

# SINDH MODARABA MANAGEMENT LIMITED

Financial Statements  
For the year ended June 30, 2016

**JALIS AHMAD & CO.**  
CHARTERED ACCOUNTANTS  
121, CLIFTON CENTRE,  
BLOCK-5, MAIN CLIFTON ROAD,  
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## DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the third annual report along with audited accounts of Sindh Modaraba Management Limited for the year ended June 30, 2016.

### 1. Business Overview & Outlook

The highlights of the operating results for the year ended June 30, 2016 are presented as under:

	June 30, 2016	June 30, 2015
	-----Rupees-----	
Gross profit	<u>13,403,285</u>	<u>24,070,194</u>
General & Admin expenses	<u>15,540,049</u>	<u>14,964,770</u>
(Loss) / Profit before taxation	<u>(2,136,764)</u>	<u>9,107,924</u>
Profit after taxation	<u>(2,087,483)</u>	<u>6,120,901</u>

The Company being “Mudarib” of Sindh Modaraba is responsible for meeting expenses of its Head office, remuneration of directors and Chief Executive Officer. The income largely emanates from management fee and dividend income from Sindh Modaraba and partly through placement of funds in the remunerative bank accounts. During the year, the Company incurred loss of Rs. 2.08 million as compared to profit of Rs. 6.12 million earned during the year ended June 30, 2015. The reduction in income has resulted from decrease in the bank balances on account of investments in Sindh Modaraba for its floatation and listing.

The profitability of the Company is likely to improve during ensuing years on account of increased management fee and dividend to be earned from the investments in Sindh Modaraba.

### 2. Dividend

The Directors have not declared any dividend for the period ended 30<sup>th</sup> June 2016

### 3. External Annual Audit

The financial statements of Modaraba have been audited without any qualification by the auditors namely M/s Jalis Ahmad & Co., Chartered Accountants.

### 4. Corporate Governance

The public sector companies are required to comply with various requirements of the Public sector Companies (Corporate Governance) Rules, 2013 (“CGR”) 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 CGR 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 Company as well as in line with the best practices.
- Applicable International Financial Reporting Standards have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- There are no significant doubts upon the Company'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, 2016, except for those disclosed in financial statements.
- No investment was made by the Employees Provident Fund as on June 30, 2016.
- Key operating and financial data of last six years cannot be presented as this is the third year of Company's operations.
- Four Board meetings of the Company were held during the year. Attendance of each director is appended hereunder:

<b>Name of Directors</b>	<b>No. of Meetings attended</b>
Mr. Muhammad Bilal Sheikh	4
Mr. Muhammad Sohail Khan Rajput	3
Mr. Muhammad Naimuddin Farooqui	4
Mr. Muhammad Shahid Murtaza	4
Syed Shahnawaz Nadir Shah	4
Mr. Moin Mohajir	4
Mr. Asif Haider Murtaza	4
Mr. Javed Iqbal-CEO	4

Leave of absence was granted to the director who could not attend the meeting.

- Four Audit Committee meetings of the 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	4
Syed Shahnawaz Nadir Shah	4
Mr. Moin Mohajir	4

- The Board has also established Human Resource, Risk Management, Nomination and Procurement Committees as required under the Rules. No meetings of these committees were held during the period under review.

## 5. The Board of Directors

Subsequent to year end, 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 resigned from the Board in August 2016. Furthermore, Mr. Javed Iqbal also resigned as CEO of the Company. However, he will continue to serve the Company till the appointment of the new CEO.

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

## 6. Pattern of Shareholding

Category No.	Categories of Shareholders	No. of shares held
1	Government of Sindh (Viability Gap Fund) through its finance department	49,999,993
2	<u>Directors:</u> Mr. Muhammad Bilal Sheikh Mr. Muhammad Naimuddin Farooqui Syed Hassan Naqvi Mr. Muhammad Shahid Murtaza Syed Shahnawaz Nadir Shah Mr. Moin Mohajir Mr. Asif Haider Mirza	1 1 1 1 1 1 1
<b>TOTAL</b>		<b>50,000,000</b>

## 7. Appointment of External Auditors

The retiring auditors being eligible offer themselves for re appointment for the year ending June30, 2017. The Audit Committee of the Board has recommended appointment of Jalis Ahmad & Co, Chartered Accountants as external auditors for the year ending June 30, 2017.

## 8. Acknowledgements

The Board wishes to place on record its appreciation for SECP for their continued guidance. The Board would also like to thank the sponsors for their support and guidance. It also appreciates the dedication and hard work of employees of the Company.

On behalf of the Board



**Javed Iqbal**  
**Chief Executive Officer**

**Karachi:**  
**August 30, 2016**

## ڈائریکٹرز کی رپورٹ

ہم بورڈ آف ڈائریکٹرز کی جانب سے سندھ مضاربہ مینجمنٹ لمیٹڈ کی 30 جون 2016 کو اختتام پذیر ہونے والے سال پر تیسری سالانہ رپورٹ جمع آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

### 1 کاروبار کا جائزہ اور امید مستقبل

30 جون 2016 کو ختم ہونے والے سال کے کاروباری نتائج کی جھلکیاں درج ذیل پیش ہیں

2016 جون 30	2015 جون 30	
<u>13,403,285</u>	<u>24,070,194</u>	کل مجموعی منافع
<u>15,540,049</u>	<u>14,964,770</u>	عام اور انتظامی اخراجات
<u>(2,136,764)</u>	<u>9,107,924</u>	(نقصان) / منافع قبل از ٹیکس
<u>(2,087,483)</u>	<u>6,120,901</u>	منافع بعد از ٹیکس

سندھ مضاربہ کے مضارب کی حیثیت سے یہ کمپنی اپنی ہیڈ آفس / صدر مقام کے اخراجات، ڈائریکٹرز اور چیف ایگزیکٹو افسر کو دی جانے والی مراعات خود ادا کرنے کی ذمہ دار ہے۔ آمدنی کا زیادہ تر حصہ سندھ مضاربہ سے ملنے والی مینجمنٹ فیس اور ڈیویڈنڈ کی صورت میں ملنے والی آمدنی اور جزوی طور پر مختلف بینک کھاتوں میں رکھی ہوئی رقم پر ملنے والی آمدن پر مشتمل ہے۔ کمپنی کو 30 جون 2015 کو ختم ہونے والے سال میں حاصل ہونے والے 6.12 ملین روپے کا منافع کے مقابلے میں جاری سال میں 2.08 ملین روپے کے نقصان ہوا ہے۔ سندھ مضاربہ میں حصص کے اجراء اور اس کی لسٹنگ کی وجہ سے بینکوں میں موجود رقم میں کمی ہونے کے نتیجے میں آمدنی میں کمی ہوئی۔

آنے والے سالوں میں سندھ مضاربہ میں سرمایہ کاری کی وجہ سے اضافی مینجمنٹ فیس اور ڈیویڈنڈ کے باعث توقع ہے کہ کمپنی کے منافع میں بہتری آئے گی۔

### 2 ڈیویڈنڈ (حصص پر منافع)

ڈائریکٹرز نے 30 جون 2016 کو ختم ہونے والے سال کے لیے کسی ڈیویڈنڈ کا اعلان نہیں کیا

### 3 سالانہ بیرونی آڈٹ

مضاربہ کے مالیاتی اسٹیٹمنٹس کو بغیر کسی کوالیفیکیشن کے آڈیٹرز جلیس احمد اینڈ کو چارٹرڈ اکاؤنٹنٹس آڈٹ کر چکے ہیں۔

#### 4 کا پورٹ گورننس

پبلک سیکٹر کمپنیوں کے لیے لازم ہے کہ ایس ای سی پی کے جاری کردہ پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) قوانین 2013 (سی جی آر) کے ضابطوں کی پابندی کرے۔

دستوری آڈیٹر 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 جی آر 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 رد و بدل کی درست تصویر پیش کرتے ہیں

• مناسبت طور سے کھاتوں کی بکس رکھی گئی ہیں۔

• 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 مشاہروں کی پالیسی کمپنی کے بہترین مفاد میں اور بہترین طریقوں کے مطابق ہے۔

• مالیاتی اسٹیٹمنٹس کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈز جو پاکستان میں کمپنی 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۔

• کمپنی کے ایک جاری رہنے والے ادارے کے ہونے کی صلاحیت کے بارے میں کوئی خاص شبہات نہیں ہیں۔

• 30 جون 2016 پر ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں کوئی دستوری ادائیگیاں نہیں ہیں ماسوائے ان کے جو

مالیاتی اسٹیٹمنٹس میں ظاہر کیے گئے ہیں

• 30 جون 2016 تک ملازمین کے پراویڈنڈ فنڈز سے کوئی سرمایہ کاری نہیں کی گئی

• گذشتہ چھ سالوں کا اہم آپریٹنگ اور مالیاتی ڈیٹا پیش نہیں کیا جاسکتا کیونکہ کمپنی کے آپریشن کا یہ تیسرا سال ہے

• سال میں کمپنی کے بورڈ کی چار اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب محمد بلال شیخ	4
جناب محمد سہیل خان راجپوت	3
جناب محمد نعیم الدین فاروقی	4
جناب محمد شاہد مرتضیٰ	4
سید شاہنواز نادر شاہ	4
جناب معین مہاجر	4
جناب آصف حیدر مرزا	4
جناب جاوید اقبال۔ سی ای او	4

• جو ڈائریکٹر اجلاس میں شرکت نہ کر سکے ان کو رخصت دے دی گئی۔



سال میں 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	4
سید شاہنواز نادر شاہ	4
جناب معین مہاجر	4

بورڈ ہیومن ریسورس، رسک مینجمنٹ، نامزدگی اور پروکیورمنٹ کی کمیٹیوں کو قوانین کے مطابق قائم کر چکا ہے۔ ان کمیٹیوں کا کوئی اجلاس زیر غور مدت کے دوران نہیں ہوا

#### 5 بورڈ آف ڈائریکٹرز

اختتام سال کے بعد، حکومت سندھ نے سید حسن نقوی کی تقرری بطور سکیورٹی، فنانس ڈپارٹمنٹ کی۔ اور اس طرح سے ان کو جناب سہیل خان راجپوت کی جگہ بورڈ میں شامل کیا گیا۔ اگست 2016 میں جناب معین مہاجر نے، جو کہ آزاد ڈائریکٹر تھے، استعفیٰ دے دیا۔ علاوہ ازیں جناب جاوید اقبال نے بھی بطور کمیٹی کے سی ای او کے استعفیٰ دے دیا۔ لیکن وہ نئے سی ای او کے انتخاب تک خدمات سرانجام دیتے رہیں گے۔

بورڈ جناب سہیل خان راجپوت اور معین مہاجر کی بطور ڈائریکٹرز اور جناب جاوید اقبال کی بطور کمیٹی کے سی ای او کے کمیٹی کے لیے گرانقدر خدمات کو سراہتے ہوئے رکارڈ پر لانا چاہتا ہے۔

#### 6 شراکت داری کی تفصیل

کیٹ #	شیر ہولڈرز کی کیٹیگری	حصص کی تعداد
1	حکومت سندھ (وائیبلٹی گیپ فنڈ) کے فنانس ڈپارٹمنٹ کی معرفت ڈائریکٹرز	49,999,993
	جناب محمد بلال شیخ	1
	جناب محمد نعیم الدین فاروقی	1
	سید حسن نقوی	1
	جناب محمد شاہد مرتضیٰ	1
	سید شاہنواز نادر شاہ	1
	جناب معین مہاجر	1
	جناب آصف حیدر مرزا	1
		50,000,000

#### 7 بیرونی آڈیٹرز کی تقرری

ریٹائر ہونے والے آڈیٹرز 30 جون 2017 کو ختم ہونے والے سال کے لیے اپنی تقرری کے لیے اہل قرار پائے جا رہے ہیں۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2017 کو ختم ہونے والے سال کے لیے جلیس احمد اینڈ کوپارٹنرز کاؤنٹنٹس کو آڈیٹر مقرر کرنے کی سفارش کی ہے۔





8 اعتراف

بورڈ ایس ای سی پی کا اس کی مسلسل رہنمائی اور حمایت کے لیے شکریہ ادا کرنے کا خواہش مند ہے۔ بورڈ اپنے اسپانسرز کی حمایت اور رہنمائی کا بھی شکریہ ادا کرنا چاہتا ہے۔ وہ ملازمین کے خلوص اور سخت محنت کو بھی سراہتا ہے۔

بورڈ کی جانب سے



جاوید اقبال

چیف ایگزیکٹو آفیسر

کراچی

30 اگست 2016



**Statement of Compliance with  
Public Sector Companies (Corporate Governance) Rules, 2013**

Name of Company **SINDH MODARABA MANAGEMENT LIMITED**  
Name of the line ministry **Ministry of Finance, Government of Sindh**  
For the year ended **June 30, 2016**

- I. The statement is being presented to comply with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practice of public sector governance.
- II. The company has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule No.	Y	N	Remarks																								
			Tick the relevant box																										
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																										
2.	The Board has the requisite percentage of independent directors. At present the board includes : <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="3">Independent Directors</td> <td>M. Shahid Murtaza</td> <td>31<sup>st</sup> Oct 2014</td> </tr> <tr> <td>Moin Mohajir</td> <td>31<sup>st</sup> Oct 2014</td> </tr> <tr> <td>Asif Haider</td> <td>31<sup>st</sup> Oct 2014</td> </tr> <tr> <td>Executive Directors</td> <td></td> <td></td> </tr> <tr> <td rowspan="5">Non-Executive Directors</td> <td>M. Bilal Sheikh</td> <td>31<sup>st</sup> Oct 2014</td> </tr> <tr> <td>M. Naimuddin Farooqi</td> <td>31<sup>st</sup> Oct 2014</td> </tr> <tr> <td>M. Sohail Khan Rajput</td> <td>31<sup>st</sup> Oct 2014</td> </tr> <tr> <td>S. Shah Nawaz</td> <td>31<sup>st</sup> Oct 2014</td> </tr> <tr> <td>Nadir Shah</td> <td>31<sup>st</sup> Oct 2014</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	M. Shahid Murtaza	31 <sup>st</sup> Oct 2014	Moin Mohajir	31 <sup>st</sup> Oct 2014	Asif Haider	31 <sup>st</sup> Oct 2014	Executive Directors			Non-Executive Directors	M. Bilal Sheikh	31 <sup>st</sup> Oct 2014	M. Naimuddin Farooqi	31 <sup>st</sup> Oct 2014	M. Sohail Khan Rajput	31 <sup>st</sup> Oct 2014	S. Shah Nawaz	31 <sup>st</sup> Oct 2014	Nadir Shah	31 <sup>st</sup> Oct 2014	3(2)	✓		
Category	Names	Date of appointment																											
Independent Directors	M. Shahid Murtaza	31 <sup>st</sup> Oct 2014																											
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	S. Shah Nawaz	31 <sup>st</sup> Oct 2014																											
	Nadir Shah	31 <sup>st</sup> Oct 2014																											
3.	A casual occurring on the board was filled up by the directors within ninety days.	3(4)			N/A																								
4.	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 recd. from SECP																								
5.	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)	✓																										
6.	The chairman of the board is working separately from the chief executive of the Company.	4(1)	✓																										

7.	The chairman has been elected from amongst the independent directors.	4(4)		✓	Exemption recd. from SECP
8.	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)	✓		
9.	(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. (Address of website to be indicated www.sindhmodarabalttd.com)  (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓		
10.	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)	✓		
11.	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)	✓		
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b)(vi)	✓		
13.	(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)	✓		
14.	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)	✓		
15.	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)	✓		
16.	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

17.	<p>a) The Board has met at four times during the year.</p> <p>b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.</p> <p>c) The minutes of the meetings were appropriately recorded and circulated.</p>	6(1) 6(2) 6(3)	✓ ✓ ✓																				
18.	<p>The Board has carried out performance evaluation of its members, including the chairman and chief executive, on the basis of a process, based on specified criteria, developed by it. The board has also monitored and assessed the performance of senior management on annual / half / yearly / quarterly basis*. *Strike out whichever is not applicable.</p>	8	✓																				
19.	<p>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.</p>	9	✓																				
20.	<p>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.</p> <p>Monthly accounts were also prepared and circulated amongst the board members.</p>	10	✓																				
21	<p>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.</p>	11	✓																				
22.	<p>(a) The Board has formed the requisite committee, 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 committee 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="175 1570 873 1973"> <thead> <tr> <th>Committee</th> <th>Number of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>4</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>4</td> <td>M. Sohail Khan Rajput</td> </tr> <tr> <td>Nomination Committee</td> <td>4</td> <td>M. Sohail Khan Rajput</td> </tr> </tbody> </table>	Committee	Number of Members	Name of Chair	Audit Committee	4	M. Shahid Murtaza	Risk Management Committee	4	M. Bilal Sheikh	Human Resources Committee	4	M. Bilal Sheikh	Procurement Committee	4	M. Sohail Khan Rajput	Nomination Committee	4	M. Sohail Khan Rajput	12	✓		
Committee	Number of Members	Name of Chair																					
Audit Committee	4	M. Shahid Murtaza																					
Risk Management Committee	4	M. Bilal Sheikh																					
Human Resources Committee	4	M. Bilal Sheikh																					
Procurement Committee	4	M. Sohail Khan Rajput																					
Nomination Committee	4	M. Sohail Khan Rajput																					

23.	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.															
24.	The Company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of sub-section (3) of section 234 of the Ordinance.	16	✓																	
25.	The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully described the salient matters required to be disclosed.	17	✓																	
26.	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	✓																	
27.	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															
28.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before approval of the board.	20	✓																	
29.	<p>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:</p> <table border="1"> <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>M. Naimuddin Farooqui</td> <td>Non-executive</td> <td>Banker</td> </tr> <tr> <td>S. Shahnawz Nadir Shah</td> <td>Non-executive</td> <td>Investment Specialist</td> </tr> <tr> <td>Moin Mohajir</td> <td>Independent</td> <td>Chartered Accountant</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	M. Naimuddin Farooqui	Non-executive	Banker	S. Shahnawz Nadir Shah	Non-executive	Investment Specialist	Moin Mohajir	Independent	Chartered Accountant		✓		
Name of member	Category	Professional background"																		
M. Shahid Murtaza	Independent	Banker																		
M. Naimuddin Farooqui	Non-executive	Banker																		
S. Shahnawz Nadir Shah	Non-executive	Investment Specialist																		
Moin Mohajir	Independent	Chartered Accountant																		
30.	The Board has set up and effective internal audit function, which has an audit charter, duly approved by the committee, and which worked in accordance with the applicable standards.	22	✓																	
31.	The Company has appointed its external auditors in line with the requirements envisaged under the Rules.	23	✓																	
32.	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)	✓																	

33.	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)	✓		
34.	The Company has complied with all the corporate and financial reporting requirements of the Rules.		✓		



**Javed Iqbal**  
**Chief Executive Officer**

## Schedule II

### Explanation for Non-Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We confirm that all other material requirements envisaged in the Rules have been complied with. [Except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year]:

<b>Sr. No.</b>	<b>Rule/sub-rule no.</b>	<b>Reasons for non-compliance</b>	<b>Future course of action</b>
1.	4(4)	The Chairman being nominee of Government of Sindh is a professional banker with unblemished track record.	SECP (Company Law Division) has provided relaxation to the Company from applicability of this rule for a period of three years.



**Javed Iqbal**  
**Chief Executive Officer**

# JALIS AHMAD & CO.

CHARTERED ACCOUNTANTS

PHONE: 35873934, 3537 41 25-26

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Grams: "JALISCO"

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121-CLIFTON CENTRE,  
BLOCK-5, MAIN CLIFTON ROAD,  
KARACHI-75600 (PAKISTAN)

## Review Report to the Members on the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 ("the Code") prepared by the Board of Directors of **Sindh Modaraba Management Limited** ("the Company") for the year ended June 30<sup>th</sup> 2016 to comply with the requirements of the Code.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

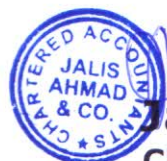
As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed 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 this requirement to the extent of approval of the related party transactions by the Board of Directors 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 Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30<sup>th</sup> 2016.

Date: **30 AUG 2016**

Place: Karachi



**Jalis Ahmad & Co**  
Chartered Accountants

Engagement person Mr. Iqbal Yousuf- FCA



# JALIS AHMAD & CO.

CHARTERED ACCOUNTANTS

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121-CLIFTON CENTRE,  
BLOCK-5, MAIN CLIFTON ROAD,  
KARACHI-75600 (PAKISTAN)

## AUDITOR'S REPORT TO THE MEMBERS

We have audited the annexed Balance Sheet of **Sindh Modaraba Management Limited, (the Company)** as at June 30, 2016 and the related Income Statement, Statement of Comprehensive Income, Cash Flow Statement and Statement of Changes in Equity together with the notes forming part thereof, 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;

It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit;

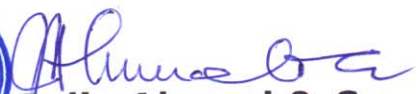
We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis,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

- a) in our opinion, proper books of accounts have been kept by the company as required by the Companies Ordinance, 1984;
- b) in our opinion-
  - i) the Balance Sheet and Income Statement together with the notes thereon have been drawn up in conformity with the Companies Ordinance, 1984, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;
  - ii) the expenditure incurred during the year was for the purpose of the company's business; and
  - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects of the company;
- c) In our opinion and to the best of our information and according to the explanations given to us, the Balance Sheet, Income Statement, 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 Companies Ordinance, 1984, in the manner so required and respectively give a true and fair view of the state of the company's affairs as at June 30, 2016 and of its loss, its comprehensive income its cash flows and changes in equity for the year then ended; and
- d) In our opinion no Zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: **30 AUG 2016**

Place: KARACHI



  
**Jalil Ahmad & Co.**  
Chartered Accountants  
Engagement Person: Mr. Iqbal Yousuf - FCA



**SINDH MODARABA MANAGEMENT LIMITED**

**BALANCE SHEET  
AS AT JUNE 30, 2016**

	Note	2016 Rupees	2015 Rupees
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipments	4	10,445,512	13,802,648
Long term investment	5	429,153,047	429,153,047
		439,598,559	442,955,695
<b>CURRENT ASSETS</b>			
Advance, deposits, prepayment and other receivables	6	15,941,472	11,423,319
Cash and bank balances	7	61,767,206	66,614,024
		77,708,678	78,037,343
<b>CURRENT LIABILITIES</b>			
Creditors, accrued and other liabilities	8	1,260,226	1,761,106
		1,260,226	1,761,106
Net current assets		76,448,452	76,276,237
<b>Net assets</b>		<b>516,047,011</b>	<b>519,231,932</b>
<b>EQUITY AND RESERVES</b>			
<b>AUTHORIZED SHARE CAPITAL</b>			
50,000,000 ordinary shares of Rs. 10/- each	9	500,000,000	500,000,000
Issued, subscribed and paid up share capital	9	500,000,000	500,000,000
Revenue reserves	10	16,047,011	18,134,494
<b>Net shareholders' equity</b>		516,047,011	518,134,494
<b>DEFERRED LIABILITY</b>			
Deferred taxation	11	-	1,097,438
		<b>516,047,011</b>	<b>519,231,932</b>

The annexed notes 1 to 19 form an integral part of these financial statements.

  
Chief Executive

  
Director


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**SINDH MODARABA MANAGEMENT LIMITED**

**INCOME STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2016**

	Note	2016 Rupees	2015 Rupees
Revenue	12	13,403,285	24,070,194
Direct expenses		-	-
<b>Gross profit</b>		13,403,285	24,070,194
General and administrative expenses	13	(15,540,049)	(14,964,770)
		(15,540,049)	(14,964,770)
Profit from operating activities		(2,136,764)	9,105,424
Other income		-	2,500
(Loss) / profit before taxation		(2,136,764)	9,107,924
Taxation	15	49,281	(2,987,023)
<b>(Loss) / profit after taxation</b>		<b>(2,087,483)</b>	<b>6,120,901</b>

The annexed notes 1 to 19 form an integral part of these financial statements.

  
Chief Executive

  
Director



SINDH MODARABA MANAGEMENT LIMITED

STATEMENT OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2016

	2016 Rupees	2015 Rupees
(Loss) / profit after taxation	(2,087,483)	6,120,901
Other comprehensive income		
- 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 (loss) / income for the year</b>	<b><u>(2,087,483)</u></b>	<b><u>6,120,901</u></b>

The annexed notes 1 to 19 form an integral part of these financial statements.

  
Chief Executive

  
Director

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**SINDH MODARABA MANAGEMENT LIMITED**

**CASHFLOW STATEMENT  
FOR THE YEAR ENDED JUNE 30, 2016**

	Note	2016 Rupees	2015 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
(Loss) / profit before taxation		(2,136,764)	9,107,924
<b>Adjustments</b>			
Depreciation	13	1,240,911	1,517,895
Dividend income	12	(6,855,600)	-
Gain on sale of investments	12	(768,334)	(1,014,481)
		(6,383,023)	503,414
		<u>(8,519,787)</u>	<u>9,611,338</u>
<b>(Loss) / profit before working capital changes</b>			
<b>Working capital changes</b>			
<b>(Increase)/decrease in current assets</b>			
Advance, prepayment and other receivables		(1,315,362)	(7,090,828)
Short term investment		-	50,000,000
<b>Decrease in current liabilities</b>			
Accrued expenses and other liabilities		(500,880)	(4,270,795)
		(1,816,242)	38,638,377
Income tax paid		(1,277,773)	(5,061,403)
<b>Net cash (used in)/generated from operating activities</b>		<u>(11,613,802)</u>	<u>43,188,312</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		-	(355,187)
Purchase of investments		(60,000,000)	(60,000,000)
Sale proceeds from sale of investments		60,768,334	61,014,481
Purchase of long term Investments		-	(429,153,047)
Dividend received		5,998,650	-
<b>Net cash generated from/(used in) investing activities</b>		<u>6,766,984</u>	<u>(428,493,753)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net cash generated from financing activities</b>		-	-
Net decrease in cash and cash equivalents		(4,846,818)	(385,305,441)
Cash and cash equivalents at beginning of the year		66,614,024	451,919,465
<b>Cash and cash equivalents at end of the year</b>	7	<u><u>61,767,206</u></u>	<u><u>66,614,024</u></u>

The annexed notes 1 to 19 form an integral part of these financial statements.

  
Chief Executive

  
Director



SINDH MODARABA MANAGEMENT LIMITED

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED JUNE 30, 2016

	Share Capital	Unappropriated profit	Net shareholders' equity
	-----Rupees-----		
Balance as at June 30, 2014	500,000,000	12,013,593	512,013,593
Profit for the year	-	6,120,901	6,120,901
Balance as at June 30, 2015	500,000,000	18,134,494	518,134,494
Loss for the year	-	(2,087,483)	(2,087,483)
Balance as at June 30, 2016	500,000,000	16,047,011	516,047,011

The annexed notes 1 to 19 form an integral part of these financial statements.

  
Chief Executive

  
Director

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## SINDH MODARABA MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### 1 LEGAL STATUS AND NATURE OF BUSINESS

Sindh Modaraba Management Limited has been incorporated in Pakistan as a public limited company by share under the Companies Ordinance, 1984 on November 28, 2013. Its registered office is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road Karachi. The principal activity of the company is to engage in floatation and management of Modaraba and to function as a Modaraba Management Company with in the meaning of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance 1980.

#### 2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standard comprise of such International Financial Reporting Standard (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Ordinance, 1984, provisions of and directives issued under the companies ordinance, 1984. In case requirements differ, the provisions or directives of the Companies Ordinance, 1984 shall prevail.

#### 2.1 STATEMENT OF COMPREHENSIVE INCOME

IAS1 (revised), 'presentation of financial statements' standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (income statement and statement of comprehensive income).

The Company has preferred to present two statements; an income statement and a statement of comprehensive income. The financial information has been prepared under revised disclosure requirements.

#### 3 SIGNIFICANT ACCOUNTING POLICIES

##### 3.1 Basis of preparation

The financial statements of the company have been prepared under the historical cost convention.

##### 3.2 Property, plant and equipments

###### a) Owned assets

Assets in own use are stated at cost less accumulated depreciation. Depreciation is charged to income on straight line method using the rates specified in note 4 to the financial statements. Depreciation is charged from the month an item is acquired or capitalized up to the month of disposal.

Maintenance costs and normal repairs are charged to income statement as and when incurred. Major renewals and repairs are capitalized.

## SINDH MODARABA MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### 3.11 Revenue recognition

- (a) Management remuneration is charged up to 10 percent of net profit of modaraba and is recognized on an accrual basis.
- (b) Dividend income is recognized when the shareholders' right to receive payment is established.
- (c) Profit on PLS savings bank accounts is recognized on accrual basis.
- (d) Revenue is recognized when invoice is raised to the customer.

#### 3.12 Preliminary expenses

Preliminary expenses has been paid by Government of Sindh which are not to be paid back / refunded as per normal practice.

#### 3.13 Related party transactions

All transactions with related parties are priced on an arm's length basis. Prices for these transactions are determined on the basis of admissible valuation methods, which sets the price by reference to comparable goods sold in an economically comparable market to a buyer unrelated to the seller.

#### 3.14 Financial instruments

##### a) Financial assets

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity. All financial assets approximate their fair values.

##### b) Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity.

Any gain or loss on the recognition of the financial assets and liabilities is included in net profit and loss for the year in which it arises.

Assets and liabilities that are of contractual nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the company.



## SINDH MODARABA MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### b) Leased assets

The company accounts for property, plant and equipment acquired under finance leases recording the assets and the related liability at the amounts, which are determined on the basis of discounted value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged to income applying the same basis as for

#### c) Gain or loss on disposal

Gain or loss on disposal of assets, if any, is included in income currently.

#### d) Impairment of assets

The company assesses at each balance sheet date whether there is any indication that a property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the estimated recoverable amount, assets are written down to the recoverable amount.

### 3.3 Investment

Investments in securities are initially recognized at cost, being the fair value of the consideration given, including acquisition costs associated with the investment. Thereafter these are classified and measured as follows:

#### Held-for-trading

These are securities which are either acquired for generating profit from short term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit making exists.

After initial recognition, these investments are remeasured at fair value. Unrealized gains and losses are included in the income statement for the year.

### 3.4 Investment in associates

Investment in associates is accounted for using the equity method. The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the Investments in modaraba managed by the company are stated at cost. Provision is made for decline other than temporary in the value of investments, if any.

## SINDH MODARABA MANAGEMENT LIMITED

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

#### 3.5 Advances, deposits, prepayments and others receivable

These are stated at cost.

#### 3.6 Trade debts

Sundry debtors originated by the company are recognized and carried at original invoice amount. Bad debts are written off when identified.

#### 3.7 Cash and cash equivalent

Cash and cash equivalents are carried in the balance sheet at cost. These include balances with bank in deposit account.

#### 3.8 Creditors, accrued expenses and other liabilities

Liabilities for trade and others payable are carried at cost which is the fair value of the consideration to be paid in future in respect of goods and services.

#### 3.9 Provisions

Provisions are recognized when:

- the company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations; and
- a reliable estimate of the obligation can be made.

#### 3.10 Taxation

##### Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account available tax credits and tax rebates if any in accordance with the provisions of the Income Tax Ordinance, 2001 and Income Tax Rules, 2002.

##### Deferred

Provision for deferred taxation, if any, is made on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the assets can be utilized.

**SINDH MODARABA MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**c) Offsetting of a financial asset and a financial liability**

A financial asset and a financial liability is offset and net amount is reported in the balance sheet only when an enterprise currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

**3.15 Staff retirement benefits**

The company operates:

A provident fund for all eligible employees and equal contributions by the employer and employee are made at the rate of 10% of the basic salaries of the employees .

SINDH MODARABA MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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4 PROPERTY, PLANT AND EQUIPMENTS

---Property and equipments  
---Intangible assets

	Note	2016 Rupees	2015 Rupees
	4.1	10,426,086	13,772,122
		19,426	30,526
		<b>10,445,512</b>	<b>13,802,648</b>

4.1 PROPERTY AND EQUIPMENTS

Particulars	-----Owned-----						Total
	Leasehold improvement on building	Furniture and fixtures	Office equipment	Computer equipment	Motor vehicle		
<b>At June 30, 2016</b>							
Cost	9,386,168	890,467	628,330	155,052	2,418,000		13,478,017
Accumulated depreciation	(977,726)	(329,274)	(441,668)	(134,563)	(1,168,700)		(3,051,931)
Net book value	<b>8,408,442</b>	<b>561,193</b>	<b>186,662</b>	<b>20,489</b>	<b>1,249,300</b>		<b>10,426,086</b>
<b>Net carrying value basis</b>							
<b>Year ended June 30, 2016</b>							
Opening net book value (NBV)	8,878,888	1,801,834	1,203,010	155,490	1,732,900		13,772,122
Additions - cost	-	-	-	-	-		-
Disposals at NBV	-	(1,134,848)	(894,983)	(86,394)	-		(2,116,225)
Depreciation charge for the year	(470,446)	(105,793)	(121,365)	(48,607)	(483,600)		(1,229,811)
Closing net book value (NBV)	<b>8,408,442</b>	<b>561,193</b>	<b>186,662</b>	<b>20,489</b>	<b>1,249,300</b>		<b>10,426,086</b>
<b>At June 30, 2015</b>							
Cost	9,386,168	2,025,315	1,523,313	241,446	2,418,000		15,594,242
Accumulated depreciation	(507,280)	(223,481)	(320,303)	(85,956)	(685,100)		(1,822,120)
Net book value	8,878,888	1,801,834	1,203,010	155,490	1,732,900		13,772,122
<b>Net carrying value basis</b>							
<b>Year ended June 30, 2015</b>							
Opening net book value (NBV)	9,343,533	1,886,211	1,337,333	181,780	2,216,500		14,965,357
Additions - cost	3,541	108,864	243,313	46,168	-		401,886
Disposals at cost	-	-	(80,000)	-	-		(80,000)
Depreciation charge for the year	(468,186)	(193,241)	(297,636)	(72,458)	(483,600)		(1,515,121)
Closing net book value (NBV)	8,878,888	1,801,834	1,203,010	155,490	1,732,900		13,772,122
<b>Rate</b>	<b>5%</b>	<b>10%</b>	<b>20%</b>	<b>33.33%</b>	<b>20%</b>		<b>20%</b>

**SINDH MODARABA MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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	2016 Rupees	2015 Rupees
<b>5 LONG TERM INVESTMENT</b>		
Sindh Modaraba		
42,847,500 (2015: 42,847,500) certificates of Rs. 10/- each	<u>429,153,047</u>	<u>429,153,047</u>

Sindh Modaraba is floated and managed by the company and the company holds 95.22% of the total certificate capital of the Modaraba

The break-up value of the above investment is Rs.10.51 (2015:10.22) per certificate as at June 30, 2016 based on the audited accounts of Sindh Modaraba and the quoted market price on Pakistan Stock Exchange (Formerly known as Karachi Stock Exchange Limited) on June 30, 2016 was Rs. 3.90 (2015: 6.99) per certificate. The above investment is carried at cost being a long term strategic investment.

	Note	2016 Rupees	2015 Rupees
<b>6 ADVANCE,DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES</b>			
Accrued profit on term deposit receipt		-	122
Security deposit		50,000	50,000
Prepaid office rent		831,491	1,274,542
Prepaid expense		12,510	
Prepaid insurance		24,109	34,337
Advance income tax	6.1	1,918,405	1,688,789
CDC annual subscription fee		-	78,857
Other advances & receivables		303,030	-
Receivable from Sindh Modaraba - Management Remuneration		3,496,150	1,107,120
Receivable from Sindh Modaraba - others	6.2	2,116,225	7,189,552
Receivable from Government of Sindh	6.3	7,189,552	-
		<u>15,941,472</u>	<u>11,423,319</u>

**6.1 ADVANCE INCOME TAX**

Opening balance	(1,688,789)	866,857
Provided during the year:		
- current year	1,048,157	3,159,051
- prior year	-	(653,294)
	(640,632)	3,372,614
Payments/adjustments during the year	(1,277,773)	(5,061,403)
<b>Tax refundable</b>	<u>(1,918,405)</u>	<u>(1,688,789)</u>

**6.2** After adjustment of Rs. 10.58 (2015:10.58) million received from Government of Sindh towards Modaraba floatation expense.

**6.3** During the year Government of Sindh has agreed to reimburse the preliminary expenses of Rs. 7.189 million to the management company. Hence, the receivable has been transferred from Sindh Modaraba to Government of Sindh.

**SINDH MODARABA MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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	Note	2016 Rupees	2015 Rupees
<b>7 CASH AND BANK BALANCES</b>			
- in current account		-	2,464
- in PLS accounts	7.1	61,767,206	66,611,560
		<u>61,767,206</u>	<u>66,614,024</u>
7.1 This represents balance held with Sindh Bank Ltd (related party) & carry profit at rates ranging from 6.05% to 6.8% (2015: 6.5% to 6.8%) per annum.			
<b>8 CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Sundry creditors		-	191,174
Accrued expenses		1,210,226	303,030
Auditor's remuneration		50,000	50,000
Provident fund payable	8.1	-	1,192,042
Other liabilities		-	24,860
		<u>1,260,226</u>	<u>1,761,106</u>
<b>8.1 Provident fund payable</b>			
Opening balance		1,192,042	-
Provided during the year		945,456	1,192,042
		2,137,498	1,192,042
Payments/adjustments during the year		(2,137,498)	-
		<u>-</u>	<u>1,192,042</u>
<b>9 SHARE CAPITAL</b>			
<b>Authorized share capital</b>			
50,000,000 ordinary shares of Rs.10/- each		<u>500,000,000</u>	<u>500,000,000</u>
<b>Issued, subscribed and paid up share capital</b>			
50,000,000 ordinary shares of Rs.10/- each fully paid in cash		<u>500,000,000</u>	<u>500,000,000</u>
9.1 At June 30, 2016, Government of Sindh (through Viability Gap Fund) and its nominees held 100 percent (2015: 100 percent) of the share capital of the Company.			
<b>10 REVENUE RESERVES</b>			
Unappropriated profit		<u>16,047,011</u>	<u>18,134,494</u>
<b>11 DEFERRED TAXATION</b>			
<b>Taxable temporary differences arising due to:</b>			
WDV of fixed assets & inadmissible expense		-	3,325,568
Applicable tax rate		-	33%
Deferred tax liability		-	1,097,438
		<u>-</u>	<u>1,097,438</u>

**SINDH MODARABA MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

**12 REVENUE**

Profit on daily product account	3,390,320	19,441,744
Profit on term deposit receipt	768,334	2,506,849
Modaraba Management Remuneration	2,389,031	1,107,120
Dividend Income	6,855,600	-
Realized gain on sale of investments	-	1,014,481
	<b><u>13,403,285</u></b>	<b><u>24,070,194</u></b>

**13 GENERAL AND ADMINISTRATIVE EXPENSE**

	2016 Rupees	2015 Rupees
Salaries allowances and other benefits	10,271,519	8,888,655
Provident fund	472,728	406,383
Director meeting fee	960,000	330,000
Honourarium/professional charges	-	30,000
Training and seminar	45,000	37,500
Traveling and conveyance expense	127,943	111,630
Telephone and internet expense	12,188	72,158
Printing and stationery	-	87,269
Insurance expense	116,138	152,541
Security guard charges	86,602	316,833
Legal and professional	160,650	417,703
Repair and maintenance	3,170	244,084
Entertainment	23,812	58,842
Postage and courier	-	10,400
Vehicle running expense	27,790	32,297
Electricity expense	-	106,272
Generator running expense	-	310,400
Rent expense	1,819,584	1,714,949
Registration and subscription fee	117,678	33,332
Auditor's remuneration	53,000	50,000
Depreciation/amortization	1,240,911	1,517,897
Miscellaneous expenses	1,336	35,625
	<b><u>15,540,049</u></b>	<b><u>14,964,770</u></b>

**14 REMUNERATION OF CHIEF EXECUTIVE AND EXECUTIVES**

	Chief Executive		Executives	
	2016	2015	2016	2015
Remuneration	7,800,000	6,000,000	-	1,499,170
Retirement benefits	472,728	366,036	-	37,606
Other benefits	1,929,312	669,290	-	174,890
	<b><u>10,202,040</u></b>	<b><u>7,035,326</u></b>	<b><u>-</u></b>	<b><u>1,711,666</u></b>
<b>Number of persons</b>	<b><u>1</u></b>	<b><u>1</u></b>	<b><u>-</u></b>	<b><u>2</u></b>

14.1 The employees of the company during the year ended June 30, 2015 including CFO were transferred to Sindh Modaraba.

**SINDH MODARABA MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2016**

	2016	2015
	-----Rupees-----	
<b>15 TAXATION</b>		
Current year	1,048,157	3,159,051
Prior year	-	(653,294)
Deferred tax	(1,097,438)	481,266
	<u>(49,281)</u>	<u>2,987,023</u>

**16 DEFINE CONTRIBUTION PLAN**

Detail of the Staff Provident Fund based on unaudited financial statement for the year ended June 30, 2016 are below

	Unaudited	
	2016	2015
	Rupees	Rupees
Size of the fund (total assets)	2,989,679	-
Cost of investment made	2,989,679	-
Fair value of investment made	2,989,679	-
	<u>Percentage</u>	
Percentage of investment made	<u>100%</u>	<u>-</u>
<b>Break up of Investment at cost</b>		
	<u>2016</u>	
	Rupees	Percentage
Sindh Bank PLS Account	<u>2,989,679</u>	<u>100.00%</u>
	<u>2015</u>	
	Rupees	Percentage
	<u>-</u>	<u>-</u>

Investments out of provident funds have been made in accordance with the provisions of section 227 of the Companies Ordinance, 1984 and the rules formulated for the purpose.



**SINDH MODARABA MANAGEMENT LIMITED**

**NOTES TO THE FINANCIAL STATEMENTS  
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**17 RELATED PARTY TRANSACTION**

The company has related party relationship with its associated companies, directors and key management personnel.

The details of significant related party transactions and balances as at June 30, 2016 are as follows:

	<b>2016</b>	<b>2015</b>
	<b>Rupees</b>	<b>Rupees</b>
<b>Balances at the year end</b>		
Daily product account - Sindh Bank Limited	61,767,206	66,578,539
Receivable from Sindh Modaraba - others	2,116,225	7,189,552
Receivable from Government of Sindh	7,189,552	-
Receivable from Sindh Modaraba - Management Remuneration	3,496,150	1,107,120
<b>Transactions during the year</b>		
Profit on term deposit receipt	-	2,506,849
Profit on daily product account	3,389,525	17,110,487
Remuneration & other benefits paid to key management	10,202,040	8,332,185
Generator sharing expenses - Sindh Insurance Limited	-	291,240
Received from Government of Sindh towards Modaraba floatation expense	-	10,580,755
Pre operating expenses incurred on behalf of Sindh	-	17,770,307
Director's meeting fees	960,000	330,000
Modaraba Management Remuneration	2,389,031	1,107,120
Transfer of Fixed Assets to Sindh Modaraba	2,116,225	-
Sindh Modaraba Employees Provident Fund-Cont. paid	2,137,498	-
Sindh Insurance Limited-Insurance premium paid	142,210	-

SINDH MODARABA MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS  
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	2016	2015
	(Number)	
<b>18 NUMBER OF EMPLOYEES</b>		
Average employees during the year	1	2
Employees as at June 30	1	1

**19 GENERAL**

19.1 Corresponding figures where necessary has been reclassified for the purpose of better presentation.

19.2 These financial statements were authorized by the board of directors of the company on 30 AUG 2016.

19.3 Figures have been rounded off to the nearest rupee.

  
Chief Executive

  
Director

