

SINDH MODARABA MANAGEMENT LIMITED

Financial Statements
For the Year Ended June 30, 2017

JALIS AHMAD & CO.
CHARTERED ACCOUNTANTS
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DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the fourth annual report along with audited accounts of Sindh Modaraba Management Limited for the year ended June 30, 2017.

1. Business Overview & Outlook

The highlights of the operating results for the year ended June 30, 2017 are presented as under:

	June 30, 2017	June 30, 2016
	-----Rupees-----	
Gross profit	<u>28,067,407</u>	<u>13,403,285</u>
General & Admin expenses	<u>31,298,928</u>	<u>15,540,049</u>
Loss before taxation	<u>(3,226,158)</u>	<u>(2,136,764)</u>
Loss after taxation	<u>(5,373,610)</u>	<u>(2,087,483)</u>

During the year, the Company underwent change in the management and a new CEO was appointed for the management company. Pending SECP's approval for the newly appointed CEO, the incumbent CEO was retained for a couple of months. The Company also incurred expenses related to increase in Authorized Capital during the year. Further, the directors' meeting fee also increased during the year due to increased number of meetings and enhanced meeting fee. All these factors contributed to substantial increase in the General & Admin expenses resulting in the loss of Rs. 5.37 million as compared to loss of Rs. 2.08 million incurred during the year ended June 30, 2016. The paid-up capital of Company increased to Rs. 1 billion through injection of further Rs. 500 million by Government of Sindh. The whole amount was provided as Interest free loan to Sindh Modaraba to support its future growth. Although the Company will not earn any mark-up on this amount, it is expected to be benefitted through increased management fee and enhanced dividend income from Modaraba in the coming years.

2. Dividend

Due to loss during the year, the Directors have not declared any dividend for the year ended 30th June 2017

3. External Annual Audit

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

4. Corporate Governance

The Modaraba is required to comply with various requirements of the 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.

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The Board of Directors has reviewed the 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 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, 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 four years is annexed as this is the fourth year of Company's operations.
- Six Board meetings of the 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 Murtaza	6
Mr. Javed Iqbal-(Former CEO)	1

Leave of absences were granted to the directors 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	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.

5. 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 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 Rajput, Syed Shahnawaz Nadir Shah and Mr. Moin Mohajir as directors and Mr. Javed Iqbal as CEO of the Company.

6. Social Responsibility

Corporate social responsibility (CSR) refers to business practices involving initiatives that benefit society. The Company 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 Company 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 Company 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.

7. Pattern of Shareholding

Category No.	Categories of Shareholders	No. of shares held
1	Government of Sindh (Viability Gap Fund) through its finance department	99,999,993
2	<u>Directors:</u> Mr. Muhammad Bilal Sheikh Mr. Muhammad Naimuddin Farooqui Syed Hassan Naqvi Mr. Muhammad Shahid Murtaza Mr. Asif Haider Mirza	1 1 1 1 1
3	Others	2
TOTAL		100,000,000

8. Auditors

The retiring auditors being eligible offer themselves for re appointment for the year ending June30, 2018. The Audit Committee of the Board has recommended appointment of Jalis Ahmad & Co, Chartered Accountants as external auditors for the year ending June 30, 2018.

9. Acknowledgment

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.

(On behalf of the Board)



Muhammad Naimuddin Farooqui
Chief Executive Officer



Muhammad Bilal Sheikh
Chairman

Karachi:
August 16, 2017

ڈائریکٹرز کی رپورٹ

ہم بورڈ آف ڈائریکٹرز کی جانب سے سندھ مضاربہ مینجمنٹ لمیٹڈ کی 30 جون 2017 کو اختتام پذیر ہونے والے سال پر چوتھی سالانہ رپورٹ جمع آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

1 کاروبار کا جائزہ اور امید مستقبل

30 جون 2017 کو ختم ہونے والے سال کے کاروباری نتائج کی جھلکیاں درج ذیل پیش ہیں

30 جون 2017	30 جون 2016	
28,067,407	13,403,285	کل مجموعی منافع
31,298,928	15,540,049	عام اور انتظامی اخراجات
(3,226,158)	(2,136,764)	نقصان قبل از ٹیکس
(5,373,610)	(2,087,483)	نقصان بعد از ٹیکس

سال کے دوران کمپنی کی مینجمنٹ میں تبدیلی آئی اور مینجمنٹ کمپنی میں نئے سی ای او کا تقرر ہوا۔ ایس ای سی پی سے نئے سی ای او کی منظوری میں تاخیر کی وجہ سے سابق سی ای او کو کچھ مہینے رکنا پڑا۔ کمپنی نے مجاز سرمایہ بڑھانے سے متعلق اخراجات بھی برداشت کیے۔ ڈائریکٹر مینٹنگ فیس میں سینئر مینٹنگ فیس اور مینٹنگ فیس بڑھنے کی وجہ سے، اضافہ ہوا۔ ان سب عناصر کی وجہ سے بھی جزل اور منتظم اخراجات میں کافی اضافہ ہوا، جس کی وجہ سے کمپنی کو 30 جون 2016 کو ختم ہونے والے سال میں 2.08 ملین روپے کا نقصان کے مقابلے میں جاری سال میں 5.37 ملین روپے کے نقصان ہوا۔ حکومت سندھ کے مزید 500 ملین روپے فراہمی کی وجہ سے پیڈ اپ کیسٹل بڑھ کر 1 بلین تک ہو گیا۔ کمپنی نے تمام رقم بلا سود قرضے کی صورت میں مستقبل کی نمو کے لیے سندھ مضاربہ کو دیے۔ اگرچہ کمپنی اس رقم پر کوئی منافع نہیں کمائے گی، لیکن آنے والے سالوں میں سندھ مظاہرہ سے اضافی مینجمنٹ فیس اور ڈیویڈنڈ کے باعث کمپنی کو فائدہ کی توقع ہے۔

2 ڈیویڈنڈ (حصص پر منافع)

سال کے دوران نقصان کی وجہ سے ڈائریکٹرز نے 30 جون 2017 کو ختم ہونے والے سال کے لیے کسی ڈیویڈنڈ کا اعلان نہیں کیا

3 سالانہ بیرونی آڈٹ

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

4 کارپوریٹ گورننس

کمپنی 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 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 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 ردوبدل 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
- * چیرمین 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 2017 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 2017 تک ملازمین کے پروویڈنڈ فنڈز سے 3.35 ملین سرمایہ کاری کی گئی
- * گذشتہ چار سالوں کا اہم آپریٹنگ اور مالیاتی ڈیٹا پیش کیا گیا ہے
- * سال میں کمپنی کے بورڈ کی چھ اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے؛

ڈائریکٹر 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 کمپنی کی آڈٹ کمیٹی کے چار اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے؛

ڈائریکٹر 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 پروڈیکور منٹ 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۔

5 بورڈ آف ڈائریکٹرز

سال کے دوران، حکومت سندھ نے سید حسن نقوی کی تقرری بطور سکریٹری، فنانس ڈپارٹمنٹ کی۔ اور اس طرح سے ان کو جناب سہیل خان راجپوت کی جگہ بورڈ میں شامل کیا گیا۔ جناب معین مہاجر نے، جو کہ آزاد ڈائریکٹر تھے اور سید شاہنواز نادر شاہ نے مالی سال 2017 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 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 رکارڈ پر لانا چاہتا ہے۔

6 سماجی ذمہ داری

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

کمپنی پُر 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 (خوش کارکردگی) پر اعتماد پیدا کرسکے۔

کمپنی مسلسل کوشش کر رہی 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۔

7 شراکت داری کی تفصیل

کیٹگری نمبر	شیر ہولڈرز کی کیٹیگری	حصص کی تعداد
1	حکومت سندھ (وائی بی ٹی گپ فنڈ) کے فننس ڈپارٹمنٹ کی معرفت	99,999,993
2	ڈائریکٹرز	1
	جناب محمد بلال شیخ	1
	جناب محمد نعیم الدین فاروقی	1
	سید حسن نقوی	1
	جناب محمد شاہد مرتضیٰ	1
	جناب آصف حیدر مرزا	1
3	دیگر	2
		100,000,000

8 بیرونی آڈیٹرز کی تقرری

ریٹائر ہونے والے آڈیٹرز 30 جون 2018 کو ختم ہونے والے سال کے لیے اپنی تقرری کے لیے اہل قرار پائے جا رہے ہیں۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2018 کو ختم ہونے والے سال کے لیے جلیس احمد اینڈ کوچارٹرز ڈاکاؤنٹنٹس کو آڈیٹرز مقرر کرنے کی سفارش کی ہے۔

9 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۔

بورڈ کی جانب سے

محمد بلال شیخ
چیرمین

محمد نعیم الدین فاروقی
چیف ایگزیکٹو آفیسر
کراچی

16 اگست 2017

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

Name of Company **SINDH MODARABA MANAGEMENT LIMITED**
Name of the line ministry **Finance Department, Government of Sindh**
For the year ended **June 30, 2017**

- 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.	Tick the relevant box		Remarks																
			Y	N																	
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="2">Independent Directors</td> <td>Muhammad Shahid Murtaza</td> <td>31st Oct 2014</td> </tr> <tr> <td>Asif Haider</td> <td>31st Oct 2014</td> </tr> <tr> <td rowspan="2">Executive Directors</td> <td>Muhammad Naimuddin Farooqi</td> <td>22nd Sep 2016</td> </tr> <tr> <td>Muhammad Bilal Sheikh</td> <td>31st Oct 2014</td> </tr> <tr> <td rowspan="2">Non-Executive Directors</td> <td>Syed Hasan Naqvi</td> <td>11th Nov 2016</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	Muhammad Shahid Murtaza	31 st Oct 2014	Asif Haider	31 st Oct 2014	Executive Directors	Muhammad Naimuddin Farooqi	22 nd Sep 2016	Muhammad Bilal Sheikh	31 st Oct 2014	Non-Executive Directors	Syed Hasan Naqvi	11 th Nov 2016	3(2)	✓		
Category	Names	Date of appointment																			
Independent Directors	Muhammad Shahid Murtaza	31 st Oct 2014																			
	Asif Haider	31 st Oct 2014																			
Executive Directors	Muhammad Naimuddin Farooqi	22 nd Sep 2016																			
	Muhammad Bilal Sheikh	31 st Oct 2014																			
Non-Executive Directors	Syed Hasan Naqvi	11 th 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	5(4)																			

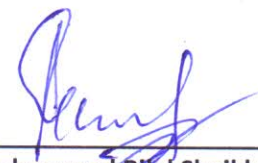
	<p>ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (www.sindhmodarabalttd.com)</p> <p>(b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.</p>		✓		
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.	<p>(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.</p> <p>(b) A Committee has been formed to investigating deviations from the company's code of conduct.</p>	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)	✓		
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	9			

	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.		✓																			
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="196 981 943 1422"> <thead> <tr> <th>Committee</th> <th>Number of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>2</td> <td>Muhammad Shahid Murtaza</td> </tr> <tr> <td>Risk Management Committee</td> <td>4</td> <td>Muhammad Bilal Sheikh</td> </tr> <tr> <td>Human Resources Committee</td> <td>4</td> <td>Muhammad 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	Number of Members	Name of Chair	Audit Committee	2	Muhammad Shahid Murtaza	Risk Management Committee	4	Muhammad Bilal Sheikh	Human Resources Committee	4	Muhammad Bilal Sheikh	Procurement Committee	3	Syed Hasan Naqvi	Nomination Committee	4	Syed Hasan Naqvi	12	✓ ✓ ✓ ✓	
Committee	Number of Members	Name of Chair																				
Audit Committee	2	Muhammad Shahid Murtaza																				
Risk Management Committee	4	Muhammad Bilal Sheikh																				
Human Resources Committee	4	Muhammad 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	✓																			
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, who only includes one Executive Director, has been set in place. The annual report of the company contains criteria and details of remuneration of each director.	19	✓														
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"> <thead> <tr> <th>Name of member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Muhammad 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	Muhammad 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															
Muhammad 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	✓														



Muhammad Naimuddin Farooqui
Chief Executive Officer



Muhammad Bilal Sheikh
Chairman

JALIS AHMAD & CO.

CHARTERED ACCOUNTANTS

PHONE: 35873934, 3537 4125-26

Fax: (92-21) 35873891

Grams: "JALISCO"

E-mail: jalisco121@hotmail.com

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 30th 2017 to comply with the requirements of the Code.

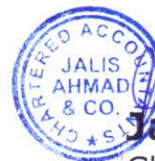
The responsibility for compliance with the Code is that of the Board of Directors of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of 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 30th 2017.

Date: **16 AUG 2017**
Place: **KARACHI**



Jalisco
Jalis Ahmad & Co.

Chartered Accountants
Engagement person: Mr. Iqbal Yousof- FCA

JALIS AHMAD & CO.

CHARTERED ACCOUNTANTS

PHONE: 35873934, 3537 4125-26

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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, 2017 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;

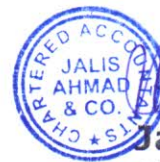
It is the responsibility of the company's management to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards and the requirements of the Companies Ordinance, 1984. Our responsibility is to express an 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, Cash Flow Statement, Statement of Comprehensive Income 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 June 30, 2017 and of the loss, its comprehensive loss, 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: **16 AUG 2017**

Place: KARACHI



Jalis Ahmad & Co.

Chartered Accountants

Engagement person: Mr. Iqbal Yousuf- FCA

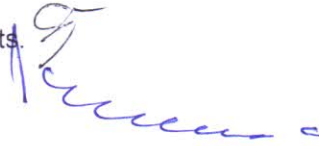
SINDH MODARABA MANAGEMENT LIMITED

**BALANCE SHEET
AS AT JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
NON-CURRENT ASSETS			
Property, plant and equipments	4	13,049,572	10,445,512
Long term investment	5	425,281,931	429,153,047
Long term loan	6	500,000,000	-
		938,331,503	439,598,559
CURRENT ASSETS			
Advance, deposits, prepayment and other receivables	7	7,926,756	15,941,472
Cash and bank balances	8	88,660,925	61,767,206
		96,587,681	77,708,678
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	9	24,245,783	1,260,226
		24,245,783	1,260,226
Net current assets		72,341,898	76,448,452
Net assets		<u>1,010,673,401</u>	<u>516,047,011</u>
EQUITY AND RESERVES			
AUTHORIZED SHARE CAPITAL			
100,000,000 ordinary shares of Rs. 10/- each	10	<u>1,000,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid up share capital	10	1,000,000,000	500,000,000
Revenue reserves	11	10,673,401	16,047,011
Net shareholders' equity		<u>1,010,673,401</u>	<u>516,047,011</u>

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


Chief Executive


Director

SINDH MODARABA MANAGEMENT LIMITED

INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
Revenue	12	28,067,407	13,403,285
Direct expenses		-	-
Gross profit		<u>28,067,407</u>	<u>13,403,285</u>
General and administrative expenses	13	<u>(31,298,928)</u>	<u>(15,540,049)</u>
		(31,298,928)	(15,540,049)
(Loss) from operating activities		<u>(3,231,521)</u>	<u>(2,136,764)</u>
Other income		5,363	-
(Loss) before taxation		<u>(3,226,158)</u>	<u>(2,136,764)</u>
Taxation	15	(2,147,452)	49,281
(Loss) after taxation		<u><u>(5,373,610)</u></u>	<u><u>(2,087,483)</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 COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017

	2017 Rupees	2016 Rupees
(Loss) after taxation	(5,373,610)	(2,087,483)
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	-	-
Total comprehensive (loss) for the year	<u>(5,373,610)</u>	<u>(2,087,483)</u>

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


Chief Executive


Director

SINDH MODARABA MANAGEMENT LIMITED

CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss) before taxation		(3,226,158)	(2,136,764)
Adjustments			
Depreciation		1,046,965	1,240,911
Dividend income		(14,996,625)	(6,855,600)
Gain on sale of investments		(247,593)	(768,334)
		(14,197,253)	(6,383,023)
(Loss) before working capital changes		(17,423,411)	(8,519,787)
Working capital changes			
Decrease/(increase) in current assets			
Advance, prepayment and other receivables		9,228,864	(1,315,362)
Increase/(decrease) in current liabilities			
Accrued expenses and other liabilities		22,985,557	(500,880)
		32,214,421	(1,816,242)
Income tax paid		(3,361,599)	(1,277,773)
Net cash generated from/(used in) operating activities		11,429,411	(11,613,802)
CASH FLOWS FROM INVESTING ACTIVITIES			
Diposal of property, plant and equipment		1,088,100	-
Purchase of property, plant and equipment		(4,739,125)	-
Purchase of investments		-	(60,000,000)
Sale proceeds from sale of investments		4,118,708	60,768,334
Long term loan		(500,000,000)	-
Dividend received		14,996,625	5,998,650
Net cash generated from/(used in) investing activities		(484,535,692)	6,766,984
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		500,000,000	-
Net cash generated from financing activities		500,000,000	-
Net decrease in cash and cash equivalents		26,893,719	(4,846,818)
Cash and cash equivalents at beginning of the year		61,767,206	66,614,024
Cash and cash equivalents at end of the year		88,660,925	61,767,206

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, 2017

	Share Capital	Unappropriated Profit	Net shareholders' equity
	-----Rupees-----		
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
Issue of Right Shares	500,000,000		500,000,000
(Loss) for the year	-	(5,373,610)	(5,373,610)
Balance as at June 30, 2017	1,000,000,000	10,673,401	1,010,673,401

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


Chief Executive


Director

SINDH MODARABA MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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 (tangible/intangible) in own use are stated at cost less accumulated depreciation/amortization. Depreciation/amortization is charged to income on straight line method using the rates specified in note 4 to the financial statements. Depreciation/amortization 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, 2017

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 owned assets.

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 investee.

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, 2017**

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, 2017

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, 2017

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 .

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.

3.16 Compensated absences

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

SINDH MODARABA MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

4 PROPERTY, PLANT AND EQUIPMENTS

---Property and equipments

---Intangible assets

Note	2017 Rupees	2016 Rupees
4.1	13,041,245	10,426,086
	8,327	19,426
	13,049,572	10,445,512

4.1 PROPERTY AND EQUIPMENTS

Particulars	Owned					Total
	Leasehold improvement	Furniture and fixtures	Office equipment	Computer equipment	Motor vehicle	

At June 30, 2016

Cost	9,386,168	716,125	320,000	95,390	2,418,000	12,935,683
Accumulated depreciation	(977,726)	(154,932)	(133,338)	(74,901)	(1,168,700)	(3,051,931)
Net book value	8,408,442	561,193	186,662	20,489	1,249,300	10,426,086

Net carrying value basis

Year ended June 30, 2017

Opening net book value (NBV)	8,408,442	561,193	186,662	20,489	1,249,300	10,426,086
Additions - cost	97,835	-	-	-	4,641,290	4,739,125
Disposal - Cost	-	-	-	-	(2,418,000)	(2,418,000)
Depreciation charge for the year	(473,385)	(71,613)	(64,000)	(20,487)	(406,381)	(1,035,866)
Depreciation - Adjustment	-	-	-	-	1,329,900	1,329,900
Closing net book value (NBV)	8,032,892	489,580	122,662	2	4,396,109	13,041,245

At June 30, 2017

Cost	9,484,003	716,125	320,000	95,390	4,641,290	15,256,808
Accumulated depreciation	(1,451,111)	(226,545)	(197,338)	(95,388)	(245,181)	(2,215,563)
Net book value	8,032,892	489,580	122,662	2	4,396,109	13,041,245

Net carrying value basis

Year ended June 30, 2016

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 - Cost	-	(1,309,190)	(1,203,313)	(146,056)	-	(2,658,559)
Depreciation charge for the year	(470,446)	(105,793)	(121,365)	(48,607)	(483,600)	(1,229,811)
Depreciation - Adjustment	-	174,342	308,330	59,662	-	542,334
Closing net book value (NBV)	8,408,442	561,193	186,662	20,489	1,249,300	10,426,086

Rate

5%	10%	20%	33.33%	20%
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SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
5 LONG TERM INVESTMENT			
Sindh Modaraba			
42,461,000 (2016: 42,847,500) certificates of Rs. 10/- each	5.1	<u>425,281,931</u>	<u>429,153,047</u>
5.1 Sindh Modaraba is floated and managed by the company and the company holds 94.36% (June 2016: 95.22%) of the total certificate capital of the Modaraba. The break-up value of the above investment is Rs.10.75 (June 2016: Rs. 10.51) per certificate as at June 30, 2017 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, 2017 was Rs. 4.60 (June 2016: Rs. 3.90) per certificate. The above investment is carried at cost being a long term strategic investment. However trading is done with permission from S.E.C.P.			
6 LONG TERM LOAN - Unsecured interest free	6.1	<u>500,000,000</u>	<u>-</u>
6.1 This represents interest free loan provided by the Management Company to the Modaraba on 30th December 2016. The loan is repayable at the discretion of 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.			
7 ADVANCE, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES			
Security deposit		50,000	50,000
Prepaid office rent		754,610	831,491
Prepaid expense		12,515	12,510
Prepaid insurance		103,017	24,109
Advance income tax	7.1	3,132,552	1,918,405
Other advances & receivables		850,000	303,030
Receivable from Sindh Modaraba - Management Remuneration		3,024,062	3,496,150
Receivable from Sindh Modaraba - others	7.2	-	2,116,225
Receivable from Government of Sindh	7.3	-	7,189,552
		<u>7,926,756</u>	<u>15,941,472</u>
7.1 ADVANCE INCOME TAX			
Opening balance		(1,918,405)	(1,688,789)
Provided during the year:			
- current year		2,147,452	1,048,157
- prior year		-	-
		229,047	(640,632)
Payments/adjustments during the year		(3,361,599)	(1,277,773)
Tax refundable		<u>(3,132,552)</u>	<u>(1,918,405)</u>

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
7.2 After adjustment (2016:10.58) million received from Government of Sindh towards Modaraba floatation expense.			
7.3 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.			
8 CASH AND BANK BALANCES			
- in PLS accounts	8.1	88,660,925	61,767,206
		88,660,925	61,767,206
8.1 This represents balance held with Sindh Bank Ltd (related party) & carry profit at the rate of 6.05% (2016: 6.05%) per annum.			
9 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Withholding tax payable		109	-
Accrued expenses		1,792,671	1,210,226
Provident fund payable	9.1	-	-
Gratuity Payable	9.2	850,000	-
Compensated absence payable	9.3	1,168,752	-
Auditor's remuneration		109,803	50,000
Advance against expenses for issuance of SUKUK	9.4	20,300,448	-
Other liabilities		24,000	-
		24,245,783	1,260,226
9.1 Provident fund payable			
Opening balance		-	1,192,042
Provided during the year		2,015,152	945,456
		2,015,152	2,137,498
Payments/adjustments during the year		(2,015,152)	(2,137,498)
		-	-
9.2 Gratuity fund payable			
Opening balance		-	-
Provided during the year		850,000	-
		850,000	-
Payments/adjustments during the year		-	-
		850,000	-

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
9.3 Compensated absence payable			
Opening balance		-	-
Provided during the year		1,168,752	-
		1,168,752	-
Payments/adjustments during the year		-	-
		<u>1,168,752</u>	<u>-</u>
9.4	This represents amount received from Government of Sindh for expenses related to issuance of Sukuk by Sindh Modaraba.		
10 SHARE CAPITAL			
Authorized share capital			
100,000,000 ordinary shares of Rs.10/- each (2016: 50,000,000 ordinary shares)		<u>1,000,000,000</u>	<u>500,000,000</u>
Issued, subscribed and paid up share capital			
100,000,000 ordinary shares of Rs.10/- each fully paid in cash. (2016: 50,000,000 ordinary shares)		<u>1,000,000,000</u>	<u>500,000,000</u>
10.1	At June 30, 2017, Government of Sindh (through Viability Gap Fund) and its nominees held 100 percent (2016: 100 percent) of the share capital of the Company.		
10.2 RECONCILIATION OF SHARE CAPITAL			
Opening share		50,000,000	50,000,000
Issue during the year against cash		50,000,000	-
Closing shares		<u>100,000,000</u>	<u>50,000,000</u>
11 REVENUE RESERVES			
Unappropriated profit		<u>10,673,401</u>	<u>16,047,011</u>
12 REVENUE			
Profit on daily product account		9,799,127	3,390,320
Profit on term deposit receipt		-	768,334
Modaraba Management remuneration		3,024,062	2,389,031
Dividend Income		14,996,625	6,855,600
Gain on sale of investments		247,593	-
		<u>28,067,407</u>	<u>13,403,285</u>

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
13 GENERAL AND ADMINISTRATIVE EXPENSE			
Salaries allowances and other benefits	13.1	23,217,552	10,744,247
Director meeting fee		1,280,000	960,000
Training and seminar		-	45,000
Traveling and conveyance expense		139,333	127,943
Telephone and internet expense		-	12,188
Insurance expense		128,603	116,138
Security guard charges		72,000	86,602
Legal and professional		2,198,430	160,650
Repair and maintenance		233,333	3,170
Entertainment		41,870	23,812
Vehicle running expense		574,262	27,790
Rent expense		2,061,473	1,819,584
Registration and subscription fee		148,020	117,678
Auditor's remuneration	13.2	150,000	53,000
Depreciation/amortization		1,046,965	1,240,911
Miscellaneous expenses		7,087	1,336
		31,298,928	15,540,049

13.1 This includes amount of Rs. 850,000 against provision for gratuity (June 2016: Nil), amount of Rs. 1,168,752 against provision for compensated absence (June 2016: Nil) & provident fund contribution of Rs. 1,007,576 (June 2016: 472,728).

13.2 Auditor's Remuneration:

Audit fees	60,000	53,000
Special certification fees	90,000	-
	150,000	53,000

13.2 This include special certification fees amounting Rs. 45,000/- for the year ended June 30, 2016

14 REMUNERATION OF CHIEF EXECUTIVE

	Chief Executive	
Remuneration	16,625,000	7,800,000
Retirement benefits	1,857,576	472,728
Other benefits	4,477,558	1,929,312
	22,960,134	10,202,040
Number of persons	2	1

SINDH MODARABA MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 Rupees	2016 Rupees
15 TAXATION			
Current year		2,147,452	1,048,157
Prior year		-	-
Deferred tax		-	(1,097,438)
		<u>2,147,452</u>	<u>(49,281)</u>

16 DEFINE CONTRIBUTION PLAN

Detail of the Staff Provident Fund based on unaudited financial statement for the year ended June 30, 2017 are below

	Unaudited 2017 Rupees		Audited 2016 Rupees	
Size of the fund (total assets)	3,360,346		2,997,106	
Cost of investment made	3,352,671		2,989,679	
Fair value of investment made	3,352,671		2,989,679	
			Percentage	
Percentage of investment made	<u>100%</u>		<u>100%</u>	
Break up of Investment at cost				
	<u>2017</u>		<u>2016</u>	
	Rupees	Percentage	Rupees	Percentage
PLS Account	<u>3,352,671</u>	<u>100%</u>	<u>2,989,679</u>	<u>100%</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
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	2017 Rupees	2016 Rupees
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, 2017 are as follows:			
Balances at the year end			
Daily product account - Sindh Bank Limited		88,660,925	61,767,206
Receivable from Sindh Modaraba - others		-	2,116,225
Receivable from Government of Sindh		-	7,189,552
Receivable from Sindh Modaraba - Management Remuneration		3,024,062	3,496,150
Receivable from Sindh Modaraba - Long Term Loan		500,000,000	-
Payable to Sindh Modaraba		24,000	-
Transactions during the year			
Profit on daily product account		9,799,127	3,389,525
Remuneration & other benefits paid to key management personnel		21,309,595	10,202,040
Long term loan disbursed to Sindh Modaraba		500,000,000	-
Reimbursement from Govt. of Sindh for Right Issue expenses		1,654,000	-
Received from Govt. of Sindh for increase in capital		500,000,000	-
Received from Govt. of Sindh for preliminary expenses and sukuk expenses		27,490,000	-
Director's meeting fees		1,280,000	960,000
Accrual of Sindh Modaraba's Management Remuneration		3,024,062	2,389,031
Management Remuneration received from Sindh Modaraba		3,496,150	-
Transfer of Fixed Assets to Sindh Modaraba		-	2,116,225
Received from Sindh Modaraba for transfer of fixed assets		2,116,225	-
Dividend Received from Sindh Modaraba		14,996,625	6,855,600
Sindh Modaraba Employees Provident Fund-Contribution paid		2,015,152	2,137,498
Sindh Insurance Limited-Insurance premium paid		363,234	142,210

SINDH MODARABA MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017

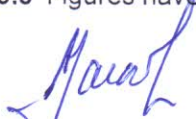
	2017	2016
	(Number)	
18 NUMBER OF EMPLOYEES		
Average employees during the year	1	1
Employees as at June 30	1	1

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 16 AUG 2017

19.3 Figures have been rounded off to the nearest rupee.


Chief Executive




Director