

ڈائریکٹرز کی رپورٹ

ہم بورڈ آف ڈائریکٹرز کی جانب سے سندھ مضاربہ مینجمنٹ لمیٹڈ کی 30 جون 2020 کو اختتام پذیر ہونے والے سال پر ساتویں سالانہ رپورٹ منج آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

1 کاروبار کا جائزہ اور امید مستقبل

30 جون 2020 کو ختم ہونے والے سال کے کاروباری نتائج کی جھلکیاں درج ذیل ہیں

2019 جون 30	2020 جون 30	
49,581,069	145,640,300	کل مجموعی آمدنی
31,339,392	38,101,603	عام اور انتظامی اخراجات
18,241,677	107,255,253	نفع قبل از ٹیکس
12,717,939	78,970,810	نفع بعد از ٹیکس

کمپنی کو 30 جون 2019 کو ختم ہونے والے سال میں 12.717 ملین روپے کے منافع کے مقابلے میں اس سال میں 78.97 ملین روپے کا منافع ہوا، منافع میں اضافہ بنیادی طور پر رچی او ایس کے ذریعہ سندھ مضاربہ (مضاربہ) کے ساتھ رکھے گئے فنڈز پر حاصل ہونے والے منافع کی وجہ تھا جس کو مالی بیانات کے نوٹس میں بیان کیا گیا ہے۔ منافع میں اضافہ میں ایک اور وجہ سندھ مضاربہ کی بہتر انتظامی فیس اور ڈیویڈنڈ کا بڑھنا بھی ہے۔ حکومت سندھ نے کمپنی میں مزید 500 ملین روپے کیسٹیل انجیکشن کیا ہے۔ اس اضافی کیسٹیل 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۔ آپریٹنگ اخراجات میں بڑھنے کی اصل وجہ کمپنی کے مجاز سرمائے میں اضافے کے اخراجات ہیں۔ کمپنی کا مستقبل کا منافع زیادہ تر آنے والے سالوں میں مضاربہ کی کارکردگی پر منحصر ہوگا۔

2 ڈیویڈنڈ (حصص پر منافع)

بورڈ آف ڈائریکٹرز نے 30 جون 2020 کو ختم ہونے والے سال کے لئے پانچ فیصد کا منافع تقسیم کرنے کی سفارش کی جو Rs.0.50 کے برابر ہے۔ جبکہ پچھلے سال نفع تقسیم نہیں کیا گیا تھا۔

3 سالانہ بیرونی آڈٹ

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

4 کارپوریٹ گورننس

کمپنی کے لیے لازم ہے کہ ایس ای سی پی کے جاری کردہ پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) قوانین 2013 (سی جی آر) کے ضابطوں کی پابندی کرے۔ دستوری آڈیٹر کے لیے ضروری ہے کہ وہ بہترین طریقوں پر عملدرآمد کرنے کے بارے میں اپنی جائزہ رپورٹ بھی دے جو مالیاتی اسٹیٹمنٹس کے ساتھ شائع کی جاتی ہے۔

بورڈ آف ڈائریکٹرز سی جی آر کا جائزہ لے چکے ہیں اور تصدیق کرتے ہیں کہ؛

- * بورڈ متواتر طور پر متعلقہ اصول برائے کارپوریٹ گورننس کی پابندی کر چکا ہے۔
- * مینجمنٹ کے تیار کردہ مالیاتی اسٹیٹمنٹس معاملات، آپریشن کے نتائج، کیش فلوا اور ایکویٹی میں ردوبدل کی درست تصویر پیش کرتے ہیں
- * مناسبت طور سے کھاتوں کی بکس رکھی گئی ہیں۔
- * مالیاتی اسٹیٹمنٹس کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو استعمال کیا گیا ہے اور اکاؤنٹنگ تخمینوں کی بنیاد مناسب اور محفوظ اندازے ہیں۔
- * اندرونی نگرانی نظام کا ڈیزائن مضبوط ہے اور اس کا موثر طور پر نفاذ کیا جا چکا ہے اور اس کی موثر نگرانی کی جاتی ہے
- * چیئرمین اور بورڈ کے دیگر ممبران کا انتخاب، ان کے انتخاب کی مدت اور ان کے مشاہروں کی پالیسی کمپنی کے بہترین مفاد میں اور بہترین طریقوں کے مطابق ہے۔

* مالیاتی اسٹیٹمنٹس کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈز جو پاکستان میں کمپنی پر لاگو ہوتے ہیں ان پر عملدرآمد کیا گیا اور ان پر عملدرآمد نہ ہونے کی صورت میں ان کو مناسب طور پر ظاہر کیا اور اس کی وضاحت کی گئی ہے۔

* 30 جون 2020 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 2020 تک ملازمین کے پراویڈینڈ فنڈز سے 13.400 ملین (2019: 10.335 ملین) کی سرمایہ کاری کی گئی ہے

* گذشتہ چھ سالوں کا اہم آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔

* سال میں کمپنی کے بورڈ کے ساتھ اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے؛

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب محمد بلال شیخ	1
سید حسن نقوی	1
جناب نجم احمد شاہ	2
جناب محمد نعیم الدین فاروقی	7
جناب محمد شاہد مر تقی	6
جناب آصف حیدر مرزا	6
جناب کمال احمد	7
مس یاسمین ظفر	7

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

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

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب کمال احمد	4
جناب محمد شاہد مر تقی	4
مس یاسمین ظفر	4

* سال میں مضاربہ کمپنی کی ہیومن ریسورس کمیٹی کے دو اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے؛

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب محمد شاہد مر تقی	2
سید حسن نقوی	•
جناب نجم احمد شاہ	•
مس یاسمین ظفر	2

* سال میں مضاربہ کمپنی کی رسک مینجمنٹ کمیٹی کے چار اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب آصف حیدر مرزا	4
جناب محمد شاہد مر تقی	4
جناب کمال احمد	4

* بورڈ 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 سید حسن نقوی کی تقرری بطور سیکریٹری، فنانس ڈپارٹمنٹ کی اور اس طرح سے ان کو نجم احمد شاہ کی جگہ بورڈ میں شامل کیا گیا۔ بورڈ نجم احمد شاہ کو کمپنی کے لیے قابل قدر خدمات کو سراہتے ہیں اور جناب سید حسن نقوی کو بورڈ میں خوش آمدید کہتے 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 پُر عزم ہے کہ وہ سالمیت اور کارپوریٹ گورننس کے اعلیٰ ترین طریقہ کار کو برقرار رکھے تاکہ روزمرہ کے کاروباری معاملات میں اعلیٰ کارکردگی دکھاسکے اور اپنی گورننس (حسن کارکردگی) پر اعتماد پیدا کرسکے۔

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

کمپنی کے ملازمین نے حکومت سندھ کے قائم کردہ کورونائڈ ایمر جنسی فنڈ میں ایک دن کی تنخواہ کا حصہ دیا ہے۔

7 شراکت داری کی تفصیل

کمپنی نمبر	شیرتوں کی کیتگی	حصص کی تعداد
1	حکومت سندھ (وائیکسیٹی گیپ فنڈ) کے فنانس ڈپارٹمنٹ کی معرفت	149,999,993
2	ڈائریکٹرز	
	جناب محمد بلال شیخ	1
	سید حسن نقوی	1
	جناب محمد نعیم الدین فاروقی	1
	جناب محمد شاہد مرتضیٰ	1
	جناب آصف حیدر مرزا	1
	جناب کمال احمد	1
3	مس یاسمین ظفر	1
	ٹوٹل	150,000,000

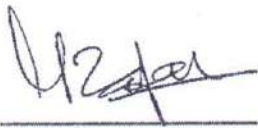
8 بیرونی آڈیٹرز کی تقرری

بورڈ کی آڈٹ کمیٹی نے ریاض احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو 30 جون 2021 کو ختم ہونے والے سال کے لیے مقرر کرنے کی سفارش کی ہے۔

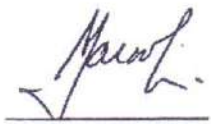
9 اعتراف

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 ایکزیکٹو آفیسر

کراچی

21 ستمبر 2020

DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the seventh annual report along with audited accounts of Sindh Modaraba Management Limited for the year ended June 30, 2020.

1. Business Overview & Outlook

The highlights of the operating results for the year ended June 30, 2020 are presented as under:

	June 30, 2020	June 30, 2019
	-----Rupees-----	
Revenue	<u>145,640,300</u>	49,581,069
General & Admin expenses	<u>38,101,603</u>	31,339,392
Profit before taxation	<u>107,255,253</u>	18,241,677
Profit after taxation	<u>78,970,810</u>	12,717,939

During the year, the Company earned profit after tax of Rs. 78.97 million as compared to Rs. 12.71 million earned during the last year ended June 30, 2019. The increase in profitability was mainly attributable to a windfall profit earned on the funds placed by GoS with Sindh Modaraba (Modaraba) as explained in Notes to the financial statements. Improved earnings from Modaraba by way of higher management fee and enhanced dividend income also augmented the profit during the year. The Government of Sindh further strengthened the equity base of the Company by injecting additional capital of Rs. 500 million. The additional capital was utilized to support Modaraba's operations which will result in further improvement in earnings from the Modaraba. Increase in operating expenses was mainly on account of expenses incurred to enhance the authorized capital of the Company. Company's future profitability will largely depend on Modaraba's performance in the years to come.

2. Profit distribution

The Board of Directors has recommended a cash dividend @ 5.00% (2019:Nil) i.e. Re. 0.50 (2019: Nil) per share for the year ended 30th June 2020.

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, 2020, 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, 2020 is Rs. 13.400 million (2019: 10.335 million).
- Key operating and financial data of last six years is annexed.
- Seven Board meetings of the Modaraba Company were held during the year. Attendance of each director is appended hereunder:

Name of Directors	No. of Meetings attended
Mr. Muhammad Bilal Sheikh	1
Syed Hassan Naqvi	1
Mr. Najam Ahmed Shah	2
Mr. Muhammad Naimuddin Farooqui	7
Mr. Muhammad Shahid Murtaza	6
Mr. Asif Haider Mirza	6
Mr. Kamal Ahmed	7
Ms. Yasmin Zafar	7

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



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

Name of Directors	No. of Meetings attended
Mr. Kamal Ahmed	4
Mr. Muhammad Shahid Murtaza	4
Ms. Yasmin Zafar	4

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

Name of Directors	No. of Meetings attended
Mr. Muhammad Shahid Murtaza	2
Syed Hassan Naqvi	-
Mr. Najam Ahmed Shah	-
Ms. Yasmin Zafar	2

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

Name of Directors	No. of Meetings attended
Mr. Asif Haider Mirza	4
Mr. Muhammad Shahid Murtaza	4
Ms. Kamal Ahmed	4

- The Board has also established Nomination and Procurement Committees as required under the Rules. No meeting of these committees was held during the year.

5. The Board of Directors

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

The employees of the Company contributed one-day salary to the Corona Virus Emergency Fund, established by the Government of Sindh.

7. Pattern of Shareholding

Category No.	Categories of Shareholders	No. of shares held
1	Government of Sindh (Viability Gap Fund) through its finance department	149,999,993
2	<u>Directors:</u> Mr. Muhammad Bilal Sheikh Syed Hassan Naqvi 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		150,000,000

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, 2021.

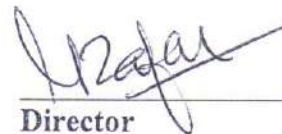
9. Acknowledgment by the Management/Board

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:

21st September 2020

**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 2020.

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 2020.

A handwritten signature in blue ink that reads "Riaz Ahmad & Co." The signature is written in a cursive style.

RIAZ AHMAD & COMPANY

Chartered Accountants

Name of engagement partner:

Muhammad Waqas

KARACHI

Date: 21 September 2020

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 2020

- 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 2020, the Board includes: <table border="1" style="width: 100%; margin-top: 10px;"> <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="4">Non - Executive Directors:</td> <td>1. Mr. M. Bilal Sheikh</td> <td>24 February 2014</td> </tr> <tr> <td>2. Mr. M. Shahid Murtaza</td> <td>24 February 2014</td> </tr> <tr> <td>3. Mr. Asif Haider Mirza</td> <td>21 January 2015</td> </tr> <tr> <td>4. Mr. Syed Hassan Naqvi</td> <td>17 October 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	24 February 2014	2. Mr. M. Shahid Murtaza	24 February 2014	3. Mr. Asif Haider Mirza	21 January 2015	4. Mr. Syed Hassan Naqvi	17 October 2019	3(2)	✓	
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																						
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	2. Mr. M. Shahid Murtaza	24 February 2014																						
	3. Mr. Asif Haider Mirza	21 January 2015																						
	4. Mr. Syed Hassan Naqvi	17 October 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.sindhmodarabaltd.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. Asif Haider Mirza</td> </tr> <tr> <td>HR Committee</td> <td>03</td> <td>Mr. Muhammad Shahid Murtaza</td> </tr> <tr> <td>Procurement Committee</td> <td>03</td> <td>Mr. Asif Haider Mirza</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. Asif Haider Mirza	HR Committee	03	Mr. Muhammad Shahid Murtaza	Procurement Committee	03	Mr. Asif Haider Mirza	Nomination Committee	03	Secretary Finance, GoS		
Committee	No. of member	Name of Chair																			
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HR Committee	03	Mr. Muhammad Shahid Murtaza																			
Procurement Committee	03	Mr. Asif Haider Mirza																			
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	✓													
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.	19	N/A													
	b) The annual report of the Company contains criteria and details of remuneration of each director.		✓													
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.	21(1) and 21(2)	✓													
	<table border="1"> <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>		Name of member	Category	Professional Background	Mr. Kamal Ahmed	Independent	Financial Controller	Mr. Shahid Murtaza	Non-executive	Banker	Ms. Yasmin Zafar	Independent	Education & Marketing		
	Name of member		Category	Professional Background												
	Mr. Kamal Ahmed		Independent	Financial Controller												
Mr. Shahid Murtaza	Non-executive	Banker														
Ms. Yasmin Zafar	Independent	Education & Marketing														
The chief executive and chairman of the Board are not members of the audit committee.	✓															

32.	<p>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.</p> <p>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.</p> <p>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.</p>	21(3)	<p>✓</p> <p>✓</p> <p>✓</p>	
33.	<p>a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.</p> <p>b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.</p> <p>c) The internal audit reports have been provided to the external auditors for their review.</p>	22	<p>✓</p>	
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)	<p>✓</p>	
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	<p>✓</p>	



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 2020, 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 2020 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 Auditor's 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.

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).

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



RIAZ AHMAD & COMPANY
Chartered Accountants


KARACHI

Date: 21 September 2020

SINDH MODARABA MANAGEMENT LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 Rupees	2019 Rupees
NON-CURRENT ASSETS			
Fixed assets	3	8,542,510	10,022,849
Right-of-use assets	4	1,564,233	-
Long term investment	5	348,604,810	318,457,500
Long term loan	6	1,000,000,000	500,000,000
		<u>1,358,711,553</u>	<u>828,480,349</u>
CURRENT ASSETS			
Management remuneration receivable from Sindh Modaraba - related party	7	12,411,104	9,335,941
Advance, deposits, prepayments and other receivables	8	60,721,748	6,096,311
Short term investments	9	-	40,000,000
Bank balances	10	134,973,582	59,046,005
		<u>208,106,434</u>	<u>114,478,257</u>
TOTAL ASSETS		<u>1,566,817,987</u>	<u>942,958,606</u>
EQUITY AND LIABILITIES			
SHARE CAPITAL AND RESERVES			
Authorized share capital			
200,000,000 (2019: 100,000,000) Ordinary shares of Rupees 10 each		<u>2,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid up share capital	11	1,500,000,000	1,000,000,000
Unappropriated profit		102,416,672	24,352,967
Unrealized fair value diminution on remeasurement of investment classified as FVTOCI		<u>(76,677,121)</u>	<u>(106,824,431)</u>
		<u>1,525,739,551</u>	<u>917,528,536</u>
NON-CURRENT LIABILITIES			
Lease liability	12	1,786,544	-
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	13	26,357,626	25,430,070
Current portion of lease liability	12	832,500	-
Provision for taxation - net of advance tax	14	12,101,766	-
		<u>39,291,892</u>	<u>25,430,070</u>
CONTINGENCIES AND COMMITMENTS	15	-	-
TOTAL EQUITY AND LIABILITIES		<u>1,566,817,987</u>	<u>942,958,606</u>

The annexed notes 01 to 27 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 2020

	Note	2020 Rupees	2019 Rupees
Income	16	145,640,300	49,581,069
General and administrative expenses	17	(38,101,603)	(31,248,795)
Finance cost	12.1	(283,414)	-
Profit before taxation		<u>107,255,253</u>	<u>18,332,274</u>
Taxation	18	(28,284,443)	(5,523,738)
Profit after taxation		<u><u>78,970,810</u></u>	<u><u>12,808,536</u></u>

The annexed notes 01 to 27 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 2020

	2020 Rupees	2019 Rupees
Profit after taxation	78,970,810	12,808,536
Other comprehensive income:		
items that may be reclassified to profit and loss account	-	-
items that will not be reclassified to profit and loss account subsequently:		
- Remeasurement of post retirement benefits obligation	167,015	329,894
- Remeasurement of investment classified as FVTOCI	30,147,310	21,230,500
Other comprehensive income	30,314,325	21,560,394
Total comprehensive income for the year	109,285,135	34,368,930

The annexed notes 01 to 27 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 2020

	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 2018	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	-	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
Adjustment on adoption of IFRS 16	-	-	(1,074,120)	(1,074,120)
Total adjusted equity as at 01 July 2019	1,000,000,000	(106,824,431)	23,278,847	916,454,416
Transaction with owner:				
Issuance of share capital	500,000,000	-	-	500,000,000
Comprehensive income for the year ended 30 June 2020				
Profit for the year	-	-	78,970,810	78,970,810
Other comprehensive income:				
- Remeasurement of post retirement benefits obligation	-	-	167,015	167,015
- Unrealized appreciation on remeasurement of investment classified as	-	30,147,310	-	30,147,310
Total comprehensive income for the year	-	30,147,310	79,137,825	109,285,135
Balance as at 30 June 2020	1,500,000,000	(76,677,121)	102,416,672	1,525,739,551

The annexed notes 01 to 27 form an integral part of these financial statements.



Chief Executive Officer


Director

SINDH MODARABA MANAGEMENT LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 Rupees	2019 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		107,255,253	18,332,274
Adjustments for non-cash items:			
Depreciation		1,928,686	1,538,777
Finance cost on lease liability		283,444	-
Provision for gratuity	13.1.3	1,082,833	1,090,571
Provision for compensated leave absences	13.2	676,750	187,000
Dividend income	16	(57,322,350)	(31,845,750)
		(53,350,637)	(29,029,402)
Profit / (loss) before working capital changes		53,904,616	(10,697,128)
Working capital changes			
Increase in current assets		(61,780,275)	(3,680,184)
Increase in current liabilities		206,065	1,125,123
		(61,574,210)	(2,555,061)
Gratuity paid	13.1.2	(871,077)	(1,558,330)
Income tax paid	14	(12,103,002)	(6,065,396)
Net cash used in operating activities		(20,643,673)	(20,875,915)
CASH FLOWS FROM INVESTING ACTIVITIES			
Addition in long term loan		(500,000,000)	-
Dividend received	16	57,322,350	31,845,750
Net cash (used in) / generated from investing activities		(442,677,650)	31,845,750
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of shares		500,000,000	-
Rental payments		(751,100)	-
Net cash generated from financing activities		499,248,900	-
Net increase in cash and cash equivalents		35,927,577	10,969,835
Cash and cash equivalents at beginning of the year	21	99,046,005	88,076,170
Cash and cash equivalents at end of the year	21	134,973,582	99,046,005

The annexed notes 01 to 27 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 2020

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 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 5 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 IFRS Standards, 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, including expectation 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 follow:

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 of assets 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 asset, 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.

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

Following standard, interpretation and amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2019:

- IFRS 16 'Leases'
- IFRS 9 (Amendments) 'Financial Instruments'
- IAS 28 (Amendments) 'Investments in Associates and Joint Ventures'
- IFRIC 23 'Uncertainty over Income Tax Treatments'
- IASB's Annual Improvements to IFRSs: 2015 – 2017 Cycle

The above mentioned accounting standards did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

2.3 Standard and amendments to published approved accounting standards that are effective in current year but not relevant to the Company

There are other standard and amendments to published standards that are mandatory for accounting period 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.

2.4 Amendments to published approved accounting standards that are not yet effective but relevant to the Company

Following amendments to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 01 July 2020 or later periods:

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 judgements when preparing general purpose financial statements in accordance with IFRS.

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.

Interest Rate Benchmark Reform which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform.

Classification of liabilities as current or non-current (Amendments to IAS 1 'Presentation of Financial Statements') effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 'Financial Instruments' – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 'Leases' – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 'Leases' by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.

The above amendments and improvements do not have a material impact on the financial statements.

2.5 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 2020 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.

2.6 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) Depreciation

Depreciation on additions is charged from the month the assets are available for use while no depreciation is charged from the month in which the assets are disposed off. Depreciation is charged to statement of profit or loss applying the straight line method at the rates given in note 3. The residual values and useful lives are reviewed by the management, at each financial year-end and adjusted if impact on depreciation is significant.

c) 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.

2.7 IFRS 16 "Leases"

The Company has adopted IFRS 16 from 01 July 2019. The standard replaces IAS 17 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognized in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognized lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under IFRS 16 will be higher when compared to lease expenses under IAS 17, as the operating expense is now replaced by interest expense and depreciation in the statement of profit or loss and other comprehensive income. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption

IFRS 16 has been adopted using the modified retrospective approach and as such the comparatives have not been restated. The impacts of adoption at the beginning of 01 July 2019 are as follows:

	Rupees
Right-of-use assets recognized by	<u>2,012,580</u>
Lease liability recognized by	<u>3,086,700</u>
Opening Unappropriated profit decreased by	<u>1,074,120</u>

Right-of-use assets

A right-of-use asset is recognized at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Company expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any re-measurement of lease liabilities.

The Company has elected not to recognize a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are charged to income as incurred.

Lease liabilities

A lease liability is recognized at the commencement date of a lease. The lease liability is initially recognized at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are re-measured if there is a change in the following: future lease payments arising from a

change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is re-measured, an adjustment is made to the corresponding right-of-use asset, or to statement of profit or loss and other comprehensive income if the carrying amount of the right-of-use asset is fully written down.

2.8 Investments and other financial assets

a) Classification

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 (FVTPL)

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.

2.9 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.

2.10 Impairment of financial assets

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.

2.11 De-recognition of financial assets and financial liabilities

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.

2.12 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.

2.13 Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables generally do not include amounts over due by 365 days.

The Company has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

2.14 Management remuneration receivable from Managed Modaraba

The Company is entitled to 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 does not include amounts overdue by 365 days.

2.15 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.

2.16 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.

2.17 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.

2.18 Share capital

Ordinary shares are classified as share capital. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax.

2.19 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.

2.20 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.

2.21 Revenue from contracts with customers

Revenue recognition

a) Rendering of services

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

b) 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.

c) Dividend

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

d) Other revenue

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

2.22 Expenses

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

2.23 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.

2.24 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.

2.25 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.

2.26 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.

2.27 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.

2.28 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.

2.29 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

Operating fixed assets
Intangible assets

	2020	2019
	Rupees	Rupees
	8,542,509	10,022,848
	1	1
	8,542,510	10,022,849

Note

3.1

3.1 Following is the breakup of operating fixed assets:

	Leasehold improvement on building	Furniture and fixtures	Office equipment	Computer equipment	Motor vehicle	Total
	Rupees	Rupees	Rupees	Rupees	Rupees	Rupees
At 30 June 2020						
Cost	9,484,003	777,653	320,000	95,390	4,641,290	15,318,336
Accumulated depreciation	(2,873,798)	(456,660)	(319,996)	(95,388)	(3,029,985)	(6,775,827)
Net carrying value	6,610,205	320,993	4	2	1,611,305	8,542,509
Year ended 30 June 2020						
Opening net book value (NBV)	7,084,481	398,753	23	2	2,539,589	10,022,848
Addition	-	-	-	-	-	-
Disposal	-	-	-	-	-	-
Depreciation charge for the year	(474,276)	(77,760)	(19)	-	(928,284)	(1,480,339)
Closing carrying value	6,610,205	320,993	4	2	1,611,305	8,542,509
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	(474,210)	(77,666)	(58,639)	-	(928,252)	(1,538,777)
Depreciation charge for the year						
Closing carrying value	7,084,481	398,753	23	2	2,539,589	10,022,848
Rate	5%	10%	20%	33.33%	20%	

4.	RIGHT OF USE - ASSET	Note	2020 Rupees	2019 Rupees
	Right of use - asset		<u>1,564,233</u>	<u>-</u>
	Movement in right of use - asset:			
	Opening balance		-	-
	Right of use - asset initially recognised as at 01 July 2019		2,012,580	-
	Depreciation for the year		<u>(448,347)</u>	<u>-</u>
	Balance as at 30 June		<u>1,564,233</u>	<u>-</u>
4.1	This represents lease facility acquired for 10 years by the Company on 26 December 2013 for office premises.			
5.	LONG TERM INVESTMENT - RELATED PARTY			
	Fair value through other comprehensive income (FVTOCI)			
	Sindh Modaraba - Listed			
	42,461,000 (2019: 42,461,000) certificates of Rupees 10 each	5.1	425,281,931	425,281,931
	Diminution on revaluation of certificates		<u>(76,677,121)</u>	<u>(106,824,431)</u>
			<u>348,504,810</u>	<u>318,457,500</u>
5.1	Net unrealized appreciation / (diminution) on re-measurement of investment classified as FVTOCI			
	Market value of investment		348,504,810	318,457,500
	Less: Cost of investment		<u>(425,281,931)</u>	<u>(425,281,931)</u>
			<u>(76,677,121)</u>	<u>(106,824,431)</u>
	Less: Net unrealized diminution in fair value of investment at the beginning of the year		<u>(106,824,431)</u>	<u>(128,054,931)</u>
			<u>30,147,310</u>	<u>21,230,500</u>
5.2	Sindh Modaraba is floated and managed by the Company and the Company holds 94.36% (2019: 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 13.55 (2019: Rupees 12.51) per certificate as at 30 June 2020 and the quoted market price on Pakistan Stock Exchange as on 30 June 2020 was Rupees 8.21 (2019: Rupees 7.5) per certificate. The above investment is carried at fair value through other comprehensive income (FVTOCI).			
5.3	Investment in Sindh Modaraba (associated undertaking) has been made in accordance with the requirements of the Companies Act, 2017.			
6.	LONG TERM LOAN - UNSECURED - RELATED PARTY	6.1	<u>1,000,000,000</u>	<u>500,000,000</u>
6.1	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.			
6.2	The maximum aggregate amount due at the end of any month during the year is Rupees 1,000 million (2019: Rupees 500 million)			
6.3	Investment in Sindh Modaraba (associated undertaking) has been made in accordance with the requirements of the Companies Act, 2017.			
7.	MANAGEMENT REMUNERATION RECEIVABLE FROM SINDH MODARABA - RELATED PARTY			
	The Company is entitled to a remuneration for services rendered to the Sindh Modaraba under section 18 of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, 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.			

7.1 The maximum aggregate amount due at the end of any month during the year is Rupees 12.411 million (2019: Rupees 9.336 million).

8.	ADVANCE, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES	Note	2020 Rupees	2019 Rupees
	Security deposit		50,000	50,000
	Prepaid office rent		693,385	913,905
	Prepaid expenses		28,836	38,152
	Prepaid insurance		81,145	80,146
	Accrued share of profit from Sindh Modaraba	8.1	59,044,812	-
	Accrued income from term deposit receipts		-	427,397
	Accrued income from bank deposits	8.2	823,570	507,036
	Advance income tax - net		-	4,079,675
			60,721,748	6,096,311

8.1 This represents amount receivable from Sindh Modaraba, a related party, being share of profit under musharaka arrangements as explained in Note 11.1 of these financial statements.

8.2 This includes amount of Rupees 820,935 (2019: Rupees 3,715) receivable from Sindh Bank Limited, a related party.

9. SHORT TERM INVESTMENTS

Term Deposit Receipts - TDRs	9.1	-	40,000,000
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9.1 This represents investment made in Term Deposit Receipts, matured during the year, in Sindh Bank Limited, a related party (2019: Sindh Bank Limited). This investment carried mark up at the rate of 10% (2019: 10% to 10.56%) per annum.

10. BANK BALANCES

PLS accounts	10.1	134,973,582	59,046,005
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10.1 These carry profit at the rates ranging from 7.35% to 11.50% per annum (2019: 6.05% to 10.5% per annum). This includes balance of Rupees 134.601 million (2019: 0.998 million) held with Sindh Bank Limited, a related party.

11. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL

	2020 (No. of shares)	2019		2020	2019
100,000,000	100,000,000	Ordinary shares of Rupees 10 each, fully paid in cash.		1,000,000,000	1,000,000,000
50,000,000		- Right issue of ordinary shares of Rupees 10 each fully paid in cash. (Note 11.1)		500,000,000	-
150,000,000	100,000,000			1,500,000,000	1,000,000,000

11.1 On 25 October 2017, Sindh Modaraba, a Modaraba managed by the Company, entered into agreements with Government of Sindh (GoS) for providing financing for inter-city and intra-city transport schemes. For adjustment of various subsidies and credit risk guarantee GoS agreed to place a sum of Rupees 2,000 million in tranches for each scheme with Sindh Modaraba under musharaka arrangement. On 2 April 2018, Rupees 500 million (minimum outlay of Rupees 250 million under each agreement) were released by GoS as the "First Tranche". However, during the year, the referred agreements were cancelled without any obligation on either parties and the whole outstanding amount of Rupees 500 million have been transferred to the Company by Sindh Modaraba for conversion into equity of the Company, upon the instructions of GoS. Furthermore, GoS also directed that the Company is entitled to the accrued share of profit along with the rights and risks incident to it.

11.2 In view of the above, the paid up share capital has been increased from 100 million ordinary shares of Rupees 10 each to 150 million ordinary shares of Rupees 10 each under the authority of resolution duly passed in the Board of Directors' meeting dated 29 August 2019.

11.3 At 30 June 2020, Government of Sindh holds 99.99% (2019: 99.99%) of the share capital of the Company. Remaining shares are held by nominee directors.

12. LEASE LIABILITY	Note	2020 Rupees	2019 Rupees
Discounted lease payment	12.1	2,619,044	-
Less: current portion of lease liability		(832,500)	-
		<u>1,786,544</u>	<u>-</u>

12.1 Movement of lease liability during the year is as follows:

Opening balance	-	-
Add: recognized as at 01 July 2019	3,086,700	-
Less: rentals paid during the year	(751,100)	-
Add: finance charge	283,444	-
Balance as at 30 June	<u>2,619,044</u>	<u>-</u>

12.2 Contractual maturity of lease payments:

- Within one year	832,500	-
- Between 1 and 5 years	2,280,125	-
- After 5 years	-	-
Total undiscounted lease commitments	<u>3,112,625</u>	<u>-</u>
Less: financial charges on lease	(493,581)	-
Discounted lease liability using the incremental borrowing rate	<u>2,619,044</u>	<u>-</u>

12.3 When measuring the lease liability, the Company has discounted lease payments using an estimated incremental borrowing rate of 10%.

13. CREDITORS, ACCRUED AND OTHER LIABILITIES

Payable to gratuity fund	13.1	915,818	871,077
Provision for compensated absence payable	13.2	2,500,000	1,823,250
Accrued expenses		2,487,917	2,292,420
Auditor's remuneration		152,171	141,603
Advance received from Government of Sindh- related party	13.3	20,300,448	20,300,448
Other liabilities		1,272	1,272
		<u>26,357,626</u>	<u>25,430,070</u>

13.1 Payable to gratuity fund

Present value of defined benefit obligation	13.1.1	3,636,360	2,505,985
Less: Fair value of plan assets	13.1.2	(2,720,542)	(1,634,908)
		<u>915,818</u>	<u>871,077</u>

13.1.1 Changes in present value of defined benefit obligations

Opening balance	2,505,985	1,668,730
Current services cost	1,020,769	1,010,510
Interest cost	357,103	150,186
Remeasurements:		
- Actuarial loss from changes in financial assumptions	-	1,105
- Experience adjustments	(47,497)	(324,546)
Present value of defined benefit obligations	<u>3,636,360</u>	<u>2,505,985</u>

13.1.2 Changes in fair value of plan assets	Note	2020 Rupees	2019 Rupees
Opening balance		1,634,908	-
Contributions		871,077	1,558,330
Interest income on plan assets		295,039	70,125
Benefits paid		-	-
Benefits due but not paid		-	-
Return on plan assets, excluding interest income		(80,482)	6,453
Fair value of plan assets		<u>2,720,542</u>	<u>1,634,908</u>
13.1.3 Expenses to be charged to statement of profit or loss			
Current services cost		1,020,769	1,010,510
Interest cost of defined benefit obligations		357,103	150,186
Interest income on plan assets		(295,039)	(70,125)
		<u>1,082,833</u>	<u>1,090,571</u>
13.1.4 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
Experience adjustments		(247,497)	(324,546)
		<u>(247,497)</u>	<u>(323,441)</u>
Less: Return on plan assets, excluding interest income		80,482	(6,453)
Total remeasurement chargeable in other comprehensive income		<u>(167,015)</u>	<u>(329,894)</u>
13.1.5 Changes in net liability			
Balance sheet liability		871,077	1,668,730
Expenses to be charged to P&L		1,082,833	1,090,571
Remeasurement chargeable in other comprehensive income		(167,015)	(329,894)
Contributions		(871,077)	(1,558,330)
		<u>915,818</u>	<u>871,077</u>
13.1.6 Significant actuarial assumption			
Discount rate used for interest cost in P&L charges		14.25%	9.00%
Discount rate used for year end obligation		8.50%	14.25%
Salary increase used for year end obligation			
Salary increase FY 2020		N/A	N/A
Salary increase FY 2021		8.50%	14.25%
Salary increase FY 2022		8.50%	14.25%
Salary increase FY 2023		8.50%	14.25%
Salary increase FY 2024		8.50%	14.25%
Salary increase FY 2025		8.50%	14.25%
Salary increase FY 2026 onwards		8.50%	14.25%
Net salary is increased at		1-Jul-20	1-Jul-19
Mortality rates		SLIC 2001-2005 Setback 1 year	
Withdrawal rates		Age-based (per appendix)	
Retirement Assumption		Age 60	Age 60

15. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 30 June 2020 (2019 : Nil)

16. INCOME	Note	2020 Rupees	2019 Rupees
Modaraba management company's remuneration - Related party		12,411,104	9,335,941
Dividend income from Sindh Modaraba		57,322,350	31,845,750
Income on commercial paper		2,225,838	-
Profit on daily product account		14,055,374	2,488,234
Share of profit from Sindh Modaraba	8.1	59,044,812	-
Profit on term deposit receipt		580,822	5,911,144
		<u>145,640,300</u>	<u>49,581,069</u>

17. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits		25,428,028	24,309,649
Directors' meeting fee		3,025,000	1,500,000
Insurance expense		143,718	136,965
Security guard charges		91,667	72,000
Legal and professional		232,145	184,816
Entertainment		40,622	20,551
Vehicle running expense		832,462	731,798
Rent expense		1,818,705	2,339,246
Registration and subscription fee		4,230,148	239,530
Auditors' remuneration	17.1	143,840	146,000
Repair and maintenance		135,000	-
Depreciation		1,928,686	1,538,777
Donations		-	27,419
Miscellaneous expenses		1,582	2,044
		<u>38,101,603</u>	<u>31,248,795</u>

17.1 Auditors' remuneration

Audit fees		90,720	81,000
Special certificate		43,200	48,600
Out of pocket expense		9,920	16,400
		<u>143,840</u>	<u>146,000</u>

18. TAXATION

Current year		27,916,540	5,523,738
Prior year		367,903	-
Deferred	18.2	-	-
		<u>28,284,443</u>	<u>5,523,738</u>

18.1 The charge for current taxation is based on taxable income at the current rate of taxation after taking into account applicable tax credits, rebates and exemption available if any.

18.2 Deferred tax asset has been worked out amounting to Rupees 2.195 million which has not been accounted for in these financial statements due to uncertainties regarding the future taxable profits against which such asset would be utilized.

19. REMUNERATION PAID TO CHIEF EXECUTIVE OFFICER	Note	2020 Rupees	2019 Rupees
Basic salary		10,909,091	10,200,000
House rent		4,909,091	4,590,000
Other allowances		2,181,818	2,040,000
Bonuses		2,609,090	2,550,000
Provident fund		1,090,908	1,020,000
Other benefits		1,929,433	1,810,166
		<u>23,629,431</u>	<u>22,210,166</u>

19.1 Chief Executive Officer of the Company has been provided free use of the Company's cars including fuel and insurance.

20. PROVIDENT FUND RELATED DISCLOSURE

Detail of the Staff Provident Fund based on unaudited financial statements for the year ended 30 June 2020 and 30 June 2019 are below:

Size of the fund (total assets)		<u>10,480,750</u>	<u>10,409,923</u>
Cost of investment made		<u>10,399,749</u>	<u>10,334,923</u>
Fair value of investment made		<u>10,399,749</u>	<u>10,334,923</u>
		Percentage	
Percentage of investment made		<u>99.23%</u>	<u>99.28%</u>

Break up of Investment at cost

	2020		2019	
	Rupees	Percentage	Rupees	Percentage
PLS account	<u>10,399,749</u>	<u>100%</u>	<u>10,334,923</u>	<u>100%</u>

20.1 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.

21. CASH AND CASH EQUIVALENTS

Short term investments - Term Deposits Receipts (TDRs)	9		40,000,000
Bank balances	10	<u>134,973,582</u>	<u>59,046,005</u>
		<u>134,973,582</u>	<u>99,046,005</u>

22. RELATED PARTY TRANSACTIONS

22.1 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	2020	2019
		Rupees	Rupees
Sindh Bank Limited			
Associated company	Profit on daily product account	13,144,633	1,424,366
	Profit on TDRs - Sindh Bank Ltd	580,822	427,397
Sindh Modaraba			
Associated undertaking	Management company's remuneration received	9,335,941	6,024,041
	Accrued share of profit from Sindh Modaraba	59,044,812	-
	Long term loan provided during the year	500,000,000	-
	Dividend received	57,322,350	31,845,750
Sindh Insurance Company Limited			
Associated Company	Insurance premium paid	203,547	203,547
Farooqui			
Chief Executive	Remuneration paid	23,629,431	22,210,166
Sindh Modaraba Employee's Provident Fund			
Associated entity	Employees' contribution	1,090,908	1,020,000
	Employer's contribution	1,090,908	1,020,000
Sindh Modaraba Employee's Gratuity Fund			
Associated entity	Contribution made during the year	871,077	1,558,330
Directors			
Muhammad Shahid Murtaza	Directors meeting fees paid during the year	825,000	350,000
Asif Haider Mirza		525,000	200,000
Najam-Ahmed Shah		100,000	50,000
Dr. Noor Alam		-	100,000
Kamal Ahmed		775,000	400,000
Yasmin Zafar		675,000	400,000
Syed Hasan Naqvi		50,000	-
Muhammad Bilal Sheikh		75,000	-

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

23. FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES

23.1 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:

	2020 Rupees	2019 Rupees
Fixed rate instruments:		
Financial assets		
Short term investments - Term Deposit Receipts (TDRs)	-	40,000,000
Financial liabilities	-	-
Net exposure	<u>-</u>	<u>40,000,000</u>
Floating rate instruments:		
Financial assets		
Bank balances - PLS accounts	134,973,582	59,046,005
Financial liabilities	-	-
Net exposure	<u>134,973,582</u>	<u>59,046,005</u>

Fair value sensitivity analysis for fixed rate instruments

As at 30 June 2020, 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 Rupees Nil (2019: Rupees 0.4 million).

Fair value sensitivity analysis for variable rate instruments

As at 30 June 2020, 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:

	2020 Rupees	2019 Rupees
Long term investment	348,604,810	318,457,500
Long term loan	1,000,000,000	500,000,000
Management remuneration receivable	12,411,104	9,335,941
Advance, deposits and other receivables	59,918,382	984,433
Short term investments	-	40,000,000
Bank balances	134,973,582	59,046,005
	<u>1,555,907,878</u>	<u>927,823,879</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	134,600,985	40,998,121
NRSP Microfinance Bank Limited	A	A-1	VIS	372,597	58,047,884
				<u>134,973,582</u>	<u>99,046,005</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 counter parties 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 bank balances. At 30 June 2020, the Company had bank balances of Rupees 134,973,582 (2019: Rupees 99,046,005). 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>25,560,852</u>	<u>22,735,743</u>
Contractual cash flows:			
Upto 1 year		23,774,308	22,735,743
After 1 year to 5 years		2,280,125	-
After 5 years		-	-
		<u>26,054,433</u>	<u>22,735,743</u>

23.2 **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 As at 30 June 2020	Level 1	Level 2	Level 3	Total
	Rupees	Rupees	Rupees	Rupees
Investment at fair value through other comprehensive income	348,604,810	-	-	348,604,810
As at 30 June 2019				
Investment at fair value through other comprehensive income	318,457,500	-	-	318,457,500

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.

23.3 Financial instrument by categories

	At fair value through other comprehensive income	At amortized cost	Total
	Rupees	Rupees	Rupees
As at 30 June 2020			
Assets as per statement of financial position			
Long term investment	348,604,810	-	348,604,810
Long term loan	-	1,000,000,000	1,000,000,000
Management remuneration receivable	-	12,411,104	12,411,104
Advance, deposits and other receivables	-	59,918,382	59,918,382
Bank balances	-	134,973,582	134,973,582
	348,604,810	1,207,303,068	1,555,907,878

Liabilities as per statement of financial position

Creditors, accrual and other liabilities
Lease liability

Financial liabilities at amortized cost

Rupees

22,941,808

2,619,044

25,560,852

	At fair value through other comprehensive income	At amortized cost	Total
	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>318,457,500</u>	<u>609,366,379</u>	<u>927,823,879</u>

Financial liabilities at amortized cost

Rupees

22,735,743**Liabilities as per statement of financial position**

Creditors, accrual and other liabilities

24. NUMBER OF EMPLOYEES

The number of employees during the year are as follows:

	2020		2019	
	At year end	Average	At year end	Average
Number of employees				
- Permanent	1	1	1	1
- Contractual	1	1	1	1

25. IMPACT OF COVID-19 (CORONA VIRUS)

The COVID – 19 pandemic has taken a toll on all economies around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators/ governments across the globe have introduced a host of measures on both the fiscal and economic fronts. The State Bank of Pakistan (SBP) has also responded to the crisis by cutting the policy rate by 625 basis points since beginning of the year. Such reduction has insignificant impact on the Company's profitability for last quarter of the financial year 2020. Although, the Company is not directly affected by the pandemic, however, the managed Modaraba (Sindh Modaraba) may have some implications. The profitability of the Company will largely depend on Modaraba's performance in the years to come. Due to this, management has assessed the accounting implications of the situation on these financial statements, including but not limited to the following areas:

- the impairment of tangible assets under IAS 36 'Impairment of Assets';
- provisions and contingent liabilities under IAS 37 Provisions, Contingent Liabilities and
- going concern assumption used for the preparation of these financial statements.

According to management's assessment, there is no significant accounting impact of the effects of COVID-19 in these financial statements.

26. DATE OF AUTHORIZATION FOR ISSUE

These financial statements are approved and authorized for issue on September 21, 2020 by the Board of Directors of the Company.

27. GENERAL

- No significant reclassification or rearrangement of the corresponding figures have been made during the year in these financial statements.
- Figures have been rounded off to the nearest rupee.



Chief Executive Officer



Director