

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

  
**SINDH MODARABA**

**ANNUAL REPORT  
2019 - 2020**



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

وَلَسَوْفَ يُعْطِيكَ رَبُّكَ فَتَرْضَىٰ ۗ

*And Your Lord is Going to give you,  
and you will be satisfied.*

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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
Syed Hassan Naqvi		-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
Syed Hassan Naqvi	-Member
Ms. Yasmin Zafar	-Member

### Nomination Committee

Syed Hassan Naqvi	-Chairman
Muhammad Bilal Sheikh	-Member
Mr. Kamal Ahmed	-Member

### Procurement Committee

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

### Risk Management Committee

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

### Bankers

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

### Auditors

Baker Tilly Mehmood Idrees Qamar  
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 6<sup>th</sup> annual report of Sindh Modaraba together with Audited Accounts for the year ended June 30, 2020.

### 1. Economy

Pakistan's economy is, at best, entering an uncertain period with several positives and some negatives. The net result is that the country may achieve a marginal growth or even slight contraction in the economy.

According to the World Bank Global Economic Prospects report for June 2020, the forecast is for 5.2% contraction in Global GDP due to Pandemic, which if not controlled effectively the erosion in GDP could rise to 8%. Pakistan's economy, by an estimate is expected to shrink by about 1.2% before entering a growth trajectory in 2021.

That said, both the ADB and IMF predict improvement in economic performance if the Government of Pakistan (GoP) strictly adheres to its economic reforms. The reforms have positively impacted current account deficit which turned into surplus last month; stabilized the exchange rate which has reduced to Rs.166.5/US\$ from a high of Rs.168.0/US\$; reducing policy rate to 7% from a high of 13.25% and improving social protection, like health, education, and relief to the most vulnerable families under Ehsas program.

Pakistan stands to gain substantially from the current global economic slowdown which could improve exports and reduce imports as already witnessed and concentrate on implementing Infra structure projects, such as housing schemes, construction of Dams and by entering into Public Private Partnership for developing Tourism Industry Energy and manufacturing projects to create employment opportunities and generate tax revenues which is currently suffering.

All this augurs well for the Credit off take by the Private sector and for your Modaraba.

### 2. Operating Results and Business Overview

By the grace of Almighty Allah, despite the difficult economic conditions, the Modaraba closed the year under review with satisfactory results. It earned a net profit of Rs. 107.885 million during the year under review as compared to profit of Rs. 81.153 million earned during the year ended June 30, 2019. The management company continued to provide its support for financial strengthening of Modaraba by providing additional interest free loan of Rs. 500 million. The difficulties faced by the businesses due to COVID-19 and resultant inability to timely discharge their financial liabilities has greatly affected the entire lending sector of the country and Modaraba is not an exception. The management is making all efforts to contain the adverse effects to a minimal level and has extended support to its customers by allowing deferrals in line with the regulatory directions issued by SECP. It was however forced to take legal actions for recovery of its dues from some of the non-cooperative customers. Adequate provisions has been made in the financial statements against the amount recoverable from such customers. The operating results for the year ending June 30, 2020 are summarized in the table below:

	June 30, 2020	June 30, 2019
	-----Rupees-----	
<b>Balance Sheet</b>		
Certificate capital	450,000,000	450,000,000
Total equity	1,609,974,420	1,063,046,762
Investment in Ijarah/Diminishing Musharaka	791,938,755	666,717,824
<b>Profit &amp; Loss</b>		
Revenue (net of Ijarah asset depreciation)	188,071,755	125,016,560
Operating expenses	39,222,816	32,113,806
Profit before management fee	124,111,038	83,359,412
Net Profit	107,884,760	81,153,802
<b>Appropriations</b>		
Profit distribution @ 13.50% (2019: 13.50%)	60,750,000	60,750,000
Statutory Reserve	43,153,904	24,346,081
<b>Earning per Certificate</b>	2.40	1.80

## Directors' Report

### 3. Outlook

Considering GoP strategy for containing the economic vulnerabilities induced by pandemic, the economy is expected to recover in FY-2021 with a gradual increase in domestic consumption. Reduction in policy rate by SBP is already generating interest in the private sector for implementing their plans which had been put on the back burner due to uncertain economic and pandemic situation. The most to benefit would be the Construction Industry from the GoPs plan to construct 5.0M homes. It would give a boost to more than 25 sub sectors of the Industry associated with the Construction Industry.

GoS plans to provide houses and vehicles to its employees for which we have given our inputs for the facilities since we have experience in similar funding for our employees and customers. We expect to be part of these schemes, when approved, in supplementing the vision of GoS for its employees.

With improved prospects for executing new loans, the Modaraba will continue its policy of cautious lending and will focus on timely recovery of its dues from the existing customers.

### 4. Profit distribution

The Board of Directors has approved a cash dividend @ 13.50% (2019:13.50%) i.e. Rs. 1.35 (2019: Rs.1.35) per certificate for the year ended 30<sup>th</sup> June 2020.

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.43,153,904/(40%) 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. Baker Tilly Mehmood Idrees Gamar, 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 2019 (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, 2020, except for those disclosed in financial statements.
- The value of investment in Employees Provident Fund based on financial statements of the Fund as of June 30, 2020 is Rs. 13.400 million (2019: Rs. 10.335 million).
- Key operating and financial data of last six years are annexed.
- Seven 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 Shaikh	1
Syed Hassan Naqvi	1
Mr. Najam Ahmed Shah	2
Mr. Muhammad Naimuddin Farooqui	7
Mr. Muhammad Shahid Murtaza	6
Mr. Asif Haider Mirza	6
Mr. Kamal Ahmed	7
Ms. Yasmin Zafer	7

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

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

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

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

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

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

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

- The Board has also established Nomination and Procurement Committees as required under the Rules. No meeting of these committees was held during the year.
- 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 Syed Hassan Naqvi as Secretary Finance Department. Accordingly, he has been co-opted as director on the Board of the Modaraba Company in place of Mr. Najam Ahmed Shah. The Board wishes to place its appreciation for the valuable contribution made by Mr. Najam Ahmed Shah as director of the Company and welcome Syed Hassan Naqvi on the Board.

### 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.



## Directors' Report

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.

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

### 9. Credit Rating

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

### 10. Auditors

The Board has approved the appointment of Baker Tilly Mehmood Idrees Qamar, Chartered Accountants as external auditors for the year ending June 30, 2021.

### 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.



Chief Executive Officer

(On behalf of the Board)



Director

Karachi,  
September 21, 2020

## ڈائریکٹرز کی رپورٹ

سندھ مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، ہم سندھ مضاربہ کی چھٹی سالانہ رپورٹ 30 جون 2020 کو مکمل ہونے والے سال کے آڈٹ شدہ اکاؤنٹس کے ہمراہ پیش کر رہے ہیں۔

## ۱۔ معیشت

پاکستان کی معیشت کئی مثبت اور کچھ منفی پہلوؤں کے ساتھ غیر یقینی دور میں داخل ہو رہی ہے۔ جس کے نتیجے میں ملکی معیشت میں معمولی موپاٹھی ہو سکتی ہے۔ ورلڈ بینک کے عالمی اقتصادی امکانات جون 2020 کی رپورٹ کے مطابق، وہاں کی وجہ سے عالمی جی ڈی پی میں 5.2 فیصد کمی ہونے کی پیش گوئی کی گئی ہے، جس کو اگر موثر انداز میں قابو نہ پایا تو جی ڈی پی میں 8 فیصد تک بڑھ سکتی ہے۔ ایک اندازے کے مطابق پاکستان کی معیشت کے 2021 میں ترقی کی سمت سفر سے پہلے تقریباً 1.2 فیصد گھٹنے کے امکانات ہیں۔

اگر حکومت پاکستان (جی او پی) اپنی معاشی اصلاحات پر سختی سے عمل کرتی ہے تو اے ڈی پی اور آئی ایم ایف دونوں نے اقتصادی کارکردگی میں بہتری کی پیش گوئی کی ہے۔ معاشی اصلاحات کے نتیجے میں کرنٹ اکاؤنٹ خسارے پر مثبت اثر پڑا جو پچھلے سینیٹ سروس میں بدل گیا۔ زر مبادلہ کی شرح مستحکم ہوئی جو Rs.168.0 / امریکی ڈالر کی اونچائی سے کم ہو کر Rs.166.0 / امریکی ڈالر رہ گئی۔ شرح سود 13.25 فیصد سے کم ہو کر 7 فیصد ہو گئی اور احساس پروگرام کے تحت انتہائی کمزور خاندانوں کے لیے معاشرتی تحفظ، جیسے صحت، تعلیم، اور آمد میں بہتری لائی گئی۔

پاکستان موجودہ عالمی معاشی سست روی سے خاطر خواہ فائدہ اٹھا سکتا ہے، جس سے برآمدات میں بہتری آ سکتی ہے اور درآمدات میں کمی واقع ہو سکتی ہے اور انفراسٹرکچر کے منصوبوں، جیسے ہاؤسنگ اسکیموں، ڈیموں کی تعمیر اور سیاحتی انڈسٹری کی ترقی اور مینوفیکچرنگ پر چیکنگس کے لئے پبلک پرائیویٹ پارٹنرشپ میں داخل ہو سکتی ہے۔ جس سے روزگار کے مواقع پیدا ہوں گے۔ ٹیکسوں میں اضافہ ہو گا، جو اس وقت مشکل میں ہے۔

## ۲۔ آپریٹنگ نتائج اور کاروبار کا جائزہ

اللہ کے فضل و کرم سے مضاربہ نے، مشکل معاشی حالات کے باوجود، زیر غور سال کو تسلی بخش نتائج کے ساتھ مکمل کیا ہے۔ 30 جون، 2019 کو ختم ہونے والے سال میں 81.153 ملین روپے منافع کے مقابلے میں زیر غور سال کے دوران 107.885 ملین روپے کمائے۔ مضاربہ کے مالی استحکام کیلئے مینجمنٹ کمپنی نے مزید 500 ملین روپے کا بلا سود قرضہ فراہم کیا۔

COVID-19 کی وجہ سے کاروبار کو درپیش مشکلات اور ان کی مالی ذمہ داریوں کو بروقت ادا کرنے میں ناکامی نے ملک کے سارے قرض فراہم کرنے والے اداروں کو بہت متاثر کیا اور مضاربہ بھی اس سے مستثنیٰ نہیں ہے۔

اقتصادی منفی اثرات کو کم سے کم سطح پر رکھنے کے لئے پوری کوشش کر رہی ہے اور ایس ای سی پی کی جاری کردہ ریگولیٹری رہنمائی کے مطابق اپنے صارفین کے واجبات موثر کر کے ان کی مدد کر رہی ہے۔

تاہم مجبوراً چند عدم تعاون کرنے والے صارفین سے اپنے واجبات کی وصولی کے لئے اسے قانونی چارہ جوئی کرنی پڑی۔ مالیاتی احتیاطی میں ایسے صارفین سے واجب الادا رقم کے خلاف کافی پرویزن کر دی گئی ہے۔ 30 جون 2020 کو ختم ہونے والے سال کے آپریٹنگ نتائج درج ذیل ہیں۔

30 جون 2019 ..... روپے ..... 30 جون 2020

450,000,000	450,000,000
1,063,046,762	1,609,974,420
666,717,824	791,938,755

بیلنس شیٹ

سرٹیفیکیٹ کیسٹ

کل ایکویٹی

اجارہ/گھنٹا ہوا مشارکہ میں سرمایہ کاری

## ڈائریکٹرز کی رپورٹ

## نفع اور نقصان

125,016,560 188,071,755

آمدنی (خالص اجارہ اثاثہ کی فرسودگی)

32,113,806 39,222,816

آپریٹنگ اخراجات

93,359,412 124,111,038

منافع قبل از مینٹنس کی فیس

81,153,602 107,884,760

خالص منافع

مختص کردہ رقوم

60,750,000 60,750,000

منافع کی تقسیم 13 اعشاریہ 50 فیصد (13 اعشاریہ 50 فیصد 2019):

24,346,081 43,153,904

دستوری محفوظ ذخائر

1.80

2.40

آمدنی فی سرسٹیکٹ

## ۳۔ امید مستقبل

وبائی مرض سے پیدا شدہ معاشی خطرات پر قابو پانے کے لئے حکومت پاکستان کی حکمت عملی کے مد نظر توقع کی جا رہی ہے کہ مقامی کھپت میں بتدریج اضافے کے ساتھ مالی سال 2021 میں معیشت بہتر ہو جائے گی۔

اسٹیٹ بینک کی شرح سود میں کمی کی وجہ سے نجی شعبے کے ان منصوبوں پر عمل درآمد میں دلچسپی پیدا ہو رہی ہے جو غیر تقینی معاشی اور وبائی صورتحال کی وجہ سے پس پشت دال دیے گئے تھے۔ حکومت پاکستان کے 5 ملین گھر تعمیر کرنے کے منصوبے سے سب سے زیادہ کام تعمیراتی صنعت کو ملے گا۔ اس سے تعمیراتی صنعت سے وابستہ صنعت کے 25 سے زیادہ ذیلی شعبوں کو فروغ ملے گا۔

حکومت سندھ اپنے ملازمین کو مکانات اور گاڑیاں مہیا کرنے کا ارادہ رکھتی ہے ان سہولیات کی فراہمی کے لئے ہم نے اپنا مشورہ فراہم کیا ہے کیونکہ ہمیں اپنے ملازمین اور صارفین کے لئے اسی طرح کی مالی امانت فراہم کرنے کا تجربہ ہے۔

ہم توقع کرتے ہیں کہ حکومت سندھ کے اپنے ملازمین کے متعلق وژن کے مطابق ان منصوبوں کی منظوری پر ہم بھی ان کا حصہ بنیں گے۔

نئے قرضوں کے اجراء کے بہتر امکانات کے ساتھ، مضاربہ قرضے دینے کی اپنی محتاط پالیسی جاری رکھے گی اور موجودہ صارفین سے اپنے واجبات کی بروقت وصولی پر توجہ دے گی۔

## ۴۔ منافع کی تقسیم

بورڈ آف ڈائریکٹرز نے 30 جون 2020 کو ختم ہونے والے سال کے لیے ڈیویڈنڈ 13 اعشاریہ 50 فیصد (13 اعشاریہ 50 فیصد 2019) یعنی 1 روپے 35 پیسے (1 روپے 35 پیسے: 2019) فی سرسٹیکٹ کا اعلان کیا ہے۔ سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ پروڈیسیبل ریگولیشنز کے مطابق مضاربہ کے لیے لازم ہے وہ بعد از لیکس 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 43,153,904 روپے (40 فیصد) مختص کیے ہیں۔

## ۵۔ سالانہ بیرونی آڈٹ

مضاربہ کے مالیاتی اسٹیٹمنٹس کو بغیر کسی کوالیفیکیشن کے آڈیٹرز بیکر ٹی محمود اور ریس قمر 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 2019 (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 سی جی اور قوانین کا جائزہ لے چکے ہیں اور تصدیق کرتے ہیں کہ

- بورڈ متعلقہ اصولوں کی پابندی کر چکا ہے۔
- منجمنٹ کے تیار کردہ مالیاتی اسٹیٹمنٹس معاملات، آپریشن کے نتائج، کیش فلو اور ایکویٹی میں ترمیموں 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 کے مطابق ہیں۔
- اندرونی نگرانی نظام کا ڈیزائن مضبوط ہے اور اس کا موثر طور پر نفاذ کیا جا چکا ہے اور اس کی موثر نگرانی کی جاتی ہے۔
- چیرمین اور بورڈ کے دیگر ممبران کا انتخاب، ان کے انتخاب کی مدت اور ان کے مشاہروں کی پالیسی 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 2020 پر ٹیکس، ڈیویڈنڈ، لیویز اور چارجز کی مد میں کوئی دستوری ادائیگیاں نہیں ہیں ماسوائے ان کے جو مالیاتی اسٹیٹمنٹس میں ظاہر کیے گئے ہیں۔
- 30 جون 2020 تک ملازمین کے پراویڈنڈ فنڈز سے 13,400 ملین (10.335 ملین: 2019) کی سرمایہ کاری کی گئی ہے۔
- گذشتہ چھ سالوں کا اہم آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔
- سال میں مضاربہ کمپنی کے بورڈ کے سات اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے؛

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

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

= سال میں مضاربہ کمپنی کی آڈٹ کمیٹی 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 کمال احمد	4
جناب محمد شاہد مرتضیٰ	4
مس یاسمین ظفر	4

• سال میں مضارہ کمیٹی کی دو سو تیس ریسورس کمیٹی کے دو اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

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

• سال میں مضارہ کمیٹی کی رسک مینجمنٹ کمیٹی کے چار اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

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

بورڈ نامزدگی اور پروکیورمنٹ کی کمیٹیوں کو قوانین کے مطابق قائم کر چکا ہے۔ زیر غور مندرجہ کے دوران ان کمیٹیوں کا کوئی اجلاس نہیں ہوا۔

• اس رپورٹ کے ساتھ سرٹیفکیٹ ہولڈنگ کا خاکہ منسلک ہے۔

• ڈائریکٹرز کی ای او ای کیویٹوز اور ان کے شریک حیات اور ان کے تابع بچوں نے سال کے دوران مضارہ کمیٹی کے سرٹیفکیٹس کا کوئی لین دین نہیں کیا۔

## ڈائریکٹرز کی رپورٹ

۷۔ بورڈ آف ڈائریکٹرز

سال کے دوران، حکومت سندھ نے جناب سید حسن نقوی کی تقرری بطور سیکریٹری مینس ڈیپارٹمنٹ کی اور اس طرح سے ان کو نجم احمد شاہ کی جگہ بورڈ میں شامل کیا گیا۔ بورڈ نجم احمد شاہ کی کھپنی کے لیے قابل قدر خدمات کو سراہتے ہیں اور جناب سید حسن نقوی کو بورڈ میں خوش آمدید کہتے ہیں۔

۸۔ سماجی ذمہ داری

مضاربہ سماجی طور پر ذمہ دار انسان 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 چاہتی بناتا ہے۔

مضاربہ بنیاد پر مبنی 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 (حسن کارکردگی) پر اصرار 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، رواجوں اور اقدار کا احترام کرے۔ مضاربہ کے ملازمین نے حکومت سندھ کے قائم کردہ اوروں اور ڈائریکٹرز کے ایمر جنسی فنڈ میں ایک دن کی تہوار کا حصہ دیا ہے۔

۹۔ کریڈٹ ریٹنگ

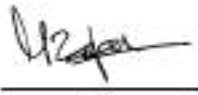
وی۔ آئی۔ ایس کریڈٹ ریٹنگ کمپنی نے مضاربہ کی طویل اور قلیل مدت (مستحکم نقطہ نظر کے ساتھ) کے لئے بالترتیب A+ اور A-1 ریٹنگ کو قائم رکھا ہے۔

۱۰۔ آڈیٹرز

آڈٹ کمپنی کی سفارش پر بورڈ موجودہ آڈیٹرز بیکر ٹیلی جمود اور ایس قمر، چارٹرڈ اکاؤنٹنٹس کی بطور آڈیٹرز برائے مالی سال جس کا اختتام 30 جون 2021 کو ہوگا، کو پارہ انتخاب کی منظوری دے دے گا ہے۔ لیکن ان کا انتخاب رجسٹرار مضاربہ کی منظوری سے مشروط ہے۔

۱۱۔ اعتراف

بورڈ ایس۔ ای۔ سی۔ پی اور ہمارے شری مشیر کی مسلسل رہنمائی اور حمایت کے لئے شکر یہ ادا کرنا چاہتا ہے۔ مضاربہ اپنے معزز کارکنوں کا ان کی پر اعتمادی اور حمایت کرنے کا بھی شکر یہ 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۔



ڈائریکٹر



چیف ایگزیکٹو آفیسر

کراچی

21 ستمبر 2020

## Key Operating & Financial Data

Particulars	2020	2019	2018	2017	2016	2015
	30-Jun-20	30-Jun-19	30-Jun-18	30-Jun-17	30-Jun-16	30-Jun-15
	Rupees					
<b>Balance Sheet</b>						
Contributed capital	450,000,000	450,000,000	450,000,000	450,000,000	450,000,000	450,000,000
Reserves	158,874,420	113,046,702	63,786,214	33,671,641	23,134,081	8,591,203
Total equity	1,608,974,420	1,083,046,702	1,015,786,214	983,671,641	473,134,081	458,591,203
Total Assets	1,708,170,652	1,539,272,831	1,589,428,718	1,026,550,706	515,424,898	478,410,050
Financing Portfolio	791,938,755	666,717,825	678,717,777	631,611,597	458,837,100	183,226,858
Current Assets	1,177,337,968	1,218,410,905	1,086,695,414	460,460,917	77,778,379	324,459,810
Current Liabilities	96,165,232	575,218,069	653,466,854	26,344,641	9,604,892	1,401,879
Total Liabilities	96,165,232	575,226,009	593,642,504	44,922,005	42,290,217	18,018,847
<b>Profit &amp; Loss</b>						
Revenue (net ofjarah asset depreciation)	188,071,755	125,018,560	88,789,355	55,107,814	34,633,061	22,653,644
Operating expenses	38,222,816	32,113,806	28,871,650	24,123,893	17,232,616	4,501,890
Profit before management fee	124,111,038	93,358,412	60,240,405	30,240,620	23,890,309	11,071,202
Net Profit	107,884,790	81,153,802	52,984,573	26,286,960	20,743,478	8,591,203
<b>Appropriations</b>						
Profit distribution (%)	13.50%	13.50%	7.50%	4.90%	3.50%	1.00%
Profit distribution	80,750,000	80,750,000	33,750,000	20,260,000	15,750,000	7,200,000
Statutory Reserve	43,153,904	24,348,081	15,709,372	5,257,392	4,148,698	1,918,241
<b>Ratios</b>						
Earning per Certificate	2.40	1.80	1.16	0.58	0.46	0.21
Net profit ratio (%)	57.36%	64.91%	58.86%	47.70%	59.89%	42.28%
P/E Ratio	3.42	4.15	6.02	7.67	8.46	32.80
Breakup Value	13.58	12.51	11.46	10.75	10.51	10.21
Debt ratio (%)	5.64%	33.15%	35.28%	4.37%	8.20%	3.93%
Current ratio	12.24	2.11	1.08	18.48	8.10	34.18
Earning asset to total asset (%)	54.18%	59.02%	53.22%	57.45%	56.83%	58.83%
Return on asset (%)	6.45%	5.08%	4.83%	3.41%	4.17%	2.00%
Return on equity (%)	8.07%	7.81%	5.24%	3.61%	4.45%	2.09%
Debt Equity (%)	5.98%	54.21%	54.50%	4.67%	8.94%	4.08%

## Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 & Public Sector Companies (Corporate Governance) Rules, 2013

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations 2019 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, 2020.

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 Zafar</td> <td>August 15, 2017 August 30, 2017</td> </tr> <tr> <td>Executive Directors/CEO</td> <td>Mr. M. Naimuddin Ferooqi</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 Syed Hassan Naqvi</td> <td>24 February 2014 24 February 2014 21 January 2015 October 17, 2019</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	Mr. Kamal Ahmed Ms. Yasmin Zafar	August 15, 2017 August 30, 2017	Executive Directors/CEO	Mr. M. Naimuddin Ferooqi	September 22, 2016	Non-Executive Directors	Mr. M. Bilal Sheikh Mr. M. Shahid Murtaza Mr. Asif Haider Syed Hassan Naqvi	24 February 2014 24 February 2014 21 January 2015 October 17, 2019		
Category	Names	Date of appointment													
Independent Directors	Mr. Kamal Ahmed Ms. Yasmin Zafar	August 15, 2017 August 30, 2017													
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Non-Executive Directors	Mr. M. Bilal Sheikh Mr. M. Shahid Murtaza Mr. Asif Haider Syed Hassan Naqvi	24 February 2014 24 February 2014 21 January 2015 October 17, 2019													
3.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓												
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.	3(7)	✓												
5.	The chairman of the Board is working separately from the chief executive of the Company.	4(1)	✓												
6.	The chairman has been elected by the Board of directors.	4(4)	✓												
7.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✓												
8.	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place. (b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company'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 Listed Companies (Code of Corporate Governance) Regulations, 2019 & 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. b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. c) The minutes of the meetings were appropriately recorded and circulated.	6(1)	✓	
		6(2)	✓	
		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 Listed Companies (Code of Corporate Governance) Regulations, 2019 & Public Sector Companies (Corporate Governance) Rules, 2013**

S. No.	Provision of the Rules	Rule no.	Y	N																		
			Tick the relevant box																			
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)	✓																			
20.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓																			
21.	a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end. b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors. c) The Board has placed the annual financial statements on the company's website.	10	✓  ✓  ✓																			
22.	All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	✓																			
23.	a) The Board has formed the requisite committees, as specified in the Rules. b) The committees were provided with written term of reference defining their duties, authority and composition. c) The minutes of the meetings of the committees were circulated to all the Board members. d) The committees were chaired by the following non-executive directors: <table border="1" data-bbox="232 1339 995 1661" style="margin-left: 20px;"> <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>Mr. Asif Haider Mirza</td> </tr> <tr> <td>Human Resource Committee</td> <td>3</td> <td>Mr. Muhammad Shahid Murtaza</td> </tr> <tr> <td>Procurement Committee</td> <td>3</td> <td>Mr. Asif Haider Mirza</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	Mr. Asif Haider Mirza	Human Resource Committee	3	Mr. Muhammad Shahid Murtaza	Procurement Committee	3	Mr. Asif Haider Mirza	Nomination Committee	3	Secretary Finance, GoS	12	✓  ✓  ✓  ✓	
Committee	Number of Members	Name of Chair																				
Audit Committee	3	Kamal Ahmed																				
Risk Management Committee	3	Mr. Asif Haider Mirza																				
Human Resource Committee	3	Mr. Muhammad Shahid Murtaza																				
Procurement Committee	3	Mr. Asif Haider Mirza																				
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	✓																			
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓																			
26.	The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓																			

**Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 & Public Sector Companies (Corporate Governance) Rules, 2013**

S. No.	Provision of the Rules	Rule no.	Y	N												
			Tick the relevant box													
27.	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓													
28.	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.	18	✓													
29.	<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		NA												
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="227 1249 972 1438"> <thead> <tr> <th>Name of member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Mr. Kamel 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. Kamel 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. Kamel 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)	✓													

### Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 & Public Sector Companies (Corporate Governance) Rules, 2013

S. No.	Provision of the Rules	Rule no.	Y	N
			Tick the relevant box	
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		
34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)		
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit Services.	23(5)		

#### 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 NBF1 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 statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company
- 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.



**Chief Executive Officer**

Karachi,  
September 21, 2020



**Chairman**

## 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 2020 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 Musharakah 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. 7,928/- has been realized as charity on account of delay in payment by customers. Further, rs. 236,000/- has already been disbursed 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: 02-09-2020

## **Auditors' Review Report To The Members On The Statement Of Compliance With The Listed Companies (Code Of Corporate Governance) Regulations, 2019 And Public Sector Companies (Corporate Governance) Rules, 2013**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013 (both hereinafter referred to as 'Codes') prepared by the Board of Directors of **Sindh Modaraba Management Limited** (the Management Company) for the year ended June 30, 2020 to comply with the requirements of regulation 36 of Listed Companies (Code of Corporate Governance) Regulations, 2019 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 the Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Rules and report if it does not and to highlight any non-compliance with the requirements of the 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 a part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control 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 requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval 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 this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

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, 2020.

Place : Karachi.

Date : September 21, 2020

**Baker Tilly Mehmood Idrees Qamar**  
Chartered Accountants

**Mehmood A. Razzak**  
Engagement Partner

## Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of SINDH MODARABA (the Modaraba) as at June 30, 2020 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 Management 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 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 financial 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 accounts have been kept by the Modaraba Company in respect of the 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 accounting policies consistently applied except for the change as stated in note 2.5.1 to the financial statements with which we concur;
  - 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 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 the 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 Modaraba's affairs as at June 30, 2020 and of the profit, other comprehensive loss, 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.

### Other Matters

The financial statements of the Modaraba for the year ended June 30, 2019, were audited by Grant Thornton Anjum Rahman Chartered Accountants, who issued unqualified opinion thereon on August 29, 2019.

Place : Karachi.

Date : September 21, 2020

**Baker Tilly Mehmood Idrees Qamar**  
Chartered Accountants

**Mehmood A. Razzak**  
Engagement Partner

**BALANCE SHEET**

AS AT JUNE 30, 2020

		June 30, 2020	June 30, 2019
	Note	Rupees	
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	4	883,707,855	788,633,188
Short term investments	5	-	160,000,000
Ijarah rental receivables	6	-	12,510
Advances, prepayments and other receivables	7	21,915,131	20,438,915
Current portion of Diminishing Musharaka	8	270,789,982	249,110,292
Current portion of long term loan	9	925,000	216,000
<b>Total current assets</b>		<b>1,177,337,968</b>	<b>1,218,410,905</b>
<b>Non - current assets</b>			
Diminishing Musharaka	8	513,998,681	407,078,048
Ijarah assets	10	7,150,092	10,529,484
Long term loan	9	3,668,500	-
Fixed assets - in own use	11	4,015,411	3,254,394
<b>Total non - current assets</b>		<b>528,832,684</b>	<b>420,861,926</b>
<b>TOTAL ASSETS</b>		<b>1,706,170,652</b>	<b>1,639,272,831</b>
<b>LIABILITIES AND CERTIFICATE HOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	12	90,614,181	570,850,304
Current portion of customers' security deposit	13	5,006,000	5,272,370
Profit distribution payable		575,051	295,385
		<b>96,195,232</b>	<b>576,218,069</b>
<b>Non - current liabilities</b>			
Customers' security deposit	13	1,000	8,000
<b>TOTAL LIABILITIES</b>		<b>96,196,232</b>	<b>576,226,069</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>			
Authorised certificate capital	14	500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital	14	450,000,000	450,000,000
Reserves	15	159,974,420	113,046,762
Long term loan	16	1,000,000,000	500,000,000
		<b>1,609,974,420</b>	<b>1,063,046,762</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,706,170,652</b>	<b>1,639,272,831</b>
Contingencies and commitments	17		

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, 2020

		June 30, 2020	June 30, 2019
		Rupees	
	Note		
Income from:			
- Diminishing Musharaka		101,857,955	92,356,298
- Ijarah financing	18	841,662	4,705,298
- Bank deposits		83,292,466	15,911,715
- Term deposit receipts		2,079,672	12,043,249
		<b>188,071,755</b>	<b>125,016,560</b>
Administrative and operating expenses	19	(39,222,816)	(32,113,806)
Provision for doubtful receivables	20	(28,150,551)	(118,098)
		<b>(67,373,367)</b>	<b>(32,231,904)</b>
		<b>120,698,388</b>	<b>92,784,656</b>
Other income - net	21	3,412,650	574,756
		<b>124,111,038</b>	<b>93,359,412</b>
Modaraba Management Company's remuneration	22	(12,411,104)	(9,335,941)
Provision for Sindh Sales Tax on Management Company's remuneration		(1,613,444)	(1,213,673)
Workers' Welfare Fund		(2,201,730)	(1,656,196)
		<b>(16,226,278)</b>	<b>(12,205,810)</b>
<b>Profit before taxation</b>		<b>107,884,760</b>	<b>81,153,602</b>
Taxation	23	-	-
<b>Profit for the year</b>		<b>107,884,760</b>	<b>81,153,602</b>
Earnings per certificate - basic and diluted	24	<b>2.40</b>	<b>1.80</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, 2020

	June 30, 2020	Rupees	June 30, 2019
<b>Profit for the year</b>	<b>107,884,760</b>		<b>81,153,602</b>
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	(207,102)		(143,054)
<b>Total comprehensive income for the year</b>	<b>107,677,658</b>		<b>81,010,548</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

## CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2020

	Note	June 30, 2020	June 30, 2019
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		107,884,760	81,153,602
<b>Adjustments for non - cash and other items</b>			
Depreciation on ijarah assets	10	2,836,813	26,911,005
Depreciation on fixed assets - in own use	19	1,148,516	1,025,718
Amortisation of intangible assets	19	334,423	524,221
Provision for doubtful receivables	20	28,150,551	118,098
Provision for workers' welfare fund		2,201,730	1,056,196
Income suspended in respect of diminishing musharaka		7,431,345	-
Loss on disposal of fixed assets	21	40,216	-
Gain on disposal of ijarah assets	21	(52,428)	(56,595)
Income on bank deposits		(83,292,466)	(15,911,715)
Income on term deposit receipts		(2,079,672)	(12,043,249)
Provision for gratuity		695,221	602,849
		(42,585,751)	2,826,528
<b>Working capital changes</b>			
<b>(Increase) / decrease in current assets</b>			
Advances, prepayments and other receivables		(12,175,103)	53,814,135
Ijarah rental receivables		12,573	6,865,786
Diminishing Musharaka		(156,750,937)	(40,977,647)
Long term loan	9	(4,377,500)	324,000
Murabaha Finance		-	10,492,106
<b>Increase / (decrease) in current liabilities</b>			
Creditors, accrued and other liabilities		(462,393,273)	44,443,811
Customers' security deposit		(273,370)	(23,617,725)
		(655,957,610)	51,344,486
Income received on term deposit receipts		4,229,809	11,215,824
Income received on bank deposits		84,409,871	12,462,024
Gratuity contribution paid	12.4	(746,903)	(834,400)
<b>Net cash (used in) / generated from operations</b>		(502,765,624)	158,168,044
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale proceeds from disposal of ijarah assets		595,007	23,918,302
Sale proceeds from disposal of fixed assets		32,000	-
Purchase of fixed assets-owned	11.1	(2,316,172)	(425,470)
Addition in capital work in progress	11.3	-	(200,000)
<b>Net cash (used in) / generated from investing activities</b>		(1,689,165)	23,292,832
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term loan received	16	500,000,000	-
Profit distributed		(60,470,344)	(33,560,220)
<b>Net cash generated from / (used in) financing activities</b>		439,529,656	(33,560,220)
<b>Net (decrease) / increase in cash and cash equivalents</b>		(64,925,333)	147,900,656
Cash and cash equivalents at the beginning of the year		948,633,188	800,732,532
<b>Cash and cash equivalents at the end of the year</b>	33	883,707,855	948,633,188

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, 2020

	Reserves				Long term loan	Total equity and reserves
	Issued, subscribed, and paid-up certificate capital	Capital reserve	Revenue reserve	Total reserves		
		Statutory reserve	Unappropriated profit			
Rupees						
<b>Balance as at June 30, 2018</b>	450,000,000	27,033,701	38,752,513	85,786,214	500,000,000	1,015,766,214
Profit for the year	-	-	81,163,602	81,163,602	-	81,163,602
Other comprehensive income / (loss)	-	-	(143,054)	(143,054)	-	(143,054)
Transfer to statutory reserve	-	24,348,081	(24,348,081)	-	-	-
<b>Transaction with Certificate Holders</b>						
Profit distribution for the year ended June 30, 2018 at Rs. 0.75 (7.50%) per certificate	-	-	(33,750,000)	(33,750,000)	-	(33,750,000)
<b>Balance as at June 30, 2019</b>	450,000,000	51,379,782	81,666,980	113,046,762	500,000,000	1,083,046,762
Profit for the year	-	-	137,884,790	137,884,790	-	137,884,790
Other comprehensive income / (loss)	-	-	(207,102)	(207,102)	-	(207,102)
Transfer to statutory reserve	-	43,153,804	(43,153,804)	-	-	-
Long term loan	-	-	-	-	500,000,000	500,000,000
<b>Transaction with Certificate Holders</b>						
Profit distribution for the year ended June 30, 2019 at Rs. 1.25 (13.50%) per certificate	-	-	(80,750,000)	(80,750,000)	-	(80,750,000)
<b>Balance as at June 30, 2020</b>	450,000,000	94,533,686	65,440,734	159,974,420	1,000,000,000	1,699,974,420

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, 2020

### 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 VIS 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'.

#### Disclosure of Impact of COVID-19 on Financial Statements of Modaraba.

The COVID – 19 pandemic has taken a toll on all economies around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators/ governments across the globe have introduced a host of measures on both the fiscal and economic fronts.

COVID-19 may affect the lending institutions on a number of fronts including increase in overall credit risk pertaining to the financing portfolio, difficulties in timely recovery of dues owing to slowdown in the economic activity etc. and reduction in policy rates by SBP on its profitability.

The SBP has also responded to the crisis by cutting the policy rate by 625 basis points since beginning of the year. Such reduction has insignificant effect on the Modaraba's profitability for last quarter of FY-2020 and will have some negative impact on profitability for a couple of years but could be managed by executing higher amounts of funding to credit worthy clients.

Under the present circumstances owing to the outbreak of pandemic, SECP has allowed the lending Modarabas to defer customers' principal facility amount by one year and / or restructure / reschedule financing facilities for customers' who require relief of principal facility repayment exceeding one year and / or profit amount with no reflection on credit history. Upon the request of customers, the Modaraba has allowed deferment of principal facility amount upto one year to some of its customers.

### 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 Modarabas 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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2020

**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 Rupee, 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.

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 New and amended standards and interpretations****2.5.1 Standards, amendments to approved accounting standards effective in current year**

New and amended standards and Interpretations mandatory for the first time for the financial year beginning July 1, 2019:

IFRS 16, 'Leases': this standard has been notified by the Securities and Exchange Commission of Pakistan (SECP) to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the previous guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. However, as the IASB has updated the guidance on the definition of a lessee (as well as the guidance on the combination and separation of contracts), lessors will also be affected by the new standard. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees.

However, there is no material impact on the financial statements of Modaraba of adopting IFRS 16 - Leases.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on July 1, 2019 are considered not to be relevant or to have any significant effect on the Modaraba's financial reporting and operations.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2020

**2.5.2 Standards, amendments to approved accounting standards and interpretations that are not yet effective and have not been early adopted by the Modaraba**

The following new standards and amendments to approved accounting standards are not effective for the financial year beginning on July 1, 2019 and have not been early adopted by the Company:

IAS 1 & 8 Definition of material	Effective date: January 1, 2020
IAS 1 Presentation of Financial Statements	Effective date: January 1, 2022

There are number of other standards, amendments and interpretations to the approved accounting standards that are not yet effective and are also not relevant to the Modaraba and therefore, have not been presented here.

**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 other wise stated.

**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.

**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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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.

### 3.1.3 Equity instruments

At initial recognition, the 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 FVOCI 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 profit and loss account 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

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 and third 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.

### 3.1.5 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.

### 3.1.6 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 amortized 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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2020

**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.

**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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2020

**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.

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. Impairment loss determined as the difference between carrying value and recoverable amount being higher of asset's fair value less cost to sell and value in use. 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 amortized 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.

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2020

**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**

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.

**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, 2020

**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.

	Note	June 30, 2020 Rupees	June 30, 2019
<b>4. CASH AND BANK BALANCES</b>			
Stamp papers in hand		58,400	69,900
Cash in hand		-	-
Balances with banks			
-on deposit accounts	4.1	883,062,409	788,011,847
-on current accounts	4.2	587,046	551,441
		<u>883,707,855</u>	<u>788,633,188</u>

**4.1** These carry profit at the rates ranging from 4.97% to 8.59% per annum. (2019: 6.51% to 10.5% per annum). This includes balance of Rs. 882.52 million (2019: Rs. 726.12 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

**4.2** This includes balance of Rs. 585,929 (2019: Rs. 535,105) held with Sindh Bank Limited - Islamic Banking Unit, related party.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

	Note	June 30, 2020	June 30, 2019
		Rupees	
<b>5. SHORT TERM INVESTMENTS</b>			
Term deposit receipts	5.1	-	160,000,000
5.1 There is no investment made in Sindh Bank Limited (a related party) during the year (2019: Rs. 60 million for the period of three months). This investment carries markup at the rate ranging 10% to 10.56% per annum in preceding year 2019.			
	Note	June 30, 2020	June 30, 2019
		Rupees	
<b>6. IJARAH RENTAL RECEIVABLES</b>			
Receivables - secured		-	12,573
Less: provision for ijarah rental receivables	6.1	-	(63)
		-	12,510
6.1 This represents general provision made at the rate of 0.5% (2019: 0.5%) against ijarah rental receivables.			
<b>7. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>	Note	June 30, 2020	June 30, 2019
		Rupees	
Advances	7.1	2,599,217	2,745,964
Prepayments		547,949	1,082,632
Accrued income from bank deposits	7.2	5,442,208	6,559,613
Accrued income from term deposit receipts	7.2	-	2,150,137
Accrued income from Diminishing Musharaka	7.3	13,321,757	7,896,569
Other receivables		4,000	4,000
		<u>21,915,131</u>	<u>20,438,915</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. 1.55 million (2019: Rs. 1.84 million).			
7.2 This includes accrued income of Rs. 5,438,429 (2019: Rs. 6,049,376) and Rs. Nil (2019: Rs. 641,096) in deposit account and term deposit receipts respectively, held with Sindh Bank Limited - Islamic Banking Unit, related party.			
		June 30, 2020	June 30, 2019
		Rupees	
<b>7.3 Accrued income from Diminishing Musharaka</b>			
Receivable		20,753,102	7,896,569
Less: Income suspend		(7,431,345)	-
		<u>13,321,757</u>	<u>7,896,569</u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

#### 8. DIMINISHING MUSHARAKA

		June 30, 2020	June 30, 2019
		Rupees	
Receivables - secured	8.1	816,236,706	659,485,769
Less: current portion		(270,789,982)	(249,110,292)
Less: provision in respect of diminishing musharaka	8.2	(31,448,043)	(3,297,429)
Non-current portion		<u>513,998,681</u>	<u>407,078,048</u>

8.1 This represents the finance provided to Individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 3 to 20 years (2019: 3 to 20 years) which is secured against mortgage of property, lien on title documents and charge on assets etc.

8.2 This includes general provision of Rs. 3.80 million (2019: 3.29 million) made at the rate of 0.5% (2019: 0.5%) on diminishing musharaka receivables respectively.

#### 9. LONG TERM LOAN

		June 30, 2020	June 30, 2019
		Rupees	
Long term loan - considered good		4,593,500	216,000
Less: current portion of long term loan		(925,000)	(216,000)
		<u>3,668,500</u>	<u>-</u>

This represents car loan provided to Chief Financial Officer and Head of Internal Audit (related parties) in accordance with the Monetization Policy approved by the Board.

#### 10. IJARAH ASSETS

Particulars	June 30, 2020						Net book value	Depreciation rate
	Cost			Depreciation				
	As at July 01, 2019	Disposals	As at June 30, 2020	As at July 01, 2019	Charge / (adjustment) for the year	As at June 30, 2020		
	Rupees							
Plant and machinery	81,250,000	-	80,000,000	76,124,988	-	74,999,988	5,000,012	33.33%
		(1,250,000)			(1,125,000)			
Vehicles	15,934,200	-	13,113,500	10,529,728	2,836,813	10,963,420	2,150,080	20-50%
		(2,820,700)			(2,403,121)			
	<u>97,184,200</u>	<u>-</u>	<u>93,113,500</u>	<u>86,654,716</u>	<u>2,836,813</u>	<u>85,963,408</u>	<u>7,150,092</u>	
		(4,070,700)			(3,528,121)			

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

Particulars	June 30, 2019							Net book value	Depreciation rate
	Cost			Depreciation					
	As at July 01, 2018	Disposals	As at June 30, 2019	As at July 01, 2018	Charge / (adjustment) for the year	As at June 30, 2019			
	Rupees								
Plant and machinery	194,470,625	-	81,250,000	144,397,166	22,304,324	76,124,988	5,125,012	33.33%	
		(113,220,625)			(90,576,502)				
Vehicles	25,108,700	-	15,934,200	13,879,963	4,606,881	10,529,728	5,404,472	20-50%	
		(9,174,500)			(7,956,916)				
	219,579,325	-	97,184,200	158,277,129	26,911,005	86,654,716	10,529,484		
		(122,395,125)			(56,533,418)				

- 10.1 The Modaraba has entered into Ijarah arrangements for periods ranging from 3 to 5 years (2019: 3 to 5 years) against which security deposits were obtained at the time of disbursement (note 13).

#### Contractual rental receivables - Ijarah assets

	June 30, 2020	June 30, 2019
	Rupees	
Not later than 1 year	2,983,190	3,783,701
Later than 1 year but not later than 5 years	29,328	3,300,714
Total	3,012,518	7,084,415

#### 11. FIXED ASSETS - In own use

#### Note

Tangible assets	11.1	3,748,736	2,653,296
Intangible assets	11.2	266,675	601,098
Capital work in progress	11.3	-	-

#### 11.1 TANGIBLE ASSETS

4,015,411      3,254,394

Particulars	June 30, 2020							Net book value	Depreciation Rate
	Cost			Depreciation					
	As at July 01, 2019	Additions/ (Disposal)	As at June 30, 2020	As at July 01, 2019	Charge/ (adjustment) for the year	As at June 30, 2020			
	Rupees								
Furniture and fittings	1,389,845	26,400	1,416,245	506,386	140,524	646,910	769,335	10%	
Office Equipment	3,404,053	253,079	3,272,641	1,651,451	606,918	1,948,377	1,326,264	20%	
		(384,491)			(313,992)				
Vehicles	43,500	1,310,775	1,354,275	38,425	245,381	283,806	1,070,469	20%	
Computer and accessories	1,740,691	725,918	2,454,259	1,728,531	153,693	1,871,591	582,668	33.33%	
		(12,350)			(10,633)				
	6,578,089	2,316,172	8,497,420	3,924,793	1,148,516	4,748,634	3,748,736		
		(396,841)			(324,625)				



## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

Particulars	June 30, 2019							Net book value	Depreciation rate
	Cost			Depreciation					
	As at July 01, 2018	Additions	As at June 30, 2019	As at July 01, 2018	Charge for the year	As at June 30, 2019			
	Rupees								
Furniture and fittings	1,371,935	17,910	1,389,845	367,839	138,547	506,386	883,459	10%	
Office Equipment	2,998,493	407,560	3,406,053	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	1,488,890	239,841	1,728,731	12,160	33.33%	
	<u>6,152,819</u>	<u>425,470</u>	<u>6,578,289</u>	<u>2,899,075</u>	<u>1,025,718</u>	<u>3,924,793</u>	<u>2,653,296</u>		

#### 11.2 INTANGIBLE ASSETS

Particulars	June 30, 2020							Net book value	Amortisation rate
	Cost			Amortisation					
	As at July 01, 2019	Additions	As at June 30, 2020	As at July 01, 2019	Charge for the year	As at June 30, 2020			
	Rupees								
Website	37,847	-	37,847	27,198	10,450	37,848	1	33.33%	
Almanac software	800,000	-	800,000	266,664	266,664	533,338	266,672	33.33%	
Software licenses	1,041,335	-	1,041,335	984,024	57,309	1,041,333	2	33.33%	
	<u>1,878,982</u>	<u>-</u>	<u>1,878,982</u>	<u>1,277,884</u>	<u>334,423</u>	<u>1,612,307</u>	<u>266,675</u>		

Particulars	June 30, 2019							Net book value	Amortisation rate
	Cost			Amortisation					
	As at July 01, 2018	Additions	As at June 30, 2019	As at July 01, 2018	Charge for the year	As at June 30, 2019			
	Rupees								
Website	37,847	-	37,847	14,644	12,552	27,196	10,451	33.33%	
Almanac software	-	800,000	800,000	-	266,664	266,664	533,338	33.33%	
Software licenses	1,041,335	-	1,041,335	739,019	245,005	984,024	57,311	33.33%	
	<u>1,078,982</u>	<u>800,000</u>	<u>1,878,982</u>	<u>753,663</u>	<u>524,221</u>	<u>1,277,884</u>	<u>601,098</u>		

**NOTES TO THE FINANCIAL STATEMENTS**  
FOR THE YEAR ENDED JUNE 30, 2020

	Note	June 30, 2020	June 30, 2019
		Rupees	
<b>11.3 CAPITAL WORK IN PROGRESS</b>			
Opening		-	600,000
Addition		-	200,000
Transferred to intangible assets	11.2	-	(800,000)
Closing		-	-

11.3.1 This represents amount paid for development of modules of the software of the Modaraba namely "Almanac".

	Note	June 30, 2020	June 30, 2019
		Rupees	
<b>12. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Government of Sindh Funds	12.1	-	500,000,000
Other liabilities	12.2	61,533,002	49,513,327
Modaraba management company's remuneration payable - related party		12,411,104	9,335,941
Accrued expenses	12.3	8,006,934	5,814,816
Workers' Welfare Fund		6,082,136	3,880,406
Provision for Sindh Sales Tax on management remuneration		1,613,444	1,213,673
Payable to gratuity fund	12.4	902,323	746,903
Creditors		65,238	145,238
		<b>90,614,181</b>	<b>570,650,304</b>

12.1 The Modaraba had entered into agreements with Government of Sindh for providing financing to eligible transporters under the letter'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. During the year, the referred agreements were cancelled without any obligation on either parties and the whole outstanding amount have been transferred to Sindh Modaraba Management Limited as directed by GoS.

12.2 This includes Rs. 59.04 million payable to Sindh Modaraba Management Limited, a related party, being share of profit under musharaka arrangements on the funds placed by GoS as explained in note 12.1 above.

This also includes charity payable amounting to Rs. 8,212 (2019: Rs. 236,284). The reconciliation is as follows:

	Note	June 30, 2020	June 30, 2019
		Rupees	
Opening balance		236,284	270
Additions during the year		7,928	330,514
Less: paid to recognized charitable organisations	12.2.1	(236,000)	(94,500)
Closing balance		<b>8,212</b>	<b>236,284</b>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2020

12.2.1 This amount represents charity paid to recognized charitable institution (2019: Rs. 94,500).

12.3 These includes Rs. 300,000 (2019: Rs. Nil) for branch rent payable to Sindh Bank Limited, related party.

	Note	June 30, 2020 ----- Rupees	June 30, 2019
<b>12.4 Payable to gratuity fund</b>	<b>12.4.1</b>	<b>902,323</b>	<b>746,903</b>
<b>12.4.1 Reconciliation of balance due to defined benefit plan</b>			
Present value of defined benefit obligation		2,650,862	1,623,306
less: Fair value of plan assets		(1,748,539)	(876,403)
Balance sheet liability		<u>902,323</u>	<u>746,903</u>
<b>12.4.2 Movement in the present value of defined benefit obligation</b>			
Opening balance		1,623,306	835,400
Current service cost		642,004	562,448
Interest cost		231,179	79,278
Benefits paid during the year			-
Remeasurements charged to other comprehensive income			
- Actuarial loss from changes in financial assumptions		(22,255)	11,747
- Experience adjustments		177,628	134,433
		155,373	146,180
Present value of defined benefit obligation		<u>2,651,862</u>	<u>1,623,306</u>
<b>12.4.3 Changes in fair value of plan assets</b>			
Fair value of plan assets		875,403	302
Contributions		746,903	835,400
Interest income on plan assets		177,962	37,575
Return on plan assets/(charges), excluding interest income		(51,729)	3,126
Fair value of plan assets		<u>1,748,539</u>	<u>876,403</u>
<b>12.4.4 Expense recognized in profit and loss account</b>			
Current service cost		642,004	562,146
Interest cost		231,179	79,278
Interest income on plan assets		(177,962)	(37,575)
Expense recognized in profit and loss account		<u>695,221</u>	<u>603,849</u>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

#### 12.4.5 Total rereasurement chargeable in other comprehensive income

	June 30, 2020	June 30, 2019
	Rupees	
Remeasurement of plan obligation:		
Actuarial (gain)/loss from changes in financial assumptions	(22,255)	11,747
Experience adjustments	177,628	134,433
	155,373	146,180
Less: return on plan assets, excluding interest income	51,729	(3,126)
Remeasurement of actuarial losses on defined benefit liability	207,102	143,054

#### 12.4.6 Changes in net liability

Balance sheet liability/(asset)	746,903	1,623,306
Expenses to be charged to profit and loss account	695,221	603,849
Remeasurement chargeable in other comprehensive income	207,102	143,054
Contributions	(746,903)	(835,400)
	902,323	1,534,809

	June 30, 2020	June 30, 2019
	Percentage	
<b>Significant actuarial assumptions</b>		
Discount rate used for interest cost in profit and loss account	14.25%	9.50%
Discount rate used for year end obligation	8.50%	14.25%
<u>Salary increase used for year end obligation</u>		
Salary increase FY 2019	-	N/A
Salary increase FY 2020	N/A	14.25%
Salary increase FY 2021	8.50%	14.25%
Salary increase FY 2022	8.50%	14.25%
Salary increase FY 2023	8.50%	14.25%
Salary increase FY 2024	8.50%	14.25%
Salary increase FY 2025	8.50%	14.25%
Salary increase FY 2026 onwards	8.50%	
Net salary is increased at	1-Jul-21	1-Jul-19
<b>Mortality rates</b>	SLIC (2001-05)-1	SLIC (2001-05)-1

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

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2020

	June 30, 2020 ----- Age-based (per appendix) Age 60	June 30, 2019 ----- Age-based (per appendix) Age 60
Withdrawal rates		
Retirement assumption		
	June 30, 2020 ----- Rupees	June 30, 2019 ----- Rupees
<b>Estimated expenses to be charged to P&amp;L</b>		
Current services cost	933,514	642,004
Interest cost on defined benefit obligation	219,781	225,637
Interest income on plan asset	(174,827)	(178,654)
	<u>978,468</u>	<u>688,987</u>
<b>Plan assets comprise at June 30,</b>		
Cash and/or deposits	<u>100%</u>	<u>100%</u>
	June 30, 2020 ----- Rupees	June 30, 2019 ----- Rupees
<b>Year end sensitivity (+/- 100bps) on defined benefit obligation</b>		
Discount rate +100 bps	2,388,319	1,453,345
Discount rate - 100 bps	2,958,116	1,820,492
Salary increase +100 bps	2,959,241	1,820,981
Salary increase - 100 bps	2,382,357	1,449,881
<b>Expected benefit payments for the next 10 years and beyond</b>		
FY 2020	-	77,775
FY 2021	130,402	97,201
FY 2022	149,447	120,612
FY 2023	172,503	144,734
FY 2024	205,322	166,429
FY 2025	744,999	197,468
FY 2026	241,653	236,212
FY 2027	680,738	850,024
FY 2028	282,583	313,934
FY 2029	312,389	371,499
FY 2030	351,777	119,329,985
FY 2031 onwards	45,834,213	-
<b>The average duration of the defined benefit obligation is</b>	<b>11 years</b>	<b>11 years</b>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2020

		Note	June 30, 2020 Rupees	June 30, 2019
<b>13. CUSTOMERS' SECURITY DEPOSIT</b>				
Security deposit against ijarah finance less: current portion			5,007,000 (5,006,000)	5,280,370 (5,272,370)
Non-current portion		13.1	<u>1,000</u>	<u>8,000</u>
<b>13.1</b>	This represents amounts received under ijarah finance repayable / adjustable at the expiry of the arrangement.			
<b>14. CERTIFICATE CAPITAL</b>				
<b>14.1 Authorised certificate capital</b>				
	June 30, 2020	June 30, 2019	June 30, 2020 Rupees	June 30, 2019
	Number of certificates			
	<u>50,000,000</u>	<u>50,000,000</u>	<u>500,000,000</u>	<u>500,000,000</u>
			Modaraba certificates of Rs. 10 each.	
<b>14.2 Issued, subscribed and paid - up certificate capital</b>				
	June 30, 2020	June 30, 2019	June 30, 2020 Rupees	June 30, 2019
	Number of certificates			
	<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.	
<b>14.3</b>	As at June 30, 2020, Sindh Modaraba Management Limited (Management Company) holds 42,461,000 i.e. 94.36% (2019: 42,461,000 i.e. 94.36%) certificates of the Modaraba.			
<b>15. RESERVES</b>		Note	June 30, 2020 Rupees	June 30, 2019
<b>Capital</b>				
Statutory reserve		15.1	94,533,686	51,379,782
<b>Revenue</b>				
Unappropriated profit			65,440,734	61,666,980
			<u>159,974,420</u>	<u>113,046,762</u>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2020

- 15.1** 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. 43,153,904 (2019: Rs.24,346,081) which represents 40% (2019: 30%) of the net profit for the year.

	Note	June 30, 2020	June 30, 2019
		Rupees	
<b>16. LONG TERM LOAN</b>	<b>16.1</b>	<b>1,000,000,000</b>	<b>500,000,000</b>

- 16.1** 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.

**17. CONTINGENCIES AND COMMITMENTS**

The Modaraba received a letter from the Assistant Commissioner - Sindh Revenue Board (SRB), wherein, it is mentioned that during scrutiny of the financial statements of the Modaraba from July-2014 to March 2018 he came to know that the Modaraba is engaged in providing / rendering taxable services which falls under the Second Schedule of Sindh Sales Tax on Services Act, 2011 (the Act), and the sales tax on such services mainly Ijarah/lease rentals aggregates to Rs. 27.67 million which is outstanding. Such letters were also received by some other Modarabas and collectively, a petition against the same was filed through a common legal counsel in the Honorable High Court of Sindh challenging levy of Services Sales Tax on Ijarah/lease financing transactions. The Honorable High Court has granted a stay stating that no adverse order in respect of the proposed treatment shall be made against the Petitioners.

The management of the Modaraba based on discussions with its legal counsel is of the view that the Sindh Sales Tax is not applicable on Ijarah transactions and expect that the matter will be decided in Modarabas' favour. Accordingly, no liability in respect of the above has been recognized in these financial statements.

	June 30, 2020	June 30, 2019
	Rupees	
<b>18. IJARAH FINANCING - NET</b>		
Ijarah financing	3,678,475	31,616,303
Less: Ijarah depreciation		
- on plant and machinery	-	(22,304,324)
- on vehicles	(2,836,813)	(4,606,681)
	(2,836,813)	(26,911,005)
	<b>841,662</b>	<b>4,705,298</b>

**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2020

19. ADMINISTRATIVE AND OPERATING EXPENSES	Note	June 30, 2020	June 30, 2019
		Rupees	
Salaries, allowances and other benefits	19.1	25,445,203	19,520,289
Legal and professional charges	19.2	3,363,814	2,923,050
Repairs and maintenance		852,187	655,888
Utility services		984,984	956,547
Takafu/Insurance - owned assets		154,134	51,762
Takafu/Insurance - Ijarah and diminishing musharaka		756,775	1,131,891
Postage, courier and telegraphs		137,066	78,372
Generator sharing and fuel charges	19.3	485,047	458,809
Entertainment		171,893	154,224
Advertisement and publications		147,640	91,030
Staff orientation and training		15,000	28,500
Rent, rates and taxes	19.4	800,006	799,992
Registration and subscription fee		997,956	978,099
Travelling and conveyance		2,125,212	1,277,026
Security services		522,128	509,220
Printing, stationery and photocopy		334,600	521,288
Auditors' remuneration	19.5	268,040	265,840
Depreciation expense - tangible assets	11.1	1,148,516	1,025,718
Amortisation expense - intangible assets	11.2	334,423	524,221
Miscellaneous		178,192	162,040
		<b>39,222,816</b>	<b>32,113,806</b>
19.1	This includes amount of Rs. 823,552 (2019: Rs. 630,827) paid / charged to provident fund and provision for gratuity of Rs. 695,221 (2019: Rs. 603,849).		
19.2	This includes amount of Rs. 432,000 (2019: Rs. 360,000) paid to Shariah Advisor as compensation for his service.		
19.3	This includes amount of Rs. 436,860 (2019: Rs. 436,860) against sharing of expenses with Sindh Insurance Limited - related party.		
19.4	This includes amount of Rs. 600,000 (2019: Rs. 600,000) branch rent to Sindh Bank Limited - related party.		
19.5	<b>Auditors' remuneration</b>	<b>June 30, 2020</b>	<b>June 30, 2019</b>
		Rupees	
	Audit fee	133,000	133,000
	Half yearly review fee	40,000	40,000
	Special certification	35,000	35,000
	Other services	30,000	23,333
	Sindh sales tax	19,040	18,507
	Out of pocket expenses	11,000	16,000
		<b>268,040</b>	<b>265,840</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

19.6	The remuneration paid to key management personnel	June 30, 2020	June 30, 2019
		Rupees	
	Basic salary	6,060,638	3,102,288
	House rent	2,727,264	1,396,020
	Other allowances	1,212,126	620,448
	Bonuses	1,354,955	1,085,800
	Provident fund	548,096	310,224
	Other benefits	1,699,041	980,755
		<u>13,602,120</u>	<u>7,495,535</u>

19.7	Defined contribution plan	Unaudited	Audited
		June 30, 2020	June 30, 2019
		Rupees	
	Size of the fund (total assets)	13,480,750	10,409,800
	Cost of investment made	13,399,749	10,334,800
	Fair value of investment made	13,399,749	10,334,800
		Percentage	
	Percentage of investment made	<u>99%</u>	<u>99%</u>

Break up of investment at cost	June 30, 2020		June 30, 2019	
	Rupees	Percentage	Rupees	Percentage
PLS Account	<u>13,399,749</u>	<u>99%</u>	<u>10,334,800</u>	<u>99%</u>

20.	(REVERSAL)/PROVISION FOR DOUBTFUL RECEIVABLES	Note	June 30, 2020	June 30, 2019
			Rupees	
	Reversal of provision against Ijarah rental receivables		(63)	(34,329)
	Reversal of provision against Murabaha finance		-	(52,461)
	Provision against Diminishing musharaka	8.2	28,150,614	204,888
			<u>28,150,551</u>	<u>118,098</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

21. OTHER INCOME - NET	Note	June 30, 2020	June 30, 2019
		Rupees	
Documentation and processing fee		691,000	389,000
Income on GoS funds		2,705,189	-
Gain on disposal of Ijarah assets		52,428	56,595
Loss on disposal of fixed assets		(40,216)	-
Others		4,249	129,161
		<u>3,412,650</u>	<u>574,756</u>
<b>22. MODARABA MANAGEMENT COMPANY'S REMUNERATION</b>	<b>22.1</b>	<u>12,411,104</u>	<u>9,335,941</u>

**22.1** 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, 2020 has been recognised at 10% of the profit for the year before charging such remuneration, provision for workers' welfare fund and taxation.

### 23. 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 32, no provision for taxation has been made in these financial statements.

### 24. EARNINGS PER CERTIFICATE - BASIC AND DILUTED

#### 24.1 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, 2020	June 30, 2019
	Rupees	
Profit for the year after taxation (Rupees)	<u>107,884,760</u>	<u>81,153,602</u>
Weighted average number of certificates (Numbers)	<u>45,000,000</u>	<u>45,000,000</u>
Earnings per certificate (Rupees)	<u>2.40</u>	<u>1.80</u>

#### 24.2 Diluted

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at June 30, 2020 which would have any effect on the earnings per certificate.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

25. NUMBER OF EMPLOYEES	June 30, 2020	June 30, 2019
	----- Numbers -----	
Total numbers of employees at year end	<u>13</u>	<u>9</u>
Average number of employees	<u>11</u>	<u>9</u>

## 26. RELATED PARTY BALANCES AND TRANSACTIONS

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:

26.1 BALANCES AS AT YEAR END	June 30, 2020	June 30, 2019
	----- Rupees -----	
<b>Sindh Insurance Limited - associated company</b>		
Sharing of Expenses payable	<u>218,430</u>	<u>218,430</u>

## 26.2 TRANSACTIONS FOR THE YEAR

### Sindh Bank Limited - associated company

Income from deposits	81,974,158	14,798,824
Income from term deposit receipt	871,233	641,096
Branch rent paid	300,000	600,000
	<u>83,145,391</u>	<u>16,039,920</u>

### Sindh Modaraba Management Limited - management company

Long term loan received	500,000,000	-
Modaraba management company's remuneration paid	9,335,941	6,024,041
Dividend paid / distributed	57,322,350	31,845,750
	<u>566,658,291</u>	<u>37,869,791</u>

### Sindh Insurance Limited - associated company

Takaful/Insurance paid	750,698	1,160,848
Sharing of expenses paid	436,860	436,860
	<u>1,187,558</u>	<u>1,597,708</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

	Note	June 30, 2020	June 30, 2019
		Rupees	
<b>Key Management Personnel</b>			
Salaries, allowances and benefits paid	19.6	13,602,120	7,495,535
<b>Sindh Modaraba Employees Provident Fund - employee fund</b>			
Contribution paid (both employer's and employee's contribution)		1,647,104	1,261,254
<b>Sindh Modaraba Employees Gratuity Fund - employee fund</b>			
Contribution paid		746,903	834,400
<b>27. FINANCIAL INSTRUMENTS BY CATEGORY</b>			
<b>Financial assets as per balance sheet</b>			
<b>At amortized cost</b>			
<i>Current assets</i>			
- Cash and bank balances		883,707,855	788,633,188
- Short term investments		-	160,000,000
- Ijarah rental receivables		-	12,510
- Advances and other receivables		18,767,965	16,610,319
- Current portion of diminishing musharaka		270,789,982	249,110,292
- Current portion of long term loan		925,000	216,000
		<b>1,174,190,802</b>	<b>1,214,582,309</b>
<i>Non-current assets</i>			
- Long term portion of diminishing musharaka		513,998,681	407,078,048
- Long term loan		3,668,500	-
		<b>517,667,181</b>	<b>407,078,048</b>
		<b>1,691,857,983</b>	<b>1,621,660,357</b>
<b>Financial liabilities as per balance sheet</b>			
<b>At amortized cost</b>			
<i>Current liabilities</i>			
- Creditors, accrued and other liabilities		83,932,065	565,969,924
- Profit distribution payable		575,051	295,395
		<b>84,507,116</b>	<b>566,265,319</b>
<b>28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES</b>			

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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

#### 28.1 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.

##### 28.1.1 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, 2020, Modaraba has no financial assets and liabilities in foreign currencies.

##### 28.1.2 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.

##### 28.1.3 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, 2020, the Modaraba did not hold any instruments which exposed it to price risk.

#### 28.2 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, 2020	June 30, 2019
	<u>Rupees</u>	<u></u>
Cash and bank balances	883,707,855	788,633,188
Short term investments	-	160,000,000
Ijarah rental receivables	-	12,510
Diminishing Musharaka	784,788,663	656,188,340
Advances and other receivables	18,767,965	16,610,319
Long term loan	4,593,500	216,000
	<u>1,691,857,983</u>	<u>1,621,660,357</u>

As at June 30, 2020, there were no financial assets which were pledged as collateral for liabilities or contingent liabilities of the Modaraba.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2020

### 28.2.1 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 Modaraba's total credit exposure. Concentrations of credit risk indicate the relative sensitivity of the Modaraba's 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.

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

Sectors	June 30, 2020		June 30, 2019	
	Rupees	%	Rupees	%
Sugar	199,445,380	23.77	188,349,415	28.00
Oil & Gas - Oil Marketing	22,967,402	2.74	46,073,752	6.85
Electronic & Allied	-	-	-	-
Security services	-	-	41,937,505	6.23
Other services	51,276,902	6.11	53,958,351	8.02
Individual	12,946,576	1.54	12,101,583	1.80
Brokerage	1,389,856	0.17	1,648,950	0.25
Transport	20,175,292	2.40	24,470,277	3.64
Metal & Steel	3,010,215	0.38	3,615,005	0.54
Construction	97,621,112	11.63	22,907,773	3.41
Printing	552,400	0.07	1,747,744	0.26
Pharmaceutical	69,616,375	8.30	37,238,907	5.54
Poultry, Poultry feed & hatchery	58,431,888	6.96	68,025,424	10.11
Entertainment	3,143,350	0.37	14,130,213	2.10
Chemical & Allied (Other)	32,549,421	3.88	47,255,970	7.03
Textile	69,770,056	8.31	58,083,102	8.64
Food & Beverages	139,694,131	16.65	44,247,970	6.58
Engineering	3,714,643	0.44	6,852,084	1.02
Real Estate	39,602,689	4.72	-	-
Energy	13,225,212	1.58	-	-
	<b>839,132,900</b>	<b>100</b>	<b>672,644,025</b>	<b>100</b>

### 28.2.3 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 Musharaka 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.

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

		June 30, 2020	June 30, 2019
		Rupees	
<b>Credit risk ratings</b>	<b>Rating</b>		
Bank balances - Sindh Bank Limited	A+ / A-1	882,515,141	726,218,570
TDRs - Sindh Bank Limited	A+ / A-1	-	60,000,000
Bank balances - Bank Alhabib Limited	AA+ / A-1+	12,877	89,494
TDRs - Bank Alhabib Limited	AA+ / A-1+	-	100,000,000
Bank balances - NRSP Micro Finance Bank Limited	A / A-1	534,391	61,703,783
		<b>883,062,409</b>	<b>948,011,847</b>

### 28.3 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:

	June 30, 2020						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>Maturities of assets and liabilities</b>							
<b>Financial assets</b>							
Cash and bank balances	883,062,409	-	883,062,409	545,446	-	545,446	883,707,855
Short term investments	-	-	-	-	-	-	-
Ijarah rentals receivable	-	-	-	-	-	-	-
Diminishing Musharaka	270,789,982	513,998,691	784,788,673	-	-	-	784,788,673
Long term loan	-	-	-	926,000	3,668,500	4,594,500	4,594,500
Advances and other receivables	-	-	-	18,767,965	-	18,767,965	18,767,965
	<b>1,153,852,391</b>	<b>513,998,691</b>	<b>1,667,851,072</b>	<b>20,338,411</b>	<b>3,668,500</b>	<b>24,006,911</b>	<b>1,691,857,983</b>
<b>Financial liabilities</b>							
Creditors, accrued and other liabilities	-	-	-	83,932,065	-	83,932,065	83,932,065
Profit distribution payable	-	-	-	575,051	-	575,051	575,051
	-	-	-	<b>84,507,116</b>	-	<b>84,507,116</b>	<b>84,507,116</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2020

	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>Maturities of assets and liabilities</b>							
<b>Financial assets</b>							
Cash and bank balances	788,011,847	-	788,011,847	621,341	-	621,341.00	788,633,188
Short term investments	160,000,000	-	160,000,000	-	-	-	160,000,000
Ijarah rentals receivable	-	-	-	12,510	-	12,510	12,510
Diminishing Musharaka	249,110,292	407,078,048	656,188,340	-	-	-	656,188,340
Long term loan	-	-	-	218,000	-	218,000	218,000
Advances and other receivables	-	-	-	16,610,319	-	16,610,319	16,610,319
	<u>1,197,122,139</u>	<u>407,078,048</u>	<u>1,604,200,187</u>	<u>17,460,170</u>	<u>-</u>	<u>17,460,170</u>	<u>1,621,660,357</u>
<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
	<u>-</u>	<u>-</u>	<u>-</u>	<u>671,537,689</u>	<u>8,000</u>	<u>671,545,689</u>	<u>671,545,689</u>

## 29. 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.

## 30. 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 2020, there were no financial instruments which were measured at fair values in the financial statements.



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2020

**31. 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.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investment 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 38.31% (2019: 65.72% from ten major customers) of the total revenue from operations during the year ended 30 June 2020.

**32. NON - ADJUSTING EVENT AFTER THE REPORTING PERIOD**

The Board of Directors of the Management Company in their meeting held on September 21, 2020 approved a cash distribution of Rs. 1.35 per certificate. The financial statements of the Modaraba for the year ended June 30, 2020 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, 2021.

33. CASH AND CASH EQUIVALENT	Note	June 30, 2020	June 30, 2019
		Rupees	
Cash and bank balances	4	883,707,855	788,633,188
Short term investments	5	-	160,000,000
		<u>883,707,855</u>	<u>948,633,188</u>

**34. CORRESPONDING FIGURES**

Prior year's figures have been reclassified for the purpose of better presentation and comparison where considered necessary.

**35. DATE OF AUTHORISATION**

These financial statements were authorised for issue on September 21, 2020 by the Board of Directors of the Management Company.

**36. GENERAL**

The figures have been rounded off to the nearest rupees.

For Sindh Modaraba Management Limited (Management Company)



Chief Executive



Director



Director

## Pattern Of Certificate Holding By The Certificate Holders As At June 30, 2020

Number Of Certificate Holders	Certificate Holding			Total Certificate Held
	From		To	
143	1	-	100	911
442	101	-	500	219,803
63	501	-	1000	62,471
66	1001	-	5000	174,011
15	5001	-	10000	113,304
6	10001	-	15000	74,500
4	15001	-	20000	77,500
5	20001	-	25000	113,500
2	25001	-	30000	54,000
2	35001	-	40000	78,500
2	40001	-	45000	86,500
1	45001	-	50000	49,000
1	55001	-	60000	56,500
2	60001	-	65000	123,500
1	80001	-	85000	85,000
1	95001	-	100000	100,000
1	125000	-	130000	130,000
1	145001	-	150000	150,000
1	150001	-	155000	151,000
1	155001	-	160000	159,000
1	210001	-	215000	210,500
1	265001	-	270000	269,500
1	42460001	-	42465000	42,461,000
<b>763</b>				<b>45,000,000</b>

<u>Categories Of Certificate Holders</u>	<u>Certificates Held</u>	<u>Percentage</u>
<b>(i) Government;</b>	NIL	
<b>(ii) Associated Companies, Undertakings and Related Parties (name wise details);</b>		
Sindh Modaraba Management Ltd.	42,461,000	
	<b>42,461,000</b>	<b>94.36</b>
<b>(iii) Mutual Funds;</b>		
CDC - Trustee NAFA Stock Fund	159,000	
	<b>159,000</b>	<b>0.35</b>
<b>(iv) Directors, Chief Executive, and their spouse and minor children (name wise details);</b>		
Mr. Muhammad Naimuddin Farooqui	1,000	
Mr. Muhammad Bilal Sheikh	3,000	
	<b>4,000</b>	<b>0.01</b>
<b>(v) Executives;</b>	NIL	
<b>(vi) Public Sector Companies and corporations;</b>	NIL	
<b>(vii) Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful Companies and Modarabas;</b>	NIL	
<b>(viii) Individual</b>		
Local - Individuals	2,376,000	
	<b>2,376,000</b>	<b>5.28</b>
<b>Grand Total:</b>	<b>45,000,000</b>	<b>100</b>

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

	<u>Certificates Held</u>	<u>Percentage</u>
Sindh Modaraba Management Ltd.	42,461,000	94.36

## Notice of Annual Review Meeting

Notice is hereby given that the 6<sup>th</sup> Annual Review Meeting of certificate holders of Sindh Modaraba will be held on 20<sup>th</sup> October 2020 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, 2020 in terms of clause 20 of the Prudential Regulations for Modaraba issued vide Circular number 4/2004 by Registrar Modaraba Companies and Modarabas.

Karachi,  
September 21, 2020

Zulfiqar Ali  
Company Secretary

### Note:

1. The Modaraba Certificate transfer book shall remain closed from October 13, 2020 to October 20, 2020 (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 12, 2020 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 Number (IBAN) and Participant's ID Number, for identification purpose.

## اطلاع برائے سالانہ جائزہ اجلاس

بزرگ ریجنڈ اطلاع دی جاتی ہے کہ سندھ مضاربہ کے سرٹیفکیٹ ہولڈرز کا چھٹا سالانہ جائزہ اجلاس ۲۰، اکتوبر ۲۰۲۰ء کو صبح 10:00 بجے کمرہ نمبر ۶۰۲، چھٹی منزل، پروگریسیو سینٹر، ۳۰-۱، بلاک نمبر ۶، شارع فیصل، کراچی میں منعقد ہوگا جس میں رجسٹرار مضاربہ کے سرکلر نمبر ۲۰۰۳ / ۱۳ اور پروڈیٹنشل ریگولیشن کے شیڈول ۲۰ کے تحت ۳۰، جون ۲۰۲۰ء کو ختم ہونے والے سال میں مضاربہ کی کارکردگی کا جائزہ لیا جائے گا۔

کراچی  
۲۱ ستمبر ۲۰۲۰

ذوالفقار علی  
کمپنی سیکریٹری

## نوٹس:

- ۱۔ سرٹیفکیٹس ٹرانسفر بکس ۱۳، اکتوبر ۲۰۲۰ء سے ۲۰، اکتوبر ۲۰۲۰ء تک (بشمول دونوں آیام) بند رہیں گی تاکہ اجلاس میں شرکت اور ڈویڈنڈ کے حقدار کا تعین ہو سکے۔ سرٹیفکیٹ منتقلی کے لیے ۱۳، اکتوبر ۲۰۲۰ء کو کاروباری اوقات ختم ہونے سے پہلے تک سندھ مضاربہ کے رجسٹرار آفس میں موصول ہونے والی تمام درخواست سالانہ جائزہ اجلاس میں شرکت اور ڈویڈنڈ کی تقسیم کیلئے بر وقت تصور کی جائیں گی۔
- ۲۔ سرٹیفکیٹ ہولڈرز سے درخواست ہے کہ اگر ان کے ایڈریس میں کوئی تبدیلی ہو تو رجسٹرار کو آگاہ کریں۔
- ۳۔ سی ڈی سی سرٹیفکیٹ ہولڈرز جو اجلاس میں شرکت کرنا چاہتے ہیں، اپنے ساتھ اصل شناختی کارڈ، اکاؤنٹ نمبر (آئی بی اے این) اور پارٹنر شپ آئی ڈی نمبر لازمی لائیں۔

**Islamic Financing  
Products Offered by  
Sindh Modaraba**

- Ijarah
- Diminishing Musharaka
- Morabaha
- Musharaka
- Salam
- Istisna

**SINDH MODARABA**

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