



**Riaz Ahmad & Company**

Chartered Accountants

# **SINDH MODARABA MANAGEMENT LIMITED**

## **FINANCIAL STATEMENTS WITH ACCOMPANYING INFORMATION**

### **FOR THE YEAR ENDED 30 JUNE 2022**

## DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the Ninth Annual Report along with audited accounts of Sindh Modaraba Management Limited for the year ended June 30, 2022.

### 1. Business Overview & Outlook

The highlights of the operating results for the year ended June 30, 2022 are presented as under:

	June 30, 2022	June 30, 2021
	-----Rupees-----	
Revenue	<u>68,403,591</u>	<u>76,544,465</u>
General & Admin expenses	<u>21,892,058</u>	<u>19,302,698</u>
Profit before taxation	<u>46,413,605</u>	<u>57,025,012</u>
Profit after taxation	<u>37,046,862</u>	<u>42,721,779</u>

During the year, the Company earned profit after tax of Rs. 37.05 million as compared to Rs. 42.72 million earned during the last year ended June 30, 2021. The decrease in profitability was mainly due to decrease in dividend income from Sindh Modaraba. The operating expenses increased from Rs. 19.30 million to Rs. 21.89 million due to inflationary adjustments.

### 2. Profit distribution

The Directors have declared Nil dividend (2021: Nil%) i.e. Nil (2021: Re. Nil) per share for the year ended 30<sup>th</sup> June 2022.

### 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.
- Appointment of one independent director is in process due to sad demise of Mr. Habibullah Khilji.
- 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, 2022, 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, 2022 is Rs. 11.997 million (2021: Rs. 9.310 million).
- Key operating and financial data of last six years is annexed.
- Six Board meetings of the Modaraba Company were held during the year. Attendance of each director is appended hereunder:

Name of Directors	No. of Meetings attended
Mr. Waseem Mehdi Syed	6
Mr. Sajid Jamal Abro	2
Mr. Sami ul Haq Khilji	1
Mr. Habibullah Khilji (Deceased)	2
Mr. Rehan Anjum	6
Ms. Rukhsana Narejo	6
Mr. Kamal Ahmed – Acting CEO	6

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. Rehan Anjum	4
Ms. Rukhsana Narejo	2
Mr. Habibullah Khilji (Deceased)	2
Mr. Kamal Ahmed – Acting CEO	1

- Three 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. Waseem Mehdi Syed	3
Mr. Rehan Anjum	2
Ms. Rukhsana Narejo	3
Mr. Kamal Ahmed – Acting CEO	1

- 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. Waseem Mehdi Syed	4
Mr. Rehan Anjum	3
Ms. Rukhsana Narejo	4
Mr. Kamal Ahmed – Acting CEO	1

- One Nomination 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. Waseem Mehdi Syed	1
Mr. Rehan Anjum	1
Mr. Kamal Ahmed – Acting CEO	1

- The Board has also established Procurement Committee as required under the Rules. No meeting of this committee was held during the year.

#### 5. The Board of Directors

The Board expressed condolences and sympathies on the sad demise of Mr. Zulfiqar Ali- Chief Executive Officer and Mr. Habibullah Khilji – Director. During the year, Mr. Sajid Jamal Abro and Mr. Sami ul Haq Khilji were appointed as non-executive directors.

Further, Board had appointed Acting Chief Executive among the non-Executive Directors in place of deceased CEO for transitional period as per Modaraba Regulations. The Board has also appointed new Chief Executive Officer on the Board in place of Mr. Kamal Ahmed – Acting CEO and approval of Registrar Modaraba has been received.

The Board appreciated the valued contributions made by the out-going/deceased directors and welcomed new directors 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.

It is our ethical responsibility to stand for Flood victims' support; therefore, the Board of Directors has approved an amount of Rs. 10 Million (for the supply of tents and food/eatable bags) to contribute for this Nobel Cause from Sindh Modaraba.



## 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. Waseem Mehdi Syed Mr. Sajid Jamal Abro Mr. Sami ul Haq Khilji Mr. Kamal Ahmed Mr. Rehan Anjum Ms. Rukhsana Narejo Mr. Zulfiqar Ali (Late)	1 1 1 1 1 1 1
<b>TOTAL</b>		<b>150,000,000</b>

## 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, 2023.

## 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)

  
\_\_\_\_\_  
**Kamal Ahmed**  
Acting CEO/Director  
\_\_\_\_\_  
**Rehan Anjum**  
Director

**Karachi:**  
07<sup>th</sup> September 2022

## ڈائریکٹرز کی رپورٹ

ہم بورڈ آف ڈائریکٹرز کی جانب سے سندھ مضاربہ مینجمنٹ لمیٹڈ کی 30 جون 2022 کو اختتام پذیر ہونے والے سال پر نویں سالانہ رپورٹ بمع آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

### 1 کاروبار کا جائزہ اور امید مستقبل

30 جون 2022 کو ختم ہونے والے سال کے کاروباری نتائج کی جھلکیاں درج ذیل ہیں

30 جون 2021	30 جون 2022	
76,544,465	68,403,591	کل مجموعی آمدنی
19,302,698	21,892,058	عام اور انتظامی اخراجات
57,025,012	46,413,605	نفع قبل از ٹیکس
42,721,779	37,046,862	نفع بعد از ٹیکس

کمپنی کو 30 جون 2022 کو ختم ہونے والے سال میں 42.72 ملین روپے کے منافع کے مقابلے میں اس سال میں 37.05 ملین روپے کا منافع ہوا۔ منافع میں کمی کی بنیادی وجہ سندھ مضاربہ سے ڈیویڈنڈ کی آمدنی میں کمی تھی۔ افرات زر کی ایڈجسٹمنٹ کی وجہ سے آپریٹنگ اخراجات 19.30 ملین روپے سے بڑھ کر 21.89 ملین روپے کی سطح پر آ گئے۔

### 2 ڈیویڈنڈ (حصص پر منافع)

اس سال نفع میں کمی کے باعث، بورڈ آف ڈائریکٹرز نے 30 جون 2022 کو ختم ہونے والے سال میں ڈیویڈنڈ نہ دینے کا فیصلہ کیا ہے۔ جبکہ پچھلے سال بھی منافع تقسیم نہیں کیا گیا تھا۔

### 3 سالانہ بیرونی آڈٹ

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

### 4 کاپوریٹ 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 فلو اور ایکویٹی میں رد و بدل کی درست تصویر پیش کرتے ہیں
- \* مناسب طور سے کھاتوں کی بکس رکھی گئی ہیں۔
- \* مالیاتی اسٹیٹمنٹس کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو استعمال کیا گیا ہے اور اکاؤنٹنگ تخمینوں کی بنیاد مناسب اور محفوظ اندازے ہیں۔
- \* اندرونی نگرانی نظام کا ڈیزائن مضبوط ہے اور اس کا موثر طور پر نفاذ کیا جا چکا ہے اور اس کی موثر نگرانی کی جاتی ہے
- \* چیرمین اور بورڈ کے دیگر ممبران کا انتخاب، ان کے انتخاب کی مدت اور ان کے مشاہروں کی پالیسی کمپنی کے بہترین مفاد میں اور بہترین طریقوں کے مطابق ہے۔

- \* مالیاتی اسٹیٹمنٹس کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈز جو پاکستان میں کمپنی پر لاگو ہوتے ہیں ان پر عملدرآمد کیا گیا اور ان پر عملدرآمد نہ ہونے کی صورت میں ان کو مناسب طور پر ظاہر کیا اور اس کی وضاحت کی گئی ہے۔
- \* 30 جون 2022 پریکسس، ڈیوٹیز، لیویز اور چارجز کی مد میں کوئی دستوری ادائیگیاں نہیں ہیں ما سوائے ان کے جو مالیاتی اسٹیٹمنٹس میں ظاہر کیے گئے ہیں۔
- \* 30 جون 2022 تک ملازمین کے پراویڈینڈ فنڈز سے Rs. 11.997 ملین (2021: Rs.9.310 ملین) کی سرمایہ کاری کی گئی ہے
- \* گذشتہ چھ سالوں کا اہم آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔
- \* سال میں کمپنی کے بورڈ کے چھ اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے؛

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب وسیم مہدی سید	6
جناب ساجد جمال ابڑو	2
جناب سمیع الحق خلجی	1
جناب حبیب اللہ خلجی (متوفی)	2
جناب ریحان انجم	6
مس رخسانہ ناریجو	6
جناب کمال احمد - قائم مقام سی ای او	6

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 ریحان انجم	4
مس رخسانہ ناریجو	2
جناب حبیب اللہ خلجی (متوفی)	2
جناب کمال احمد - قائم مقام سی ای او	1

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

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب وسیم مہدی سید	3
جناب ریحان انجم	2
مس رخسانہ ناریجو	3
جناب کمال احمد - قائم مقام سی ای او	1

- \* 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 وسیم مہدی سید	4
جناب ریحان انجم	3
مس رخسانہ ناریجو	4

جناب کمال احمد - قائم مقام سی ای او 1  
 \* سال میں مضاربہ کمپنی کی نامزدگی کمیٹی کا ایک اجلاس ہوا۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب وسیم مہدی سید	1
جناب ریحان انجم	1
جناب کمال احمد - قائم مقام سی ای او	1

\* بورڈ پروکیورمنٹ کی کمیٹی کو قوانین کے مطابق قائم کر چکا ہے۔ زیر غور مدت کے دوران کسی بھی کمیٹی کا کوئی اجلاس نہیں ہوا۔

## 5 بورڈز آف ڈائریکٹرز

بورڈ نے جناب ذوالفقار علی - چیف ایگزیکٹو آفیسر اور جناب حبیب اللہ خلجی - ڈائریکٹر کے افسوسناک انتقال پر تعزیت اور ہمدردی کا اظہار کیا۔ سال کے دوران، جناب ساجد جمال ابڑو اور جناب سمیع الحق خلجی کو نان ایگزیکٹو ڈائریکٹر مقرر کیا گیا۔ مزید برآں، بورڈ نے مضاربہ ریگولیشنز کے مطابق عبوری مدت کے لیے متوفی سی ای او کی جگہ غیر ایگزیکٹو ڈائریکٹرز میں قائم مقام چیف ایگزیکٹو کا تقرر کیا تھا۔ بورڈ نے مسٹر کمال احمد - قائم مقام سی ای او کی جگہ بورڈ پر نیا چیف ایگزیکٹو آفیسر بھی مقرر کیا ہے اور رجسٹرار مضاربہ کی منظوری حاصل کر لی گئی ہے۔ بورڈ نے سبکدوش ہونے والے / فوت ہونے والے ڈائریکٹرز کے قابل قدر تعاون کو سراہا اور بورڈ میں نئے ڈائریکٹرز کا خیر مقدم کیا۔

## 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 روز مرہ کے کاروباری معاملات میں اعلیٰ کارکردگی دکھا سکے اور اپنی گورننس (حسن کارکردگی) پر اعتماد پیدا کر سکے۔ کمپنی مسلسل کوشش کر رہی ہے کہ اعتماد کو بڑھائے اور تمام تعلقات میں انسانی وقار اور حقوق کا مظاہرہ دکھائے بشمول افراد اور گروہوں کی تہذیبوں، رواجوں اور اقدار کا احترام کرے۔ سیلاب زدگان کی مدد کے لیے کھڑے ہونا ہماری اخلاقی ذمہ داری ہے۔ لہذا، بورڈ آف ڈائریکٹرز نے 10 ملین روپے کی رقم کی منظوری دی ہے۔ سندھ مضاربہ کی طرف سے اس نوبل کاز کے لیے (خیموں اور کھانے/کھانے کے قابل ٹھیلوں کی فراہمی کے لیے)۔

## 7 شراکت داری کی تفصیل

کیٹگری	شینر ہولڈرز کی کیٹگری	حصص کی تعداد
1	حکومت سندھ (وائیلٹی گیپ فنڈ) کے فنانس ڈپارٹمنٹ کی معرفت	149,999,993
2	ڈائریکٹرز	
	جنابوسیم مہدی	1
	جناب ساجد جمال ابڑو	1
	جناب سمیع الحق خلجی	1
	جناب کمال احمد - قائم مقام سی ای او	1
	جناب ریحان انجم	1



1  
1

مس رخسانہ ناریجو  
جناب ذوالفقار علی (مرحوم)

ٹوٹل

150,000,000

### 8 بیرونی آڈیٹرز کی تقرری

آڈٹ کمیٹی کی سفارش پر بورڈ نے ریاض احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو 30 جون 2022 کو ختم ہونے والے سال میں دوبارہ تقرری کے لیے منظور کیا۔

### 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



چیف ایکزیکٹو آفیسر



ڈائریکٹر

ستمبر 2022

07

کراچی

**Sindh Modaraba Management Limited**  
**Financial Highlights**

**2022                      2021                      2020                      2019                      2018                      2017**

***Balance Sheet***

Share capital	1,500,000,000	1,500,000,000	1,500,000,000	1,000,000,000	1,000,000,000	1,000,000,000
Reserves	107,231,800	69,550,212	102,416,672	24,352,967	11,324,937	10,673,401
Total equity	1,479,222,169	1,517,943,381	1,525,739,551	917,528,536	883,159,606	780,712,070
Total Assets	1,508,130,155	1,544,210,680	1,566,817,987	942,958,606	908,075,206	804,957,853
Long term investment- MV	297,122,000	373,524,800	348,604,810	318,457,500	297,227,000	195,320,600
Current Assets	202,278,344	158,301,544	208,106,434	114,478,257	99,286,580	96,587,681
Current Liabilities	28,409,398	24,921,085	39,291,892	25,430,070	24,915,600	24,245,783
Total Liabilities	28,907,986	26,267,299	41,078,436	25,430,070	24,915,600	24,245,783

***Profit & Loss***

Revenue	68,403,591	76,544,465	145,640,300	49,581,069	32,120,397	28,067,407
Operating expenses	21,892,058	19,302,698	38,101,603	31,248,795	28,120,820	31,298,928
Profit/(Loss) before tax	46,413,605	57,025,012	107,255,253	18,332,274	3,999,577	(3,226,158)
Profit/(Loss) after tax	37,046,862	42,721,779	78,970,810	12,808,536	651,536	(5,373,610)

***Financial Ratios***

Earning per Certificate	0.25	0.28	0.53	0.13	0.01	(0.05)
Net profit ratio (%)	54.16%	55.81%	54.22%	25.83%	2.03%	-19.15%
Breakup Value	9.86	10.12	10.17	9.18	8.83	7.81
Current ratio	7.12	6.35	5.30	4.50	3.98	3.98
Return on asset (%)	2.43%	2.75%	6.29%	1.38%	0.08%	-0.81%
Return on equity (%)	2.47%	2.81%	6.46%	1.42%	0.08%	-0.83%
Debt Equity (%)	1.95%	1.73%	2.69%	2.77%	2.82%	3.11%
Debt ratio (%)	1.92%	1.70%	2.62%	2.70%	2.74%	3.01%

**Riaz Ahmad & Company**

Chartered Accountants

# **SINDH MODARABA MANAGEMENT LIMITED**

**REVIEW REPORT ON COMPLIANCE WITH  
THE PUBLIC SECTOR COMPANIES  
(CORPORATE GOVERNANCE) RULES, 2013**

**FOR THE YEAR ENDED  
30 JUNE 2022**

## **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 2022.

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

# Riaz Ahmad & Company

Chartered Accountants

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 2022.



**RIAZ AHMAD & COMPANY**  
**Chartered Accountants**

**Name of engagement partner:**  
**Junaid Ashraf**

**KARACHI**  
**Date: 26 September 2022**  
**UDIN : CR202210045BPVj6HeZ2**

**SCHEDULE I**  
**[See paragraph 2(1)]**

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

<b>Name of Company:</b>	<b>SINDH MODARABA MANAGEMENT LIMITED</b>
Name of the line ministry	FINANCE DEPARTMENT, GOVERNMENT OF SINDH
For the year ended	30 JUNE 2022

- 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 2022, the Board includes:	3(2)		✓																					
	<table border="1" style="width: 100%;"> <thead> <tr> <th>CATEGORY</th> <th>NAMES</th> <th>DATE OF APPOINTMENT</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td>Mr. Waseem Mehdi Syed</td> <td>26 November 2020</td> </tr> <tr> <td>Acting Chief Executive Officer</td> <td>Mr. Kamal Ahmed</td> <td>12 October 2021</td> </tr> <tr> <td rowspan="4">Non-Executive Directors</td> <td>Mr. Kamal Ahmed</td> <td>15 August 2017</td> </tr> <tr> <td>Ms. Rukhsana Narejo</td> <td>02 February 2021</td> </tr> <tr> <td>Mr. Rehan Anjum</td> <td>02 February 2021</td> </tr> <tr> <td>Mr. Sajid Jamal Abro</td> <td>07 March 2022</td> </tr> <tr> <td></td> <td>Mr. Sami Ul Haq</td> <td>30 May 2022</td> </tr> </tbody> </table>				CATEGORY	NAMES	DATE OF APPOINTMENT	Independent Directors	Mr. Waseem Mehdi Syed	26 November 2020	Acting Chief Executive Officer	Mr. Kamal Ahmed	12 October 2021	Non-Executive Directors	Mr. Kamal Ahmed	15 August 2017	Ms. Rukhsana Narejo	02 February 2021	Mr. Rehan Anjum	02 February 2021	Mr. Sajid Jamal Abro	07 March 2022		Mr. Sami Ul Haq	30 May 2022
CATEGORY	NAMES				DATE OF APPOINTMENT																				
Independent Directors	Mr. Waseem Mehdi Syed				26 November 2020																				
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	Mr. Rehan Anjum	02 February 2021																							
	Mr. Sajid Jamal Abro	07 March 2022																							
	Mr. Sami Ul Haq	30 May 2022																							
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.sindhmodarabalttd.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) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.		N/A																			
	(c) 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 members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>02</td> <td>Mr. Rehan Anjum</td> </tr> <tr> <td>Risk Management / Monitoring Committee</td> <td>03</td> <td>Mr. Waseem Mehdi Syed</td> </tr> <tr> <td>HR Committee</td> <td>03</td> <td>Mr. Waseem Mehdi Syed</td> </tr> <tr> <td>Procurement Committee</td> <td>02</td> <td>Mr. Rehan Anjum</td> </tr> <tr> <td>Nomination Committee</td> <td>03</td> <td>Mr. Waseem Mehdi Syed</td> </tr> </tbody> </table>		Committee		No. of members	Name of Chair	Audit Committee	02	Mr. Rehan Anjum	Risk Management / Monitoring Committee	03	Mr. Waseem Mehdi Syed	HR Committee	03	Mr. Waseem Mehdi Syed	Procurement Committee	02	Mr. Rehan Anjum	Nomination Committee	03	Mr. Waseem Mehdi Syed	
	Committee		No. of members		Name of Chair																	
	Audit Committee		02		Mr. Rehan Anjum																	
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HR Committee	03	Mr. Waseem Mehdi Syed																				
Procurement Committee	02	Mr. Rehan Anjum																				
Nomination Committee	03	Mr. Waseem Mehdi Syed																				




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. b) The annual report of the Company contains criteria and details of remuneration of each director.	19	N/A										
30.	The financial statements of the Company were duly endorsed by the chief executive and chief financial officer, before approval of the Board.	20	✓										
31.	The Board has formed an audit committee, with defined and written terms of reference and having prescribed members. <table border="1" data-bbox="252 1288 1086 1429"> <thead> <tr> <th>Name of member</th> <th>Category</th> <th>Professional Background</th> </tr> </thead> <tbody> <tr> <td>Mr. Rehan Anjum</td> <td>Non-executive</td> <td>Professional Banker</td> </tr> <tr> <td>Ms. Rukhsana Narejo</td> <td>Non-executive</td> <td>Professional Banker</td> </tr> </tbody> </table> The chief executive and chairman of the Board are not members of the audit committee.	Name of member	Category	Professional Background	Mr. Rehan Anjum	Non-executive	Professional Banker	Ms. Rukhsana Narejo	Non-executive	Professional Banker	21(1) and 21(2)	✓	
Name of member	Category	Professional Background											
Mr. Rehan Anjum	Non-executive	Professional Banker											
Ms. Rukhsana Narejo	Non-executive	Professional Banker											
32.	a) The chief financial officer, the chief internal auditor and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed. b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives. c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.	21(3)	✓										

N

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> <p>✓</p> <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)	✓	
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit services.	23(5)	✓	

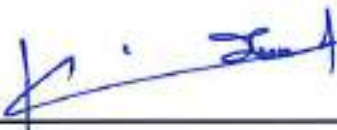
  
 Chief Executive Officer

  
 Chairman BOD / Independent Director

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

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

<b>Sr. No</b>	<b>Rule/sub-rule no.</b>	<b>Reasons for non-compliance</b>	<b>Future course of action</b>
1.	3(2)	Death/Demise of one independent director.	The company is in the process of appointing a suitable candidate in his place and will be complied soon.



**KAMAL AHMED**

Acting Chief Executive Officer

**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 2022, 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 2022 and of the profit and other comprehensive income, the changes in equity and its cash flows for the year then ended.

**Basis for Opinion**

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

**Information Other than the Financial Statements and Auditors' Report Thereon**

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

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);
- 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

# Riaz Ahmad & Company

Chartered Accountants

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 Junaid Ashraf.



**RIAZ AHMAD & COMPANY**  
Chartered Accountants

**KARACHI**

**Date: 23 September 2022**  
**UDIN: AR2022100453VAZhEfBs**

**SINDH MODARABA MANAGEMENT LIMITED**  
**STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2022**

	Note	2022 Rupees	2021 Rupees
<b>NON-CURRENT ASSETS</b>			
Fixed assets	3	8,062,272	11,268,450
Right-of-use assets	4	667,539	1,115,886
Long term investment	5	297,122,000	373,524,800
Long term loan	6	<b>1,000,000,000</b>	1,000,000,000
		<b>1,305,851,811</b>	1,385,909,136
<b>CURRENT ASSETS</b>			
Management remuneration receivable from Sindh Modaraba - related party	7	<b>11,352,217</b>	7,862,480
Deposits, prepayments and other receivables	8	<b>3,743,270</b>	3,033,102
Advance tax - net of provision for taxation	9	<b>80,678</b>	124,027
Bank balances	10	<b>187,102,179</b>	147,281,935
		<b>202,278,344</b>	158,301,544
<b>TOTAL ASSETS</b>		<b>1,508,130,155</b>	1,544,210,680
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
<b>Authorized share capital</b>			
200,000,000 (2021: 200,000,000) Ordinary shares of Rupees 10 each		<b>2,000,000,000</b>	2,000,000,000
Issued, subscribed and paid up share capital	11	<b>1,500,000,000</b>	1,500,000,000
Unappropriated profit		<b>107,231,800</b>	69,550,212
Unrealized fair value diminution on remeasurement of investment classified as FVTOCI		<b>(128,009,631)</b>	(51,606,831)
		<b>1,479,222,169</b>	1,517,943,381
<b>NON-CURRENT LIABILITIES</b>			
Lease liability	12	<b>498,588</b>	1,346,214
<b>CURRENT LIABILITIES</b>			
Staff retirement benefits	13	-	1,623,917
Creditors, accrued and other liabilities	14	<b>27,561,772</b>	22,629,090
Current portion of lease liability	12	<b>847,626</b>	668,078
		<b>28,409,398</b>	24,921,085
<b>CONTINGENCIES AND COMMITMENTS</b>	15		
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>1,508,130,155</b>	1,544,210,680

The annexed notes from 1 to 25 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 2022**

	Note	2022 Rupees	2021 Rupees
Income	16	<b>68,403,591</b>	76,544,465
General and administrative expenses	17	<b>(21,892,058)</b>	(19,302,698)
Other income		<b>66,494</b>	10,993
		<b>46,578,027</b>	57,252,760
Finance cost	12	<b>(164,422)</b>	(227,748)
Profit before taxation		<b>46,413,605</b>	57,025,012
Taxation	18	<b>(9,366,743)</b>	(14,303,233)
Profit after taxation		<b>37,046,862</b>	42,721,779

The annexed notes from 1 to 25 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 2022**

	<b>2022</b> Rupees	<b>2021</b> Rupees
<b>Profit after taxation</b>	<b>37,046,862</b>	42,721,779
<b>Other comprehensive (loss) / income:</b>		
items that may be reclassified to profit and loss account	-	-
items that will not be reclassified to profit and loss account subsequently:		
- Remeasurement gain / (loss) of post retirement benefits obligation	<b>634,726</b>	(603,939)
- Unrealized (loss) / gain on remeasurement of investment classified as FVTOCI	<b>(76,402,800)</b>	25,085,990
Other comprehensive (loss) / Income	<b>(75,768,074)</b>	24,482,051
<b>Total comprehensive (loss) / income for the year</b>	<b>(38,721,212)</b>	67,203,830

The annexed notes from 1 to 25 form an integral part of these financial statements.


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**CHIEF EXECUTIVE OFFICER**


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**DIRECTOR**

**SINDH MODARABA MANAGEMENT LIMITED**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 30 JUNE 2022**

	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
<b>Balance as at 30 June 2020</b>	1,500,000,000	(76,677,121)	102,416,672	1,525,739,551
<b>Comprehensive income for the year ended 30 June 2021</b>				
Profit for the year	-	-	42,721,779	42,721,779
<b>Other comprehensive income:</b>				
- Remeasurement loss of post retirement benefits obligation	-	-	(603,939)	(603,939)
- Unrealized gain on remeasurement of investment classified as FVTOCI	-	25,085,990	-	25,085,990
Total comprehensive income for the year	-	25,085,990	42,117,840	67,203,830
Transfer of gain realized on sale of investments classified as FVTOCI	-	(15,700)	15,700	-
<b>Transaction with shareholder:</b>				
Profit distribution @ Re. 0.5 (5%) per share	-	-	(75,000,000)	(75,000,000)
<b>Balance as at 30 June 2021</b>	1,500,000,000	(51,606,831)	69,550,212	1,517,943,381
<b>Comprehensive income for the year ended 30 June 2022</b>				
Profit for the year	-	-	37,046,862	37,046,862
<b>Other comprehensive income:</b>				
- Remeasurement gain of post retirement benefits obligation	-	-	634,726	634,726
- Unrealized loss on remeasurement of investment classified as FVTOCI	-	(76,402,800)	-	(76,402,800)
Total comprehensive loss for the year	-	(76,402,800)	37,681,588	(38,721,212)
<b>Balance as at 30 June 2022</b>	1,500,000,000	(128,009,631)	107,231,800	1,479,222,169

The annexed notes from 1 to 25 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 2022**

	Note	2022 Rupees	2021 Rupees
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		46,413,605	57,025,012
<b>Adjustments for non-cash items:</b>			
Depreciation		1,826,525	1,520,415
Finance cost on lease liability		164,422	227,748
Provision / (reversal) for gratuity		445,945	(60,022)
Provision for compensated leave absences		266,667	760,999
Dividend income		(42,446,000)	(57,302,100)
		<b>(39,742,441)</b>	<b>(54,852,960)</b>
<b>Profit before working capital changes</b>		<b>6,671,164</b>	<b>2,172,052</b>
<b>Working capital changes</b>			
(Increase) / decrease in management remuneration receivable from Sindh modaraba		(3,489,737)	4,548,624
(Increase) / decrease in deposits, prepayments, and other receivable		(521,386)	57,688,646
Increase / (decrease) in creditors, accrued & other liabilities		2,753,514	(1,145,218)
		<b>(1,257,609)</b>	<b>61,092,052</b>
Compensated leave absence paid - net of settlement		-	(2,231,008)
Compensated absence funds received from Sindh Modaraba		-	819,001
Gratuity paid		(543,917)	(915,818)
Income tax paid		(9,323,394)	(26,529,026)
<b>Net cash (used in) / generated from operating activities</b>		<b>(4,453,756)</b>	<b>34,407,253</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Addition in fixed assets		(2,739,000)	-
Dividend received		42,446,000	57,302,100
Advance against capital expenditure		-	(4,567,000)
Transfer of advance against capital expenditure		4,567,000	-
Proceeds from sale of investments		-	166,000
<b>Net cash generated from investing activities</b>		<b>44,274,000</b>	<b>52,901,100</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		-	(75,000,000)
<b>Net cash used in financing activities</b>		<b>-</b>	<b>(75,000,000)</b>
<b>Net increase in cash and cash equivalents</b>		<b>39,820,244</b>	<b>12,308,353</b>
Cash and cash equivalents at beginning of the year		147,281,935	134,973,582
<b>Cash and cash equivalents at end of the year</b>	10	<b>187,102,179</b>	<b>147,281,935</b>

The annexed notes from 1 to 25 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 2022**

**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 repealed 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.

## d) **Amendments to published approved accounting standards that are effective in current year and are relevant to the Company**

Following amendments to published approved accounting standards are mandatory for the Company's accounting periods beginning on or after 01 July 2021:

- Amendments to IFRS 16 'Leases' – Covid-19 related rent concessions extended beyond 30 June 2021.
- Interest Rate Benchmark Reform– Phase 2 which amended IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement', IFRS 4 'Insurance Contracts', IFRS 7 'Financial Instruments: Disclosures' and IFRS 16 'Leases'.

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

**e) Amendments to published approved accounting standards that are effective in current year but not relevant to the Company**

There are amendments to published standards that are mandatory for accounting periods beginning on or after 01 July 2021 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.

**f) 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 2022 or later periods:

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 01 January 2023. 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'.

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets') effective for the annual period beginning on or after 01 January 2022 amends IAS 1 'Presentation of Financial Statements' by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract. Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16 'Property, Plant and Equipment') effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc., are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS

2 'Inventories'. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 01 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.

Disclosure of Accounting Policies (Amendments to IAS 1 'Presentation of Financial Statements' and IFRS Practice Statement 2 'Making Materiality Judgement') effective for annual periods beginning on or after 01 January 2023. These amendments are intended to help preparers in deciding which accounting policies to disclose in their financial statements. Earlier, IAS 1 states that an entity shall disclose its 'significant accounting policies' in their financial statements. These amendments shall assist the entities to disclose their 'material accounting policies' in their financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 'Income taxes') effective for annual periods beginning on or after 01 January 2023. These amendments clarify how companies account for deferred tax on transactions such as leases and decommissioning obligations.

Change in definition of Accounting Estimate (Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors') effective for annual periods beginning on or after 01 January 2023. This change replaced the definition of Accounting Estimate with a new definition, intended to help entities to distinguish between accounting policies and accounting estimates.

The International Accounting Standards Board (IASB) has published 'Reference to the Conceptual Framework (Amendments to IFRS 3)' with amendments to IFRS 3 'Business Combinations' that update an outdated reference in IFRS 3 without significantly changing its requirements. Effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 01 January 2022. The amendments also add to IFRS 3 an exception to its requirement for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.



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

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

**g) 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 2022 but are considered not to be relevant or do not have any significant impact on the Company's financial statements and are therefore not detailed in these financial statements.

**2.2 Fixed assets**

**a) Owned assets**

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

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

**b) 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.

## 2.3 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. Payment associated with short term leases are recognized as expense in profit or loss.

## 2.4 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 unconsolidated statement of profit or loss and other comprehensive income if the carrying amount of the right-of-use asset is fully written down.

## 2.5 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 interest.

## **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 interest are measured at amortised cost. Interest income from these financial assets is included in other income using the effective interest 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 interest, 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), interest income 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). Interest income from these financial assets is included in other income using the effective interest 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 amortised cost or FVTOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL is recognised in profit or loss and presented net within other income / (other expenses) in the period in which it arises.

### **Equity instruments**

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

### **Fair value through other comprehensive income (FVTOCI)**

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

### **Fair value through profit or loss**

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

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

### **Financial liabilities – classification and measurement**

Financial liabilities are classified as 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 interest 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.

### **Impairment of financial assets**

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised 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.

## **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.

## **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.

## **2.6 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.

## **2.7 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.

## **2.8 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.

## **2.9 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.

## **2.10 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.

## **2.11 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.

## **2.12 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 recognized 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 recognized when it is received or when the right to receive payment is established.

#### **2.13 Expenses**

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

#### **2.14 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.

#### **2.15 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.

#### **2.16 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.

#### **2.17 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.

## **2.18 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.

## **2.19 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.

## **2.20 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	Note	2022 Rupees	2021 Rupees
Operating fixed assets	3.1	8,062,271	6,701,449
Intangible assets	3.2	1	1
Advance against capital expenditure	19.1	-	4,567,000
		<u>8,062,272</u>	<u>11,268,450</u>

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
<b>At 30 June 2022</b>						
Cost	9,484,003	777,653	320,000	95,390	4,666,150	15,343,196
Accumulated depreciation	<u>(3,821,930)</u>	<u>(614,368)</u>	<u>(319,996)</u>	<u>(95,388)</u>	<u>(2,429,243)</u>	<u>(7,280,925)</u>
Net carrying value	<u>5,662,073</u>	<u>163,285</u>	<u>4</u>	<u>2</u>	<u>2,236,907</u>	<u>8,062,271</u>
<b>Year ended 30 June 2022</b>						
Opening net book value (NBV)	6,135,929	244,361	4	2	321,153	6,701,449
Addition - cost	-	-	-	-	2,739,000	2,739,000
<b>Disposal:</b>						
Cost	-	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-	-
Depreciation charge for the year	<u>(473,856)</u>	<u>(81,076)</u>	<u>-</u>	<u>-</u>	<u>(823,246)</u>	<u>(1,378,178)</u>
Closing carrying value	<u>5,662,073</u>	<u>163,285</u>	<u>4</u>	<u>2</u>	<u>2,236,907</u>	<u>8,062,271</u>
<b>At 30 June 2021</b>						
Cost	9,484,003	777,653	320,000	95,390	1,927,150	12,604,196
Accumulated depreciation	<u>(3,348,074)</u>	<u>(533,292)</u>	<u>(319,996)</u>	<u>(95,388)</u>	<u>(1,605,997)</u>	<u>(5,902,747)</u>
Net carrying value	<u>6,135,929</u>	<u>244,361</u>	<u>4</u>	<u>2</u>	<u>321,153</u>	<u>6,701,449</u>
<b>Year ended 30 June 2021</b>						
Opening net book value (NBV)	6,610,205	320,993	4	2	1,611,305	8,542,509
Addition - cost	-	-	-	-	-	-
<b>Disposal:</b>						
Cost	-	-	-	-	(2,714,140)	(2,714,140)
Accumulated depreciation	-	-	-	-	1,945,148	1,945,148
Depreciation charge for the year	<u>(474,276)</u>	<u>(76,632)</u>	<u>-</u>	<u>-</u>	<u>(768,992)</u>	<u>(768,992)</u>
Closing carrying value	<u>6,135,929</u>	<u>244,361</u>	<u>4</u>	<u>2</u>	<u>321,153</u>	<u>6,701,449</u>
<b>Rate</b>	<b>5%</b>	<b>10%</b>	<b>20%</b>	<b>33.33%</b>	<b>20%</b>	

3.2 As at 30 June 2022, the gross carrying amount (cost) of fully amortized intangible that is still in use is Rupees 33,301 (2021: Rupees 33,301).

4. RIGHT-OF-USE ASSET	Note	2022 Rupees	2021 Rupees
Cost		4,483,469	4,483,469
Accumulated depreciation		<u>(3,815,930)</u>	<u>(3,367,583)</u>
Net book value		<u>667,539</u>	<u>1,115,886</u>
<b>Movement in right of use asset:</b>			
Opening net book value		1,115,886	1,564,233
Depreciation for the year		<u>(448,347)</u>	<u>(448,347)</u>
Closing net book value		<u>667,539</u>	<u>1,115,886</u>
<b>Annual rate of depreciation (%)</b>		<b>10%</b>	10%

- 4.1 The Company's right to use on premises represents office premises obtained under lease arrangements for more than 12 months period. The principal terms and conditions of the lease arrangements entered into by the Company and outstanding at year end are as follows:

Office Premises	Lessor Name	Lease Start Date	Lease Tenure
Ground Floor Naudero Sugar Mills Distt. Larkana	M/s Naudero Sugar Mills (Private) Limited	26-Dec-13	10 Years

#### 5. LONG TERM INVESTMENT - RELATED PARTY

##### Fair value through other comprehensive income (FVTOCI)

Sindh Modaraba - Listed			
42,446,000 (2021: 42,446,000)	5.1	425,131,631	425,131,631
certificates of Rupees 10 each			
Diminution on revaluation of certificates		<u>(128,009,631)</u>	<u>(51,606,831)</u>
		<u>297,122,000</u>	<u>373,524,800</u>

#### 5.1 Net unrealized appreciation / (diminution) on re-measurement of investment classified as FVTOCI

Market value of investment	297,122,000	373,524,800
Less: Cost of investment	<u>(425,131,631)</u>	<u>(425,131,631)</u>
	<u>(128,009,631)</u>	<u>(51,606,831)</u>
Realised fair value gain on disposal	-	15,700
Less: Net unrealized diminution in fair value of investment at the beginning of the year	<u>(51,606,831)</u>	<u>(76,677,121)</u>
Charge for the year	<u>(76,402,800)</u>	<u>25,085,990</u>

- 5.2 Sindh Modaraba is floated and managed by the Company and the Company holds 94.32% (2021: 94.32%) of the total certificate capital of the Modaraba, a related party.

- 5.3 The break-up value of the above investment, based on the audited accounts of Sindh Modaraba, is Rupees 14.35 (2021: Rupees 13.89) per certificate as at 30 June 2022 and the quoted market price on Pakistan Stock Exchange as on 30 June 2022 is Rupees 7.00 (2021: Rupees 8.80) per certificate. The above investment is carried at fair value through other comprehensive income (FVTOCI).

- 5.4 Investment in Sindh Modaraba (associated undertaking) has been made in accordance with the requirements of the Companies Act, 2017.

	Note	2022 Rupees	2021 Rupees
<b>6. LONG TERM LOAN - UNSECURED - RELATED PARTY</b>			
	6.1	<u>1,000,000,000</u>	<u>1,000,000,000</u>
<b>6.1</b>	This represents interest free loan provided to Sindh Modaraba (related party). The loan is subordinate 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.		
<b>6.2</b>	The maximum aggregate amount due at the end of any month during the year is Rupees 1,000 million (2021: Rupees 1,000 million)		
<b>6.3</b>	Investment in Sindh Modaraba (associated undertaking) has been made in accordance with the requirements of the Companies Act, 2017.		
<b>7. MANAGEMENT REMUNERATION RECEIVABLE FROM SINDH MODARABA - RELATED PARTY</b>			
	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.		
<b>7.1</b>	The maximum aggregate amount due at the end of any month during the year is Rupees 11.352 million (2021: Rupees 12.411 million).		
<b>8. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Security deposit		50,000	50,000
Prepaid office rent		822,790	762,148
Prepaid expenses		1,034,735	16,239
Prepaid insurance		53,000	41,150
Accrued income from term deposit receipt	8.1	1,132,705	2,141,234
Accrued income from bank deposits	8.2	461,258	22,331
Receivable from gratuity fund	13	188,782	-
		<u>3,743,270</u>	<u>3,033,102</u>
<b>8.1</b>	This includes nil balance (2021: Rs. 2.14 million) on term deposits held with Sindh Bank Limited, a related party.		
<b>8.2</b>	This includes Rs. 0.44 million (2021: Rs. 0.02 million) on bank deposits held with Sindh Bank Limited, a related party.		
<b>9. ADVANCE TAX-NET OF PROVISION</b>			
Balance as at 01 July		124,027	(12,101,766)
Provision for the year			
Current year		(9,355,223)	(16,753,370)
Prior year		(11,520)	2,450,137
	18	(9,366,743)	(14,303,233)
Advance tax:			
Tax deducted / collected at source		9,323,394	16,877,397
Tax paid		-	9,651,629
		<u>9,323,394</u>	<u>26,529,026</u>
		<u>80,678</u>	<u>124,027</u>

10.	BANK BALANCES	Note	2022 Rupees	2021 Rupees
	PLS accounts	10.1	52,102,179	2,281,935
	Term Deposit Receipts - TDRs	10.2	135,000,000	145,000,000
			<b>187,102,179</b>	<b>147,281,935</b>

**10.1** These carry profits at the rates ranging from 6.50% to 12.25% per annum (2021: 5.50% to 6.64% per annum). This includes balance of Rupees 48.040 million (2021: 2.269 million) held with Sindh Bank Limited, a related party.

**10.2** This represents investment made in Term Deposit Receipts in Meezan Bank Limited - Islamic Banking, for a period of 6 months maturity on monthly rollover basis at the mark-up rate of 12.25% per annum (June 2021: Rs. 145 million in Sindh Bank Limited, a related party for a period of 3 months maturity at the mark-up rate of 7.00% per annum).

**11. ISSUED, SUBSCRIBED AND PAID UP SHARE CAPITAL**

	2022 (No. of shares)	2021		
	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	50,000,000	Right issue of ordinary shares of Rupees 10 each fully paid in cash	500,000,000 500,000,000
	<b>150,000,000</b>	<b>150,000,000</b>		<b>1,500,000,000 1,500,000,000</b>

**12. LEASE LIABILITY**

<b>Lease commitments</b>		<b>1,447,625</b>	<b>2,280,126</b>
<b>Present value of lease commitments</b>		<b>1,346,214</b>	<b>2,014,292</b>
Balance as at 01 July		2,014,292	2,619,044
Finance cost		164,422	227,748
Less: payments made during the year		-	-
		<b>2,178,714</b>	2,846,792
Over due portion shown under current Liabilities		<b>(832,500)</b>	(832,500)
		<b>1,346,214</b>	2,014,292
Current portion shown under current Liabilities		<b>(847,626)</b>	(668,078)
		<b>498,588</b>	<b>1,346,214</b>

**12.1** This represents present value of lease commitments entered into with for branch office premises having a aggregate lease terms of 10 years. When measuring lease liability for office premises, the Company discounted lease payments using an estimated incremental borrowing rate of 10%.

**12.2** The amount of future payments under the lease agreements and the period in which these payments will become due are as follows:

<b>2022</b>	<b>Minimum lease commitment</b>	<b>Future finance cost</b>	<b>Future value of lease liability</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
Not later than one year	938,875	91,249	847,626
Later than one year but not later than five years	508,750	10,162	498,588
	<b>1,447,625</b>	<b>101,411</b>	<b>1,346,214</b>
<b>2021</b>	<b>Minimum lease commitment</b>	<b>Future finance cost</b>	<b>Future value of lease liability</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
Not later than one year	832,500	164,422	668,078
Later than one year but not later than five years	1,447,626	101,412	1,346,214
	<b>2,280,126</b>	<b>265,834</b>	<b>2,014,292</b>

<b>13. STAFF RETIREMENT BENEFITS</b>	<b>Note</b>	<b>2022 Rupees</b>	<b>2021 Rupees</b>
(Receivable) / payable to gratuity fund	13.1	<b>(188,782)</b>	543,917
Provision for compensated absences	13.2	-	1,080,000
		<b>(188,782)</b>	<b>1,623,917</b>

#### **13.1 (Receivable) / payable from gratuity fund**

Present value of defined benefit obligation	13.1.1	-	2,459,493
Less: Fair value of plan assets	13.1.2	<b>(2,613,182)</b>	(1,915,576)
Benefit due but not paid		<b>2,424,400</b>	-
		<b>(188,782)</b>	<b>543,917</b>

#### **13.1.1 Changes in present value of defined benefit obligations**

Balance as at 01 July	<b>2,459,493</b>	3,636,360
Current services cost	<b>542,318</b>	40,992
Interest cost	<b>127,848</b>	14,609
Benefits due but not paid	<b>(2,424,400)</b>	-
Benefits paid	-	(3,636,360)
Liability transferred from Modaraba	-	1,832,030
Remeasurements:		
- Actuarial loss from changes in financial assumptions	-	2,847
- Experience adjustments	<b>(705,259)</b>	569,015
	-	<b>2,459,493</b>

<b>13.1.2 Changes in fair value of plan assets</b>	<b>Note</b>	<b>2022 Rupees</b>	<b>2021 Rupees</b>
Balance as at 01 July		<b>1,915,576</b>	2,720,542
Contributions		<b>543,917</b>	915,818
Interest income on plan assets		<b>224,222</b>	115,623
Benefits paid		-	(3,636,360)
Plan assets transferred from Modaraba		-	1,832,030
Return on plan assets, excluding interest income		<b>(70,533)</b>	(32,077)
		<b>2,613,182</b>	<b>1,915,576</b>

### **13.1.3 (Income) / expenses to be charged to statement of profit or loss**

Current services cost	<b>542,318</b>	40,992
Interest cost of defined benefit obligations	<b>127,848</b>	14,609
Interest income on plan assets	<b>(224,222)</b>	(115,623)
	<b>445,944</b>	<b>(60,022)</b>

### **13.1.4 Remeasurement loss / (gain) chargeable to other comprehensive income**

Actuarial loss from changes in financial assumptions	-	2,847
Experience adjustments	<b>(705,259)</b>	569,015
	<b>(705,259)</b>	571,862
Less: Return on plan assets excluding interest income	<b>70,533</b>	32,077
	<b>(634,726)</b>	<b>603,939</b>

### **13.1.5 Changes in net liability**

Balance as at 01 July	<b>543,917</b>	915,818
(Income) / expenses to be charged to P&L	<b>445,944</b>	(60,022)
Remeasurement loss/(gain) charged to other comprehensive income	<b>(634,726)</b>	603,939
Liability transferred from Modaraba	-	1,832,030
Plan assets transferred from Modaraba	-	(1,832,030)
Contributions	<b>(543,917)</b>	(915,818)
	<b>(188,782)</b>	<b>543,917</b>

### **13.1.6 Significant actuarial assumption**

Discount rate used for interest cost in P&L charges	<b>N/A</b>	8.50%
Discount rate used for year end obligation	<b>N/A</b>	10.25%
Salary increase used for year end obligation		
Salary increase FY 2021	<b>N/A</b>	N/A
Salary increase FY 2022	<b>N/A</b>	10.25%
Salary increase FY 2023	<b>N/A</b>	10.25%
Salary increase FY 2024	<b>N/A</b>	10.25%
Salary increase FY 2025	<b>N/A</b>	10.25%
Salary increase FY 2026	<b>N/A</b>	10.25%
Salary increase FY 2027 onwards	<b>N/A</b>	10.25%

Net salary is increased at:	N/A	1-Jul-21
Mortality rates	N/A	SLIC 2001-2005
Withdrawal rates	N/A	Setback 1 year
Retirement assumptions		Age-based
		Age SLIC 2001-2005

	Note	2022 Rupees	2021 Rupees
<b>Estimated expenses to be charged to P&amp;L</b>			
Current services cost		-	542,318
Interest cost on defined benefit obligation		-	249,868
Interest income on plan asset		(389,494)	(241,052)
		<u>(389,494)</u>	<u>551,134</u>

#### Plan assets comprise of:

Cash and bank deposits	<u>100%</u>	<u>100%</u>
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#### Year end sensitivity (+/- 100bps) on defined benefit obligation

Discount rate +100 bps	-	2,280,895
Discount rate - 100 bps	-	2,654,634
Salary increase +100 bps	-	2,654,487
Salary increase - 100 bps	-	2,277,775

#### Expected benefit payments for the next 10 years and beyond

FY 2022	-	43,509
FY 2023	-	57,911
FY 2024	-	71,437
FY 2025	-	90,891
FY 2026	-	114,646
FY 2027	-	143,359
FY 2028	-	178,160
FY 2029	-	219,963
FY 2030	-	269,623
FY 2031	-	14,166,079

The average duration of the defined benefit obligation is **0 Year**      8 Years

#### 13.2 Provision for compensated absences

Balance as at 01 July	<b>1,080,000</b>	2,500,000
Provision for the year	<b>266,667</b>	760,999
CEO's compensation transferred from Sindh Modaraba	-	819,001
	<b>1,346,667</b>	4,080,000
Payment / adjustment during the year	-	(3,000,000)
Benefit due but unpaid	<b>(1,346,667)</b>	-
	<u>-</u>	<u>1,080,000</u>

14. CREDITORS, ACCRUED AND OTHER LIABILITIES	Note	2022 Rupees	2021 Rupees
Accrued expenses		2,314,228	2,143,683
Due to ex-Chief Executive Officer (ex-CEO)	14.1	4,779,442	-
Auditor's remuneration		165,205	153,584
Advance received from Government of Sindh - related party	14.2	20,300,448	20,300,448
Other liabilities		2,449	31,375
		<u>27,561,772</u>	<u>22,629,090</u>

14.1 This represents dues of ex-CEO payable to legal heirs after his demise.

14.2 This represents amount received from Government of Sindh against expenses to be incurred in relation to issuance of Sukuk by Sindh Modaraba.

#### 15. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at reporting date (2021: Nil) other than those disclosed in note 12 to the financial statements.

#### 16. INCOME

Modaraba management company's remuneration - related party		11,352,217	7,862,480
Dividend income from Sindh Modaraba		42,446,000	57,302,100
Profit on daily product account		3,512,643	6,425,088
Profit on term deposit receipts	10.2	11,092,731	4,954,797
		<u>68,403,591</u>	<u>76,544,465</u>

#### 17. GENERAL AND ADMINISTRATIVE EXPENSES

Salaries, allowances and other benefits		9,590,309	7,972,120
Directors' meeting fee		5,885,000	5,700,000
Insurance expense		113,184	121,914
Security guard charges		99,996	99,996
Legal and professional		890,006	269,233
Entertainment		44,938	58,064
Vehicle running expense		341,864	440,592
Traveling expenses		15,000	276,415
Rent expense		2,113,311	1,948,496
Printing and stationery		5,940	-
Registration and subscription fee		352,132	262,093
Advertisement & publications		200,719	298,129
Auditors' remuneration	17.1	165,205	153,584
Repair and maintenance		236,513	180,000
Depreciation-owned and leased asset		1,826,525	1,520,415
Miscellaneous expenses		11,416	1,647
		<u>21,892,058</u>	<u>19,302,698</u>

#### 17.1 Auditors' remuneration

Audit fee		105,000	92,400
Special certificate		40,000	40,000
Out of pocket expense		7,968	9,807
		<u>152,968</u>	<u>142,207</u>
Sindh sales tax @ 8%		12,237	11,377
		<u>165,205</u>	<u>153,584</u>



<b>18. TAXATION</b>	<b>Note</b>	<b>2022 Rupees</b>	<b>2021 Rupees</b>
Current year	18.1	<b>9,355,223</b>	16,753,370
Prior year		<b>11,520</b>	(2,450,137)
Deferred	18.2	-	-
		<b><u>9,366,743</u></b>	<b><u>14,303,233</u></b>

**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 amounting to Rupees 37.201 million (2021: 21.120 million) 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 OFFICERS**

### **Mr. Zulfiqar Ali (Deceased)**

Basic salary	<b>1,454,640</b>	656,935
House rent	<b>654,588</b>	295,550
Other allowances	<b>290,928</b>	131,386
Bonus	<b>484,880</b>	-
Provident fund	<b>145,464</b>	65,693
Other benefits	<b>318,594</b>	136,307
	<b><u>3,349,094</u></b>	<b><u>1,285,871</u></b>

**19.1** During the year, the Board of Directors of the Company approved transfer of vehicle, as per terms of contract, booked for Mr. Zulfiqar Ali for an amount of Rupees 4.57 million to his family as ex-gratia benefit on his demise.

### **Mr. Muhammad Naimuddin Farooqui (Retired)**

Basic salary	-	3,372,431
House rent	-	1,517,594
Other allowances	-	674,491
Bonuses	-	281,444
Provident fund	-	337,243
Other benefits	-	3,581,521
	<b><u>-</u></b>	<b><u>9,764,724</u></b>

**19.2** 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**

The Company's Staff Provident Fund's members comprise of the Company's employees and Modaraba's employees. Detail of the Staff Provident Fund based on financial statements for the year ended 30 June 2021 and 30 June 2022 are below:

	<b>Un-audited 2022 Rupees</b>	<b>Audited 2021 Rupees</b>
Size of the fund (total assets)	<u>12,090,086</u>	<u>9,361,340</u>
Cost of investment	<u>11,997,768</u>	<u>9,310,730</u>
Fair value of investment	<u>11,997,768</u>	<u>9,310,730</u>
Percentage of investment made	<u>99%</u>	<u>99%</u>

**Break up of investment at cost**

	<b>2022 Rupees</b>	<b>2021</b>	
		<b>Rupees</b>	<b>Percentage</b>
PLS account	<u>11,997,768</u>	<u>9,310,730</u>	<u>99%</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. RELATED PARTY TRANSACTIONS**

**21.1** 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. Detail of transactions with related parties, other than disclosed in Note 13.2 and 19 to the financial statements are as follows:

<b>Name of related party and basis of relationship</b>	<b>Nature of transaction</b>	<b>2022 Rupees</b>	<b>2021 Rupees</b>
<b>Sindh Bank Limited</b>			
Associated company	Profit on daily product account	<b>3,469,336</b>	6,405,772
	Profit on TDRs - Sindh Bank Ltd	<b>5,238,219</b>	4,954,797
<b>Sindh Modaraba</b>			
Associated undertaking	Management company's remuneration received	<b>7,862,480</b>	12,411,104
	Share of profit received from Sindh Modaraba	-	59,044,812
	Dividend received	<b>42,446,000</b>	57,302,100
<b>Government of Sindh</b>			
Major shareholder	Dividend Paid	-	74,999,997
<b>Sindh Insurance Company Limited</b>			
Associated Company	Insurance premium paid	<b>453,751</b>	179,358
	Insurance claim received	<b>66,494</b>	-

		<b>2022</b>	<b>2021</b>
		<b>Rupees</b>	<b>Rupees</b>
<b>Sindh Modaraba Employee's Provident Fund</b>			
Associated entity	Employees' contribution	<b>145,464</b>	402,936
	Employer's contribution	<b>145,464</b>	402,936
<b>Sindh Modaraba Employee's Gratuity Fund</b>			
Associated entity	Contribution made during the year	<b>543,917</b>	915,818
<b>Zulfiqar Ali - Late</b>			
Chief Executive	Remuneration paid	<b>3,349,094</b>	-
	Remuneration and dues payable	<b>4,779,442</b>	-
<b>Directors</b>			
	Directors meeting fees paid during the year		
Waseem Mehdi Syed		<b>1,270,000</b>	750,000
Sajid Jamal Abro		<b>345,000</b>	-
Sami ul Haq Khilji		<b>185,000</b>	-
Kamal Ahmed		<b>970,000</b>	1,350,000
Rehan Anjum		<b>1,445,000</b>	300,000
Rukhsana Narejo		<b>1,370,000</b>	225,000
Habibullah Khilji - Late		<b>300,000</b>	675,000
Muhammad Bilal Sheikh - Retired		-	450,000
Muhammad Shahid Murtaza - Retired		-	600,000
Syed Hasan Naqvi - Retired		-	525,000
Asif Haider Mirza - Retired		-	375,000
Yasmin Zafar - Retired		-	450,000

## **22 FINANCIAL INSTRUMENTS AND RELATED DISCLOSURES**

### **22.1 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:

	<b>2022 Rupees</b>	<b>2021 Rupees</b>
<b>Fixed rate instruments:</b>		
<b>Financial assets</b>		
Term Deposit Receipts (TDRs)	<b>135,000,000</b>	145,000,000
<b>Financial liabilities</b>		
Lease liability	<b>1,346,214</b>	2,014,292
<b>Net exposure</b>	<b>133,653,786</b>	142,985,708
<b>Floating rate instruments:</b>		
<b>Financial assets</b>		
PLS accounts	<b>52,102,179</b>	2,281,935
<b>Financial liabilities</b>	-	-
<b>Net exposure</b>	<b>52,102,179</b>	2,281,935

### Fair value sensitivity analysis for fixed rate instruments

As at 30 June 2022, if market interest rates had been 1% higher / lower with all other variables held constant, pre-tax profit for the year would have been higher / lower by Rupees 1.336 million (2021: Rupees 1.429 million).

### Fair value sensitivity analysis for variable rate instruments

As at 30 June 2022, if market interest rates had been 1% higher / lower with all other variables held constant, pre-tax profit for the year would have been higher / lower by Rupees 521,022 (2021: Rupees 22,819).

## (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:

	2022 Rupees	2021 Rupees
Long term investment	297,122,000	373,524,800
Long term loan	1,000,000,000	1,000,000,000
Management remuneration receivable	11,352,217	7,862,480
Deposits and other receivables	1,832,745	2,213,565
Bank balances	187,102,179	147,281,935
	<b>1,497,409,141</b>	<b>1,530,882,780</b>

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	48,039,812	147,269,970
NRSP Microfinance Bank Limited	A-	A-1	VIS	12,956	11,965
Meezan Bank Limited	AAA	A-1+	VIS	4,049,411	-
				<b>52,102,179</b>	<b>147,281,935</b>

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 2022, the Company had bank balances of Rupees 52.102 million (2021: Rupees 2.282 million) and term deposit receipts of Rupees 135 million (2021: 145 million). Following are the contractual maturities of financial liabilities. The amount disclosed in the table are undiscounted cash flows:

#### Contractual maturities of financial liabilities:

	2022	
	Lease liability	Creditors, accrued and other liabilities
Carrying amount	1,346,214	7,258,875
Contractual cash flows:		
6 month or less	469,438	7,258,875
6 months to 12 months	469,438	-
More than 1 year	508,750	-
	<b>1,447,626</b>	<b>7,258,875</b>

	2021	
	Lease liability	Creditors, accrued and other liabilities
Carrying amount	2,014,292	2,297,267
Contractual cash flows:		
6 month or less	1,419,654	2,297,267
6 months to 12 months	1,419,654	-
More than 1 year	1,447,625	-
	4,286,933	2,297,267

## 22.2 Recognized fair value measurements

### (a) Financial Assets

#### Fair value hierarchy

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

#### Recurring fair value measurements

	Level 1 Rupees	Level 2 Rupees	Level 3 Rupees	Total Rupees
<b>As at 30 June 2022</b>				
Investment at fair value through other comprehensive	297,122,000	-	-	297,122,000
<b>As at 30 June 2021</b>				
Investment at fair value through other comprehensive	373,524,800	-	-	373,524,800

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.

**22.3 Financial instrument by categories**

	<b>At fair value through other comprehensive income</b>	<b>At amortized cost</b>	<b>Total</b>
<b>As at 30 June 2022</b>	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>Assets as per statement of financial position</b>			
Long term investment	297,122,000	-	297,122,000
Long term loan	-	1,000,000,000	1,000,000,000
Management remuneration receivable	-	11,352,217	11,352,217
Deposits and other receivables	-	1,832,745	1,832,745
Bank balances	-	187,102,179	187,102,179
	<b>297,122,000</b>	<b>1,200,287,141</b>	<b>1,497,409,141</b>
			<b>Financial liabilities at amortized cost</b>
<b>Liabilities as per statement of financial position</b>			
			<b>Rupees</b>
Creditors, accrual and other liabilities			7,258,875
Lease liability			1,346,214
			<b>8,605,089</b>

	At fair value through other comprehensive income	At amortized cost	Total
<b>As at 30 June 2021</b>	Rupees	Rupees	Rupees
<b>Assets as per statement of financial position</b>			
Long term investment	373,524,800	-	373,524,800
Long term loan	-	1,000,000,000	1,000,000,000
Management remuneration receivable	-	7,862,480	7,862,480
Deposits and other receivables	-	2,213,565	2,213,565
Bank balances	-	147,281,935	147,281,935
	<u>373,524,800</u>	<u>1,157,357,980</u>	<u>1,530,882,780</u>

	<b>Financial liabilities at amortized cost</b>
<b>As at 30 June 2021</b>	Rupees
<b>Liabilities as per statement of financial position</b>	
Creditors, accrual and other liabilities	2,297,267
Leased liability	2,014,292
	<u>4,311,559</u>

Reconciliation to the line items presented in the statement of financial position is as follows:

	Financial assets	Non-financial assets	Total as per statement of financial position
<b>As at 30 June 2022</b>	Rupees	Rupees	Rupees
<b>Assets as per statement of financial position</b>			
Long term investment	297,122,000	-	297,122,000
Long term loan	1,000,000,000	-	1,000,000,000
Management remuneration receivable from Sindh Modaraba - related party	11,352,217	-	11,352,217
Deposits, prepayments and other receivables	1,832,745	1,910,525	3,743,270
Bank balances	187,102,179	-	187,102,179
	<u>1,497,409,141</u>	<u>1,910,525</u>	<u>1,499,319,666</u>
<b>Liabilities as per statement of financial position</b>			
	Financial liabilities	Non-financial liabilities	Total as per statement of financial position
<b>As at 30 June 2022</b>	Rupees	Rupees	Rupees
Lease liability	1,346,214	-	1,346,214
Creditors, accrued and other liabilities	7,258,875	20,302,897	27,561,772
	<u>8,605,089</u>	<u>20,302,897</u>	<u>28,907,986</u>



	<b>Financial assets</b>	<b>Non-financial assets</b>	<b>Total as per statement of financial position</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>As at 30 June 2021</b>			
<b>Assets as per statement of financial position</b>			
Long term investment	373,524,800	-	373,524,800
Long term loan	1,000,000,000	-	1,000,000,000
Management remuneration receivable from Sindh Modaraba - related party	7,862,480	-	7,862,480
Deposits, prepayments and other receivables	2,213,565	819,537	3,033,102
Bank balances	147,281,935	-	147,281,935
	<u>1,530,882,780</u>	<u>819,537</u>	<u>1,531,702,317</u>

	<b>Financial liabilities</b>	<b>Non-financial liabilities</b>	<b>Total as per statement of financial position</b>
	<b>Rupees</b>	<b>Rupees</b>	<b>Rupees</b>
<b>As at 30 June 2021</b>			
<b>Liabilities as per statement of financial position</b>			
Lease liability	2,014,292	-	2,014,292
Creditors, accrued and other liabilities	2,328,642	20,300,448	22,629,090
	<u>4,342,934</u>	<u>20,300,448</u>	<u>24,643,382</u>

### 23. NUMBER OF EMPLOYEES

The number of employees during the year are as follows:

<b>2022</b>		<b>2021</b>	
<b>At year end</b>	<b>Average</b>	<b>At year end</b>	<b>Average</b>

Number of employees

- Permanent	-	1	1	1
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**23.1** As at the reporting date, Mr. Kamal ahmed working is Chief Executive Officer (CEO) working without remuneration on a temporary basis. The Company is in the process of appointing CEO on a permanent basis.

### 24. DATE OF AUTHORIZATION FOR ISSUE

These financial statements are approved and authorized for issue on 07 SEP 2022 by the Board of Directors of the Company.

**25. GENERAL**

- No significant reclassification and rearrangement of the corresponding figures has been made during the year in these financial statements except for the following for better presentation:

<b>From</b>	<b>To</b>	<b>Rupees</b>
Short term investment	Bank balances	<b>135,000,000</b>

- Figures have been rounded off to the nearest rupee.



**CHIEF EXECUTIVE OFFICER**



**DIRECTOR**