

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

  
**SINDH MODARABA**

**ANNUAL REPORT  
2018 - 2019**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

قُلْ إِنْ كُنْتُمْ تُحِبُّونَ اللَّهَ فَاتَّبِعُونِي  
يُحِبِّبْكُمْ اللَّهُ وَيَغْفِرْ لَكُمْ ذُنُوبَكُمْ وَاللَّهُ  
غَفُورٌ رَحِيمٌ

Say: "If ye do love Allah,  
Follow me: Allah will Love you and  
forgive you your sins:  
For Allah is Oft-Forgiving, Most  
Merciful."

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## Vision & Mission Statements

# Vision

Our vision is to be one of the leading Islamic Financial Institution within Modaraba sector by offering Shari'ah compliant solutions for an optimal satisfaction of customers.

# Mission

The basic aim of Sindh Modaraba is to seek Allah's blessing for transformation of our business dealings in accordance with the principles enshrined in the Islamic Shari'ah and to develop an Islamic Institution by implementing Allah's will in the line with the practices of His Prophet (P.B.U.H.) by meeting its stated objectives built on Trust, Integrity, Innovation and Good Governance for meeting expectation of its stakeholders.

## Corporate Information

### Board of Directors

Mr. Muhammad Bilal Sheikh	-Chairman	-Non-Executive Director
Mr. Najam Ahmed Shah		-Non-Executive Director
Mr. Muhammad Shahid Murtaza		-Non-Executive Director
Mr. Asif Haider Mirza		-Non-Executive Director
Mr. Kamal Ahmed		-Independent Director
Ms. Yasmin Zafar		-Independent Director
Mr. Muhammad Naimuddin Farooqui		-Chief Executive

### CFO & Company Secretary

Zulfiqar Ali

### Audit Committee

Mr. Kamal Ahmed	-Chairman
Mr. Muhammad Shahid Murtaza	-Member
Ms. Yasmin Zafar	-Member

### Human Resource Committee

Mr. Muhammad Shahid Murtaza	-Chairman
Mr. Najam Ahmed Shah	-Member
Ms. Yasmin Zafar	-Member

### Nomination Committee

Mr. Najam Ahmed Shah	-Chairman
Mr. Asif Haider Mirza	-Member
Mr. Kamal Ahmed	-Member

### Procurement Committee

Mr. Asif Haider Mirza	-Chairman
Ms. Yasmin Zafar	-Member
Mr. Muhammad Naimuddin Farooqui	-Member

### Risk Management Committee

Mr. Asif Haider Mirza	-Chairman
Mr. Muhammad Shahid Murtaza	-Member
Mr. Kamal Ahmed	-Member

### Bankers

Sindh Bank Limited-Islamic Banking (Saadat)  
NRSP Microfinance Bank Limited  
Bank Al-Habib Limited

### Auditors

Grant Thornton Anjum Rahman  
Chartered Accountants

### Shariah Advisor

Mufti Zeeshan Abdul Aziz

### Legal Advisor

Mohsin Tayebaly & Co.

### Share Registrar

F.D. Registrar Services (Pvt.) Ltd.  
Office # 1705, 17th Floor, Saima Trade  
Tower-A, I.I. Chundrigarh Road  
Karachi

### Registered/Head Office

1<sup>st</sup> Floor, Imperial Court,  
Dr. Ziauddin Ahmed Road  
Karachi  
Tel: (92-21) 35640708-9

### Lahore Branch

Escort House No. 28  
Davis Road  
Lahore

## Directors' Report

On behalf of the Board of Directors of Sindh Modaraba Management Limited, we are presenting the 5<sup>th</sup> annual report of Sindh Modaraba together with Audited Accounts for the year ended June 30, 2019.

### 1. Economy

Country's economy has been the subject of discussion in international and local media with mostly negative comments. The present Government inherited an economy with significant structural imbalances which are being addressed. While the economy remains an area of concern some positive developments have taken place. According to the Governor SBP, the economy is heading in the right direction. The current account deficit in fiscal 2018-19 had dropped below \$14 Billion against \$ 20.0 Billion in the previous fiscal. The policy of encouraging fewer imports and increasing exports seems to be yielding results. The IMF programme recently approved has giving some fiscal space which would give Government the time to tackle and take tough decisions. The decontrolling of the exchange rate coupled with rationalizing of the interest rates are among measures already implemented.

Similarly reforms in the taxation area and alignment of gas/electricity rates with their intrinsic values, though unpopular, will have positive results on Government's revenues.

The Stock market which is considered a barometer of investors' confidence had dropped from 42,000 in August, 2018 to 29,000 on 16 August 2019. Of late the KSE 100 Index has reversed its falling trend and has started rising. It has presently crossed 30,500 mark. Over all there is a cautious optimism among the corporates and small businesses which is reflected in their increased borrowings from the Banking sector in the current fiscal. The management however, would continue its cautious stance and follow prudent lending policies in the wake of current economic scenario.

### 2. Operating Results and Business Overview

By the grace of Almighty Allah, the Modaraba has maintained its upward profit trajectory and earned a net profit of Rs. 81.153 million during the year under review as compared to profit of Rs. 52.364 million earned during the year ended June 30, 2018. Keeping in view the highly volatile economic conditions, the Modaraba remained highly cautious in its lending decisions and focused on timely recovery of its dues from the customers. The revenue during the year increased by almost 41% mainly due to continuous increase in discount rate by the State Bank of Pakistan. Strict control was exercised over operating expenses restricting its increase to approx. 11% as compared to last year. The operating results for the year ending June 30, 2019 are summarized in the table below:

	June 30, 2019	June 30, 2018
	Rupees	
<b>Balance Sheet</b>		
Certificate capital	450,000,000	450,000,000
Total equity	1,063,046,762	1,015,786,214
Investment in Ijarah/Diminishing Musharaka	666,717,824	676,717,777
<b>Profit &amp; Loss</b>		
Revenue (net of Ijarah asset depreciation)	125,016,560	88,789,355
Operating expenses	32,113,806	28,871,650
Profit before management fee	93,359,412	60,240,405
Net Profit	81,153,602	52,364,573
<b>Appropriations</b>		
Profit distribution @ 13.50% (2018: 7.50%)	60,750,000	33,750,000
Statutory Reserve	24,346,081	15,709,372
<b>Earning per Certificate</b>	1.80	1.16

### 3. Outlook

After completing initial five years of its profitable operations, the Modaraba is now all set to carefully grow its lending portfolio. Sufficient liquidity is available with the Modaraba to capitalize on the opportunities in the market for Shariah compliant financing. The management also intends to explore various resource mobilization options, including leveraging of balance sheet through credit lines from banks and further financial support from the Management Company. All efforts will be made to keep the operating costs at sustainable level. With the strong support from the sponsors, the management is optimistic of further augmenting its position amongst the well performing entities in the modaraba sector.

## Directors' Report

### 4. Profit distribution

The Board of Directors has approved a cash dividend @ 13.5% (2018:7.50%) i.e. Re. 1.35 (2018: Re. 0.75) per certificate for the year ended 30<sup>th</sup> June 2019.

As per Prudential Regulations issued by Securities & Exchange Commission of Pakistan, Modarabas are required to transfer a minimum 20% and maximum 50% post-tax profit to statutory reserves. The Board of Directors has appropriated Rs. 24,348,081/- (30%) towards the Statutory Reserve.

### 5. External Annual Audit

The financial statements of Modaraba have been audited without any qualification by the auditors namely M/s Grant Thornton Anjum Rahman, Chartered Accountants.

### 6. Corporate Governance

The Modaraba is required to comply with various requirements of the Public Sector Companies (Corporate Governance) Rules, 2013 (Rules) as well as Listed Companies (Code of Corporate Governance) Regulations 2017 (the CCG) 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 CCG and 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 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 Modaraba as well as in line with the best practices.
- International Financial Reporting Standards, as applicable to modarabas in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2019, except for those disclosed in financial statements.
- The value of investment in Employees Provident Fund based on financial statements of the Fund as of June 30, 2019 is Rs. 10.335 million (2018: Rs. 6.519 million).
- Key operating and financial data of last five years is annexed as this is the fifth year of Modaraba's operations.
- Four Board meetings of the Modaraba Company were held during the year. Attendance of each director is appended hereunder:

## Directors' Report

Name of Directors	No. of Meetings attended
Mr. Muhammad Bilal Sheikh	4
Dr. Noor Alam	2
Mr. Najam Ahmed Shah	2
Mr. Muhammad Naimuddin Farooqui	4
Mr. Muhammad Shahid Murtaza	3
Mr. Asif Haider Mirza	4
Mr. Kamal Ahmed	4
Ms. Yasmin Zafar	4

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

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

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

- The Board has also established Human Resource, Risk Management, Nomination and Procurement Committees as required under the Rules. No meeting of these committees was held during the year.
- The pattern of certificate holding is annexed to this report.
- The Directors, CEO, Executives and their spouses and minor children did not carry out any transaction in the certificates of the Modaraba during the year.

### 7. The Board of Directors

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

### 8. Social Responsibility

The Modaraba 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 Modaraba 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 Modaraba 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.



## Directors' Report

### 9. Credit Rating

JCR-VIS has maintained long term and short term credit rating of A+ and A1 respectively to the Modaraba with a stable outlook.

### 10. Auditors

The Audit Committee of the Board has recommended appointment of Baker Tilly, Mehmood Idress Qamar, Chartered Accountants as external auditors for the year ending June 30, 2020 in place of retiring auditors M/s Grant Thornton Anjum Rahman, Chartered Accountants. However, their appointment will be subject to the approval of Registrar Modaraba.

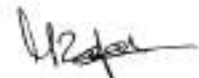
### 11. Acknowledgment by the Management/Board

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 their appreciation, dedication and hard work of the employees of the Modaraba without which it would not have been possible to turn in such an improved performance.

(On behalf of the Board)



Chief Executive Officer



Director

Karachi  
August 29, 2019

## ڈائریکٹرز کی رپورٹ

سندھ مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، ہم سندھ مضاربہ کی پانچویں سالانہ رپورٹ 30 جون، 2019 کو مکمل ہونے والے سال کے آڈٹ شدہ اکاؤنٹس کے ہمراہ پیش کر رہے ہیں۔

## ۱۔ معیشت

ملک کی معیشت بین الاقوامی اور مقامی میڈیا میں زیادہ تر منفی تبصروں کے ساتھ زیر بحث رہی ہے۔ موجودہ حکومت کو ایک غیر متوازن معیشت وراثت میں ملی، جس کو درست کیا جا رہا ہے۔ اگرچہ معیشت باعث تشویش بنی ہوئی ہے لیکن اس میں کچھ مثبت پیشرفت ہوئی ہے۔ گورنر اسٹیٹ بینک کے مطابق معیشت صحیح سمت کی طرف گامزن ہے۔ مالی سال 2018-19 میں کرنٹ اکاؤنٹ کا خسارہ پچھلے مالی سال میں 20.0 بلین ڈالر کے مقابلہ میں 14 بلین ڈالر سے نیچے آ گیا۔ کم درآمدات کی حوصلہ افزائی اور برآمدات میں اضافہ کے نتائج برآمد ہوتے نظر آ رہے ہیں۔ حالیہ میں منظور شدہ آئی ایم ایف پروگرام نے حکومت کو معاشی مسائل سے نمٹنے اور سخت فیصلے کرنے کے لئے کچھ گنجائش فراہم کی ہے۔ شرح تبادلہ کا غیر مضبوط کرنا اور شرح سود کا منطقی بنانا، نافذ کیے جانے والے اقدامات میں شامل ہیں۔ اسی طرح ٹیکس کے شعبے میں اصلاحات اور گیس/پمپنگ کے نرخوں کو اپنی حقیقی قدر کے ساتھ موافق بنانا، حکومت کے محصولات پر مثبت نتائج مرتب کرے گا۔ اسٹاک مارکیٹ انڈیکس جو سرمایہ کاروں کے اعتماد کا ایک بیرومیٹر سمجھا جاتا ہے، اگست، 2018 میں 42,000 کے مقابلے میں 16 اگست 2019 کو 29,000 تک گر گیا تھا۔ بعد ازاں کے۔ ایس۔ ای 100 انڈیکس کے گرتے ہوئے رجحان کے برعکس اس میں اضافہ شروع ہو گیا ہے۔ اس وقت یہ 30,500 کی حد عبور کر چکا ہے۔ کارپوریشن اور چھوٹے کاروباری حلقوں میں محتاط امید کارخانہ پایا جاتا ہے جو موجودہ مالی سال میں بینکاری کے شعبے سے ان کے بڑھتے ہوئے قرضوں سے ظاہر ہوتا ہے۔ تاہم، انتظامیہ اپنے محتاط موقف کو جاری رکھتے ہوئے موجودہ معاشی منظر نامے میں قرض دینے کی محتاط حکمت عملی اپنائے گی۔

## ۲۔ آپریٹنگ نتائج اور کاروبار کا جائزہ

اللہ کے فضل و کرم سے مضاربہ نے اپنے منافع میں اضافہ کی رفتار کو برقرار رکھا اور پچھلے سال کے 52.364 ملین روپے منافع کے مقابلے میں زبردست سال کے دوران 82.153 ملین روپے کمائے۔ انتہائی غیر مستحکم معاشی حالات کو مد نظر رکھتے ہوئے، مضاربہ نے قرضوں کی فراہمی کیلئے اپنی محتاط پالیسی کو جاری رکھا اور صارفین سے اپنے واجبات کی بروقت وصولی پر توجہ مرکوز رکھی۔ سال کے دوران آمدنی میں تقریباً 41 فیصد اضافہ ہوا جس کی بنیادی وجہ اسٹیٹ بینک آف پاکستان کی جانب سے ڈسکاؤنٹ ریٹ میں مسلسل اضافہ ہے۔ سخت قابو کی وجہ سے پچھلے سال کی نسبت اخراجات میں اضافہ تقریباً 11 فیصد تک محدود رہا۔ 30 جون 2019 کو ختم ہونے والے سال کے آپریٹنگ نتائج درج ذیل ہیں۔

2019 جون 30 ..... روپے ..... 2018 جون 30

450,000,000	450,000,000
1,063,046,762	1,015,786,214
666,717,824	676,717,777

بیلنس شیٹ

سرپلیٹ کیس بیلنس

کل ایکویٹی

اجارہ/گھنٹا ہوا مشارکہ میں سرمایہ کاری

## ڈائریکٹرز کی رپورٹ

## نفع اور نقصان

125,016,560	88,789,355	آمدنی (خالص اجارہ اثاثہ کی فرسودگی)
32,113,806	28,871,650	آپریٹنگ اخراجات
93,359,412	60,240,405	منافع قبل از منجمنٹ کی فیس
81,153,602	52,364,573	خالص منافع
		مختص کردہ رقوم
60,750,000	33,750,000	منافع کی تقسیم 13 اعشاریہ 50 فیصد (7 اعشاریہ 50 فیصد: 2018)
24,346,081	15,709,372	دستوری محفوظ ذخائر
1.80	1.16	آمدنی فی سرمایہ ٹیکسٹ

## ۳۔ امید مستقبل

منافع بخش ابتدائی پانچ سال مکمل کرنے کے بعد، مضاربہ باب اپنے قرض کے پورٹ فولیو کو احتیاط سے بڑھانے کے لئے پوری طرہ تیار ہے۔ مارکیٹ میں شرعی مالی سہولیات فراہم کرنے کے مواقع کا فائدہ اٹھانے کے لیے مضاربہ کے پاس کافی لیکویڈیٹی موجود ہے۔ انتظامیہ وسائل کو متحرک کرنے کے متعدد راستوں کو بھی تلاش کرنے کا ارادہ رکھتی ہے، جس میں ٹیکوں سے کریڈٹ لائنوں کے ذریعے بیلنس شیٹ کی لیوریجنگ اور انتظامی کمپنی کی مزید مالی مدد شامل ہے۔ آپریٹنگ اخراجات کو مستحکم سطح پر رکھنے کے لئے تمام کوششیں کی جائیں گی۔ اسپانسر کی بھرپور حمایت کے ساتھ، انتظامیہ مضاربہ بیکٹر میں بہتر کارکردگی کا مظاہرہ کرنے والے اداروں میں اپنی حیثیت کو مزید بہتر کرنے کے لئے پر امید ہے۔

## ۴۔ منافع کی تقسیم

بورڈ آف ڈائریکٹرز نے 30 جون 2019 کو ختم ہونے والے سال کے لیے ڈیویڈنڈ 13 اعشاریہ 50 فیصد (7 اعشاریہ 50 فیصد: 2018) یعنی 1 روپے 35 پیسے (75 پیسے: 2018) فی سرمایہ ٹیکسٹ کا اعلان کیا ہے۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ پروڈیسیٹبل ریگولیشنز کے مطابق مضاربہ کے لیے لازم ہے وہ بعد از ٹیکس منافع کا کم سے کم 20 فیصد اور زیادہ سے زیادہ 50 فیصد دستوری ذخائر کے لیے مختص کرے۔ بورڈ آف ڈائریکٹرز نے دستوری ذخائر کے لیے 24,346,081 روپے (30 فیصد) مختص کئے ہیں۔

## ۵۔ سالانہ بیرونی آڈٹ

مضاربہ کے مالیاتی اسٹیٹمنٹس کو بغیر کسی کوئی کمیٹی کے آڈیٹرز گرانٹ تھورٹن اٹھم رحمان، چارٹرڈ اکاؤنٹنٹس آڈٹ کر چکے ہیں۔

## ڈائریکٹرز کی رپورٹ

## ۶۔ کارپوریٹ گورننس

مضاربہ کے لیے لازم ہے کہ وہ فہرست شدہ کمپنیوں (کارپوریٹ گورننس کے ضوابط) کے قوانین 2017 (سی سی جی) اور اس کے ساتھ ساتھ ایس۔ای۔سی۔پی کے جاری کردہ پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) قوانین 2013 کے ضوابط کی پابندی کرے۔

دستوری آڈیٹر کے لیے ضروری ہے کہ وہ بہترین طریقوں پر عملدرآمد کرنے کے بارے میں اپنی جائزہ رپورٹ بھی دیں جو مالیاتی اسٹیٹمنٹس کے ساتھ شائع کی جاتی ہے۔ بورڈ آف ڈائریکٹرز سی جی اور قوانین کا جائزہ لے چکے ہیں اور تصدیق کرتے ہیں کہ

- بورڈ متعلقہ اصولوں کی پابندی کر چکا ہے۔

- مینجمنٹ کے تیار کردہ مالیاتی اسٹیٹمنٹس معاملات، آپریشن کے نتائج، کیش فلو اور ایکویٹی میں ردوبدل 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۔

- چیئرمین اور بورڈ کے دیگر ممبران کا انتخاب، ان کے انتخاب کی مدت اور ان کے مشاہروں کی پالیسی مضاربہ کے بہترین مفاد میں اور بہترین طریقوں کے مطابق ہے۔

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

- 30 جون 2019 پر ٹیکس، ڈیویڈنڈ، لیویز اور چارجز کی مدت میں کوئی دستوری ادائیگیاں نہیں ہیں ماسوائے ان کے جو مالیاتی اسٹیٹمنٹس میں ظاہر کیے گئے ہیں۔

- 30 جون 2019 تک ملازمین کے پراویڈنڈ فنڈز سے 10.335 ملین (2018 : 6.519 ملین) کی سرمایہ کاری کی گئی ہے۔

- گزشتہ پانچ سالوں کا اہم آپرینٹنگ اور مالیاتی ڈیٹا منسلک ہے کیونکہ مضاربہ کے آپریشن کا یہ پانچواں سال ہے۔

- سال میں مضاربہ کمپنی کے بورڈ کے چار اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے؛

## ڈائریکٹرز کی رپورٹ

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

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

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

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

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

اس رپورٹ کے ساتھ سرٹیفیکٹ ہولڈنگ کا خاکہ منسلک ہے۔

ڈائریکٹرز ہی ای او، ایزیکو بیوز اور ان کے شریک حیات اور ان کے نابالغ بچوں نے سال کے دوران مضاربہ کے سرٹیفیکٹس کا کوئی لین دین نہیں کیا۔

## ڈائریکٹرز کی رپورٹ

۷۔ بورڈز آف ڈائریکٹرز

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

۸۔ سماجی ذمہ داری

مضاربہ 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۔

مضاربہ نے عزم ہے کہ وہ سالمیت اور کارپوریٹ گورننس کے اعلیٰ ترین طریقہ کار کو برقرار رکھے تاکہ روزمرہ کے کاروباری معاملات میں اعلیٰ کارکردگی دکھائے اور اپنی گورننس (خوش کارکردگی) پر اعتماد پیدا کر سکے۔

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

۹۔ کریڈٹ ریٹنگ

جے۔ سی۔ آر۔ وی۔ آئی۔ ایس نے مضاربہ کی طویل اور قلیل مدت (مستحکم نقطہ نظر کے ساتھ) کے لئے بالترتیب A+ اور A-1 ریٹنگ کو قائم رکھا ہے۔

۱۰۔ آڈیٹرز

بورڈ کی آڈٹ کمیٹی نے بیکریٹیلی محمود اور ایس قمر چارٹرڈ اکاؤنٹنٹس کو ریٹائر ہونے والے آڈیٹرز گرانٹ ٹورٹن انجم رحمان چارٹرڈ اکاؤنٹنٹس کی جگہ پر 30 جون 2020 کو ختم ہونے والے سال کے لیے مقرر کرنے کی سفارش کی ہے۔ لیکن ان کا انتخاب رجسٹرار مضاربہ کی منظوری سے مشروط ہے۔

۱۱۔ اعتراف

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

بورڈ کی جانب سے



ڈائریکٹر



چیف ایگزیکٹو آفیسر

کراچی

29 اگست 2019

## Key Operating & Financial Data

Particulars	2019 30-Jun-19	2018 30-Jun-18	2017 30-Jun-17	2016 30-Jun-16	2015 30-Jun-15
<b>Rupees</b>					
<b>Balance Sheet</b>					
Certificate capital	450,000,000	450,000,000	450,000,000	450,000,000	450,000,000
Reserves	113,046,762	65,786,214	33,671,641	23,134,681	9,591,203
Total equity	1,063,046,762	1,015,786,214	983,671,641	473,134,681	459,591,203
Total Assets	1,839,272,831	1,589,428,718	1,028,593,706	515,424,898	478,410,050
Financing Portfolio	666,717,824	676,717,777	631,611,597	458,637,100	163,224,858
Current Assets	1,218,410,905	1,096,695,414	468,490,917	77,776,379	324,459,810
Current Liabilities	576,218,069	553,466,854	25,344,941	9,604,892	9,491,879
Total Liabilities	576,226,069	553,642,504	44,922,065	42,290,217	18,818,847
<b>Profit &amp; Loss</b>					
Revenue (net ofjarah asset depreciation)	125,016,560	88,789,355	55,107,914	34,633,861	22,683,644
Operating expenses	32,113,806	28,871,650	24,123,893	17,232,616	4,501,890
Profit before management fee	93,359,412	60,240,405	30,240,620	23,890,309	11,071,202
Net Profit	81,153,602	52,364,573	26,286,960	20,743,478	9,591,203
<b>Appropriations</b>					
Profit distribution (%)	13.50%	7.50%	4.50%	3.50%	1.60%
Profit distribution	60,750,000	33,750,000	20,250,000	15,750,000	7,200,000
Statutory Reserve	24,346,081	15,709,372	5,257,392	4,148,696	1,918,241
<b>Ratios</b>					
Earning per Certificate	1.80	1.16	0.58	0.46	0.21
Net profit ratio (%)	64.91%	58.98%	47.70%	59.89%	42.28%
P/E Ratio	4.16	6.02	7.87	8.46	32.80
Breakup Value	12.51	11.46	10.75	10.51	10.21
Current ratio	2.11	1.98	18.48	8.10	34.18
Earning asset to total asset (%)	87.35%	90.45%	97.24%	97.79%	98.83%
Return on asset (%)	5.06%	4.03%	3.41%	4.17%	2.00%
Return on equity (%)	7.81%	5.24%	3.61%	4.45%	2.09%

## Statement of Compliance with the Code of Corporate Governance & Public Sector Companies (Corporate Governance) Rules, 2013

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulation 2017 and Public Sector Companies (Corporate Governance) Rules 2013 (the Rules) for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of corporate governance for the year ended June 30, 2019.

The Board of Directors of Sindh Modaraba Management Limited – the Modaraba Management Company (the Management Company) is responsible for management of affairs of Sindh Modaraba (the Modaraba). The Management Company has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule no.	Y	N											
			Tick the relevant box												
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 present the Board includes:	3(2)	✓												
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td>Mr. Kamal Ahmed Ms. Yasmin Zafer</td> <td>August 15, 2017 August 30, 2017</td> </tr> <tr> <td>Executive Directors/CEO</td> <td>Mr. M. Naimuddin Farooqui</td> <td>September 22, 2016</td> </tr> <tr> <td>Non-Executive Directors</td> <td>Mr. M. Bilal Sheikh Mr. M. Shahid Murtaza Mr. Asif Haider Mr. Najam Ahmed Shah</td> <td>October 31, 2014 October 31, 2014 October 31, 2014 February 06, 2019</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	Mr. Kamal Ahmed Ms. Yasmin Zafer	August 15, 2017 August 30, 2017	Executive Directors/CEO	Mr. M. Naimuddin Farooqui	September 22, 2016	Non-Executive Directors	Mr. M. Bilal Sheikh Mr. M. Shahid Murtaza Mr. Asif Haider Mr. Najam Ahmed Shah	October 31, 2014 October 31, 2014 October 31, 2014 February 06, 2019		
Category	Names	Date of appointment													
Independent Directors	Mr. Kamal Ahmed Ms. Yasmin Zafer	August 15, 2017 August 30, 2017													
Executive Directors/CEO	Mr. M. Naimuddin Farooqui	September 22, 2016													
Non-Executive Directors	Mr. M. Bilal Sheikh Mr. M. Shahid Murtaza Mr. Asif Haider Mr. Najam Ahmed Shah	October 31, 2014 October 31, 2014 October 31, 2014 February 06, 2019													
3	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓												
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Boardmembers 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's website. ( <a href="http://www.sindhmodaraba.com">www.sindhmodaraba.com</a> )  (c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓												



## Statement of Compliance with the Code of Corporate Governance & Public Sector Companies (Corporate Governance) Rules, 2013

S. No.	Provision of the Rules	Rule no.	Y	N
			Tick the relevant box	
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 has submitted its request for appropriate compensation to the Government for consideration.	5(8)		N/A
17.	The Board has ensured compliance with policy directions requirements received from the 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 basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8 (2)	✓	

## Statement of Compliance with the Code of Corporate Governance & Public Sector Companies (Corporate Governance) Rules, 2013

S. No.	Provision of the Rules	Rule no.	Y	N																		
			Tick the relevant box																			
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	<input checked="" type="checkbox"/>																			
21.	<p>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.</p> <p>b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.</p> <p>c) The Board has placed the annual financial statements on the company's website.</p>	10	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>																			
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	<input checked="" type="checkbox"/>																			
23.	<p>a) The Board has formed the requisite committees, as specified in the Rules.</p> <p>b) The committees were provided with written term of reference defining their duties, authority and composition.</p> <p>c) The minutes of the meetings of the committees were circulated to all the Board members.</p> <p>d) The committees were chaired by the following non-executive directors:</p> <table border="1"> <thead> <tr> <th>Committee</th> <th>Number of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>3</td> <td>Kamal Ahmed</td> </tr> <tr> <td>Risk Management Committee</td> <td>3</td> <td>Muhammad Bilal Sheikh</td> </tr> <tr> <td>Human Resources Committee</td> <td>3</td> <td>Muhammad Bilal Sheikh</td> </tr> <tr> <td>Procurement Committee</td> <td>3</td> <td>Secretary Finance, GoS</td> </tr> <tr> <td>Nomination Committee</td> <td>3</td> <td>Secretary Finance, GoS</td> </tr> </tbody> </table>	Committee	Number of Members	Name of Chair	Audit Committee	3	Kamal Ahmed	Risk Management Committee	3	Muhammad Bilal Sheikh	Human Resources Committee	3	Muhammad Bilal Sheikh	Procurement Committee	3	Secretary Finance, GoS	Nomination Committee	3	Secretary Finance, GoS	12	<input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/>	
Committee	Number of Members	Name of Chair																				
Audit Committee	3	Kamal Ahmed																				
Risk Management Committee	3	Muhammad Bilal Sheikh																				
Human Resources Committee	3	Muhammad Bilal Sheikh																				
Procurement Committee	3	Secretary Finance, GoS																				
Nomination Committee	3	Secretary Finance, GoS																				
24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	<input checked="" type="checkbox"/>	Internal Audit function is outsourced to a reputed Chartered Accountant firm.																		
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	<input checked="" type="checkbox"/>																			
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	<input checked="" type="checkbox"/>																			
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	<input checked="" type="checkbox"/>																			
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	<input checked="" type="checkbox"/>																			

## Statement of Compliance with the Code of Corporate Governance & Public Sector Companies (Corporate Governance) Rules, 2013

S. No.	Provision of the Rules	Rule no.	Y	N												
			Tick the relevant box													
29.	<p>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.</p> <p>b) The annual report of the company contains criteria and details of remuneration of each director.</p>	19		N/A												
30.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the Board.	20	✓													
31.	<p>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:</p> <table border="1" data-bbox="263 842 986 1024"> <thead> <tr> <th>Name of member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Mr. Kamal Ahmed</td> <td>Independent</td> <td>Financial controller</td> </tr> <tr> <td>Mr. Shahid Murtaza</td> <td>Non-executive</td> <td>Banker</td> </tr> <tr> <td>Ms. Yasmin Zafar</td> <td>Independent</td> <td>Education &amp; Marketing</td> </tr> </tbody> </table> <p>The chief executive and chairman of the Board are not members of the audit committee.</p>	Name of member	Category	Professional background	Mr. Kamal Ahmed	Independent	Financial controller	Mr. Shahid Murtaza	Non-executive	Banker	Ms. Yasmin Zafar	Independent	Education & Marketing	21 (1) and 21(2)	✓	
Name of member	Category	Professional background														
Mr. Kamal Ahmed	Independent	Financial controller														
Mr. Shahid Murtaza	Non-executive	Banker														
Ms. Yasmin Zafar	Independent	Education & Marketing														
32.	<p>a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.</p> <p>b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.</p> <p>c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.</p>	21(3)	✓  ✓  ✓													
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	✓  ✓	Internal Audit function is outsourced to a reputed Chartered Accountant firm.												
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)	✓													

## Statement of Compliance with the Code of Corporate Governance & Public Sector Companies (Corporate Governance) Rules, 2013

S. No.	Provision of the Rules	Rule no.	Y	N
			Tick the relevant box	
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit Services.	23(5)	✓	

### CERTAIN ADDITIONAL DISCLOSURES REQUIRED UNDER CCG

- All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
- The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's certificates, was determined and intimated to directors, employees and stock exchange.
- Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
- The Company has complied with the requirements relating to maintenance of register of persons having inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

(On behalf of the Board)



Chief Executive Officer



Director

## Shari'ah Advisor's Report



I have conducted the *Shari'ah* review of Sindh Modaraba managed by Sindh Modaraba Management Limited for the financial year ended June 2019 in accordance with the requirements of the ***Shari'ah* Compliance and *Shari'ah* Audit Mechanism for Modarabas** issued by SECP and report that except the observations as reported hereunder, in my opinion:

- i. The Modaraba has introduced a mechanism which has strengthened the *Shari'ah* compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the *Shari'ah* principles;
- ii. During the year, the financings were mainly done on Diminishing Musharakah mode which is a Shariah Compliant mode of financing.

The Modaraba has organized trainings on Diminishing Mushrakah and its practical implementation & challenges.

- iii. The agreement(s) entered into by the Modaraba during the period are *Shari'ah* compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board of SECP and all the related conditions have been met;
- iv. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the *Shari'ah* requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan, specific AAOIFI Shariah Standards which have been adopted by SECP and the *Shari'ah* Compliance & *Shari'ah* Audit Regulations for Modarabas.
- v. The Modaraba does not have any deposit raising product at the moment, therefore no profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising product apply.
- vi. No earnings have been realized from the sources or by means prohibited by *Shari'ah*.

### Observation(s)

1. The Modaraba still has a part of its portfolio of assets, covered through conventional insurance companies instead of Shariah Compliant Takaful. It must be fully converted into Takaful as soon as possible upon the next renewal.

### Notes

1. During the year, an amount of Rs. 330,514/- has been realized as charity on account of delay in payment by customers, out of which of which Rs. 94,500/- has already been disbursed to SIUT Hospital. The balance amount should also be transferred to charitable institutions with the approval of Shariah Advisor.
2. It is recommended that the Modaraba emphasizes and focus more towards capacity building of its staff and management on Islamic Finance & its products and in this regard frequent trainings should be organized for this purpose.

### Conclusion

In my opinion and to the best of my knowledge and information provided by the Modaraba, I am of the view that during the period overall business activities of the Modaraba are Shariah Compliant.

And Allah knows best.

**Mufti Zeeshan Abdul Aziz**

Shari'ah Advisor

Sindh Modaraba

Dated: 21-08-2019

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

We have reviewed the Statement of Compliance (the Statement) with the best practices contained in Code of Corporate Governance (the Code) and Public Sector Companies (Corporate Governance) Rules, 2013 (the Rules) for the year ended June 30, 2019 prepared by the Board of Directors (the Board) of Sindh Modaraba Management Limited (the Management Company) to comply with the respective Listing Regulations of the Pakistan Stock Exchange, where in the Modaraba is listed and the provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

The responsibility for compliance with the Code and the Rules is that of the Board of Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Modaraba's compliance with the provisions of the Code and the Rules and report if it does not as to highlight any non-compliance with the requirements of the Code or the Rules. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code and the Rules.

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

Further, the Code and the Rules require the Modaraba 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. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board upon recommendation of the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Modaraba's compliance, in all material respects with the best practices contained in the Code and the Rules as applicable to the Modaraba for the year ended June 30, 2019.

Date: August 29, 2019

Place: Karachi

**Grant Thornton Anjum Rahman**  
Chartered Accountants

**Muhammad Shaukat Naseeb**  
Engagement Partner

## Independent Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of the Sindh Modaraba (the Modaraba) as at June 30, 2019 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here in after referred to as the 'financial statements'), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the Modaraba Company's (Sindh Modaraba Management Limited) responsibility who is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these financial statements based on our audit.

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

- (a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of Sindh Modaraba, as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
  - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in agreement with the accounting policies consistently applied;
  - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
  - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2018 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date: August 29, 2019

Place: Karachi

**Grant Thornton Anjum Rahman**  
Chartered Accountants

**Muhammad Shaukat Naseeb**  
Engagement Partner

**BALANCE SHEET**

AS AT JUNE 30, 2019

	Note	June 30, 2019	June 30, 2018
		-----Rupees-----	
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	4	788,633,188	670,732,532
Short term investments	5	160,000,000	130,000,000
Ijarah rental receivables	6	12,510	6,843,967
Advances, prepayments and other receivables	7	20,438,915	69,975,934
Murabaha finance	8	-	10,439,645
Current portion of Diminishing Musharaka	9	249,110,292	208,379,336
Current portion of long term loan	10	216,000	324,000
<b>Total current assets</b>		<b>1,218,410,905</b>	<b>1,096,695,414</b>
<b>Non - current assets</b>			
Diminishing Musharaka	9	407,078,048	407,036,245
Ijarah assets	11	10,529,484	61,302,196
Long term loan	10	-	216,000
Fixed assets - in own use	12	3,254,394	4,178,863
<b>Total non - current assets</b>		<b>420,861,926</b>	<b>472,733,304</b>
<b>TOTAL ASSETS</b>		<b>1,639,272,831</b>	<b>1,569,428,718</b>
<b>LIABILITIES AND CERTIFICATE</b>			
<b>HOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	13	570,650,304	524,638,794
Current portion of customers' security deposit	14	5,272,370	28,722,445
Profit distribution payable		295,395	105,615
		<b>576,218,069</b>	<b>553,466,854</b>
<b>Non - current liabilities</b>			
Customers' security deposit	14	8,000	175,650
<b>TOTAL LIABILITIES</b>		<b>576,226,069</b>	<b>553,642,504</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>			
Authorised certificate capital	15	500,000,000	500,000,000
Issued, subscribed, and paid - up certificate capital	15	450,000,000	450,000,000
Reserves	16	113,046,762	65,786,214
Long term loan	17	500,000,000	500,000,000
		<b>1,063,046,762</b>	<b>1,015,786,214</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,639,272,831</b>	<b>1,569,428,718</b>
Contingencies and commitments	18		

The annexed notes 1 to 36 form an integral part of these financial statements.


For Sindh Modaraba Management Limited  
(Management Company)



Chief Executive



Director



Director



**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED JUNE 30, 2019

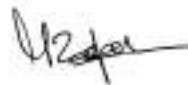
	June 30, 2019	June 30, 2018
	Rupees	
<b>Income from:</b>		
- Diminishing Musharaka	92,356,298	54,990,743
- Ijarah financing	4,705,298	10,697,335
- Murabaha finance	-	501,106
- Bank deposits	15,911,715	14,205,096
- Term deposit receipts	12,043,249	8,395,075
	<b>125,016,560</b>	<b>88,789,355</b>
<b>Administrative and operating expenses</b>	<b>(32,113,806)</b>	<b>(28,871,850)</b>
<b>General provision for doubtful receivables</b>	<b>(118,098)</b>	<b>(672,972)</b>
	<b>(32,231,904)</b>	<b>(29,544,822)</b>
	<b>92,784,656</b>	<b>59,244,733</b>
<b>Other income</b>	<b>574,756</b>	<b>995,672</b>
	<b>93,359,412</b>	<b>60,240,405</b>
<b>Modaraba Management Company's remuneration</b>	<b>(9,335,941)</b>	<b>(6,024,041)</b>
<b>Provision for Sindh Sales Tax on Management Company's remuneration</b>	<b>(1,213,673)</b>	<b>(783,126)</b>
<b>Workers' Welfare Fund</b>	<b>(1,656,196)</b>	<b>(1,068,665)</b>
	<b>(12,205,810)</b>	<b>(7,875,832)</b>
<b>Profit before taxation</b>	<b>81,153,602</b>	<b>52,364,573</b>
<b>Taxation</b>	<b>-</b>	<b>-</b>
<b>Profit for the year</b>	<b>81,153,602</b>	<b>52,364,573</b>
<b>Earnings per certificate - basic and diluted</b>	<b>1.80</b>	<b>1.16</b>

The annexed notes 1 to 36 form an integral part of these financial statements.

**For Sindh Modaraba Management Limited  
(Management Company)**



Chief Executive



Director



Director

**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018
	-----Rupees-----	
<b>Profit for the year</b>	<b>81,153,602</b>	52,364,573
Other comprehensive income for the year		
- items that may be reclassified to profit and loss account	-	-
- items that will not be reclassified to profit and loss account subsequently	-	-
Actuarial loss on defined benefit plan	(143,054)	-
<b>Total comprehensive income for the year</b>	<b>81,010,548</b>	<b>52,364,573</b>

The annexed notes 1 to 36 form an integral part of these financial statements.

For Sindh Modaraba Management Limited  
(Management Company)




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 Chief Executive




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 Director




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 Director

**CASH FLOW STATEMENT**

FOR THE YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019	June 30, 2018
		-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		81,153,602	52,364,573
<b>Adjustments for non - cash and other items</b>			
Depreciation on ijarah assets	11	26,911,005	65,027,365
Depreciation on fixed assets - in own use	20	1,025,718	1,242,023
Amortisation of intangible assets	20	524,221	359,645
General provision for doubtful receivables	21	118,098	672,972
Provision for workers' welfare fund		1,656,196	1,068,665
Gain on disposal of ijarah assets	22	(56,595)	(419,772)
Income on bank deposits		(15,911,715)	(14,205,096)
Income on term deposit receipts		(12,043,249)	(8,395,075)
Provision for gratuity		602,849	483,385
		<u>2,826,528</u>	<u>45,834,112</u>
<b>Working capital changes</b>			
Advances, prepayments and other receivables		53,814,135	(50,163,955)
Ijarah rental receivables		6,865,786	(3,313,645)
Diminishing Musharaka		(40,977,647)	(120,788,435)
Murabaha Finance		10,492,106	(10,492,106)
Creditors, accrued and other liabilities		44,443,811	511,057,325
Customers' security deposit		(23,617,725)	(3,787,230)
		<u>51,020,466</u>	<u>322,511,954</u>
Income received on term deposit receipts		11,215,824	7,072,363
Income received on bank deposits		12,462,024	13,437,132
Gratuity contribution paid	13.4	(834,400)	-
Recovery of loan		324,000	324,000
<b>Net cash generated from operations</b>		<u>158,168,044</u>	<u>441,544,134</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale proceeds from disposal of ijarah assets		23,918,302	10,320,349
Purchase of fixed assets-owned	12.1	(425,470)	(1,706,619)
Addition in capital work in progress	12.3	(200,000)	-
<b>Net cash generated from investing activities</b>		<u>23,292,832</u>	<u>8,613,730</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Profit distributed		(33,560,220)	(20,201,336)
<b>Net cash used in financing activities</b>		<u>(33,560,220)</u>	<u>(20,201,336)</u>
<b>Net increase in cash and cash equivalents</b>		<u>147,900,656</u>	<u>429,956,528</u>
Cash and cash equivalents at the beginning of the year		800,732,532	370,776,004
<b>Cash and cash equivalents at the end of the year</b>	35	<u>948,633,188</u>	<u>800,732,532</u>

The annexed notes 1 to 36 form an integral part of these financial statements.

For Sindh Modaraba Management Limited  
(Management Company)


Chief Executive



Director



Director

## STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2019

	Reserve					Long term loan	Total equity and reserves
	Capital reserve	Revenue reserve		Total reserves			
	Statutory reserve	Unappropriated profit					
Issued, subscribed, and paid-up certificate capital							
	Rupees						
Balance as at June 30, 2017	450,000,000	11,324,329	22,347,312	33,671,641	500,000,000	963,671,641	
Profit for the year	-	-	52,364,573	52,364,573	-	52,364,573	
Other comprehensive income	-	-	-	-	-	-	
Transfer to statutory reserve	-	15,709,372	(15,709,372)	-	-	-	
<b>Transaction with Certificate Holders</b>							
Profit distribution for the year ended June 30, 2017 at Re. 0.45 (4.5%) per certificate	-	-	(20,250,000)	(20,250,000)	-	(20,250,000)	
Balance as at June 30, 2018	450,000,000	27,033,701	36,752,513	65,786,214	500,000,000	1,015,786,214	
Profit for the year	-	-	81,153,602	81,153,602	-	81,153,602	
Other comprehensive income	-	-	(143,054)	(143,054)	-	(143,054)	
Transfer to statutory reserve	-	24,346,081	(24,346,081)	-	-	-	
<b>Transaction with Certificate Holders</b>							
Profit distribution for the year ended June 30, 2018 at Re. 0.75 (7.5%) per certificate	-	-	(33,750,000)	(33,750,000)	-	(33,750,000)	
Balance as at June 30, 2019	450,000,000	51,379,782	61,666,989	113,046,762	500,000,000	1,063,046,762	

The annexed notes 1 to 36 form an integral part of these financial statements.

For Sindh Modaraba Management Limited  
(Management Company)



Chief Executive



Director



Director

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

### 1 LEGAL STATUS AND NATURE OF BUSINESS

Sindh Modaraba (the Modaraba) has been floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Sindh Modaraba Management Limited (the Management Company), which is a wholly owned subsidiary of Government of Sindh. The registered office of the Modaraba is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.

The Modaraba is a perpetual, multi-purpose and multi-dimensional Modaraba and is primarily engaged in providing Shariah compliant financing facilities to credit worthy customers. The Modaraba is listed on Pakistan Stock Exchange.

The JCRVIS Credit Rating Company Limited has maintained long term rating of A+ and short term rating of A-1 to the Modaraba. Outlook on the assigned rating is 'Stable'.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever provisions of and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and the Islamic Financial Accounting Standards (IFASs) differ from the IFRS Standards, the provision of and directives issues under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and the Islamic Financial Accounting Standards (IFASs) have been followed.

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention except for recognition of staff retirement benefits at present value based on actuarial valuation at the balance sheet date.

#### 2.3 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Modaraba operates. The financial statements are presented in Pakistani Rupees, which is the Modaraba's functional and presentational currency. Figures have been rounded off to the nearest Rupees, unless stated otherwise.

#### 2.4 Use of significant estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of the Modaraba's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in the application of accounting policies are as follows:

- a) estimates of residual values, useful lives and depreciation methods of fixed assets in own use (note 3.3) and Ijarah assets (note 3.4);
- b) estimates of useful lives and amortization charge for its intangibles (note 3.3.2)
- c) certain actuarial assumptions have been adopted as disclosed in these financial statement for actuarial valuation of present value of defined benefit obligation (note 3.11);
- d) investments & loans, advances, prepayments and other receivables (note 3.1 and 3.6); and
- e) provision for taxation (note 3.7).

### 2.5 Standards, amendments and interpretations to the approved accounting standards

#### 2.5.1 Standards, amendments and interpretations to the published standards that are relevant and adopted by the Modaraba

The Modaraba has adopted the following new standards, amendments to published standards and interpretations of IFRSs which became effective during the current year.

<b>Standards, amendments and interpretations</b>	<b>Effective date</b>
IFRS 9 - Financial Instruments	June 30, 2019

Modaraba has assessed the implementation of this new standard and determined that it has no significant impact on the financial statements and there have been no changes to the classification or measurement of financial instruments as a result of its application.

<b>Standards, amendments and interpretations</b>	<b>Effective date</b>
IFRS 15 - Revenue from Contracts with Customers	July 01, 2018

Modaraba has assessed the implementation of this new standard and determined that it has no impact on revenues in terms of the amount and timing of revenue recognition.

#### 2.5.2 Standards, amendments to published standards and interpretations that are effective but not relevant to the Modaraba

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 01, 2018 are considered not to be relevant or to have any significant effect on the Modaraba's financial reporting and operations and are therefore not presented here.

#### 2.5.3 Standards, amendments and interpretations to the published standards that are relevant but not yet effective and not early adopted by the Modaraba

The following new standards, amendments to published standards and interpretations would be effective from the dates mentioned below against the respective standard or interpretation.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

<b>Standard or Interpretation</b>	<b>Effective date</b>
IFRS 16 - Leases	January 1, 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	January 1, 2019

<b>Standard or Interpretation</b>	<b>Effective date</b>
Annual Improvements to IFRSs 2015 - 2017 Cycle	January 1, 2019
IAS 19 - Plan Amendment, Curtail or Settlement (Amendments to IAS 19)	January 1, 2019
IFRS 3 'Definition of a business' Amendment to IFRS 3	January 1, 2020
IAS 1/IAS 8 'Definition of Material' (Amendments to IAS 1 and IAS 8)	January 1, 2020
Various Amendments to References to the Conceptual Framework in IFRS Standards	January 1, 2020

The Modaraba is in the process of assessing the impact of these Standards, amendments and interpretations to the published standards on the financial statements of the Modaraba.

### 2.5.4 Standards, amendments and interpretations to the published standards that are not yet notified by the SECP

Following new standards have been issued by the International Accounting Standards Board (IASB) which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

<b>Standard or Interpretation</b>	<b>IASB effective date (Annual periods beginning on or after)</b>
IFRS 17 'Insurance Contracts'	January 1, 2022
IFRS 14 Regulatory Deferral accounts	January 1, 2016

### 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

### 3.1 Financial instruments

#### 3.1.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognised when the Modaraba becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or has expired.

#### 3.1.2 Subsequent measurement of financial assets

##### Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows;
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and profit on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective profit rate method. Discounting is omitted where the effect of discounting is immaterial. The Modaraba's cash and cash equivalents and short term investments fall into this category of financial instruments that were previously classified as held-to-maturity under IAS 39.

##### Financial assets at fair value through profit or loss (FVTPL)

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and profit are accounted for at FVTPL. All financial assets are classified and measured at fair value through profit or loss unless the Modaraba makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income.

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

##### Financial assets at fair value through other comprehensive income (FVOCI)

The Modaraba accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect" and sell; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and profit on the principal amount outstanding.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

### 3.1.3 Equity instruments

At initial recognition, an Modaraba may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this standard that is not held for trading.

The Modaraba 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).

Where the Modaraba'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.

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 Modaraba's right to receive payments is established.

Any gains or losses on derecognition of financial instruments that is measured at fair value shall be recognized in profit and loss account unless it is an investment in an equity instrument and the Modaraba has elected to present gains and losses on that investment in other comprehensive income.

### 3.1.4 Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortised cost and FVOCI that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Modaraba first identifying a credit loss event. Instead the Modaraba considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

'Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month expected credit losses' are recognised for the first category while 'lifetime expected credit losses' are recognised for the second category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2019

**3.1.5 Previous financial asset impairment under IAS 39**

In the prior year, the impairment of receivables was based on the incurred loss model. Individually significant receivables were considered for impairment when they were past due or when other objective evidence was received that a specific counterparty will default. Receivables that were not considered to be individually impaired were reviewed for impairment in groups, which are determined by reference to the industry and region of the counterparty and other shared credit risk characteristics. The impairment loss estimate was then based on recent historical counterparty default rates for each identified group.

On June 30, 2019, the Modaraba's management has assessed which business models apply to the financial assets held by the Modaraba at the date of initial application of IFRS 9 and has classified its financial instruments into appropriate IFRS 9 categories. The main effects resulting from this reclassification of financial assets as at prior year are as follows:

	Measurement category		Carrying amounts		
	Original	New	Original	New	Difference
	(IAS 39)	(IFRS 9)	-----Rupees-----		
<b>Non-current financial assets</b>					
Long term portion of diminishing musharaka	loans and receivables	amortised cost	407,036,245	407,036,245	-
Long term loans	loans and receivables	amortised cost	216,000	216,000	-
<b>Current financial assets</b>					
Cash and bank balances	amortised cost	amortised cost	670,650,435	670,650,435	-
Short term investments	held to maturity	amortised cost	130,000,000	130,000,000	-
Ijarah rental receivables	loans and receivables	amortised cost	6,843,967	6,843,967	-
Advances and other receivables	loans and receivables	amortised cost	68,637,320	68,637,320	-
Current portion of customers' security deposit	loans and receivables	amortised cost	10,439,645	10,439,645	-
Current portion of diminishing musharaka	loans and receivables	amortised cost	208,379,336	208,379,336	-
Current portion of long term loan	loans and receivables	amortised cost	324,000	324,000	-

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

### 3.1.6 Classification and subsequent measurement of financial liabilities

Financial liabilities comprise trade and most other payables, amount due to a related party and borrowings.

Financial liabilities are measured subsequently at amortised cost using the effective profit rate method. Discounting is omitted if the impact is immaterial.

### 3.1.7 Off-setting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

### 3.2 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. These include balances with banks in deposit and current accounts, short term investment and stamps in hand.

### 3.3 Fixed assets - In own use

#### 3.3.1 Tangible assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amounts or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Modaraba and the cost of the items can be measured reliably.

All other repairs and maintenance expenses are charged to the profit and loss account as and when incurred. Depreciation on all fixed assets is charged to income on a straight - line basis in accordance with the specified rates.

The useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amounts. These are recorded in the profit and loss account in the period in which these arise.

#### 3.3.2 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only where it is probable that the future economic benefits associated with the assets will flow to the Modaraba and the cost of the items can be measured reliably.

Amortisation is charged to income using the straight line method in accordance with the specified rates. The useful lives and amortisation method are reviewed and adjusted, as appropriate, at each reporting date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any.

Gain or loss on disposal of intangible assets, if any, is taken to the profit and loss account in the period in which these arise.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

### 3.3.3 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost less accumulated impairment losses, if any, and represents expenditure on fixed assets in the course of installation and advances for capital expenditure. Transfers are made to the relevant category of tangible/intangible assets as and when the assets are available for intended use.

### 3.4 Ijarah assets given to customers under agreement

Assets leased out under Ijarah are recorded as Ijarah assets and are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is charged to income by applying the straight line method whereby the cost of an asset less salvage value is written off over the lease term, which is considered to be the estimated useful life of the asset.

- Muj'ir (lessors) presents the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are recognised as expenses.
- Initial direct costs incurred specifically to earn revenues from Ijarah are recognised as an expense in the profit and loss account in the period in which they are incurred.

### 3.5 Murabaha Finance

Funds disbursed for purchase of goods are recorded as 'Advance for Murabaha'. On culmination of Murabaha i.e. sale of goods to customers, Murabaha financings are recorded at the deferred sale price. Goods Purchased but remaining unsold at the balances sheet date are recorded as inventories. Profit on Murabaha Financings is recognised on accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognised immediately upon the later date. Profit unearned at balance sheet date is deferred and recorded as deferred murabaha income. Financing are stated net of specific and general Provisions against non- performing financings, if any, which are charged to the profit and loss account.

### 3.6 Loans, advances, prepayments and other receivables

These are stated at cost less estimates made for doubtful receivables based on a review of all outstanding amounts at the reporting date. Balances considered bad and irrecoverable are written off when identified.

### 3.7 Taxation

#### Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. The income of modaraba, except from trading and manufacturing activities, is exempt from tax provided that not less than 90% of their profits for the period as reduced by amount transferred to a mandatory reserve as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed to the certificate holders.

#### Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases and carrying amounts of assets and liabilities appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable profits will be available against which the temporary differences can be utilised.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date. However, the Modaraba has not recognised any amount in respect of deferred tax in these financial statements as the Modaraba intends to continue availing the tax exemption in future years by distributing at least 90% of its profits to its certificate holders every year.

### 3.8 Impairment of non-financial assets

The carrying amounts of the Modaraba's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If such an indication exists, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss. The resulting impairment loss is recognised in the profit and loss account.

### 3.9 Creditors, accrued and other liabilities

These are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services.

### 3.10 Provisions

Provisions are recognised when the Modaraba has a present, legal or constructive obligation as a result of past obligating events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

Provision is maintained as per the regulatory requirement or 0.5% of the ijarah rental receivables, murabaha finance and diminishing musharaka, whichever is higher. Such provision is charged to profit and loss account.

### 3.11 Staff retirement benefits

#### Defined contribution plan - employees provident fund

The Modaraba operates a recognised provident fund for all eligible employees and equal contributions by the employer and employee to the provident fund are made at the rate of 10% of the basic salaries of employees.

#### Defined benefit plan - employees gratuity fund

The Modaraba operates a gratuity fund for all eligible employees who have completed the minimum three years 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. Actuarial gains and losses arising at each valuation date are recognized immediately.

### 3.12 Revenue recognition

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The Modaraba has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings. Accordingly, the information presented for 2018 has not been restated i.e. it is presented, as previously reported under IAS 18 and related interpretations.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

The revenue recognition of the Modaraba is based on the following policies:

For Ijarah arrangements, Ijarah rentals are recognised as income on accrual basis, as and when rentals become due. In case of Ijarah arrangements with staggered rentals, the income is recognised on a straight line basis over the Ijarah term.

- Income in respect of non-performing Ijarah finance is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations for Modarabas issued by the SECP.

- Documentation charges, front end fees and other Ijarah related income are taken to the profit and loss account on an accrual basis.

- profit on Diminishing Musharaka arrangements is recognised under the effective mark-up rate method based on the Amount outstanding.

- Mark-up / return on deposits / investments is recognised on accrual basis using the effective profit rate method.

- Other income is recognised on an accrual basis.

- The above is generally consistent with the timing and amounts of revenue the Modaraba recognised in accordance with the previous standard, IAS 18, except for Ijarah transactions in accordance with the requirements of IFAS 2. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amounts of revenue recognition of the Modaraba.

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

### 3.13 Proposed profit distribution to certificate holders

Dividends declared made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared.

### 3.14 Earnings per certificate

Basic earnings per certificate is calculated by dividing the profit after taxation for the period by the weighted average number of certificates outstanding during the period. Diluted earnings per certificate is determined by adjusting the profit or loss attributable to ordinary certificate holders by taking into account the conversion of any dilutive potential ordinary certificates.

### 3.15 Foreign currency transactions

Transactions in foreign currencies are converted into Pakistani Rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rate of exchange prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the profit and loss account.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

### 3.16 Segment reporting

As per IFRS 8: "Operating Segments", segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments. The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment.

The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

### 3.17 Related party transactions

All transactions with related party are priced on arm's length basis. Prices of these transactions are determined on the basis of admissible valuation methods.

### 3.18 Dividend income

Dividend income is recognised when the Modaraba's right to receive dividend is established.

### 3.19 Ijarah rental receivable

These are stated at amount recoverable net of provision (if any).

### 3.20 Compensated absences

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

4	CASH AND BANK BALANCES	Note	June 30, 2019	June 30, 2018
			Rupees	
	Stamp papers in hand		69,900	78,900
	Cash in hand		-	3,197
	Balances with banks			
	-on deposit accounts	4.1	788,011,847	670,509,215
	-on current accounts	4.2	551,441	141,220
			<u>788,633,188</u>	<u>670,732,532</u>

4.1 These carry profit at the rates ranging from 6.51% to 10.5% per annum. (2018: 4.78% to 5.8% per annum). This includes balance of Rs. 726.12 million (2018: Rs. 666.54 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

4.2 This includes balance of Rs. 535,105 (2018: Rs. 119,988) held with Sindh Bank Limited - Islamic Banking Unit, related party.

5	SHORT TERM INVESTMENTS	Note	June 30, 2019	June 30, 2018
			Rupees	
	Term deposit receipts	5.1	<u>160,000,000</u>	<u>130,000,000</u>

5.1 This includes investment of Rs. 60 million made in Sindh Bank Limited (a related party) for the period of three months (2018: Nil). This investment carries markup at the rate ranging from 10% to 10.56% per annum (2018: from 6.96% to 8.57%).

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019	June 30, 2018
		-----Rupees-----	
<b>6 IJARAH RENTAL RECEIVABLES</b>			
Receivables - secured		12,573	6,878,359
Less: provision for ijarah rental receivables	6.1	(63)	(34,392)
		<u>12,510</u>	<u>6,843,967</u>
6.1	This represents general provision made at the rate of 0.5% (2018: 0.5%) against ijarah rental receivables.		
<b>7 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>	Note	June 30, 2019	June 30, 2018
		-----Rupees-----	
Advances	7.1	2,745,964	61,889,720
Prepayments		1,082,632	1,338,614
Accrued income from bank deposits	7.2	6,559,613	3,109,922
Accrued income from term deposit receipts	7.2	2,150,137	1,322,712
Accrued income from Diminishing Musharaka		7,896,569	2,314,866
Other receivables		4,000	100
		<u>20,438,915</u>	<u>69,975,934</u>
7.1	This includes advance to vendors in respect of acquisition of assets under Diminishing Musharaka arrangement for onward delivery to lessee (customer) amounting to Rs. 1.84 million (2018: Rs. 61.15 million).		
7.2	This includes accrued income of Rs. 6,049,376 (2018: Rs. 3,086,719) and Rs. 641,096 (2018: Rs. Nil) in deposit account and term deposit receipts respectively, held with Sindh Bank Limited - Islamic Banking Unit, related party.		
<b>8 MURABAHA FINANCE</b>	Note	June 30, 2019	June 30, 2018
		-----Rupees-----	
Receivables		-	10,492,106
Less: provision	8.1	-	(52,461)
		<u>-</u>	<u>10,439,645</u>
8.1	This represents general provision made at the rate of Nil (2018: 0.5%) against Murabaha finance.		
<b>9 DIMINISHING MUSHARAKA</b>	Note	June 30, 2019	June 30, 2018
		-----Rupees-----	
Receivables - secured	9.1	659,485,769	618,508,122
Less: current portion		(249,110,292)	(208,379,336)
Less: provision	9.2	(3,297,429)	(3,092,541)
Non-current portion		<u>407,078,048</u>	<u>407,036,245</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

9.1 This represents the finance provided to individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 3 to 20 years (2018: 2 to 20 years) which is secured against mortgage of property, lien on title documents and charge on assets.

9.2 This represents general provision made at the rate of 0.5% (2018: 0.5%) on diminishing musharaka receivables.

10 LONG TERM LOAN	June 30, 2019	June 30, 2018
	-----Rupees-----	
Long term loan - considered good	216,000	540,000
Less: current portion of long term loan	(216,000)	(324,000)
	<u>-</u>	<u>216,000</u>

10.1 This represents car loan provided to Chief Financial Officer (a related party) in accordance with the Monetization Policy approved by the Board.

### 11 IJARAH ASSETS

Particulars	June 30, 2019							Net book value	Depreciation rate
	Cost			Depreciation					
	Opening balance	Disposals	Closing balance	Opening balance	Charge / (disposal) for the year	Closing balance			
	-----Rupees-----								
Plant and machinery	194,470,625	(113,220,625)	81,250,000	144,397,166	22,304,324 (90,576,502)	76,124,988	5,125,012	33.33%	
Vehicles	25,108,700	(9,174,500)	15,934,200	13,879,963	4,606,681 (7,956,916)	10,529,728	5,404,472	20-50%	
	<u>219,579,325</u>	<u>(122,395,125)</u>	<u>97,184,200</u>	<u>158,277,129</u>	<u>26,911,005</u> <u>(98,533,418)</u>	<u>86,654,716</u>	<u>10,529,484</u>		

Particulars	June 30, 2018							Net book value	Depreciation rate
	Cost			Depreciation					
	Opening balance	Additions	Closing balance	Opening balance	Charge / (disposal) for the year	Closing balance			
	-----Amount in Rupees-----								
Plant and machinery	194,470,625	-	194,470,625	89,486,344	54,910,822	144,397,166	50,073,459	33.33%	
Vehicles	68,762,700	(43,654,000)	25,108,700	37,366,473	10,116,543 (33,603,063)	13,879,963	11,228,737	20-50%	
	<u>263,233,325</u>	<u>(43,654,000)</u>	<u>219,579,325</u>	<u>126,852,817</u>	<u>31,424,312</u>	<u>158,277,129</u>	<u>61,302,196</u>		

11.1 The Modaraba has entered into ijarah arrangements for periods ranging from 3 to 5 years (2018: 3 to 5 years) against which security deposits were obtained at the time of disbursement (note 14).

#### Contractual rental receivables - ijarah assets

Note	June 30, 2019	June 30, 2018
	-----Rupees-----	
Not later than 1 year	3,783,701	39,667,451
Later than 1 year but not later than 5 years	3,300,714	6,978,822
Total	<u>7,084,415</u>	<u>46,646,273</u>

### 12 FIXED ASSETS - In own use

Tangible assets	12.1	2,653,296	3,253,544
Intangible assets	12.2	601,098	325,319
Capital work in progress	12.3	-	600,000
		<u>3,254,394</u>	<u>4,178,863</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

### 12.1 TANGIBLE ASSETS

Particulars	June 30, 2019							Net book value	Depreciation Rate
	Cost			Depreciation					
	Opening balance	Additions	Closing balance	Opening balance	Charge for the year	Closing balance			
Amount in Rupees									
Furniture and fittings	1,371,935	17,910	1,389,845	367,839	138,547	506,386	883,459	10%	
Office Equipment	2,996,493	407,560	3,404,053	1,012,821	638,630	1,651,451	1,752,602	20%	
Vehicles	43,500	-	43,500	29,725	8,700	38,425	5,075	20%	
Computer and accessories	1,740,891	-	1,740,891	1,488,690	239,841	1,728,531	12,160	33.33%	
	<b>6,152,819</b>	<b>425,470</b>	<b>6,578,289</b>	<b>2,899,075</b>	<b>1,025,718</b>	<b>3,924,793</b>	<b>2,653,296</b>		

Particulars	June 30, 2018							Net book value	Depreciation rate
	Cost			Depreciation					
	Opening balance	Additions	Closing balance	Opening balance	Charge for the year	Closing balance			
Amount in Rupees									
Furniture and fittings	1,326,935	45,000	1,371,935	231,762	136,077	367,839	1,004,096	10%	
Office Equipment	1,358,574	1,636,919	2,996,493	482,141	530,690	1,012,821	1,983,672	20%	
Vehicles	43,500	-	43,500	21,025	8,700	29,725	13,775	20%	
Computer and accessories	1,715,991	24,700	1,740,691	922,124	566,566	1,488,690	252,001	33.33%	
	<b>4,446,000</b>	<b>1,706,619</b>	<b>6,152,619</b>	<b>1,657,052</b>	<b>1,242,023</b>	<b>2,899,075</b>	<b>3,253,544</b>		

### 12.2 INTANGIBLE ASSETS

Particulars	Cost			Amortisation			Net book value as at June 30	Amortisation rate
	Opening balance	Additions	Closing balance	Opening balance	Charge for the year	Closing balance		
	Amount in Rupees							
Software licenses - 2019	1,078,982	800,000	1,878,982	753,663	524,221	1,277,864	601,098	33.33%
Software licenses - 2018	1,078,982	-	1,078,982	394,018	359,645	753,663	325,319	33.33%

12.3 CAPITAL WORK IN PROGRESS	Note	June 30, 2019	June 30, 2018
		Rupees	
Opening		600,000	600,000
Addition		200,000	-
Transferred to intangible assets	12.2	(800,000)	-
Closing		-	600,000

12.3.1 This represents amount paid for development of modules of the software of the Modaraba namely 'Almanac'. Total cost amounts to Rs. 800,000 out of which 75% has been paid to the vendor.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

13	CREDITORS, ACCRUED AND OTHER LIABILITIES	Note	June 30, 2019	June 30, 2018
			-----Rupees-----	
	Government of Sindh Funds	13.1	500,000,000	500,000,000
	Other liabilities	13.2	49,513,327	10,481,446
	Modaraba management company's remuneration payable - related party		9,335,941	6,024,041
	Accrued expenses	13.3	5,814,816	4,145,333
	Workers' Welfare Fund		3,880,406	2,224,210
	Provision for Sindh Sales Tax on management remuneration		1,213,673	783,126
	Payable to gratuity fund	13.4	746,903	835,400
	Creditors		145,238	145,238
			<u>570,650,304</u>	<u>524,638,794</u>

**13.1** The Modaraba had entered into agreements with Government of Sindh for providing financing to eligible transporters under the latter's Intra-City & Inter-City Transport Schemes on October 25, 2017. For adjustment of various subsidies and Credit Risk Guarantee under the Schemes, the GoS agreed to place Rs. 2,000 million (in tranches) for each scheme with the Modaraba under the Musharaka Arrangement. Initially Rs. 500 million (Rs. 250 million for each scheme) were placed with the Modaraba. Subsequent to the year end, the referred agreements were cancelled without any obligation on either parties.

**13.2** This includes charity payable amounting to Rs. 236,284 (2018: Rs. 270). The reconciliation is as follows:

	Note	June 30, 2019	June 30, 2018
		-----Rupees-----	
Opening balance		270	270
Additions during the year		330,514	-
Less: paid to recognized charitable organisations	13.2.1	(94,500)	-
Closing balance		<u>236,284</u>	<u>270</u>

**13.2.1** This amount represents charity paid to recognized charitable institution (2018: Rs. Nil).

**13.3** This includes Rs. Nil (2018: Rs. 100,000) for branch rent payable to Sindh Bank Limited, related party.

13.4	Payable to gratuity fund	Note	June 30, 2019	June 30, 2018
			-----Rupees-----	
		13.4.1	<u>746,903</u>	<u>835,400</u>
<b>13.4.1</b>	<b>Reconciliation of balance due to defined benefit plan</b>			
	Present value of defined benefit obligation		1,623,306	835,400
	less: Fair value of plan assets		(876,403)	(302)
	Balance sheet liability		<u>746,903</u>	<u>835,400</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018
	-----Rupees-----	
<b>13.4.2 Movement in the present value of defined benefit obligation</b>		
Opening balance	835,400	334,924
Current service cost	562,448	315,410
Interest cost	79,278	25,957
Benefits paid during the year	-	-
Remeasurements charged to other comprehensive income		
Actuarial loss from changes in financial assumptions	11,747	46,531
Experience adjustments	134,433	112,578
	146,180	159,109
Present value of defined benefit obligation	<u>1,623,306</u>	<u>835,400</u>
<b>13.4.3 Changes in fair value of plan assets</b>		
Fair value of plan assets	302	-
Contributions	835,400	1,000
Interest income on plan assets	37,575	39
Return on plan assets/(charges), excluding interest income	3,126	(737)
Fair value of plan assets	<u>876,403</u>	<u>302</u>
<b>13.4.4 Expense recognized in profit and loss account</b>		
Current service cost	562,146	315,410
Interest cost	79,278	25,957
Interest income on plan assets	(37,575)	(39)
Expense recognized in profit and loss account	<u>603,849</u>	<u>341,328</u>
<b>13.4.5 Total remeasurement chargeable in other comprehensive income</b>		
Remeasurement of plan obligation:		
Actuarial (gain)/loss from changes in financial assumptions	11,747	46,531
Experience adjustments	134,433	112,578
	146,180	159,109
Less: return on plan assets, excluding interest income	(3,126)	737
Remeasurement of actuarial losses on defined benefit liability	<u>143,054</u>	<u>159,846</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018
	-----Rupees-----	
<b>13.4.6 Changes in net liability</b>		
Balance sheet liability(asset)	835,400	334,924
Expenses to be charged to profit and loss account	603,849	341,328
Remeasurement chargeable in other comprehensive income	143,054	159,846
Contributions	(835,400)	(698)
	<u>746,903</u>	<u>835,400</u>

### Significant actuarial assumptions

Discount rate used for interest cost in profit and loss account	9.50%	7.75%
Discount rate used for year end obligation	14.25%	9.00%

### Salary increase used for year end obligation

Salary increase FY 2019	N/A	N/A
Salary increase FY 2020	14.25%	15.00%
Salary increase FY 2021	14.25%	9.00%
Salary increase FY 2022	14.25%	9.00%
Salary increase FY 2023	14.25%	9.00%
Salary increase FY 2024	14.25%	9.00%
Salary increase FY 2025 onwards	14.25%	9.00%
Net salary is increased at	1-Jul-19	1-Jul-18

### Mortality rates

SLIC	SLIC
(2001-05)-1	(2001-05)-1

The mortality rates are provided by the State Life Insurance Corporation of Pakistan (SLIC).

	June 30, 2019	June 30, 2018
	-----Rupees-----	
Withdrawal rates	Age-based (per appendix)	Age-based (per appendix)
Retirement assumption	Age 60	Age 60
<b>Estimated expenses to be charged to P&amp;L</b>		
Current services cost	642,004	562,146
Interest cost on defined benefit obligation	225,637	79,278
Interest income on plan asset	(178,654)	(37,575)
	<u>688,987</u>	<u>603,849</u>
<b>Plan assets comprise at June 30,</b>		
Cash and/or deposits	100%	100%

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018
<b>Year end sensitivity (+/- 100bps) on defined benefit obligation</b>	<b>-----Rupees-----</b>	
Discount rate +100 bps	1,453,345	2,415,456
Discount rate - 100 bps	1,820,492	2,704,432
Salary increase +100 bps	1,820,981	2,703,129
Salary increase - 100 bps	1,449,881	2,414,156
<b>Expected benefit payments for the next 10 years and beyond</b>		
FY 2020	77,775	126,166
FY 2021	97,201	4,188,503
FY 2022	120,612	95,917
FY 2023	144,734	109,981
FY 2024	166,429	120,895
FY 2025	197,468	137,086
FY 2026	236,212	156,631
FY 2027	850,024	642,725
FY 2028	313,934	187,400
FY 2029	371,499	38,006,127
FY 2030 onwards	119,329,985	-
<b>The average duration of the defined benefit obligation is</b>	<b>11 years</b>	<b>6 years</b>
	<b>Note</b>	
<b>14 CUSTOMERS' SECURITY DEPOSIT</b>		
Security deposit against ijarah finance	5,280,370	28,898,095
less: current portion	(5,272,370)	(28,722,445)
Non-current portion	<b>14.1</b>	<b>8,000</b>
		<b>175,650</b>
<b>14.1</b>	This represents amounts received under ijarah finance repayable / adjustable at the expiry of the arrangement.	
<b>15 CERTIFICATE CAPITAL</b>		
<b>15.1 Authorised certificate capital</b>		
	June 30, 2019	June 30, 2018
<b>Number of certificates</b>		<b>Modaraba certificates of Rs. 10 each.</b>
<b>50,000,000</b>	<b>50,000,000</b>	
	June 30, 2019	June 30, 2018
	<b>-----Rupees-----</b>	
<b>500,000,000</b>	<b>500,000,000</b>	<b>500,000,000</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

### 15.2 Issued, subscribed and paid - up certificate capital

June 30, 2019	June 30, 2018	June 30, 2019	June 30, 2018
Number of certificates		-----Rupees-----	
<u>45,000,000</u>	<u>45,000,000</u>	<u>450,000,000</u>	<u>450,000,000</u>

Modaraba certificates of Rs. 10 each fully paid in cash.

15.3 As at June 30, 2019, Sindh Modaraba Management Limited (Management Company) holds 42,461,000 i.e. 94.36% (2018: 42,461,000 i.e. 94.36%) certificates of the Modaraba.

16	RESERVES	Note	June 30, 2019	June 30, 2018
			-----Rupees-----	
	<b>Capital</b>			
	Statutory reserve	16.1	51,379,782	27,033,701
	<b>Revenue</b>			
	Unappropriated profit		61,666,980	38,752,513
			<u>113,046,762</u>	<u>65,786,214</u>

16.1 Statutory reserve represents profit set aside by the Modaraba to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its profit after tax till such time that reserves equal 100% of the paid up certificate capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

During the year, the Modaraba has transferred an amount of Rs. 24,346,081 (2018: Rs.15,709,372) which represents 30% of the net profit for the year.

17	LONG TERM LOAN	Note	June 30, 2019	June 30, 2018
			-----Rupees-----	
		17.1	<u>500,000,000</u>	<u>500,000,000</u>

17.1 This represents interest free loan provided by the Management Company (related party) to the Modaraba. The loan is sub-ordinated to senior debt and is repayable at the discretion of Modaraba. The Modaraba has the option to issue modaraba certificates in future against this loan, subject to necessary regulatory approvals.

### 18 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments at the balance sheet date (2018: Nil).

19	IJARAH FINANCING - NET	June 30, 2019	June 30, 2018
		-----Rupees-----	
	Ijarah financing	31,616,303	75,724,700
	Less: ijarah depreciation		
	- on plant and machinery	(22,304,324)	(54,910,822)
	- on vehicles	(4,606,681)	(10,116,543)
		<u>(26,911,005)</u>	<u>(65,027,365)</u>
		<u>4,705,298</u>	<u>10,697,335</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

20	ADMINISTRATIVE AND OPERATING EXPENSES	Note	June 30, 2019	June 30, 2018
			-----Rupees-----	
	Salaries, allowances and other benefits	20.1	19,520,289	16,466,372
	Legal and professional charges	20.2	2,923,050	2,001,326
	Repairs and maintenance		619,558	649,915
	Utility services		956,547	966,118
	Takaful/insurance - owned assets		51,762	89,799
	Takaful/insurance - ijarah and diminishing musharaka		1,131,891	1,276,711
	Postage, courier and telegraphs		114,702	124,388
	Generator sharing and fuel charges	20.3	458,809	549,830
	Entertainment		154,224	153,368
	Advertisement and publications		91,030	169,520
	Staff orientation and training		28,500	49,175
	Rent, rates and taxes	20.4	799,992	1,499,992
	Registration and subscription fee		978,099	843,251
	Travelling and conveyance		1,277,026	942,508
	Security services		509,220	524,812
	Printing, stationery and photocopy		521,288	440,379
	Auditors' remuneration	20.5	265,840	274,964
	Depreciation expense - tangible assets	12.1	1,025,718	1,242,023
	Amortisation expense - intangible assets	12.2	524,221	359,645
	Miscellaneous		162,040	247,554
			<b>32,113,806</b>	<b>28,871,650</b>

**20.1** This includes amount of Rs. 630,627 (2018: Rs. 503,652) paid to provident fund and provision for gratuity of Rs. 603,849 (2018: Rs. 341,328).

**20.2** This includes amount of Rs. 360,000 (2018: Rs. 360,000) paid to Shariah Advisor as compensation for his service.

**20.3** This includes amount of Rs. 436,860 (2018: Rs. 436,860) against sharing of expenses with Sindh Insurance Limited - related party.

**20.4** This includes amount of Rs. 600,000 (2018: Rs. 1,300,000) branch rent to Sindh Bank Limited - related party.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018
	-----Rupees-----	
<b>20.5 Auditors' remuneration</b>		
Audit fee	133,000	115,000
Half yearly review fee	40,000	35,000
Special certification	35,000	30,000
Other services	23,333	50,000
Sindh sales tax	18,507	18,400
Out of pocket expenses	16,000	26,564
	<u>265,840</u>	<u>274,964</u>
<b>20.6 The remuneration paid to key management personnel</b>		
Basic salary	3,102,288	2,481,828
House rent	1,396,020	1,116,828
Other allowances	620,448	496,344
Bonuses	1,085,800	537,729
Provident fund	310,224	248,172
Other benefits	980,755	729,921
	<u>7,495,535</u>	<u>5,610,822</u>
	<b>Unaudited</b>	<b>Audited</b>
	<b>June 30, 2019</b>	<b>June 30, 2018</b>
	-----Rupees-----	
<b>20.7 Defined contribution plan</b>		
Size of the fund (total assets)	10,409,800	6,534,922
Cost of investment made	10,334,800	6,518,892
Fair value of investment made	10,334,800	6,518,892
	<u>Percentage</u>	
Percentage of investment made	<u>99%</u>	<u>100%</u>
<b>Break up of Investment at cost</b>		
	June 30, 2019	
	Rupees	Percentage
PLS Account	<u>10,334,800</u>	<u>99%</u>
	June 30, 2018	
	Rupees	Percentage
	<u>6,518,892</u>	<u>100%</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

		June 30, 2019	June 30, 2018
		-----Rupees-----	
<b>21</b>	<b>GENERAL (REVERSAL)/PROVISION FOR DOUBTFUL RECEIVABLES</b>		
	<b>Note</b>		
	Reversal of provision against ijarah rental receivables	(34,329)	16,568
	Reversal of provision against murabaha finance	(52,461)	52,461
	Diminishing Musharaka	204,888	603,943
		<u>118,098</u>	<u>672,972</u>
<b>22</b>	<b>OTHER INCOME</b>		
	Documentation and processing fee	389,000	559,312
	Gain on disposal of Ijarah assets	56,595	419,772
	Others	129,161	16,588
		<u>574,756</u>	<u>995,672</u>
<b>23</b>	<b>MODARABA MANAGEMENT COMPANY'S REMUNERATION</b>		
	<b>23.1</b>	<u>9,335,941</u>	<u>6,024,041</u>

**23.1** The Modaraba Management Company is entitled to remuneration under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of annual profits of the Modaraba computed in the prescribed manner. The remuneration for the year ended June 30, 2019 has been recognised at 10% of the profit for the year before charging such remuneration and taxation.

### 24 TAXATION

The income of a modaraba, except from trading and manufacturing activities, is exempt from income tax provided that it distributes at least 90% of its profits to its certificate holders. As the Management Company of the Modaraba, subsequent to the year end, has approved the required distribution as detailed in note 33, no provision for taxation has been made in these financial statements.

### 25 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

#### 25.1 Basic

Basic earnings per certificate is calculated by dividing the net profit after taxation for the year by the weighted average number of certificates outstanding during the year as follows:

	June 30, 2019	June 30, 2018
	-----Rupees-----	
Profit for the year after taxation (Rupees)	<u>81,153,602</u>	<u>52,364,573</u>
Weighted average number of certificates (Numbers)	<u>45,000,000</u>	<u>45,000,000</u>
Earnings per certificate (Rupees)	<u>1.80</u>	<u>1.16</u>

#### 25.2 Diluted

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at June 30, 2019 which would have any effect on the earnings per certificate.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

		June 30, 2019	June 30, 2018	
		-----Rupees-----		
<b>26</b>	<b>NUMBER OF EMPLOYEES</b>			
	Total numbers of employees at year end	<u>9</u>	<u>9</u>	
	Average number of employees	<u>9</u>	<u>9</u>	
<b>27</b>	<b>RELATED PARTY BALANCES AND TRANSACTIONS</b>			
	The Modaraba has related party relationship with the Management Company, its associated companies, Directors and key management personnel.			
	The details of related party transactions and balances otherwise than disclosed else where in these financial statement are as follows:			
		Note	June 30, 2019	June 30, 2018
			-----Rupees-----	
<b>27.1</b>	<b>BALANCES AS AT YEAR END</b>			
	<b>Sindh Bank Limited - associated company</b>			
	Accrued income on term deposit receipt	7	641,096	-
	Accrued income on deposit account	7	6,049,376	3,086,719
			<u>6,690,472</u>	<u>3,086,719</u>
	<b>Sindh Insurance Limited - associated company</b>			
	Sharing of Expenses payable		<u>218,430</u>	<u>218,430</u>
<b>27.2</b>	<b>TRANSACTIONS FOR THE YEAR</b>			
	<b>Sindh Bank Limited - associated company</b>			
	Income from deposits		14,798,824	13,595,282
	Income from term deposit receipt		641,096	-
	Branch rent paid		600,000	1,200,000
			<u>16,039,920</u>	<u>14,795,282</u>
	<b>Sindh Modaraba Management Limited - management company</b>			
	Dividend paid		<u>31,845,750</u>	<u>19,107,450</u>
	<b>Sindh Insurance Limited - associated company</b>			
	Takaful/insurance paid		1,160,848	1,481,154
	Sharing of expenses paid	20.3	436,860	436,860
			<u>1,597,708</u>	<u>1,918,014</u>
	<b>Key Management Personnel</b>			
	Salaries, allowances and benefits paid	20.6	<u>7,495,535</u>	<u>5,610,822</u>
	<b>Sindh Modaraba Employees Provident Fund - employee fund</b>			
	Contribution paid (both employer's and employee's contribution)		<u>1,261,254</u>	<u>1,007,304</u>
	<b>Sindh Modaraba Employees Gratuity Fund - employee fund</b>			
	Contribution paid		<u>834,400</u>	<u>-</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

### 28 FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets as per balance sheet	June 30, 2019	June 30, 2018
	-----Rupees-----	
<b>At amortized cost</b>		
<i>Current assets</i>		
Cash and bank balances	788,633,188	670,650,435
Short term investments	160,000,000	130,000,000
Ijarah rental receivables	12,510	6,843,967
Advances and other receivables	19,356,283	68,637,320
Current portion of diminishing musharaka	249,110,292	208,379,336
Murabaha finance	-	10,439,645
Current portion of long term loan	216,000	324,000
	<u>1,217,328,273</u>	<u>1,095,274,703</u>
<i>Non-current assets</i>		
Long term portion of diminishing musharaka	407,078,048	407,036,245
Long term loan	-	216,000
	<u>1,624,406,321</u>	<u>1,502,526,948</u>
<b>Financial liabilities as per balance sheet</b>		
<b>At amortized cost</b>		
<i>Current liabilities</i>		
Creditors, accrued and other liabilities	565,969,924	521,813,030
Current portion of customers' security deposit	5,272,370	28,722,445
Profit distribution payable	295,395	105,615
	<u>571,537,689</u>	<u>550,641,090</u>
<i>Non-current liabilities</i>		
Customers' security deposit	8,000	175,650
	<u>571,545,689</u>	<u>550,816,740</u>

### 29 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The activities of the Modaraba expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Board of Directors of the Management Company has the overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

#### 29.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises of three types of risks: currency risk, profit rate risk and other price risk.

##### 29.1.1 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. Foreign currency risk arises mainly where receivables and payables exist in foreign currencies. As at June 30, 2019, Modaraba has no financial assets and liabilities in foreign currencies.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

### 29.1.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market profit rates. The Modaraba has adopted appropriate policies to minimise its exposure to this risk.

### 29.1.3 Price risk

Price risk is 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 profit 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. As on June 30, 2019, the Modaraba did not hold any instruments which exposed it to price risk.

### 29.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk generally emanates from balances with banks, Ijarah rentals receivable, Investments and Diminishing Musharaka arrangements, deposits and other receivables.

The maximum exposure to credit risk at the end of the reporting period without taking into account any collateral held or other credit enhancement amounts are as follows:

	June 30, 2019	June 30, 2018
	-----Rupees-----	
Cash and bank balances	788,633,188	670,650,435
Short term investments	160,000,000	130,000,000
Ijarah rental receivables	12,510	6,843,967
Diminishing Musharaka	656,188,340	615,415,581
Murabaha finance	-	10,439,645
Advances and other receivables	19,356,283	68,637,320
Long term loan	216,000	540,000
	<u>1,624,406,321</u>	<u>1,502,526,948</u>

As at June 30, 2019, there were no financial assets which were pledged as collateral for liabilities or contingent liabilities of the Modaraba.

As at June 30, 2019, there were no Financial assets which were past due over 90 days.

### 29.2.1 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Modarabas total credit exposure. Concentrations of credit risk indicate the relative sensitivity of the Modarabas performance to developments affecting a particular industry.

The Modaraba manages credit risks and its concentration through diversification of activities to avoid undue concentration of risk with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for individuals and industrial sectors.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

29.2.2 Details of the sector analysis of gross investment portfolio is as follows:

Sectors	June 30, 2019		June 30, 2018	
	Rupees	%	Rupees	%
Sugar	188,349,415	28.00	126,331,091	18.84
Oil & Gas - Oil Marketing	46,073,752	6.85	68,519,751	10.22
Electronic & Allied	-	-	4,943,379	0.74
Security services	41,937,505	6.23	96,236,064	14.35
Other services	53,958,351	8.02	18,595,664	2.77
Individual	12,101,583	1.80	16,084,863	2.40
Brokerage	1,648,950	0.25	1,793,561	0.27
Transport	24,470,277	3.64	18,167,499	2.71
Metal & Steel	3,615,005	0.54	4,579,001	0.68
Construction	22,907,773	3.41	50,170,871	7.48
Printing	1,747,744	0.26	3,163,665	0.47
Pharmaceutical	37,238,907	5.54	49,596,184	7.40
Poultry, Poultry feed & hatchery	68,025,424	10.11	63,519,222	9.47
Entertainment	14,130,213	2.10	29,726,614	4.43
Chemical & Allied (Other)	47,255,970	7.03	119,170,125	17.77
Textile	58,083,102	8.64	-	-
Food & Beverages	44,247,970	6.58	-	-
Engineering	6,852,084	1.02	-	-
	<b>672,644,025</b>	<b>100</b>	<b>670,597,554</b>	<b>100</b>

### 29.2.3 Management of credit risk

The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Prudential Regulations (PRs) for Modarabas issued by the SECP. The Modaraba seeks to manage its credit risk exposure through diversification of its Ijarah and Diminishing Musharka arrangements to avoid undue concentration of risks with individuals or groups of customers in specific locations or businesses.

The credit quality of Modaraba's financial assets with banks is assessed with reference to external credit ratings.

Credit risk ratings	Rating	June 30, 2019	June 30, 2018
		-----Rupees-----	
Bank balances - Sindh Bank Limited	A+ / A-1	726,218,570	666,644,787
TDRs - Sindh Bank Limited	A+ / A-1	60,000,000	-
Bank Balance - Bank Alhabib Limited	AA+ / A-1+	89,494	-
TDRs - Bank Alhabib Limited	AA+ / A-1+	100,000,000	-
TDRs - NRSP Micro Finance Bank	A / A-1	-	130,000,000
Bank balances - NRSP Micro Finance Bank Limited	A / A-1	61,703,783	3,864,428
		<b>948,011,847</b>	<b>800,509,215</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

### 29.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

The maturity profile of Modaraba's financial assets and liabilities based on the contractual maturities is as follows:

#### Maturities of assets and liabilities

	June 30, 2019						Total
	Profit bearing			Non - profit bearing			
	Maturity upto 1 year	Maturity after 1 year and upto 5 years	Sub Total	Maturity upto 1 year	Maturity after 1 year and upto 5 years	Sub Total	
-----Rupees-----							
<b>Financial assets</b>							
Cash and bank balances	788,633,188	-	788,633,188	-	-	-	788,633,188
Short term investments	160,000,000	-	160,000,000	-	-	-	160,000,000
Ijarah rentals receivable	-	-	-	12,510	-	12,510.00	12,510
Diminishing Musharaka	249,110,292	407,078,048	656,188,340	-	-	-	656,188,340
Long term loan	-	-	-	216,000	-	216,000	216,000
Advances, prepayments and other receivables	-	-	-	19,356,283	-	19,356,283	19,356,283
	<b>1,197,743,480</b>	<b>407,078,048</b>	<b>1,604,821,528</b>	<b>19,584,793</b>	-	<b>19,584,793</b>	<b>1,624,406,321</b>
<b>Financial liabilities</b>							
Creditors, accrued and other liabilities	-	-	-	565,969,924	-	565,969,924	565,969,924
Customer's security deposit	-	-	-	5,272,370	8,000	5,280,370	5,280,370
Profit distribution payable	-	-	-	295,395	-	295,395	295,395
	-	-	-	<b>571,537,689</b>	<b>8,000</b>	<b>571,545,689</b>	<b>571,545,689</b>

#### Maturities of assets and liabilities

	June 30, 2018						Total
	Profit bearing			Non - profit bearing			
	Maturity upto 1 year	Maturity after 1 year and upto 5 years	Sub Total	Maturity upto 1 year	Maturity after 1 year and upto 5 years	Sub Total	
-----Rupees-----							
<b>Financial assets</b>							
Cash and bank balances	670,650,435	-	670,650,435	-	-	-	670,650,435
Short term investments	130,000,000	-	130,000,000	-	-	-	130,000,000
Ijarah rentals receivable	-	-	-	6,843,967	-	6,843,967	6,843,967
Murabaha finance	10,439,645	-	10,439,645	-	-	-	10,439,645
Diminishing Musharaka	208,379,336	407,036,245	615,415,581	-	-	-	615,415,581
Long term loan	-	-	-	324,000	216,000	540,000	540,000
Advances, prepayments and other receivables	-	-	-	68,637,320	-	68,637,320	68,637,320
	<b>1,019,469,416</b>	<b>407,036,245</b>	<b>1,426,505,661</b>	<b>75,805,287</b>	<b>216,000</b>	<b>76,021,287</b>	<b>1,502,526,948</b>
<b>Financial liabilities</b>							
Creditors, accrued and other liabilities	-	-	-	524,638,794	-	524,638,794	524,638,794
Customer's security deposit	-	-	-	28,722,445	175,650	28,898,095	28,898,095
Profit distribution payable	-	-	-	105,615	-	105,615	105,615
	-	-	-	<b>553,466,854</b>	<b>175,650</b>	<b>553,642,504</b>	<b>553,642,504</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2019

### 30 CAPITAL RISK MANAGEMENT

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Modaraba defines as net profit for the year divided by total Certificate holders' equity. The Board of Directors also monitors the level of dividend to ordinary certificate holders.

The Modaraba is not subject to externally imposed capital requirements.

The Modaraba finances its operations through equity and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. There is no borrowing made by the Modaraba as at the balance sheet date, therefore, no gearing ratio is calculated.

### 31 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

International Financial Reporting Standard (IFRS) 13, 'Fair value measurements' requires the Modaraba to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the assets or liability that are not based on observable market data (i.e., unobservable inputs) (level 3).

As at 30 June 2019, there were no financial instruments which were measured at fair values in the financial statements.

### 32 SEGMENT INFORMATION

As per IFRS 8: "Operating Segments", segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2019

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

The financial statements have been prepared on the basis of a single reportable segment.

Revenue from operation from ten major customers of the Modaraba constitutes 65.72% (2018: 69.82% from seven major customers) of the total revenue from operations during the year ended 30 June 2019.

**33 CORRESPONDING FIGURES**

Items presented in the balance sheet as June 30, 2018 have been reclassified to confirm to current year's presentation.

	As previously reported	Reclassification	Currently reported
-----Rupees-----			
<b>Creditors, accrued and other liabilities</b>			
Accrued expenses	4,980,733	(835,400)	4,145,333
Payable to gratuity fund	-	835,400	835,400
	<u>4,980,733</u>	<u>-</u>	<u>4,980,733</u>

**34 NON - ADJUSTING EVENT AFTER THE REPORTING PERIOD**

The Board of Directors of the Management Company in their meeting held on August 29, 2019 approved a cash distribution of Rs. 1.35 per certificate. The financial statements of the Modaraba for the year ended June 30, 2019 do not include the effect of this distribution which will be accounted for in the financial statements of the Modaraba for the year ending June 30, 2020.

	Note	June 30, 2019	June 30, 2018
-----Rupees-----			
<b>35 CASH AND CASH EQUIVALENT</b>			
Cash and bank balances	4	788,633,188	670,732,532
Short term investments	5	160,000,000	130,000,000
		<u>948,633,188</u>	<u>800,732,532</u>

**36 DATE OF AUTHORISATION**

These financial statements were authorised for issue on August 29, 2019 by the Board of Directors of the Management Company.

For Sindh Modaraba Management Limited  
(Management Company)



Chief Executive



Director



Director

## Pattern of Certificate Holding by the Certificate Holders as at June 30, 2019

Number Of Certificate Holders	From	Certificate Holding	To	Total Certificate Held
101	1	-	100	528
452	101	-	500	225,860
82	501	-	1000	60,564
57	1001	-	5000	145,875
9	5001	-	10000	65,173
6	10001	-	15000	73,500
1	15001	-	20000	20,000
3	20001	-	25000	69,000
1	35001	-	40000	38,000
1	50001	-	55000	50,500
1	55001	-	60000	56,500
1	80001	-	85000	83,000
1	85001	-	90000	89,000
1	115001	-	120000	116,000
1	145001	-	150000	150,000
1	1295001	-	1300000	1,295,500
1	42460001	-	42465000	42,461,000
<b>700</b>				<b>45,000,000</b>

### Categories Of Certificate Holders

	Shares Held	Percentage
(i) Government;		NIL
(ii) Associated Companies, Undertakings and Related Parties (name wise details);		
Sindh Modaraba Management Ltd.	42,461,000	
	<b>42,461,000</b>	<b>94.36</b>
(iii) Mutual Funds;		
CDC - Trustee NAFA Stock Fund	1,259,500	
	<b>1,259,500</b>	<b>2.88</b>
(iv) Directors, Chief Executive, and their spouse and minor children (name wise details);		
Mr. Muhammad Naimuddin Farooqui	1,000	
Mr. Muhammad Bilal Sheikh	3,000	
	<b>4,000</b>	<b>0.01</b>
(v) Executives;		NIL
(vi) Public Sector Companies and corporations;		NIL
(vii) Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful Companies and Modarabas;		NIL
Individual		
Local - Individuals	1,239,500	
	<b>1,239,500</b>	<b>2.75</b>
<b>Grand Total:</b>	<b>45,000,000</b>	<b>100.00</b>

### Certificate Holders holding five percent or more voting rights in the Public Sector Company

	Shares Held	Percentage
Sindh Modaraba Management Ltd.	42,461,000	94.36

## Notice of Annual Review Meeting

Notice is hereby given that the 5<sup>th</sup> Annual Review Meeting of certificate holders of Sindh Modaraba will be held on 18<sup>th</sup> October 2019 at 10:00 a.m. at 602, Progressive Centre, 30-A, Block-6, P.E.C.H.S., Shahrah-e-Faisal, Karachi to review the performance of the Modaraba for the year ended June 30, 2019 in terms of clause 20 of the Prudential Regulations for Modaraba issued vide Circular number 4/2004 by Registrar Modaraba Companies and Modarabas.

**Zulfiqar Ali**  
Company Secretary

Date: August 29, 2019  
Place: Karachi

**Note:**

1. The Modaraba Certificate transfer book shall remain closed from October 11, 2019 to October 18, 2019 (both days inclusive) to determine the names of Certificate Holders entitled to receive dividend and to attend the Annual Review Meeting. Transfers received in order at the registrar's office of the Modaraba up to the close of the business on October 10, 2019 will be treated in time for the entitlement of profit distribution and to attend Annual Review Meeting.
2. The certificate holders are advised to notify to the registrar of Sindh Modaraba, any change in their addresses.
3. CDC certificate holders desiring to attend the meeting are requested to bring their original CNIC, Account, and Participant's ID number, for identification purpose.



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