

Riaz Ahmad & Company
Chartered Accountants

**SINDH MODARABA
MANAGEMENT LIMITED**

**FINANCIAL STATEMENTS WITH
ACCOMPANYING INFORMATION**

**FOR THE YEAR ENDED
30 JUNE 2019**

DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the sixth annual report along with audited accounts of Sindh Modaraba Management Limited for the year ended June 30, 2019.

1. Business Overview & Outlook

The highlights of the operating results for the year ended June 30, 2019 are presented as under:

	June 30, 2019	June 30, 2018 (Restated)
	-----Rupees-----	
Revenue	<u>49,581,069</u>	<u>32,120,397</u>
General & Admin expenses	<u>31,339,392</u>	<u>28,237,754</u>
Profit/(Loss) before taxation	<u>18,241,677</u>	<u>3,882,643</u>
Profit/(Loss) after taxation	<u>12,717,939</u>	<u>534,602</u>

During the year, the Company earned profit after tax of Rs. 12.718 million as compared to Rs. 0.53 million during the last year ended June 30, 2018. The increase in profitability is mainly attributable to improved earnings from Sindh Modaraba by way of higher management fee and enhanced dividend income. The Government of Sindh has decided to inject further capital of Rs. 500 million in the Company for which necessary formalities regarding right issue is in process. The additional capital will be utilized to support Sindh Modaraba's operations, resulting in further improvement in earnings from the Modaraba. Strict monitoring of operating expenses will continue as a matter of policy to keep it at a sustainable level. We are hopeful for further improving our financial performance in the coming years.

2. Dividend

Due to nominal profit of the Company during the year, the Directors have not declared any dividend for the year ended 30th June 2019

3. External Annual Audit

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

4. Corporate Governance

The Company 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.

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

- The Board has consistently complied with the relevant principles of corporate governance.
- 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 the 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 and policies approved by the Board.
- 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 statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2019, 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, 2019 is Rs. 10.335 million (2018: 6.519 million).
- Key operating and financial data of last six years is annexed.
- Four 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	4
Dr. Noor Alam	2
Mr. Najam Ahmed Shah	2
Mr. Muhammad Naimuddin Farooqui	4
Mr. Muhammad Shahid Murtaza	3
Mr. Asif Haider Mirza	4
Mr. Kamal Ahmed	4
Ms. Yasmin Zafar	4

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. Kamal Ahmed	4
Mr. Muhammad Shahid Murtaza	4
Ms. Yasmin Zafar	4

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

5. The Board of Directors

During the year, Government of Sindh appointed Mr. Najam Ahmed Shah as Secretary Finance Department. Accordingly, he has been co-opted as director on the Board of the Modaraba Company in place of Dr. Noor Alam. The Board wishes to place its appreciation for the valuable contribution made by Dr. Noor Alam as director of the Company and welcome Mr. Najam Ahmed Shah on the Board.

6. Social Responsibility

The Company ensures its role of a Responsible Corporate Citizen by conducting business in line with its mission incorporating shariah principles in a socially responsible and ethical manner, protecting the environment, 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	Directors: Mr. Muhammad Bilal Sheikh Mr. Najam Ahmed Shah Mr. Muhammad Naimuddin Farooqui Mr. Muhammad Shahid Murtaza Mr. Asif Haider Mirza Mr. Kamal Ahmed Ms. Yasmin Zafar	1 1 1 1 1 1 1
TOTAL		100,000,000

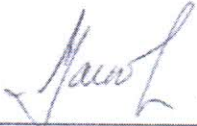
8. Auditors

On the recommendation of Audit Committee, the Board has approved the reappointment of present auditors M/s Riaz Ahmad & Co., Chartered Accountants, as auditors for the financial year ending June 30, 2020.

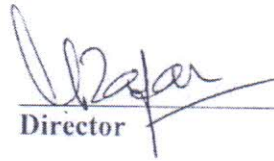
9. Acknowledgment by the Management/Board

The Board would like to thank the SECP and our Shariah Advisor for their continued guidance and support. It would also like to thank their valued customers of the Modaraba for their trust and support. The Management also wishes to record this appreciation, dedication and hard work of the employees of the Modaraba without which it would not have been possible to turn in such an improved performance.

(On behalf of the Board)



Chief Executive Officer



Director

Karachi:
August 29, 2019

ڈائریکٹرز کی رپورٹ

ہم بورڈ آف ڈائریکٹرز کی جانب سے سندھ مضاربہ مینجمنٹ لمیٹڈ کی 30 جون 2019 کو اختتام پذیر ہونے والے سال پر چھٹی سالانہ رپورٹ بمع آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

1 کاروبار کا جائزہ اور امید مستقبل

30 جون 2019 کو ختم ہونے والے سال کے کاروباری نتائج کی جھلکیاں درج ذیل ہیں

2019 جون 30	2018 جون 30	
49,581,069	32,120,397	کل مجموعی منافع
31,339,392	28,237,754	عام اور انتظامی اخراجات
18,241,677	3,882,643	نفع/(تقصان) قبل از ٹیکس
12,717,939	534,602	نفع/(تقصان) بعد از ٹیکس

کمپنی کو 30 جون 2018 کو ختم ہونے والے سال میں 0.534 ملین روپے کے منافع کے مقابلے میں اس سال میں 12.717 ملین روپے کا منافع ہوا، یہ سندھ مضاربہ کی بہتر انتظامی فیس اور ڈیویڈنڈ بڑھنے کی وجہ سے ممکن ہوا۔ حکومت سندھ نے کمپنی میں مزید 500 ملین روپے کی سیٹل انجیکشن کا فیصلہ کیا ہے، جس کے لئے متعلقہ ضروری رسمی کارروائی عمل میں ہے۔ اس اضافی سیٹل کے استعمال سے سندھ مضاربہ کے کاروبار میں مدد ملے گی اور اس کے نتیجے میں مضاربہ سے حاصل ہونے والی آمدنی میں مزید بہتری آئے گی۔ کمپنی کی پالیسی کے تحت آپریٹنگ اخراجات پر سخت نگرانی رکھی جائے گی۔ ہم امید رکھتے ہیں کہ آنے والے سالوں میں ہماری مالیاتی کارکردگی مزید بہتر ہوگی۔

2 ڈیویڈنڈ (حصص پر منافع)

سال کے دوران مختصر منافع کی وجہ سے ڈائریکٹرز نے 30 جون 2019 کو ختم ہونے والے سال کے لیے کسی ڈیویڈنڈ کا اعلان نہیں کیا۔

3 سالانہ بیر ونی آڈٹ

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

4 کا پورٹ گورننس

کمپنی کے لیے لازم ہے کہ ایس ای سی پی کے جاری کردہ پبلک سیلٹر 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 فلو 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

- * 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۔
- * 30 جون 2019 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 2019 تک ملازمین کے پراویڈینڈ فنڈز سے 10.335 ملین (2018: 6.519 ملین) کی سرمایہ کاری کی گئی ہے
- * گذشتہ چھ سالوں کا ایم آئی ٹیگ اور مالیاتی ڈیٹا منسلک ہے۔
- * سال میں کمپنی کے بورڈ کے چار اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے؛

ڈائریکٹر کے نام	میٹنگز میں حاضری کی تعداد
جناب محمد بلال شیخ	4
ڈاکٹر نور عالم	2
جناب نجم احمد شاہ	2
جناب محمد نعیم الدین فاروقی	4
جناب محمد شاہد مرتضیٰ	3
جناب آصف حیدر مرزا	4
جناب کمال احمد	4
مس یاسمین ظفر	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؛

ڈائریکٹر کے نام	میٹنگز میں حاضری کی تعداد
جناب کمال احمد	4
جناب محمد شاہد مرتضیٰ	4
مس یاسمین ظفر	4

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

5 بورڈ آف ڈائریکٹرز

سال کے دوران، حکومت سندھ نے جناب نجم احمد شاہ کی تفرری بطور سکیورٹی، فنانس ڈیپارٹمنٹ کی اور اس طرح سے ان کو ڈاکٹر نور عالم کی جگہ بورڈ میں شامل کیا گیا۔ بورڈ ڈاکٹر نور عالم کو کمپنی کے لیے قابل قدر خدمات کو سراہتے ہیں اور جناب نجم احمد شاہ کو بورڈ میں خوش آمدید کرتے ہیں۔

6 سماجی ذمہ داری

کمپنی سماجی طور پر ذمہ دارانہ اور اخلاقی انداز میں ماحول کا تحفظ، معاشرے اور لوگوں کی حفاظت کے ساتھ ساتھ کاروبار کو سماجی طور پر کرنے میں ایک ذمہ دار کارپوریٹ شہری ہونے کو یقینی بناتا ہے۔ کمپنی پرعزم ہے کہ وہ سالمیت اور کارپوریٹ گورننس کے اعلیٰ ترین طریقہ کار کو برقرار رکھے تاکہ روزمرہ کے کاروباری معاملات میں اعلیٰ کارکردگی دکھاسکے اور اپنی گورننس (حسن کارکردگی) پر اعتماد پیدا کر سکے۔

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

حصص کی تعداد	شرکت داری کی تفصیل	یہگری نمبر
99,999,993	حکومت سندھ (وائیبلٹی گپ فنڈ) کے فنانس ڈپارٹمنٹ کی معرفت	1
	ڈائریکٹرز	2
1	جناب محمد بلال شیخ	
1	جناب نجم احمد شاہ	
1	جناب محمد نعیم الدین فاروقی	
1	جناب محمد شاہد مرتضیٰ	
1	جناب آصف حیدر مرزا	
1	جناب کمال احمد	
1	مس یاسمین ظفر	3
100,000,000	نوٹل	

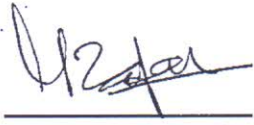
8 بیرونی آڈیٹرز کی تقرری

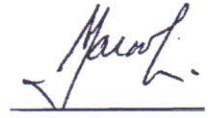
بورڈ کی آڈٹ کمیٹی نے ریاض احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو 30 جون 2020 کو ختم ہونے والے سال کے لیے مقرر کرنے کی سفارش کی ہے۔

9 اعتراف

بورڈ ایس۔ ای۔ سی۔ پی اور ہمارے شرعی مشیر کی مسلسل رہنمائی اور حمایت کے لئے شکریہ ادا کرنا چاہتا ہے۔ مضاربہ اپنے معزز گاہکوں کا ان کی پر اعتمادی اور حمایت کرنے کا بھی شکریہ ادا کرنا چاہتا ہے۔ بورڈ مضاربہ کے ملازمین کے خلوص اور سخت محنت کو بھی سراہتا ہے جس کے بغیر ایسی بہتر کارکردگی ممکن نہ تھی۔

بورڈ کی جانب سے


ڈائریکٹر


چیف ایگزیکٹو آفیسر

کراچی

29 اگست 2019

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 Rules) prepared by the Board of Directors of SINDH MODARABA MANAGEMENT LIMITED (the Company) for the year ended 30 June 2019.

The responsibility for compliance with the Rules 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 Rules and report if it does not and to highlight any non-compliance with the requirements of the Rules. 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 Rules.

As a part of our audit of the 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 Rules require 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 its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the 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. Moreover, the Public Sector Companies (Corporate Governance) Rules, 2013 also require the Board to ensure compliance with the law as well as Company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with supplier of goods and services. Compliance with above stated requirements has been checked, on a test basis, as part of the audit of the financial

Riaz Ahmad & Company

Chartered Accountants

statements of the Company for the purpose of expressing an opinion on those financial statements.

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 Rules as applicable to the Company for the year ended 30 June 2019.



RIAZ AHMAD & COMPANY
Chartered Accountants

Name of engagement partner:
Muhammad Waqas

KARACHI

Date: 29 August 2019

SCHEDULE I
[See paragraph 2(1)]

**Statement of Compliance with the
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	30 JUNE 2019

- i. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (herein after 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 practices of public sector governance.
- ii. The Company has complied with the provisions of the Rules in the following manner:

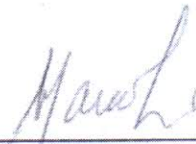
Sr. No.	Provision of the Rules	Rule No.	Yes	No																					
1.	The independent directors meet the criteria of independence as defined under the Rules.	2(d)	✓																						
2.	The Board has at least one-third of its total members as independent directors. At 30 June 2019, the Board includes:	3(2)	✓																						
	<table border="1" style="width: 100%;"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of Appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Independent Directors:</td> <td>1. Mr. Kamal Ahmad</td> <td>15 August 2017</td> </tr> <tr> <td>2. Ms. Yasmin Zafar</td> <td>30 August 2017</td> </tr> <tr> <td>Executive Director/CEO</td> <td>1. Mr. M. Naimuddin Farooqui</td> <td>22 September 2016</td> </tr> <tr> <td rowspan="3">Non - Executive Directors:</td> <td>1. Mr. M. Bilal Sheikh</td> <td>31 October 2014</td> </tr> <tr> <td>2. Mr. M. Shahid Murtaza</td> <td>31 October 2014</td> </tr> <tr> <td>3. Mr. Asif Haider</td> <td>31 October 2014</td> </tr> <tr> <td></td> <td>4. Mr. Najam Ahmed Shah</td> <td>06 February 2019</td> </tr> </tbody> </table>				Category	Names	Date of Appointment	Independent Directors:	1. Mr. Kamal Ahmad	15 August 2017	2. Ms. Yasmin Zafar	30 August 2017	Executive Director/CEO	1. Mr. M. Naimuddin Farooqui	22 September 2016	Non - Executive Directors:	1. Mr. M. Bilal Sheikh	31 October 2014	2. Mr. M. Shahid Murtaza	31 October 2014	3. Mr. Asif Haider	31 October 2014		4. Mr. Najam Ahmed Shah	06 February 2019
Category	Names				Date of Appointment																				
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	4. Mr. Najam Ahmed Shah	06 February 2019																							
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)	✓																						
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.	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)	✓																						

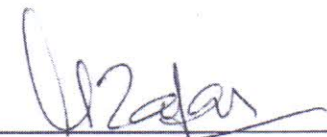
7.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✓	
8.	a) The Company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. b) The Board 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' website. (www.sindhmodarabald.com) c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓	
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 stakeholders, 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.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	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.	5(5) (c) (iii)	✓	
14.	The Board has developed a vision or mission statement and corporate strategy of the Company.	5(6)	✓	
15.	The Board has developed 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(7)	✓	
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 of consideration.	5(8)		N/A
17.	The Board has ensured compliance with policy directions requirements received from Government.	5(11)		N/A

18.	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)	✓																	
19.	The Board has monitored and assessed the performance of senior management on annual / half-year / quarterly basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8(2)	✓																	
20.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓																	
21.	a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.	10	✓																	
	b) The Board has placed the annual financial statements on the Company's website.		✓																	
22.	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	✓																	
23.	(a) The Board has formed the requisite committees, as specified in the Rules.	12	✓																	
	(b) The committees were provided with written term of reference defining their duties, authority and composition.		✓																	
	(c) The minutes of the meetings of the committees were circulated to all the Board members.		✓																	
	(d) The committees were chaired by the following non-executive directors:		✓																	
	<table border="1"> <thead> <tr> <th>Committee</th> <th>No. of member</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>03</td> <td>Mr. Kamal Ahmed</td> </tr> <tr> <td>Risk Management / Monitoring Committee</td> <td>03</td> <td>Mr. Muhammad Bilal Sheikh</td> </tr> <tr> <td>HR Committee</td> <td>03</td> <td>Mr. Muhammad Bilal Sheikh</td> </tr> <tr> <td>Procurement Committee</td> <td>03</td> <td>Secretary Finance, GoS</td> </tr> <tr> <td>Nomination Committee</td> <td>03</td> <td>Secretary Finance, GoS</td> </tr> </tbody> </table>		Committee	No. of member	Name of Chair	Audit Committee	03	Mr. Kamal Ahmed	Risk Management / Monitoring Committee	03	Mr. Muhammad Bilal Sheikh	HR Committee	03	Mr. Muhammad Bilal Sheikh	Procurement Committee	03	Secretary Finance, GoS	Nomination Committee	03	Secretary Finance, GoS
Committee	No. of member	Name of Chair																		
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HR Committee	03	Mr. Muhammad Bilal Sheikh																		
Procurement Committee	03	Secretary Finance, GoS																		
Nomination Committee	03	Secretary Finance, GoS																		

24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor by whatever name called, with their remuneration and terms and conditions of employment.	13	✓	Internal Audit function is outsourced to a reputed Chartered Accountants firm.												
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓													
26.	The Company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓													
27.	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓													
28.	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the Company except those disclosed to the Company.	18	✓													
29.	a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. b) The annual report of the Company contains criteria and details of remuneration of each director.	19		N/A												
30.	The financial statements of the Company were duly endorsed by the chief executive and chief financial officer, before approval of the Board.	20	✓													
31.	The Board has formed an audit committee, with defined and written terms of reference and having prescribed members. <table border="1" data-bbox="272 1317 1068 1527"> <thead> <tr> <th>Name of member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Mr. Kamal Ahmed</td> <td>Independent</td> <td>Financial Controller</td> </tr> <tr> <td>Mr. Shahid Murtaza</td> <td>Non-executive</td> <td>Banker</td> </tr> <tr> <td>Ms. Yasmin Zafar</td> <td>Independent</td> <td>Education & Marketing</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	Mr. Kamal Ahmed	Independent	Financial Controller	Mr. Shahid Murtaza	Non-executive	Banker	Ms. Yasmin Zafar	Independent	Education & Marketing	21(1) and 21(2)	✓ ✓	
Name of member	Category	Professional Background														
Mr. Kamal Ahmed	Independent	Financial Controller														
Mr. Shahid Murtaza	Non-executive	Banker														
Ms. Yasmin Zafar	Independent	Education & Marketing														
32.	a) The chief financial officer, the chief internal auditor and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed. b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives. c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.	21(3)	✓ ✓ ✓													

33.	a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.	22	✓	
	b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.		✓	Internal Audit function is outsourced to a reputed Chartered Accountant firm.
	c) The internal audit reports have been provided to the external auditors for their review.			
34.	The external auditors of the Company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓	
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓	


 Chief Executive Officer
 SMML


 Chairman BOD / Independent Director
 SMML

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SINDH MODARABA
MANAGEMENT LIMITED**

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Sindh Modaraba Management Limited (the Company), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that, we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of Company's affairs as at 30 June 2019 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Information Other than the Financial Statements and Auditors' Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Annual Report or other document, but does not include the financial statements and our auditor's report thereon.

Riaz Ahmad & Company

Chartered Accountants

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is material misstatement of this other information; we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017 (XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Board of directors are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Riaz Ahmad & Company

Chartered Accountants

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

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

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);

Riaz Ahmad & Company

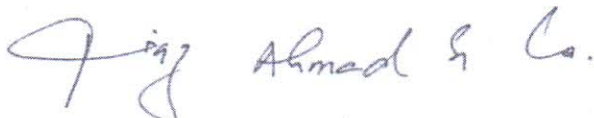
Chartered Accountants

- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) no zakat was deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Other Matter

The financial statements of the Company for the preceding year ended 30 June 2018 were audited by another firm of chartered accountants who, vide their report dated 27 August 2018, expressed unmodified opinion on those financial statements.

The engagement partner on the audit resulting in this independent auditor's report is Muhammad Waqas.



RIAZ AHMAD & COMPANY
Chartered Accountants

KARACHI


Date: 29 August 2019

SINDH MODARABA MANAGEMENT LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019

	Note	2019 Rupees	2018 Rupees Restated	2017 Rupees Restated
NON-CURRENT ASSETS				
Fixed assets	3	10,022,849	11,561,626	13,049,572
Long term investment	4	318,457,500	297,227,000	195,320,600
Long term loan	5	500,000,000	500,000,000	500,000,000
		<u>828,480,349</u>	<u>808,788,626</u>	<u>708,370,172</u>
CURRENT ASSETS				
Management remuneration receivable from Sindh Modaraba - related party	6	9,335,941	6,024,041	3,024,062
Advance, deposits, prepayments and other receivables	7	6,096,311	5,186,369	4,902,694
Short term investments	8	40,000,000	60,000,000	-
Bank balances	9	59,046,005	28,076,170	88,660,925
		<u>114,478,257</u>	<u>99,286,580</u>	<u>96,587,681</u>
TOTAL ASSETS		<u>942,958,606</u>	<u>908,075,206</u>	<u>804,957,853</u>
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Authorized share capital				
100,000,000 (2018: 100,000,000) Ordinary shares of Rupees 10/- each		<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid up share capital	10	1,000,000,000	1,000,000,000	1,000,000,000
Unappropriated profit		24,352,967	11,214,537	10,673,401
Unrealized fair value diminution on remeasurement of investment classified as FVTOCI		(106,824,431)	(128,054,931)	(229,961,331)
		<u>917,528,536</u>	<u>883,159,606</u>	<u>780,712,070</u>
CURRENT LIABILITIES				
Creditors, accrual and other liabilities	11	25,430,070	24,915,600	24,245,783
CONTINGENCIES AND COMMITMENTS				
	12	-	-	-
TOTAL EQUITY AND LIABILITIES		<u>942,958,606</u>	<u>908,075,206</u>	<u>804,957,853</u>

The annexed notes 1 to 23 form an integral part of these financial statements.

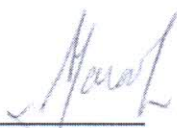

 Chief Executive Officer


 Director

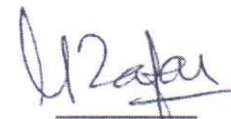
SINDH MODARABA MANAGEMENT LIMITED
STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Rupees	2018 Rupees Restated
Income	13	49,581,069	32,120,397
General and administrative expenses	14	(31,248,795)	(28,237,754)
Profit before taxation		<u>18,332,274</u>	<u>3,882,643</u>
Taxation	15	(5,523,738)	(3,348,041)
Profit after taxation		<u><u>12,808,536</u></u>	<u><u>534,602</u></u>

The annexed notes 1 to 23 form an integral part of these financial statements.



Chief Executive Officer



Director

**SINDH MODARABA MANAGEMENT LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	2019 Rupees	2018 Rupees Restated
Profit after taxation	12,808,536	534,602
Other comprehensive income:		
<i>items that may be reclassified to profit and loss account</i>	-	-
<i>items that will not be reclassified to profit and loss account subsequently:</i>		
- Remeasurement of post retirement benefits obligation	329,894	6,534
- Remeasurement of investment classified as FVTOCI	21,230,500	101,906,400
Other comprehensive income	21,560,394	101,912,934
Total comprehensive income for the year	34,368,930	102,447,536

The annexed notes 1 to 23 form an integral part of these financial statements.



Chief Executive Officer



Director

SINDH MODARABA MANAGEMENT LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019

	Issued, subscribed and paid up capital	Unrealized fair value diminution on remeasurement of investment classified as FVTOCI	Unappropriated profit	Net shareholders' equity
	Rupees	Rupees	Rupees	Rupees
Balance as at 30 June 2017	1,000,000,000	-	10,673,401	1,010,673,401
Effect of restatement (Note 2.4)	-	(229,961,331)	-	(229,961,331)
Balance as at 30 June 2017 - restated	1,000,000,000	(229,961,331)	10,673,401	780,712,070
Comprehensive income for the year ended 30 June 2018				
Profit for the year	-	-	534,602	534,602
Other comprehensive income:				
- Remeasurement of post retirement benefits obligation	-	-	6,534	6,534
- Unrealized appreciation on remeasurement of investment classified as FVTOCI	-	101,906,400	-	101,906,400
Total comprehensive income for the year	-	101,906,400	541,136	102,447,536
Balance as at 30 June 2018 - restated	1,000,000,000	(128,054,931)	11,214,537	883,159,606
Comprehensive income for the year ended 30 June 2019				
Profit for the year	-	-	12,808,536	12,808,536
Other comprehensive income:				
- Remeasurement of post retirement benefits obligation	-	-	329,894	329,894
- Unrealized appreciation on remeasurement of investment classified as FVTOCI	-	21,230,500	-	21,230,500
Total comprehensive income for the year	-	21,230,500	13,138,430	34,368,930
Balance as at 30 June 2019	1,000,000,000	(106,824,431)	24,352,967	917,528,536


 Chief Executive Officer


 Director

SINDH MODARABA MANAGEMENT LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019 Rupees	2018 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		18,332,274	3,882,643
Adjustments			
Depreciation		1,538,777	1,541,148
Amortization		-	8,326
Provision for gratuity	11.1.3	1,090,571	825,264
Provision for compensated leave absences	11.2	187,000	467,498
Dividend income	13	(31,845,750)	(19,107,450)
		<u>(29,029,402)</u>	<u>(16,265,214)</u>
Loss before working capital changes		(10,697,128)	(12,382,571)
Working capital changes			
Increase in current assets		(3,680,184)	(2,878,189)
Increase / (decrease) in current liabilities		1,125,123	(616,411)
		<u>(2,555,061)</u>	<u>(3,494,600)</u>
Gratuity paid	11.1.2	(1,558,330)	-
Income tax paid	15	(6,065,396)	(3,753,506)
Net cash used in operating activities		(20,875,915)	(19,630,677)
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition in property and equipment		-	(61,528)
Dividend received	13	31,845,750	19,107,450
Net cash generated from investing activities		31,845,750	19,045,922
CASH FLOWS FROM FINANCING ACTIVITIES			
Net increase / (decrease) in cash and cash equivalents		10,969,835	(584,755)
Cash and cash equivalents at beginning of the year	18	88,076,170	88,660,925
Cash and cash equivalents at end of the year	18	99,046,005	88,076,170

The annexed notes 1 to 23 form an integral part of these financial statements.


Chief Executive Officer


Director

SINDH MODARABA MANAGEMENT LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Sindh Modaraba Management Limited (the Company) was incorporated in Pakistan as a public company limited by share capital under the Companies Ordinance, 1984 (now Companies Act, 2017) on 28 November 2013. Subsequently, it was registered as a modaraba management company with the Registrar of Modaraba Company and Modarabas under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980. Its registered office is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.
- 1.2** The principal activity of the Company is to engage in floatation and management of Modaraba and to function as a Modaraba Management Company within the meaning of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980. Presently, the Company is managing Sindh Modaraba which is a perpetual, multi-purpose and multi-dimensional Modaraba and is primarily engaged in providing Shariah compliant financing facilities to credit worthy customers and is listed on Pakistan Stock Exchange Limited.
- 1.3** These are the separate financial statements of the Company. Details of the Company's investment in associated undertaking are stated in note 4 to these financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 BASIS OF PREPARATION

a) Statement of Compliance

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 and;
- Provisions of and directives issued under the Companies Act, 2017.

Where provisions of and directives issued under the Companies Act, 2017 differ from the requirements of IFRS, the provisions of and directives issued under the Companies Act, 2017 have been followed.

b) Accounting convention

These financial statements have been prepared under the historical cost convention except for the certain financial instruments carried at fair value. These financial statements have been prepared following the accrual basis of accounting except for the cash flow information.

c) Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Company's financial statements or where judgments were exercised in application of accounting policies are as follows:

Financial instruments – fair value

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques based on assumptions that are dependent on conditions existing at the reporting date.

Useful lives, patterns of economic benefits and impairments

Estimates with respect to residual values and useful lives and pattern of flow of economic benefits are based on the analysis of the management of the Company. Further, the Company reviews the value of assets for possible impairment on an annual basis. Any change in the estimates in the future might affect the carrying amount of respective item of property, plant and equipment with a corresponding effect on the depreciation charge and impairment.

Income tax

In making the estimates for income tax currently payable by the Company, the management takes into account the current income tax law and the decisions of appellate authorities on certain issues in the past.

Recovery of deferred tax assets

Deferred tax assets are recognized for deductible temporary differences only if the Company considers it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Allowance for expected credit losses

The allowance for expected credit losses assessment requires a degree of estimation and judgment. It is based on the lifetime expected credit loss, grouped based on days overdue, and makes assumptions to allocate an overall expected credit loss rate for each group.

d) Standards, interpretations and amendments to published approved accounting standards that are effective in current year and are relevant to the Company

Following standards, interpretations and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2018:

- IFRS 9 'Financial Instruments'
- IFRS 15 'Revenue from Contracts with Customers'
- IFRS 15 (Amendments), 'Revenue from Contracts with Customers'
- Annual Improvements to IFRSs: 2014 – 2016 Cycle

The Company had to change its accounting policies and make certain adjustments without restating prior year results following the adoption of IFRS 9 which have been disclosed in note 2.3. Most of the other amendments listed above did not have any impact on the amounts recognized in prior periods and are not expected to significantly affect the current or future periods.

e) Standards, interpretations and amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following standards, interpretations and amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2019 or later periods:

Amendments to IFRS 9 (effective for annual periods beginning on or after 01 January 2019) clarify that for the purpose of assessing whether a prepayment feature meets the solely payments of principal and interest ('SPPI') condition, the party exercising the option may pay or receive reasonable compensation for the prepayment irrespective of the reason for prepayment. In other words, prepayment features with negative compensation do not automatically fall SPPI. The amendments are not likely to have significant impact on the Company's financial statements.

IAS 28 (Amendments) 'Investments in Associates and Joint Ventures' (effective for annual periods beginning on or after 01 January 2019). The IASB has clarified that IFRS 9, including its impairment requirements, applies to long-term interests. Furthermore, in applying IFRS 9 to long-term interests, an entity does not take into account adjustments to their carrying amount required by IAS 28 (i.e., adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28). The amendments are not likely to have significant impact on the Company's financial statements.

IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 01 January 2019). The interpretation addresses the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'. It specifically considers: whether tax treatments should be considered collectively; assumptions for taxation authorities' examinations; the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates; and the effect of changes in facts and circumstances. The interpretation is not expected to have a material impact on the Company's financial statements.

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 (deferred indefinitely) to clarify the treatment of the sale or contribution of assets from an investor to its associates or joint venture, as follows: require full recognition in the investor's financial statements of gains and losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3 'Business Combinations'); require the partial recognition of gains and losses where the assets do not constitute a business, i.e. a gain or loss is recognized only to the extent of the unrelated investors' interests in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occur by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The management of the Company is in the process of evaluating the impacts of the aforesaid amendments on the Company's financial statements.

Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' (effective for annual periods beginning on or after 01 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing general purpose financial statements in accordance with IFRS.

Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 01 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in statement of other comprehensive income.

On 12 December 2017, IASB issued Annual Improvements to IFRSs: 2015 – 2017 Cycle, incorporating amendments to four IFRSs more specifically in IFRS 3 'Business Combinations', IFRS 11 'Joint Arrangements', IAS 12 'Income Taxes' and IAS 23 'Borrowing Costs'. The amendments are effective for annual periods beginning on or after 01 January 2019. The amendments have no significant impact on the Company's financial statements and have therefore not been analyzed in detail.

On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework. The new Framework: reintroduces the terms stewardship and prudence; introduces a new asset definition that focuses on rights and a new liability definition that is likely to be broader than the definition it replaces, but does not change the distinction between a liability and an equity instrument; removes from the asset and liability definitions references to the expected flow of economic benefits—this lowers the hurdle for identifying the existence of an asset or liability and puts more emphasis on reflecting uncertainty in measurement; discusses historical cost and current value measures, and provides some guidance on how the IASB would go about selecting a measurement basis for a particular asset or liability; states that the primary measure of financial performance is profit or loss, and that only in exceptional circumstances will the IASB use other comprehensive income and only for income or expenses that arise from a change in the current value of an asset or liability; and discusses uncertainty, derecognition, unit of account, the reporting entity and combined financial statements. The Framework is not an IFRS standard and does not override any standard, so nothing will change in the short term. The revised Framework will be used in future standard-setting decisions, but no changes will be made to current IFRS. Preparers might also use the Framework to assist them in developing accounting policies where an issue is not addressed by an IFRS. It is effective for annual periods beginning on or after 1 January 2020 for preparers that develop an accounting policy based on the Framework.

f) Standards and amendments to approved published standards that are not yet effective and not considered relevant to the Company

There are other standards and amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2019 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

2.2 Fixed assets

a) Owned assets

Assets (tangible/intangible) in own use are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Cost of property and equipment consists of historical cost, borrowing cost pertaining to erection / construction period of qualifying assets and other directly attributable costs of bringing the asset to working condition. Depreciation/amortization is charged to income on straight line method using the rates specified in note 3 to the financial statements. Depreciation/amortization is charged from the month an item is acquired or capitalized up to the month of disposal.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss during the period in which they are incurred.

b) Leased assets

Leases where the Company has substantially all the risk and rewards of ownership are classified as finance lease. Assets subject to finance lease are capitalized at the commencement of the lease term at the lower of present value of minimum lease payments under the lease agreements and the fair value of the leased assets, each determined at the inception of the lease.

The related rental obligation net of finance cost is included in liabilities against assets subject to finance lease. The liabilities are classified as current and long term depending upon the timing of payments.

Each lease payment is allocated between the liability and finance cost so as to achieve a constant rate on the balance outstanding. The finance cost is charged to statement of profit or loss over the lease term.

Depreciation of assets subject to finance lease is recognized in the same manner as for owned assets. Depreciation of the leased assets is charged to statement of profit or loss.

c) Depreciation

Depreciation on property and equipment is charged to the statement of profit or loss applying the straight line method so as to write off the cost / depreciable amount of the assets over their estimated useful lives at the rates given in Note 3 to these financial statements. The Company charges the depreciation on additions from the date when the asset is available for use and on deletions up to the date when the asset is de-recognized. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

d) De-recognition

An item of property and equipment is de-recognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in the statement of profit or loss in the year the asset is de-recognized.

2.3 IFRS 9 "Financial Instruments"

The Company has adopted IFRS 9 "Financial Instruments" from 01 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortized cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the Company makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income. Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the Company's own credit risk to be presented in other comprehensive income (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the Company. New impairment requirements use an 'expected credit loss' ('ECL') model to recognize an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Key changes in accounting policies adopted by the Company, resulting from application of IFRS 9 are as follows:

(i) Recognition of financial instruments

The Company initially recognizes financial assets on the date when they are originated. Financial liabilities are initially recognized on the trade date when the entity becomes a party to the contractual provisions of the instrument.

(ii) Classification and measurement of financial instruments

IFRS 9 largely retains the existing requirements in IAS 39 "Financial Instruments: Recognition and Measurement" for the classification and measurement of financial liabilities. However, it replaces the previous IAS 39 categories for financial assets i.e. loans and receivables, fair value through profit or loss (FVTPL), available for sale and held to maturity with the categories such as amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVTOCI).

Investments and other financial assets

a) Classification

From 01 July 2018, the Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortized cost

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

b) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and profit.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortized cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and profit are measured at amortized cost. Profit from these financial assets is included in other income using the effective profit rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other income / (other expenses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through other comprehensive income (FVTOCI)

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and profit, are measured at FVTOCI. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment losses (and reversal of impairment losses), profit and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other income / (other expenses). Profit from these financial assets is included in other income using the effective profit rate method. Foreign exchange gains and losses are presented in other income/ (other expenses) and impairment losses are presented as separate line item in the statement of profit or loss.

Fair value through profit or loss

Assets that do not meet the criteria for amortized cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value for financial instruments quoted in an active market, the fair value corresponds to a market price (level 1). For financial instruments that are not quoted in an active market, the fair value is determined using valuation techniques including reference to recent arm's length market transactions or transactions involving financial instruments which are substantially the same (level 2), or discounted cash flow analysis including, to the greatest possible extent, assumptions consistent with observable market data (level 3).

Fair value through other comprehensive income (FVTOCI)

Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Fair value through profit or loss

Changes in the fair value of equity investments at fair value through profit or loss are recognised in other income/ (other expenses) in the statement of profit or loss as applicable.

Dividends from such investments continue to be recognised in profit or loss as other income when the Company's right to receive payments is established.

Financial liabilities

Classification and measurement

Financial liabilities are classified and measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective profit method. Interest expense and foreign exchange gains and losses are recognized in statement of profit or loss. Any gain or loss on de-recognition is also included in profit or loss.

(iii) Impairment of financial assets

From 01 July 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortized cost and FVTOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade debts and other receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(iv) De-recognition

a) Financial assets

The Company derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognized financial assets that is created or retained by the Company is recognized as a separate asset or liability.

b) Financial liabilities

The Company derecognizes a financial liability (or a part of financial liability) from its statement of financial position when the obligation specified in the contract is discharged or cancelled or expires.

(v) Offsetting of financial instruments

Financial assets and financial liabilities are set off and the net amount is reported in the financial statements when there is a legal enforceable right to set off and the Company intends either to settle on a net basis or to realize the assets and to settle the liabilities simultaneously.

(vi) Hedge accounting

IFRS 9 requires that hedge accounting relationships are aligned with its risk management objectives and strategy and to apply a more qualitative and forward-looking approach to assessing hedge effectiveness.

There is no impact of the said change on these financial statements as there is no hedge activity carried on by the Company during the year ended 30 June 2019.

(viii) Impacts of adoption of IFRS 9 on these financial statements as on 01 July 2018

The Company has not presented initial transitional disclosures by comparing the closing statement of assets and liabilities at 30 June 2018 (under IAS 39) to the opening statement of assets and liabilities at 01 July 2018 (under IFRS 9) on account of the fact that the transition has not effected the measurement of its financial assets and financial liabilities except for the change of classification categories as stated below:

	Measurement category		Effect on opening unappropriated profit Rupees
	Original IAS 39	New IFRS 9	
Financial assets			
Non-current financial assets			
Long term loans	Loans and receivables	Amortized cost	-
Current financial assets			
Cash and bank balances	Loans and receivables	Amortized cost	-
Short term investments	Held to maturity	Amortized cost	-
Advance, deposits, prepayments and other receivables	Loans and receivables	Amortized cost	-
Financial liabilities			
Creditors, accrued and other liabilities	Other financial liabilities	Amortized cost	-

2.4 Investment in managed Modaraba

During the year, the Company has changed its accounting policy for investment in managed modaraba keeping in view the exemption available under International Accounting Standard 27 'Separate Financial Statements' from cost methods of accounting. The investment in managed modaraba is now carried at fair value through other comprehensive income (FVTOCI) in accordance with the provisions of International Financial Reporting Standard (IFRS) 9 'Financial Instruments'. Previously, investment in managed modaraba was carried at cost less impairment, if any. The effect of change in accounting policy has been applied retrospectively in accordance with the requirements of International Accounting Standard 8 'Accounting Policies, Changes in Accounting Estimates and Errors' by adjusting each financial statement line item effected for the current period and prior period presented.

There is no effect of such change in accounting policy on the statement of profit or loss. The effect on statement of comprehensive income and statement of financial position is as follows:

Impact on statement of comprehensive income	30 June 2018	30 June 2017
Unrealized appreciation on remeasurement of investment classified as FVTOCI	101,906,400	29,722,700

Impact on statement of financial position	30 June 2018	30 June 2017
Decrease in long term investment	128,054,931	229,961,331
Decrease in reserves - Unrealized fair value diminution on remeasurement of investment classified as FVTOCI	128,054,931	229,961,331

2.5 Management remuneration receivable from Managed Modaraba

The Company is entitled to a remuneration for services rendered to the Sindh Modaraba under the provisions of the Modaraba Ordinance upto a maximum of 10% of annual net profits of the Sindh Modaraba. The Company initially records accruals in respect of management fee annually after finalization of profit for the year of the Sindh Modaraba and subsequently measured at amortized cost using effective profit method, less any allowance for expected credit losses. Management remuneration receivable from Managed Modaraba generally do not include amounts overdue by 365 days.

2.6 Advances, deposits, prepayments and other receivables

These are initially recognized at fair value and subsequently measured at amortized cost using effective profit method, less any allowance for expected credit losses. These generally do not include amounts overdue by 365 days.

2.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks on current, saving and deposit accounts and other short term highly liquid instruments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in values.

2.8 Creditors, accrued expenses and other liabilities

These are initially recognized at fair value of the consideration to be paid in future for goods and services received, whether or not billed to the Company, and subsequently measured at amortized cost using effective profit method.

2.9 Provisions

Provisions are recognized when the Company has a legal or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations and a reliable estimate of the amount can be made.

2.10 Taxation

Current

Provision for current tax is based on the taxable income for the year determined in accordance with the prevailing law for taxation of income. The charge for current tax is calculated using prevailing tax rates or tax rates expected to apply to the profit for the year, if enacted. The charge for current tax also includes adjustments, where considered necessary, to provision for tax made in previous years arising from assessments framed during the year for such years.

Deferred

Deferred tax is accounted for using the liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized.

Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on tax rates that have been enacted or substantively enacted by the reporting date. Deferred tax is charged or credited in the statement of profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.11 Revenue from contracts with customers

The Company has adopted IFRS 15 from 01 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in Company's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the Company's performance and the customer's payment. Customer acquisition costs and costs to fulfill a contract can, subject to certain criteria, be capitalised as an asset and amortized over the contract period.

Apart from providing more extensive disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Modaraba for the reasons described above. Accordingly there were no adjustments to retained earning on application of IFRS 15 at 01 July 2018.

Rendering of services

Management remuneration is charged up to 10 percent of net profit of modaraba and is recognized on an accrual basis.

Profit

Profit is recognised as it accrues using the effective profit method. This is a method of calculating the amortized cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Dividend

Dividend on equity investments is recognized when right to receive the dividend is established.

Other revenue

Other revenue is recognised when it is received or when the right to receive payment is established.

2.12 Expenses

All expenses are recognized in the Statement of profit or loss on accrual basis.

2.13 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.

2.14 Staff retirement benefits

(a) Provident fund

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 . The Company's contributions to the fund are charged to statement of profit or loss.

(b) Gratuity fund

The Company operates a funded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. The fund is administered by the trustee nominated under the Trust Deed. The contributions to the Fund are made in accordance with the actuarial valuation using Projected Unit Credit Method.

(c) Compensated absences

The Company makes provision in the financial statements for its liability towards compensated absences based on the leaves accumulated up to the statement of financial position's date.

2.15 Contingent assets

Contingent assets are disclosed when the Company has a possible asset that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent assets are not recognized until their realization becomes certain.

2.16 Contingent liabilities

Contingent liability is disclosed when the Company has a possible obligation as a result of past events whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. Contingent liabilities are not recognized, only disclosed, unless the possibility of a future outflow of resources is considered remote. In the event that the outflow of resources associated with a contingent liability is assessed as probable, and if the size of the outflow can be reliably estimated, a provision is recognized in the financial statements.

2.17 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to depreciation and are tested annually for impairment. Assets that are subject to depreciation are reviewed for impairment at each statement of financial position date or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount for which assets carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Reversals of the impairment losses are restricted to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if impairment losses had not been recognized. An impairment loss or reversal of impairment loss is recognized in the statement of profit or loss.

2.18 Government grants

Government grants are recognized when there is reasonable assurance that entity will comply with the conditions attached to it and grant will be received.

2.19 Dividend and other appropriations

Dividend distribution to the Company's shareholders is recognized as a liability in the Company's financial statements in the period in which the dividends are declared and other appropriations are recognized in the period in which these are approved by the Board of Directors.

3 **FIXED ASSETS**

	2019 Rupees	Note	2018 Rupees
Operating fixed assets	10,022,848	3.1	11,561,625
Intangible assets	1		1
	<u>10,022,849</u>		<u>11,561,626</u>

3.1 Following is the breakup of operating fixed assets:

	-----Owned-----					Total
	Rupees	Rupees	Rupees	Rupees	Rupees	
At 30 June 2019						
Cost	9,484,003	777,653	320,000	95,390	4,641,290	15,318,336
Accumulated depreciation	(2,399,522)	(378,900)	(319,977)	(95,388)	(2,101,701)	(5,295,488)
Net carrying value	7,084,481	398,753	23	2	2,539,589	10,022,848
Year ended 30 June 2019						
Opening net book value (NBV)	7,558,691	476,419	58,662	2	3,467,851	11,561,625
Additions	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
Depreciation charge for the year	(474,210)	(77,666)	(58,639)	-	(928,262)	(1,538,777)
Closing carrying value	7,084,481	398,753	23	2	2,539,589	10,022,848
At 30 June 2018						
Cost	9,484,003	777,653	320,000	95,390	4,641,290	15,318,336
Accumulated depreciation	(1,925,312)	(301,234)	(261,338)	(95,388)	(1,173,439)	(3,756,711)
Net carrying value	7,558,691	476,419	58,662	2	3,467,851	11,561,625
Year ended 30 June 2018						
Opening net book value (NBV)	8,032,892	489,580	122,662	2	4,396,109	13,041,245
Additions	-	61,528	-	-	-	61,528
Depreciation charge for the year	(474,201)	(74,689)	(64,000)	-	(928,258)	(1,541,148)
Closing carrying value	7,558,691	476,419	58,662	2	3,467,851	11,561,625
Rate	5%	10%	20%	33.33%	20%	

	Note	2019 Rupees	2018 Rupees Restated
4 LONG TERM INVESTMENT - Related party			
Fair value through other comprehensive income (FVTOCI)			
Sindh Modaraba - Listed			
42,461,000 (2018: 42,461,000) certificates of Rupees 10/- each	4.1	425,281,931	425,281,931
Diminution on revaluation of certificates		<u>(106,824,431)</u>	<u>(128,054,931)</u>
		<u>318,457,500</u>	<u>297,227,000</u>
4.1 Net unrealized appreciation / (diminution) on re-measurement of investment classified as FVTOCI			
Market value of investment		318,457,500	297,227,000
Less: Cost of investment		<u>(425,281,931)</u>	<u>(425,281,931)</u>
		<u>(106,824,431)</u>	<u>(128,054,931)</u>
Less: Net unrealized diminution in fair value of investment at the beginning of the year		<u>(128,054,931)</u>	<u>(229,961,331)</u>
		<u>21,230,500</u>	<u>101,906,400</u>
4.2 Sindh Modaraba is floated and managed by the Company and the Company holds 94.36% (2018: 94.36%) of the total certificate capital of the Modaraba, a related party.			
The break-up value of the above investment, based on the audited accounts of Sindh Modaraba, is Rupees 12.51 (2018: Rupees 11.46) per certificate as at 30 June 2019 and the quoted market price on Pakistan Stock Exchange as on 30 June 2019 was Rupees 7.50 (2018: Rupees 7) per certificate. The above investment is carried at fair value through other comprehensive income (FVTOCI).			
4.3 Investment in Sindh Modaraba (associated undertaking) has been made in accordance with the requirements of the Companies Act, 2017.			
5 LONG TERM LOAN - Unsecured- Related party	5.1	<u>500,000,000</u>	<u>500,000,000</u>
5.1 This represents interest free loan provided to Sindh Modaraba (related party). The loan is sub-ordinate to senior debts of Modaraba and is repayable at the discretion of Modaraba. The Modaraba has the option to issue equity certificates in future against this loan, subject to necessary regulatory approvals. Since this loan is repayable at discretion of Sindh Modaraba with no definite repayment schedule, it is impracticable to determine present value of this loan.			
5.2 The maximum aggregate amount due at the end of any month during the year is Rupees 500 million (2018: Rupees 500 million). There was no movement during the year in this balance.			
5.3 Investment in Sindh Modaraba (associated undertaking) has been made in accordance with the requirements of the Companies Act, 2017.			
6 The Company is entitled to a remuneration for services rendered to the Sindh Modaraba under the provisions of the Modaraba Ordinance up to a maximum of 10% of annual net profits of the Sindh Modaraba. The Company records accruals in respect of management fee annually after finalization of profit for the year of the Sindh Modaraba.			
The maximum aggregate amount due at the end of any month during the year is Rupees 9.336 million (2018: Rupees 6.024 million).			

	Note	2019 Rupees	2018 Rupees
7 ADVANCE, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES			
Security deposit		50,000	50,000
Prepaid office rent		913,905	865,943
Prepaid expenses		38,152	30,020
Prepaid insurance		80,146	101,224
Accrued income from bank deposits		507,036	4,145
Accrued income from term deposit receipts		427,397	597,020
Advance income tax - net	7.1	4,079,675	3,538,017
		<u>6,096,311</u>	<u>5,186,369</u>
7.1 ADVANCE INCOME TAX - net of provision			
Opening balance		3,538,017	3,132,552
Payments / adjustments during the year		6,065,396	3,753,506
Provision for the year:			
- current year		(5,523,738)	(3,348,041)
- prior year		-	-
		<u>(5,523,738)</u>	<u>(3,348,041)</u>
Advance tax -net of provision		<u>4,079,675</u>	<u>3,538,017</u>
8 SHORT TERM INVESTMENTS			
Term deposit receipts	8.1	<u>40,000,000</u>	<u>60,000,000</u>
8.1	This represents investment made in Term Deposit Receipts in Sindh Bank Limited, a related party (2018: Microfinance Bank) for the period of three months (2018: Six months). This investment carries mark up at the rate of 10% to 10.56% (2018: 6.96%) per annum.		
9 BANK BALANCES			
PLS accounts	9.1	<u>59,046,005</u>	<u>28,076,170</u>
9.1	These carry profit at the rates ranging from 6.05% to 10.5% per annum (2018: 4.78% to 6.05% per annum). This includes balance of Rupees 0.998 million (2018: 27.02 million) held with Sindh Bank Limited, a related party.		
10 ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL			
100,000,000 Ordinary shares of Rupees 10/- each fully paid in cash		<u>1,000,000,000</u>	<u>1,000,000,000</u>
10.1	At 30 June 2019, Government of Sindh holds 99.99% (2018: 99.99%) of the share capital of the Company. Remaining shares are held by nominee directors.		
11 CREDITORS, ACCRUED AND OTHER LIABILITIES		2019 Rupees	2018 Rupees Restated
Payable to gratuity fund	11.1	871,077	1,668,730
Provision for compensated absence payable	11.2	1,823,250	1,636,250
Accrued expenses		2,292,420	1,215,297
Auditor's remuneration		141,603	93,603
Advance received from Government of Sindh- related party	11.3	20,300,448	20,300,448
Other liabilities		1,272	1,272
		<u>25,430,070</u>	<u>24,915,600</u>

	Note	2019 Rupees	2018 Rupees
11.1 Payable to gratuity fund			
Present value of defined benefit obligation	11.1.1	2,505,985	1,668,730
Less: Fair value of plan assets	11.1.2	(1,634,908)	-
		<u>871,077</u>	<u>1,668,730</u>
11.1.1 Changes in present value of defined benefit obligations			
Opening balance		1,668,730	691,009
Current services cost		1,010,510	930,702
Interest cost		150,186	53,553
Benefits due but not paid		-	-
Benefits paid		-	-
Remeasurements:			
Actuarial (gain)/loss from changes in demographic assumptions		-	-
Actuarial (gain)/loss from changes in financial assumptions		1,105	88,150
Experience adjustments		(324,546)	(94,684)
Present value of defined benefit obligations		<u>2,505,985</u>	<u>1,668,730</u>
11.1.2 Changes in fair value of plan assets			
Opening balance		-	-
Contributions		1,558,330	-
Interest income on plan assets		70,125	-
Benefits paid		-	-
Benefits due but not paid		-	-
Return on plan assets, excluding interest income		6,453	-
Fair value of plan assets		<u>1,634,908</u>	<u>-</u>
11.1.3 Expenses to be charged to statement of profit or loss			
Current services cost		1,010,510	930,702
Interest cost of defined benefit obligations		150,186	53,553
Interest income on plan assets		(70,125)	-
		<u>1,090,571</u>	<u>984,255</u>
11.1.4 Total remeasurement chargeable in other comprehensive income			
Remeasurement of plan obligation:			
Actuarial (gain)/loss from changes in demographic assumptions		-	-
Actuarial (gain)/loss from changes in financial assumptions		1,105	88,150
Experience adjustments		(324,546)	(94,684)
		<u>(323,441)</u>	<u>(6,534)</u>
Less: return on plan assets, excluding interest income		(6,453)	-
Total remeasurement chargeable in other comprehensive income		<u>(329,894)</u>	<u>(6,534)</u>
11.1.5 Changes in net liability			
Balance sheet liability/(asset)		1,668,730	691,009
Expenses to be charged to P&L		1,090,571	984,255
Remeasurement chargeable in other comprehensive income		(329,894)	(6,534)
Contributions		(1,558,330)	-
		<u>871,077</u>	<u>1,668,730</u>

	2019	2018
11.1.6 Significant actuarial assumption		
Discount rate used for interest cost in P&L charges	9.00%	7.75%
Discount rate used for year end obligation	14.25%	9.00%
Salary increase used for year end obligation		
Salary increase FY 2019	N/A	15.00%
Salary increase FY 2020	14.25%	9.00%
Salary increase FY 2021	14.25%	9.00%
Salary increase FY 2022	14.25%	9.00%
Salary increase FY 2023	14.25%	9.00%
Salary increase FY 2024	14.25%	9.00%
Salary increase FY 2025 onwards	14.25%	
Net salary is increased at	1-Jul-19	1-Jul-18
Mortality rates	SLIC 2001-2005 Setback 1 year	
Withdrawal rates	Age-based (per appendix)	
Retirement Assumption	Age 60	Age 60
Estimated expenses to be charged to P&L		
Current services cost	1,022,532	1,010,510
Interest cost on defined benefit obligation	353,226	150,186
Interest income on plan asset	(306,801)	(70,125)
	<u>1,068,957</u>	<u>1,090,571</u>
Plan assets at June 30, 2019 comprise		
Bond	0%	0%
Equity	0%	0%
Cash and/or Deposits	100%	0%
Others	0%	0%
	<u>100%</u>	<u>0%</u>
Year end sensitivity (+/- 100bps) on defined benefit obligation		
Discount rate +100 bps	2,484,447	2,415,456
Discount rate - 100 bps	2,527,903	2,704,432
Salary increase +100 bps	2,527,920	2,703,129
Salary increase - 100 bps	2,484,051	2,414,156
Expected benefit payments for the next 10 years and beyond		
FY 2020	54,415	126,166
FY 2021	3,811,947	4,188,503
FY 2022	-	95,917
FY 2023	-	109,981
FY 2024	-	120,895
FY 2025	-	137,086
FY 2026	-	156,631
FY 2027	-	642,725
FY 2028	-	187,400
FY 2029	-	38,006,127
FY 2030 onwards	-	-
The average duration of the defined benefit obligation is	1 years	6 years

		2019 Rupees	2018 Rupees
11.2 Provision for compensated absence	Note		
Opening balance		1,636,250	1,168,752
Provision for the year		<u>187,000</u>	<u>467,498</u>
		1,823,250	1,636,250
Payments/adjustments during the year		<u>-</u>	<u>-</u>
		<u><u>1,823,250</u></u>	<u><u>1,636,250</u></u>
11.3	This represents amount received from Government of Sindh against expenses to be incurred in relation to issuance of Sukuk by Sindh Modaraba.		
12 CONTINGENCIES AND COMMITMENTS			
	There are no contingencies and commitments as at 30 June 2019 and 30 June 2018.		
13 INCOME			
Modaraba management company's remuneration - Related party		9,335,941	6,024,041
Dividend income from Sindh Modaraba		31,845,750	19,107,450
Profit on daily product account		2,488,234	2,230,301
Profit on term deposit receipt		5,911,144	4,758,605
		<u>49,581,069</u>	<u>32,120,397</u>
		2019 Rupees	2018 Rupees Restated
14 GENERAL AND ADMINISTRATIVE EXPENSE			
Salaries, allowances and other benefits	16	24,309,649	21,733,023
Director meeting fee		1,500,000	1,350,000
Insurance expense		136,965	124,504
Security guard charges		72,000	72,000
Legal and professional		184,816	193,946
Entertainment		20,551	36,749
Vehicle running expense		731,798	618,723
Rent expense		2,339,246	2,216,164
Registration and subscription fee		239,530	222,020
Auditors' remuneration	14.1	146,000	97,200
Depreciation / amortization		1,538,777	1,549,474
Donations		27,419	-
Miscellaneous expenses		2,044	23,951
		<u>31,248,795</u>	<u>28,237,754</u>
14.1 Auditors' Remuneration			
Audit fees		81,000	64,800
Special certificate		48,600	32,400
Out of pocket & others		16,400	-
		<u>146,000</u>	<u>97,200</u>
15 TAXATION			
Current year		5,523,738	3,348,041
Prior year		-	-
		<u>5,523,738</u>	<u>3,348,041</u>

- 15.1 The numerical reconciliation between income tax expense and accounting profit has not been presented for the years ended 30 June 2019 and 30 June 2018 as the current tax charge pertains to minimum tax and tax chargeable under Final Tax Regime (FTR).

	Note	2019 Rupees	2018 Rupees Restated
16 REMUNERATION TO CHIEF EXECUTIVE			
Basic salary		10,200,000	10,200,000
House rent		4,590,000	4,590,000
Other allowances		2,040,000	2,040,000
Bonuses		2,550,000	850,000
Provident fund		1,020,000	1,020,000
Other benefits		1,810,166	1,630,481
		<u>22,210,166</u>	<u>20,330,481</u>

17 PROVIDENT FUND RELATED DISCLOSURE

Detail of the Staff Provident Fund based on unaudited financial statement for the year ended 30 June 2019 are below:

Size of the fund (total assets)	<u>10,409,923</u>	<u>6,534,922</u>
Cost of investment made	<u>10,334,923</u>	<u>6,518,892</u>
Fair value of investment made	<u>10,334,923</u>	<u>6,518,892</u>
	Percentage	
Percentage of investment made	<u>99.28%</u>	<u>99.75%</u>

Break up of Investment at cost

	2019		2018	
	Rupees	Percentage	Rupees	Percentage
PLS account	<u>10,334,923</u>	<u>100%</u>	<u>6,518,892</u>	<u>100%</u>

Investments out of provident funds have been made in accordance with the provisions of section 218 of the Companies Act, 2017, and the rules formulated for the purpose.

18 CASH AND CASH EQUIVALENTS

Short term investments - Term Deposits Receipts (TDRs)	8	40,000,000	60,000,000
Bank balances	9	59,046,005	28,076,170
		<u>99,046,005</u>	<u>88,076,170</u>

19 RELATED PARTY TRANSACTION

- 19.1 Related parties comprise of group companies, key management personnel of the Company and directors and their close family members, major shareholders of the Company, staff provident and gratuity fund and other entities owned by the Government of Sindh.

Key details in respect of transactions with related parties during the year are as follows:

Name of related party and basis of relationship	Nature of transaction	2019	2018
		Rupees	Rupees
Sindh Bank Limited Associated company	Profit on daily product account Profit on TDRs - Sindh Bank Ltd	1,424,366 427,397	1,679,327 -
Sindh Modaraba Associated undertaking	Management company`s remuneration received	6,024,041	3,024,062
Sindh Insurance Company Limited Associated Company	Insurance premium paid	203,547	234,105
Muhammad Naimuddin Farooqui Chief Executive	Remuneration paid	22,210,166	20,330,481
Sindh Modaraba Management Limited Provident Fund Associated entity	Provided during the year Contribution made during the year	1,020,000 1,020,000	1,020,000 1,020,000
Sindh Modaraba Management Limited Gratuity Fund Associated entity	Provided during the year Contribution made during the year	1,090,571 1,558,330	984,255 -
Directors Shahid Murtaza Asif Haider Mirza Najam Ahmed Shah Dr. Noor Alam Kamal Ahmed Yasmin Zafar Hasan Naqvi	Directors meeting fees paid during the year	350,000 200,000 50,000 100,000 400,000 400,000 -	400,000 350,000 - - 300,000 200,000 100,000

19.2 The details of related party transactions and balances otherwise than disclosed above, have been disclosed in these financial statements.

20. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

20.1 Financial risk factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk and other price risk), credit risk and liquidity risk. The Company's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance.

Risk management is carried out by the Board of Directors (the Board). The Board provides principles for overall risk management, as well as policies covering specific areas such as currency risk, other price risk, credit risk and liquidity risk.

(a) **Market risk**

(i) **Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Currency risk arises mainly from future commercial transactions or receivables and payables that exist due to transactions in foreign currencies. The Company is not exposed to currency risk.

(ii) **Other price risk**

Other price risk represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Company is not exposed to equity price risk since there are no direct investments in equity instruments traded in the market at the reporting date. The Company is also not exposed to commodity price risk since it does not hold any financial instrument based on commodity prices.

(iii) **Profit rate risk**

This represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in profit rates. At the reporting date, the interest rate profile of the Company's significant interest bearing financial instruments was:

	2019 Rupees	2018 Rupees
Fixed rate instruments:		
Financial assets	-	-
Financial liabilities	-	-
Net exposure	<u>-</u>	<u>-</u>
Floating rate instruments:		
Financial assets		
Short term investments - Term Deposit Receipts (TDRs)	40,000,000	60,000,000
Bank balances - PLS accounts	59,046,005	28,076,170
Financial liabilities	-	-
Net exposure	<u>99,046,005</u>	<u>88,076,170</u>

Fair value sensitivity analysis for fixed rate instruments

As at 30 June 2019, the Company is not exposed to any fixed rate instrument.

Fair value sensitivity analysis for variable rate instruments

As at 30 June 2019, if market interest rates had been 1% higher / lower with all other variables held constant, post-tax profit for the year would have been higher / lower by the same proportion.

(b) **Credit risk**

Credit risk represents the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk of the Company arises from deposits with banks, trade debts, accrued mark up and advances and deposits. The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

	2019 Rupees	2018 Rupees
Long term investment	318,457,500	297,227,000
Long term loan	500,000,000	500,000,000
Management remuneration receivable	9,335,941	6,024,041
Advance, deposits and other receivables	984,433	651,165
Short term investments	40,000,000	60,000,000
Bank balances	59,046,005	28,076,170
	<u>927,823,879</u>	<u>891,978,376</u>

The credit quality of financial assets (mainly balances with banks) that are neither past due nor impaired can be assessed by reference to external credit ratings (If available) or to historical information about counterparty default rate:

Banks	Rating		Agency		
	Short Term	Long Term			
Sindh Bank Limited	A+	A-1	VIS	40,998,121	27,021,199
NRSP Microfinance Bank Limited	A	A-1	VIS	58,047,884	61,054,971
				<u>99,046,005</u>	<u>88,076,170</u>

Due to the Company's long standing business relationships with these counterparties and after giving due consideration to their strong financial standing, management does not expect non-performance by these counterparties on their obligations to the Company. Accordingly, the credit risk is minimal.

(c) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash and bank balances. At 30 June 2019, the Company had cash and bank balances of Rupees 99,046,005 (2018: Rupees 88,076,170). Following are the contractual maturities of financial liabilities. The amount disclosed in the table are undiscounted cash flows:

Contractual maturities of financial liabilities:	Creditors, accrual and other liabilities	
Carrying amount	<u>22,735,743</u>	<u>21,610,620</u>
Contractual cash flows:		
upto 1 year	22,735,743	21,610,620
After 1 year to 5 years	-	-
After 5 years	-	-
	<u>22,735,743</u>	<u>21,610,620</u>

20.2 Recognized fair value measurements

(a) Financial Assets

Fair value hierarchy

Judgments and estimates are made in determining the fair values of the financial instruments that are recognized and measured at fair value in these financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Company has classified its financial instruments into the following three levels. An explanation of each level follows underneath the table:

Recurring fair value measurements	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
As at 30 June 2019				
Investment at fair value through other comprehensive income	<u>318,457,500</u>	-	-	<u>318,457,500</u>
As at 30 June 2018				
Investment at fair value through other comprehensive income	<u>297,227,000</u>	-	-	<u>297,227,000</u>

The above table does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amounts are a reasonable approximation of fair value. Due to short term nature, carrying amounts of certain financial assets and financial liabilities are considered to be the same as their fair value.

There were no transfers between levels 1 and 2 for recurring fair value measurements during the year. Further there was no transfer in and out of level 3 measurements.

The Company's policy is to recognize transfers into and transfers out of fair value hierarchy levels as at the end of the reporting year.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available for sale securities) is based on quoted market prices at the end of the reporting year. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

The carrying values of all financial assets and liabilities reflected in financial statements approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

(b) Non-Financial Assets

The carrying value of all non-financial assets reflected in these financial statements are approximate their fair values. Fair value is determined on the basis of objective evidence at each reporting date.

20.3 Financial instrument by categories

	At fair value through profit or loss	At fair value through other comprehensive income	At amortized cost	Total
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2019				
Assets as per statement of financial position				
Long term investment	-	318,457,500	-	318,457,500
Long term loan	-	-	500,000,000	500,000,000
Management remuneration receivable	-	-	9,335,941	9,335,941
Advance, deposits and other receivables	-	-	984,433	984,433
Short term investments	-	-	40,000,000	40,000,000
Bank balances	-	-	59,046,005	59,046,005
	<u>-</u>	<u>318,457,500</u>	<u>609,366,379</u>	<u>927,823,879</u>
			Financial liabilities at amortized cost	
Liabilities as per statement of financial position				Rupees
Creditors, accrual and other liabilities				<u>22,735,743</u>

	At fair value through profit or loss	At fair value through other comprehensive income	At amortized cost	Total
	Rupees	Rupees	Rupees	Rupees
As at 30 June 2018				
Assets as per statement of financial position				
Long term investment	-	297,227,000	-	297,227,000
Long term loan	-	-	500,000,000	500,000,000
Management remuneration receivable	-	-	6,024,041	6,024,041
Advance, deposits and other receivables	-	-	651,165	651,165
Short term investments	-	-	60,000,000	60,000,000
Bank balances	-	-	28,076,170	28,076,170
	-	297,227,000	594,751,376	891,978,376

	Financial liabilities at amortized cost
	Rupees
Liabilities as per statement of financial position	
Creditors, accrual and other liabilities	21,610,620

21. NUMBER OF EMPLOYEES

The number of employees during the year are as follows:


	2019		2018	
	At year end	Average	At year end	Average
Number of employees				
- Permanent	1	1	1	1
- Contractual	1	1	1	1

22. DATE OF AUTHORIZATION FOR ISSUE

These financial statements are approved and authorized for issue on August 29, 2019 by the Board of Directors of the Company.

23. GENERAL

- No significant reclassification or rearrangement of the corresponding figures have been made during the year in these financial statements except for as described in note 2.3 & 2.4 to these financial statements.
- Figures have been rounded off to the nearest rupee.


Chief Executive Officer


Director