205,713)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loan from Management Company	15 500,000,000	-
Profit distribution	(15,699,847)	(7,193,202)
<b>Net cash generated from/(used in) financing activities</b>	<b>484,300,153</b>	<b>(7,193,202)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>330,330,099</b>	<b>(269,157,619)</b>
Cash and cash equivalents at the beginning of the year	40,445,905	309,603,524
<b>Cash and cash equivalents at the end of the year</b>	<b>370,776,004</b>	<b>40,445,905</b>

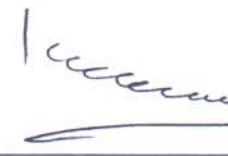
The annexed notes 1 to 31 form an integral part of these financial statements.

For Sindh Modaraba Management Limited  
(Management Company)


Chairman



Chief Executive



Director



**STATEMENT OF CHANGES IN EQUITY**  
 FOR THE YEAR ENDED JUNE 30, 2017

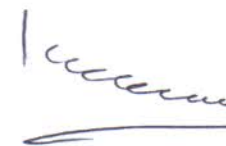
	Issued, subscribed, and paid-up certificate capital	Reserve			Long term loan	Total
		Statutory reserve	Unappropriated profit	Total		
(Rupees)						
<b>Balance as at June 30, 2015</b>	450,000,000	1,918,241	7,672,962	9,591,203	-	459,591,203
Profit for the year	-	-	20,743,478	20,743,478	-	20,743,478
Other comprehensive income for the period	-	-	-	-	-	-
Transfer to statutory reserve	-	4,148,696	(4,148,696)	-	-	-
<b>Transaction with Certificate Holders</b>						
Profit distribution for the period ended June 30, 2015 at Re. 0.16 (1.6%) per certificate	-	-	(7,200,000)	(7,200,000)	-	7,200,000
<b>Balance as at June 30, 2016</b>	<b>450,000,000</b>	<b>6,066,937</b>	<b>17,067,744</b>	<b>23,134,681</b>	<b>-</b>	<b>473,134,681</b>
Profit for the year	-	-	26,286,960	26,286,960	-	26,286,960
Other comprehensive income for the period	-	-	-	-	-	-
Transfer to statutory reserve	-	5,257,392	(5,257,392)	-	-	-
Loan from Management Company	-	-	-	-	500,000,000	500,000,000
<b>Transaction with Certificate Holders</b>						
Profit distribution for the period ended June 30, 2016 at Re. 0.35 (3.5%) per certificate	-	-	(15,750,000)	(15,750,000)	-	(15,750,000)
<b>Balance as at June 30, 2017</b>	<b>450,000,000</b>	<b>11,324,329</b>	<b>22,347,312</b>	<b>33,671,641</b>	<b>500,000,000</b>	<b>983,671,641</b>

The annexed notes 1 to 31 form an integral part of these financial statements.

For Sindh Modaraba Management Limited  
(Management Company)

  
 Chairman

  
 Chief Executive

  
 Director

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

### 1 LEGAL STATUS AND NATURE OF BUSINESS

Sindh Modaraba (the Modaraba) has been floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Sindh Modaraba Management Limited (the Management Company), which is a wholly owned subsidiary of Government of Sindh. The registered office of the Modaraba is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.

The Modaraba is a perpetual, multi-purpose and multi-dimensional Modaraba and is primarily engaged in providing Shariah compliant financing facilities to credit worthy customers. The Modaraba is listed on Pakistan Stock Exchange.

The JCRVIS Credit Rating Company Limited has assigned long term rating of A+ and short term rating of A-1 to the Modaraba. Outlook on the assigned rating is 'Stable'.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan (except for IAS 17) and the requirements of the Companies Ordinance, 1984, Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Prudential Regulations for Modaraba issued by the SECP. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs), International Accounting Standards (IASs) and Islamic Financial Accounting Standards (IFASs) as notified under the provisions Companies Ordinance, 1984. Wherever the requirements of approved accounting standards differ with requirements of the Companies Ordinance, 1984, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) and the directives issued by the SECP, the requirements of later take precedence.

#### 2.2 Basis of measurement

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

#### 2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Modaraba operates. The financial statements are presented in Pakistani Rupees, which is the Modaraba's functional and presentational currency. Figures have been rounded off to the nearest Rupees, unless stated otherwise.

#### 2.4 Use of significant estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards 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 judgment 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. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in the application of accounting policies are as follows:

- a) estimates of residual values, useful lives and depreciation methods of fixed assets in own use (note 3.3) and Ijarah assets (note 3.4);
- b) investments & loans, advances, prepayments and other receivables (note 3.2 and 3.5); and
- c) provision for taxation (note 3.6).



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

### 2.5 Standards, amendments and interpretations to the approved accounting standards

#### 2.5.1 Standards, amendments and interpretations to the published standards that are relevant and adopted by the Modaraba

The Modaraba has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

Standards, amendments and interpretations	Effective date
IAS 1 'Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements)'	January 1, 2016
IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)'	January 1, 2016
IAS 7 'Disclosure Initiative (Amendments to IAS 7)'	January 1, 2017
IFRS 13 'Fair Value Measurement'	January 1, 2015

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended June 30, 2017.

#### 2.5.2 Standards, amendments to published standards and interpretations that are effective but not relevant to the Modaraba

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 1, 2016 are considered not to be relevant or to have any significant effect on the Modaraba's financial reporting and operations and are therefore not presented here.

#### 2.5.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Modaraba

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

Standards, amendments and interpretations	Effective date
IFRS 10 and IAS 28 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)	Postponed
IFRS 2 - Classification and Measurement of Share-based Payment Transaction (Amendments to IFRS 2)	January 1, 2018
IFRS 1 and IAS 28 - Annual Improvements to IFRSs 2014-2016	January 1, 2018
IFRIC 22 - Foreign Currency Transactions and Advance Consideration	January 1, 2018
IAS 40 - Transfers of Investment Property (Amendments to IAS 40)	January 1, 2018
IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019

The Modaraba is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Modaraba.

#### 2.5.4 Standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP) for adoption in Pakistan

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

IASB effective date  
(annual periods  
beginning on or after)

IFRS 14 'Regulatory Deferral Accounts'	January 1, 2016
IFRS 15 'Revenue from Contracts with Customers'	January 1, 2018
IFRS 09 'Financial Instruments (revised 2014)'	January 1, 2018
IFRS 16 'Leases'	January 1, 2019

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies adopted and applied in the preparation of these financial statements as set out below. These policies have been consistently applied to all years presented unless otherwise stated.

#### 3.1 Cash and cash equivalents

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

#### 3.2 Financial instruments

##### 3.2.1 Financial assets

##### 3.2.1.1 Classification

Financial assets in the scope of IAS 39 "Financial Instruments : Recognition and Measurement", are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus (in the case of investments not at fair value through profit or loss) directly attributable transaction cost. The Modaraba determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

##### a) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'Financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, if any, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognized in profit and loss account.

##### b) Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Modaraba has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments, that are intended to be held-to-maturity, are subsequently measured at amortized cost.

This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest rate method, of a difference between the initially recognized amount and the maturity amount. This calculation includes all fees and charges paid or received between parties to the contract that are an integral part of the effective interest rate, transaction cost and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are derecognized or impaired, as well as, through the amortization process.

##### c) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in profit and loss account when the loans and receivables are derecognized or impaired, as well as, through the amortization process.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

### d) Available-for-sale

Available-for-sale financial assets are those non derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains and losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid price at the close of business on the balance sheet date. For investments where there is no active market, value is determined using valuation technique.

### 3.2.1.2 Impairment (including provision for potential ljarah losses and write offs)

The carrying amount of the Modaraba's 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 assets is estimated and impairment losses are recognised immediately as an expense in the profit and loss account.

For loans and receivables, a provision for impairment is established when there is objective evidence that the Modaraba will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective profit rate.

Provision for non-performing facilities, if any, is made in accordance with the requirements of the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP) and is charged to the profit and loss account in the current period. Outstanding balances in net investment in ljarah finance are written off when there is no realistic prospect of recovery.

### 3.2.2 Financial liabilities

Financial liabilities are recognised at the time the Modaraba becomes a party to the contractual provisions of the instrument and include creditors, accrued and other liabilities. These are initially recognised at fair values and subsequently stated at amortised cost.

### 3.2.3 Derecognition

Financial assets are derecognised at the time when the Modaraba loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss arising on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

### 3.2.4 Off-setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

## 3.3 Fixed assets - In own use

### 3.3.1 Tangible assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amounts or recognised 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 loss account as and when incurred.

Depreciation on all fixed assets is charged to income on a straight - line basis in accordance with the specified rates. The useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amounts. These are recorded in the profit and loss account in the period in which these arise.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

### 3.3.2 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the assets' carrying amounts or recognised 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.

Amortisation is charged to income using the straight line method in accordance with the specified rates. The useful lives and amortisation method are reviewed and adjusted, as appropriate, at each reporting date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till 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 taken to the profit and loss account in the period in which these arise.

### 3.3.3 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost less accumulated impairment losses, if any, and represents expenditure on fixed assets in the course of installation and advances for capital expenditure. Transfers are made to the relevant category of tangible/intangible assets as and when the assets are available for intended use.

### 3.4 Ijarah assets given to customers under agreement

Assets leased out under Ijarah are recorded as Ijarah assets and are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is charged to income by applying the straight line method whereby the cost of an asset less salvage value is written off over the lease term, which is considered to be the estimated useful life of the asset.

- Muj'ir (lessors) presents the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished 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.

- Initial direct costs incurred specifically to earn revenues from Ijarah are recognised as an expense in the profit and loss account in the period in which they are incurred.

### 3.5 Loans, advances, prepayments and other receivables

These are stated at cost less estimates made for doubtful receivables based on a review of all outstanding amounts at the reporting date. Balances considered bad and irrecoverable are written off when identified.

### 3.6 Taxation

#### Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits for the period as reduced by amount transferred to a mandatory reserve as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed to the certificate holders.

#### Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases and carrying amounts of assets and liabilities appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset is 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 asset to be utilised.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

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. However, the Modaraba has not recognised any amount in respect of deferred tax in these financial statements as the Modaraba intends to continue availing the tax exemption in future years by distributing at least 90% of its profits to its certificate holders every year.

### 3.7 Impairment of non-financial assets

The carrying amounts of the Modaraba's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If such an indication exists, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss. The resulting impairment loss is recognised in the profit and loss account.

### 3.8 Creditors, accrued and other liabilities

These are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services.

### 3.9 Provisions

Provisions are recognised when the Modaraba has a present, legal or constructive obligation as a result of past obligating 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 of obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

Provision is maintained as per the regulatory requirement or 0.5% of the ijarah rental receivables and diminishing musharaka, whichever is higher. Such provision is charged to profit and loss account.

### 3.10 Staff retirement benefits

The Modaraba operates a provident fund for all eligible employees and equal contributions by the employer and employee to the provident fund are made at the rate of 10% of the basic salaries of employees.

The Modaraba operates a gratuity fund for all eligible employees and provision of gratuity by the employer is made at the rate of 10% of the basic salaries of employees.

### 3.11 Revenue recognition

For Ijarah arrangements, Ijarah rentals are recognised as income on accrual basis, as and when rentals become due. In case of Ijarah arrangements with staggered rentals, the income is recognised on a straight line basis over the Ijarah term.

- Income in respect of non-performing Ijarah finance is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations for Modarabas issued by the SECP.
- Documentation charges, front end fees and other Ijarah related income are taken to the profit and loss account on an accrual basis.
- Profit on Diminishing Musharaka arrangements is recognised under the effective mark-up rate method based on the amount outstanding.
- Mark-up / return on deposits / investments is recognised on accrual basis using the effective profit rate method.
- Other income is recognised on an accrual basis.

### 3.12 Proposed profit distribution to certificate holders and transfers between reserves

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

### 3.13 Earnings per certificate

Basic earnings per certificate is calculated by dividing the profit after taxation for the period by the weighted average number of certificates outstanding during the period. 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 dilutive potential ordinary certificates.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

### 3.14 Foreign currency transactions

Transactions in foreign currencies are converted into Pakistani Rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rate of exchange prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the profit and loss account.

### 3.15 Segment reporting

As per IFRS 8: "Operating Segments", segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer 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.

### 3.16 Related party transactions

All transactions with related party are priced on arm's length basis. Prices of these transactions are determined on the basis of admissible valuation methods.

### 3.17 Dividend income

Dividend income is recognised when the Modaraba's right to receive dividend is established.

### 3.18 Ijarah rental receivable

These are stated at amount recoverable net of provision (if any).

### 3.19 Compensated absences

The Modaraba makes provision in the financial statements for its liability towards compensated absences based on the leaves accumulated upto the balance sheet date.

	Note	June 30, 2017	June 30, 2016
(Rupees)			
<b>4. CASH AND BANK BALANCES</b>			
Stamp papers in hand		58,250	47,200
Balances with banks			
- on deposit accounts	4.1	370,627,330	40,379,487
- on current accounts		90,424	19,218
		<u>370,776,004</u>	<u>40,445,905</u>

4.1 This represents balance held with Sindh Bank Limited - Islamic Banking Unit, a related party. This carry profit at the rates ranging from 6.1% per annum. (2016: 6.1% per annum).

	Note	June 30, 2017	June 30, 2016
(Rupees)			
<b>5 IJARAH RENTAL RECEIVABLES</b>			
Ijarah rental receivables - Considered good		3,564,714	1,719,613
Less: Provision for ijarah rental receivables	5.1	(17,824)	(8,598)
		<u>3,546,890</u>	<u>1,711,015</u>

5.1 This represents general provision made at the rate of 0.5% (2016: 0.5%) against Ijarah rental receivables.



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Note	June 30, 2017	June 30, 2016
		(Rupees)	
Advances	6.1	11,632,885	6,143,847
Prepayments		1,284,028	515,251
Accrued income from bank deposits		2,341,958	172,180
Accrued income from Diminishing Musharaka		2,434,912	2,477,394
Other receivables		27,520	33,120
		<b>17,721,303</b>	<b>9,341,792</b>

6.1 This includes advance to vendors in respect of acquisition of assets under Diminishing Musharaka arrangement and acquisition of Ijarah assets for onward delivery to lessee (Mustajir) amounting to Rs. 10,962,000 (June 30, 2016: Rs. Nil) and Rs. Nil (June 30, 2016: Rs. 4,862,700), respectively.

7. DIMINISHING MUSHARAKA	Note	June 30, 2017	June 30, 2016
		(Rupees)	
Receivables- secured	7.1	497,719,687	251,560,555
Less: Current portion of Diminishing Musharaka		(76,122,720)	(25,953,667)
Less: Provision in respect of Diminishing Musharaka	7.2	(2,488,598)	(1,257,803)
Long term portion of Diminishing Musharaka		<b>419,108,369</b>	<b>224,349,085</b>

7.1 This represents the finance provided to Individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 3 to 20 years (2016: 3 to 20 years) which is secured against mortgage of property, lien on title documents and charge on assets.

7.2 This represents general provision made at the rate of 0.5% (2016: 0.5%) on diminishing musharaka receivables.

## 8. IJARAH ASSETS

Particulars	June 30, 2017							
	Cost			Depreciation			Net book value as at June 30, 2017	Depreciation Rate
	Opening balance	Additions/ (Disposals)	Closing balance	Opening balance	Charge for the year	Closing balance		
	(Rupees)							
Plant and machinery	194,470,625	-	194,470,625	33,919,180	55,567,164	89,486,344	104,984,281	33.33%
Vehicles	63,248,000	5,514,700	68,762,700	15,465,097	21,901,376	37,366,473	31,396,227	20-50%
	<b>257,718,625</b>	<b>5,514,700</b>	<b>263,233,325</b>	<b>49,384,277</b>	<b>77,468,540</b>	<b>126,852,817</b>	<b>136,380,508</b>	

Particulars	June 30, 2016							
	Cost			Depreciation			Net book value as at June 30, 2016	Depreciation Rate
	Opening balance	Additions/ (Disposals)	Closing balance	Opening balance	Charge/ (Adjustment) for the year	Closing balance		
	(Rupees)							
Plant and machinery	46,634,838	147,835,787	194,470,625	621,798	33,297,382	33,919,180	160,551,445	33.33%
Vehicles	-	77,151,740	63,248,000	-	17,562,247	15,465,097	47,782,903	20-50%
	-	(13,903,740)	-	-	(2,097,150)	-	-	
	<b>46,634,838</b>	<b>224,987,527</b>	<b>257,718,625</b>	<b>621,798</b>	<b>50,859,629</b>	<b>49,384,277</b>	<b>208,334,348</b>	
		<b>(13,903,740)</b>	<b>-</b>	<b>-</b>	<b>(2,097,150)</b>	<b>-</b>	<b>-</b>	

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

- 8.1 The Modaraba has entered into Ijarah arrangements for periods ranging 2 to 5 years (2016: 2 to 5 years) against which security deposits were obtained at the time of disbursement (note 12).

	Note	June 30, 2017	June 30, 2016
(Rupees)			
<b>Contractual rental receivables - Ijarah assets</b>			
Not later than 1 year		78,029,547	85,566,462
Later than 1 year but not later than 5 years		48,240,479	112,822,903
<b>Total</b>		<b>126,270,026</b>	<b>198,389,365</b>

### 9. LONG TERM LOAN

Long term loan - considered good	9.1	864,000	1,188,000
Less: current portion of long term loan		(324,000)	(324,000)
		<b>540,000</b>	<b>864,000</b>

- 9.1 This represents car loan provided to Chief Financial Officer in accordance with the Monetization Policy approved by the Board.

### 10. FIXED ASSETS - In own use

Tangible assets	10.1	2,788,948	3,677,812
Intangible assets	10.2	684,964	423,274
Capital work in progress	10.3	600,000	-
		<b>4,073,912</b>	<b>4,101,086</b>

#### 10.1 TANGIBLE ASSETS

Particulars	June 30, 2017							Net book value as at June 30, 2017	Depreciation Rate
	Cost			Depreciation					
	Opening balance	Additions	Closing balance	Opening balance	Charge for the year	Closing balance			
(Rupees)									
Furniture and fittings	1,312,935	14,000	1,326,935	100,006	131,756	231,762	1,095,173	10%	
Office Equipment	1,324,474	35,100	1,359,574	214,897	267,244	482,141	877,433	20%	
Vehicles	43,500	-	43,500	12,325	8,700	21,025	22,475	20%	
Computer and accessories	1,677,504	38,487	1,715,991	353,373	568,751	922,124	793,867	33.33%	
	<b>4,358,413</b>	<b>87,587</b>	<b>4,446,000</b>	<b>680,601</b>	<b>976,451</b>	<b>1,657,052</b>	<b>2,788,948</b>		

Particulars	June 30, 2016							Net book value as at June 30, 2016	Depreciation Rate
	Cost			Depreciation					
	Opening balance	Additions	Closing balance	Opening balance	Charge for the year	Closing balance			
(Rupees)									
Furniture and fittings	95,017	1,217,918	1,312,935	3,313	96,693	100,006	1,212,929	10%	
Office Equipment	-	1,324,474	1,324,474	-	214,897	214,897	1,109,577	20%	
Vehicles	43,500	-	43,500	3,625	8,700	12,325	31,175	20%	
Computer and accessories	156,084	1,521,420	1,677,504	13,008	340,365	353,373	1,324,131	33.33%	
	<b>294,601</b>	<b>4,063,812</b>	<b>4,358,413</b>	<b>19,946</b>	<b>660,655</b>	<b>680,601</b>	<b>3,677,812</b>		



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

### 10.2 INTANGIBLE ASSETS

Particulars	June 30, 2017							Net book value as at June 30, 2017	Amortisation Rate
	Cost			Amortisation					
	Opening balance	Additions	Closing balance	Opening balance	Charge for the year	Closing balance			
	(Rupees)								
Software licenses	525,432	553,550	1,078,982	102,158	291,860	394,018	684,964	33.33%	
2016	-	525,432	525,432	-	102,158	102,158	423,274	33.33%	

### 10.3 CAPITAL WORK IN PROGRESS

	Note	June 30, 2017	June 30, 2016
		(Rupees)	
Opening		-	-
Addition	10.3.1	600,000	-
Transfer to fixed assets		-	-
		<u>600,000</u>	<u>-</u>

10.3.1 This represents fee paid for development of modules of the software of the Modaraba namely "Almanac". Total cost amounts to Rs.800,000 out of which 75% has been paid to the vendor.

### 11. CREDITORS, ACCRUED AND OTHER LIABILITIES

	Note	June 30, 2017	June 30, 2016
		(Rupees)	
Management remuneration payable		3,024,062	3,496,150
Sindh sales tax payable on management remuneration		904,732	511,603
Creditors		138,747	2,249,264
Other liabilities		4,345,425	1,547,760
Accrued expenses		3,616,453	1,793,317
		<u>12,029,419</u>	<u>9,598,094</u>

### 12. CUSTOMERS' SECURITY DEPOSIT

Security deposit against Ijarah finance		32,835,695	32,685,325
less: current portion of long term security deposit		(13,258,571)	-
Security deposit against Ijarah finance	12.1	<u>19,577,124</u>	<u>-</u>

12.1 This represents amounts received under Ijarah finance repayable / adjustable at the expiry of the arrangement.

### 13. CERTIFICATE CAPITAL

#### Number of certificates

June 30, 2017	June 30, 2016		June 30, 2017	June 30, 2016
<u>50,000,000</u>	<u>50,000,000</u>	<b>Authorised certificate capital</b>		
		Modaraba certificates of		
		Rs.10 each	<u>500,000,000</u>	<u>500,000,000</u>
		<b>Issued, subscribed and paid - up certificate capital</b>		
		Modaraba certificates of		
<u>45,000,000</u>	<u>45,000,000</u>	Rs.10 each fully paid in cash	13.1 <u>450,000,000</u>	<u>450,000,000</u>

13.1 As at June 30, 2017, Sindh Modaraba Management Limited (Management Company and a related party) holds 42,461,000 (2016: 42,847,500) certificates of the Modaraba.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

	Note	June 30, 2017	June 30, 2016
(Rupees)			
<b>14. RESERVES</b>			
<b>Capital Reserve</b>			
Statutory reserve	14.1	11,324,329	6,066,937
<b>Revenue Reserve</b>			
Unappropriated profit		22,347,312	17,067,744
		<b>33,671,641</b>	<b>23,134,681</b>

**14.1** Statutory reserve represents profit set aside by the Modaraba to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its profit after tax till such time that reserves equal 100% of the paid up certificate capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

During the year, the Modaraba has transferred an amount of Rs. 5,257,392 (2016: Rs.4,148,696) which represents 20% of the net profit for the year.

	June 30, 2017	June 30, 2016
(Rupees)		
<b>15. LONG TERM LOAN</b>	<b>500,000,000</b>	-

This represents interest free loan provided by the Management Company to the Modaraba on 30th day of December 2016. The loan is repayable at the discretion of the Modaraba.

The loan may be ranked sub-ordinated to senior debts in future. The Modaraba has the option to issue equity certificates in future against this loan, subject to necessary regulatory approvals.

### 16. CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments at the balance sheet date (2016: Nil).

	Note	June 30, 2017	June 30, 2016
(Rupees)			
<b>17. ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Salaries, allowances and other benefits	17.1	15,132,625	10,722,975
Legal and professional charges		1,725,594	1,306,677
Repairs and maintenance		521,654	527,284
Utility services		891,653	696,077
Insurance - owned assets		123,768	73,698
Insurance - Ijarah and Diminishing Musharaka		574,025	248,610
Postage, Courier and Telegraphs		82,098	86,376
Generator Sharing and fuel charges		529,371	549,053
Entertainment		155,093	105,715
Advertisement and Publications		63,900	136,523
Staff Orientation and Training		44,000	14,000
Rent, Rates and Taxes		199,994	99,996
Registration and subscription fee		698,110	535,318
Travelling and conveyance		597,123	367,163
Security services		409,988	341,988
Printing, stationery and photocopy		728,184	365,098
Auditors' remuneration	17.2	193,099	160,151
Depreciation expense - tangible assets		976,451	660,655
Amortisation expense - intangible assets		291,860	102,158
Miscellaneous		185,303	133,101
		<b>24,123,893</b>	<b>17,232,616</b>

**17.1** This includes amount of Rs. 419,835 (2016: Rs. 336,435) paid to provident fund and provision for gratuity of Rs. 352,015 (2016: Nil).



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

Note	June 30, 2017	June 30, 2016
	(Rupees)	
<b>17.2 Auditors' remuneration</b>		
Audit fee	108,000	91,425
Half yearly review fee	32,400	26,500
Special certifications	32,400	30,475
Out of pocket expenses	20,299	11,751
	<b>193,099</b>	<b>160,151</b>
<b>18. OTHER INCOME</b>		
Reversal of preliminary expenses	-	7,189,552
Documentation and processing fee	424,146	299,480
Gain on disposal of Ijarah assets	-	262,933
Others	72,474	3,500
	<b>496,620</b>	<b>7,755,465</b>
<b>19. MODARABA MANAGEMENT COMPANY'S REMUNERATION</b>	<b>3,024,062</b>	<b>2,389,031</b>

The Modaraba Management Company is entitled to remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of annual profits of the Modaraba computed in the prescribed manner. The remuneration for the year ended June 30, 2017 has been recognised at 10% of the profit for the year before charging such remuneration and taxation.

### 20. TAXATION

The income of a non-trading modaraba is exempt from income tax provided that it distributes at least 90% of its profits to its certificate holders. As the Management Company of the Modaraba, subsequent to the year end, has approved the required distribution as detailed in note 29, no provision for taxation has been made in these financial statements.

### 21. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

#### Basic

Basic earnings per certificate is calculated by dividing the net profit after taxation for the year by the weighted average number of certificates outstanding during the year as follows:

	June 30, 2017	June 30, 2016
	(Rupees)	
Profit for the year/period after taxation (Rupees)	26,286,960	20,743,478
Weighted average number of certificates (Numbers)	45,000,000	45,000,000
Earnings per certificate (Rupees)	0.58	0.46

#### Diluted

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at June 30, 2017 which would have any effect on the earnings per certificate.

	June 30, 2017	June 30, 2016
<b>22. NUMBER OF EMPLOYEES</b>		
Total number of employees	9	12

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

### 23. RELATED PARTY BALANCES AND TRANSACTIONS

The Modaraba has related party relationship with the Management Company, its associated companies, Directors and key management personnel i.e. CFO of the Modaraba.

The details of related party transactions and balances as at June 30, 2017 are as follows:

	Note	June 30, 2017	June 30, 2016
(Rupees)			
<b>BALANCES AS AT YEAR END</b>			
<b>Sindh Bank Limited</b>			
Balance at deposits account	4	370,627,330	40,379,487
Accrued income on balances at deposits account	6	2,341,958	172,180
		<u>372,969,288</u>	<u>40,551,667</u>
<b>Sindh Modaraba Management Limited</b>			
Management remuneration payable	19	3,024,062	3,496,150
Long term loan	15	500,000,000	-
Purchase of fixed assets		-	2,116,225
Others		24,000	-
		<u>503,048,062</u>	<u>5,612,375</u>
<b>Key Management Personnel</b>			
Long term loan	9	864,000	1,188,000
<b>Sindh Insurance Limited</b>			
Sharing of Expenses payable		218,430	218,430
<b>TRANSACTIONS FOR THE YEAR</b>			
<b>Sindh Bank Limited</b>			
Income from deposits		19,607,349	10,259,851
<b>Sindh Modaraba Management Limited</b>			
Management Company remuneration	19	3,024,062	2,389,031
Long term loan	15	500,000,000	-
Purchase of fixed assets		-	2,116,225
Reversal of preliminary expenses		-	(7,189,552)
		<u>503,024,062</u>	<u>(2,684,296)</u>
<b>Sindh Insurance Limited</b>			
Insurance of assets		1,563,001	675,549
Sharing of expenses		436,860	436,860
		<u>1,999,861</u>	<u>1,112,409</u>
<b>Key Management Personnel</b>			
Salaries, allowances and benefits		4,410,383	3,937,339
<b>Sindh Modaraba Employees Provident Fund</b>			
Contribution paid (both employer's and employee's contribution)		843,222	809,498



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

### 24. FINANCIAL INSTRUMENTS BY CATEGORY

#### ASSETS

##### Current assets

June 30, 2017		
Loans and receivables	Available for sale	Total
(Rupees)		
Cash and bank balances	-	370,717,754
Ijarah rental receivables	-	3,546,890
Advances and other receivables	-	16,437,275
Current portion of Diminishing Musharaka	-	76,122,720
Current portion of long term loan	-	324,000
	-	467,148,639

##### Non-current assets

Long term portion of Diminishing Musharaka	-	419,108,369
Long term loan	-	540,000
	-	419,648,369
	-	886,797,008

#### LIABILITIES

##### Current liabilities

June 30, 2017		
At amortised cost	Fair value through profit and loss	Total
(Rupees)		
Creditors, accrued and other liabilities	-	12,029,419
Security Deposit	-	32,835,695
Profit distribution payable	-	56,951
	-	44,922,065

#### ASSETS

##### Current assets

June 30, 2016		
Loans and receivables	Available for sale	Total
(Rupees)		
Cash and bank balances	-	40,398,705
Ijarah rental receivables	-	1,711,015
Advances and other receivables	-	3,963,841
Current portion of Diminishing Musharaka	-	25,953,667
Current portion of long term loan	-	324,000
	-	72,351,228

##### Non-current assets

Long term portion of Diminishing Musharaka	-	224,349,085
Long term loan	-	864,000
	-	225,537,085
	-	297,888,313

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

	June 30, 2016		
	At amortised cost	Fair value through profit and loss	Total
	(Rupees)		
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	9,598,094	-	9,598,094
Security Deposit	32,685,325	-	32,685,325
Profit distribution payable	6,798	-	6,798
	42,290,217	-	42,290,217

### 25. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The activities of the Modaraba expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Board of Directors of the Management Company has the overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

#### 25.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises of three types of risks: currency risk, profit rate risk and other price risk.

##### 25.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist in foreign currencies. As at June 30, 2017, Modaraba has no financial assets and liabilities in foreign currencies.

##### 25.1.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market profit rates. The Modaraba has adopted appropriate policies to minimise its exposure to this risk.

##### 25.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As on June 30, 2017, the Modaraba did not hold any instruments which exposed it to price risk.

#### 25.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk generally emanates from balances with banks, Ijarah rentals receivable, Investments and Diminishing Musharaka arrangements, Deposits and Other receivables.

The maximum exposure to credit risk at the end of the reporting period without taking into account any collateral held or other credit enhancement amounts are as follows:

	June 30, 2017	June 30, 2016
	(Rupees)	
Cash and bank balances	370,717,754	40,398,705
Ijarah rental receivables	3,546,890	1,711,015
Diminishing Musharaka	495,231,089	250,302,752
Advances, prepayments and other receivables	16,437,275	9,341,792
Long term loan	864,000	1,188,000
	<b>886,797,008</b>	<b>302,942,264</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2017

As at June 30, 2017, there were no financial assets which were pledged as collateral for liabilities or contingent liabilities of the Modaraba.

As at June 30, 2017, there were no Financial assets which were past due.

### 25.2.1 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 Modarabas total credit exposure. Concentrations of credit risk indicate the relative sensitivity of the Modarabas performance to developments affecting a particular industry.

The Modaraba manages credit risks and its concentration through diversification of activities to avoid undue concentration of risk with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for individuals and industrial sectors.

### 25.2.2 Details of the sector analysis of gross investment portfolio is as follows:

Sectors	June 30, 2017		June 30, 2016	
	Rupees	%	Rupees	%
Sugar	131,399,180	21.64	85,270,013	19.77
Oil & Gas - Oil Marketing	91,418,001	15.06	91,467,593	21.20
Electronic & Allied	35,107,624	5.78	65,434,856	15.17
Services	137,703,855	22.68	35,324,770	8.19
Individual	12,670,980	2.09	9,983,981	2.31
Construction	4,698,219	0.77	6,095,123	1.41
Printing	1,247,605	0.21	-	-
Pharmaceutical	19,051,734	3.14	-	-
Paultry, Paultry feed & atchery	3,782,498	0.62	-	-
Entertainment	25,995,747	4.28	-	-
Chemical & Allied (Other)	144,042,291	23.73	137,830,249	31.95
	<b>607,117,734</b>	<b>100</b>	<b>431,406,585</b>	<b>100</b>

### 25.2.3 Management of credit risk

The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management polices and the requirements of the Prudential Regulations (PRs) for Modarabas issued by the SECP. The Modaraba seeks to manage its credit risk exposure through diversification of its Ijarah and Diminishing Musharka arrangements to avoid undue concentration of risks with individuals or groups of customers in specific locations or businesses.

The credit quality of Modaraba's financial assets with banks is assessed with reference to external credit ratings.

Credit risk ratings	Rating	June 30, 2017	June 30, 2016
		(Rupees)	
Bank balances - Sindh Bank Limited	AA/A-1+	<b>370,627,330</b>	40,379,487

### 25.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing 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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

The maturity profile of Modaraba's financial assets and liabilities based on the contractual maturities is as follows:

#### Maturities of assets and liabilities

June 30, 2017						
Maturity upto 1 year	Profit bearing		Non-profit bearing			Total
	Maturity after 1 year and upto 5 years	Sub Total	Maturity upto 1 year	Maturity after 1 year and upto 5 years	Sub Total	
Rupees						
<b>Financial assets</b>						
Cash and bank balances	370,717,754	-	370,717,754	-	-	370,717,754
Ijarah rentals receivable	-	-	-	3,546,890	3,546,890	3,546,890
Diminishing Musharaka	76,122,720	419,108,369	495,231,089	-	-	495,231,089
Long term loan	-	-	-	324,000	540,000	864,000
Advances, prepayments and other receivables	-	-	-	16,437,275	16,437,275	16,437,275
	<b>446,840,474</b>	<b>419,108,369</b>	<b>865,948,843</b>	<b>20,308,165</b>	<b>540,000</b>	<b>886,797,008</b>
<b>Financial liabilities</b>						
Creditors, accrued and other liabilities	-	-	-	12,029,419	12,029,419	12,029,419
Security deposit	-	-	-	13,258,571	19,577,124	32,835,695
Profit distribution payable	-	-	-	56,951	56,951	56,951
	-	-	-	<b>25,344,941</b>	<b>19,577,124</b>	<b>44,922,065</b>
Rupees						
<b>June 30, 2016</b>						
Maturity upto 1 year	Profit bearing		Non-profit bearing			Total
	Maturity after 1 year and upto 5 years	Sub Total	Maturity upto 1 year	Maturity after 1 year and upto 5 years	Sub Total	
Rupees						
<b>Financial assets</b>						
Cash and bank balances	40,398,705	-	40,398,705	-	-	40,398,705
Ijarah rentals receivable	-	-	-	1,711,015	1,711,015	1,711,015
Diminishing Musharaka	25,953,667	224,349,085	250,302,752	-	-	250,302,752
Long term loan	-	-	-	324,000	864,000	1,188,000
Advances, prepayments and other receivables	-	-	-	3,963,841	3,963,841	3,963,841
	<b>66,352,372</b>	<b>224,349,085</b>	<b>290,701,457</b>	<b>5,998,856</b>	<b>864,000</b>	<b>297,564,313</b>
<b>Financial liabilities</b>						
Creditors, accrued and other liabilities	-	-	-	9,598,094	9,598,094	9,598,094
Long term loan	-	-	-	6,798	6,798	6,798
	-	-	-	<b>9,604,892</b>	-	<b>9,604,892</b>

## 26. CAPITAL RISK 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 monitors the return on capital, which the Modaraba defines as net profit for the year divided by total Certificate holders' equity. The Board of Directors also monitors the level of dividend to ordinary certificate holders.

The Modaraba is not subject to externally imposed capital requirements.

## 27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. 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 (IFRS) 7, 'Financial Instruments: Disclosures' requires the Modaraba to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2017

making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the assets or liability that are not based on observable market data (i.e., unobservable inputs) (level 3).

As at 30 June 2017, there were no financial instruments which were measured at fair values in the financial statements.

#### 28. SEGMENT INFORMATION

As per IFRS 8: "Operating Segments", segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer 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 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 financial statements have been prepared on the basis of a single reportable segment.

Revenue from operation from seven major customers of the modaraba constitutes 85% (2016: 91% from six major customers) of the total revenue from operations during the year ended 30 June 2017.

#### 29. NON - ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on August 16, 2017 approved a cash distribution of Rs. 0.45 per certificate. The financial statements of the Modaraba for the year ended June 30, 2017 do not include the effect of this distribution which will be accounted for in the financial statements of the Modaraba for the year ending June 30, 2018.

#### 30. CORRESPONDING FIGURES

Corresponding figures, wherever necessary, have been reclassified for the purpose of better presentation and comparison.

#### 31. DATE OF AUTHORISATION

These financial statements were authorised for issue on August 16, 2017 by the Board of Directors of the Management Company.

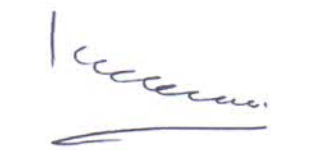
For Sindh Modaraba Management Limited  
(Management Company)



Chairman



Chief Executive



Director

## PATTERN OF HOLDING OF CERTIFICATES BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2017

No. of Certificate Holders	Certificate Holding		Total Certificate Held
	From	To	
100	1	100	622
492	101	500	246,000
66	501	1000	65,006
83	1001	5000	224,011
16	5001	10000	119,361
6	10001	15000	71,500
3	15001	20000	52,500
2	20001	25000	47,000
2	25001	30000	52,500
1	30001	35000	35,000
2	40001	45000	86,000
1	45001	50000	46,000
1	55001	60000	56,500
1	95001	100000	100,000
1	1335001	1340000	1,337,000
1	42460001	42465000	42,461,000
<b>778</b>			<b>45,000,000</b>

Categories of Certificate Holders	No. of Certificate Held	Percentage
<b>DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN</b>		
MUHAMMAD NAIMUDDIN FAROOQUI	1,000	
MUHAMMAD BILAL SHEIKH	3,000	
	4,000	0.01
<b>ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.</b>		
SINDH MODARABA MANAGEMENT LTD.	42,461,000	94.36
<b>MODARABAS AND MUTUAL FUNDS.</b>		
CDC - TRUSTEE NAFA STOCK FUND	1,337,000	2.97
<b>OTHERS</b>		
MRA SECURITIES LIMITED - MF	10,000	0.02
<b>Individual</b>		
Local - Individuals	1,188,000	2.64
<b>TOTAL</b>	<b>45,000,000</b>	<b>100.00</b>



## NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 3rd Annual Review Meeting of certificate holders of Sindh Modaraba will be held on 19th October 2017 at 4:00 pm at 602, Progressive Centre, 30-A, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi to review the performance of the Modaraba for the year ended June 30, 2017 in terms of clause 20 of the Prudential Regulations for Modaraba issued vide Circular number 4/2004 by Registrar Modaraba Companies and Modarabas.

On behalf of the Board

**Zulfiqar Ali**  
Company Secretary

Place: Karachi  
Date: August 16, 2017

### Note:

1. The Modaraba Certificate transfer book shall remain closed from October 12, 2017 to October 19, 2017 (both days inclusive) to determine the names of Certificate Holders entitled to receive dividend and to attend the Annual Review Meeting. Transfers received in order at the registrar's office of the Modaraba up to the close of the business on October 11, 2017 will be treated in time for the entitlement of profit distribution and to attend Annual Review Meeting.
2. The certificate holders are advised to notify to the registrar of Sindh Modaraba, any change in their addresses.
3. CDC certificate holders desiring to attend the meeting are requested to bring their original CNIC, Account, and Participant's ID number, for identification purpose.

## اطلاع برائے سالانہ جائزہ اجلاس

بذریعہ ہذا اطلاع دی جاتی ہے کہ سندھ مضاربہ کے سرٹیفکیٹ ہولڈرز کا تیسرا سالانہ جائزہ اجلاس 19 اکتوبر 2017ء کو سہ پہر 4 بجے کمرہ نمبر 2، چھٹی منزل، پروگریسیو سینٹر، 30 اے بلاک نمبر 6، شارع فیصل، کراچی میں منعقد ہوگا جس میں رجسٹرار مضاربہ کے سرکلر نمبر 4/2004 اور پروڈینشل ریگولیشن کے تحت 20 کے تحت 30 جون 2017ء کو ختم ہونے والے سال میں مضاربہ کی کارکردگی کا جائزہ لیا جائے گا۔

ذوالفقار علی

کمپنی سیکریٹری

16 اگست 2017ء

کراچی

نوٹس:

- 1 سرٹیفکیٹس ٹرانسفر بکس 12 اکتوبر 2017ء سے 19 اکتوبر 2017ء تک (بشمول دونوں ایام) بند رہیں گی تاکہ اجلاس میں شرکت اور ڈویڈنڈ کے حقدار کا تعین ہو سکے۔
- سرٹیفکیٹ منتقلی کے لیے بروز جمعہ 11 اکتوبر 2017ء کو کاروباری اوقات ختم ہونے سے پہلے تک سندھ مضاربہ کے رجسٹرار آفس میں موصول ہونے والی تمام درخواست سالانہ جائزہ اجلاس میں شرکت اور ڈویڈنڈ کی تقسیم کیلئے بروقت تصوری جائیں گی۔
- 2 سرٹیفکیٹ ہولڈرز سے درخواست ہے کہ اگر ان کے ایڈریس میں کوئی تبدیلی ہو تو رجسٹرار کو آگاہ کریں۔
- 3 سی ڈی سی سرٹیفکیٹ ہولڈرز جو اجلاس میں شرکت کرنا چاہتے ہیں، اپنے ساتھ اصل شناختی کارڈ، اکاؤنٹ اور پارٹنر شپ آئی ڈی نمبر لازمی لائیں۔



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







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**SINDH MODARABA**

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