

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

SINDH MODARABA



**ANNUAL REPORT**

**2020-2021**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

لَئِنْ شَكَرْتُمْ لَأَزِيدَنَّكُمْ ۖ

IF YOU ARE GRATEFUL,  
I WILL GIVE YOU MORE.

(SURAH:14 / VERSE:7)



## Table of Contents

<b>Vision &amp; Mission Statements</b>	<b>03</b>
<b>Corporate Information</b>	<b>04</b>
<b>Directors' Report</b>	<b>05</b>
<b>Directors' Report (Urdu)</b>	<b>09</b>
<b>Key Operating &amp; Financial Data</b>	<b>14</b>
<b>Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 &amp; Public Sector Companies (Corporate Governance) Rules, 2013</b>	<b>15</b>
<b>Shari'ah Advisor's Report</b>	<b>20</b>
<b>Auditors' Review Report to the Members on Statement of Compliance</b>	<b>21</b>
<b>Auditors' Report to the Certificate Holders</b>	<b>22</b>
<b>Balance Sheet</b>	<b>23</b>
<b>Profit and Loss Account</b>	<b>24</b>
<b>Statement of Comprehensive Income</b>	<b>25</b>
<b>Cash Flow Statement</b>	<b>26</b>
<b>Statement of Changes in Equity</b>	<b>27</b>
<b>Notes to the Financial Statements</b>	<b>28</b>
<b>Pattern of Certificate Holding</b>	<b>57</b>
<b>Notice of Annual Review Meeting</b>	<b>58</b>
<b>Notice of Annual Review Meeting (Urdu)</b>	<b>59</b>

## **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. Waseem Mehdi Syed	-Chairman	-Independent Director
Mr. Habibullah Khilji		-Independent Director
Mr. Kamal Ahmed		-Non-Executive Director
Mr. Rehan Anjum		-Non-Executive Director
Ms. Rukhsana Narejo		-Non-Executive Director
Mr. Zulfiqar Ali		-Chief Executive

### Acting CFO & Company Secretary

Muhammad Adnan Shakeel

### Audit Committee

Mr. Habibullah Khilji	-Chairman
Mr. Kamal Ahmed	-Member
Mr. Rehan Anjum	-Member

### Human Resource Committee

Mr. Waseem Mehdi Syed	-Chairman
Ms. Rukhsana Narejo	-Member
Mr. Zulfiqar Ali	-Member

### Nomination Committee

Mr. Waseem Mehdi Syed	-Chairman
Mr. Habibullah Khilji	-Member
Mr. Zulfiqar Ali	-Member

### Procurement Committee

Mr. Habibullah Khilji	-Chairman
Mr. Kamal Ahmed	-Member
Mr. Rehan Anjum	-Member

### Risk Management Committee

Mr. Waseem Mehdi Syed	-Chairman
Ms. Rukhsana Narejo	-Member
Mr. Zulfiqar Ali	-Member

### Bankers

Sindh Bank Limited-Islamic Banking (Saadat)  
NSRP 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.  
Tet (92-21) 35640708-9

### Lahore Branch

30-30A, Commercial Building,  
The Mall,  
Lahore.

## Directors' Report

On behalf of the Board of Directors of Sindh Modaraba Management Limited, we are presenting the 7<sup>th</sup> annual report of Sindh Modaraba together with Audited Accounts for the year ended June 30, 2021.

### 1. Economy

Pakistan's economy had a volatile growth pattern over the years marked by regular boom-and-bust cycles, which posed challenges in achieving long-term and inclusive growth. The present government focused on an economic vision of securing sustainable economic growth through improved efficiency, reduced cost of doing business, better regulatory environment, enhanced productivity, and increased investment.

The impact of government's timely and appropriate measures is very much visible in the form of an economic recovery on the back of broad-based growth across all sectors. Home remittances by overseas Pakistanis grew significantly, current account balance showed improvement and country's exports also showed an appreciable turnaround. However, despite substantial improvements in various key economic indicators, the rising inflation across the country has become cause of concern for economic decision makers.

Going forward, the rapidly evolving situation in Afghanistan and the mass COVID vaccination drive across the world can affect the shape of our economy. Besides evolving geo-political situation, deteriorating current account and external account number due to significant rise in import bill is another cause of concern. Next few months can prove to be critical as the resumption of IMF negotiation, FATF review plus international economies picking up the pace can shape Pakistan's fiscal and monetary policy.

### 2. Operating Results and Business Overview

The Modaraba earned a net profit of Rs. 75.82 million during the year under review as compared to profit of Rs. 107.885 million earned during the year ended June 30, 2020. As stated in our quarterly reports, the main reason for decline in profitability was 625 bps decline in policy rate by SBP, which not only affected earnings from financing portfolio but also our income on the funds placed with the banks. Another important reason contributing to decline in earnings is more stringent Modaraba regulatory regime with respect to the classification of non-performing financing resulting in more provisions on NPLs. Further, the difficulties faced by the businesses due to COVID-19 and resultant inability to timely discharge their financial liabilities had 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. The operating results for the year ending June 30, 2021 are summarized in the table below:

	June 30, 2021	June 30, 2020
	-----Rupees-----	
<b>Balance Sheet</b>		
Certificate capital	450,000,000	450,000,000
Total equity	1,625,056,964	1,609,974,420
Investment in Ijarah/Diminishing Musharaka	819,617,511	791,938,755
<b>Profit &amp; Loss</b>		
Revenue (net of Ijarah asset depreciation)	138,244,547	188,071,755
Operating expenses	46,442,770	39,222,816
Profit before management fee	78,624,804	124,111,038
Net Profit	75,822,337	107,884,760
<b>Appropriations</b>		
Profit distribution @ 10.00 % (2020: 13.50%)	45,000,000	60,750,000
Statutory Reserve	26,537,818	43,153,904
<b>Earning per Certificate</b>	1.68	2.40



## Directors' Report

### 3. Outlook

The economic momentum that became evident in FY-21 is expected to further strengthen in FY-22. The ongoing roll out of vaccines coupled with continuation of economic activities during second and third wave offers some optimism. The government has introduced various measures in the recent budget to boost economic activities. The private sector credit that picked up the pace since the start of the year 2021 is expected to continue its growth momentum in FY-2022.

The Modaraba is well positioned to take the benefit of situation and intends to quickly deploy the available funds in the financing business without compromising on the quality of the portfolio. All efforts will be made to keep the operational expenses at sustainable level. However, the government's decision to withdraw the tax exemptions available to the Modarabas shall largely affect the profitability of FY-2022 and onwards.

### 4. Profit distribution

The Board of Directors has approved a cash dividend @ 10.00% (2020:13.50%) i.e.Rs. 1.00 (2020: Rs.1.35) per certificate for the year ended 30<sup>th</sup> June 2021.

As per Modaraba 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.26,537,818/- (35%) 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 IdreesQamar, 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, 2021, 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, 2021 is Rs. 9.310 million (2020: Rs. 13.400 million).
- Key operating and financial data of last six years is annexed.
- Ten Board meetings of the Modaraba Company were held during the year. Attendance of each director is appended hereunder:

## Directors' Report

Name of Directors	No. of Meetings attended
Mr. Muhammad Bilal Sheikh	5
Syed Hassan Naqvi	5
Mr. Muhammad Naimuddin Farooqui	4
Mr. Muhammad Shahid Murtaza	3
Mr. Asif Haider Mirza	3
Mr. Kamal Ahmed	10
Ms. Yasmin Zafar	3
Mr. Waseem Mehdi Syed	7
Mr. Habibullah Khilji	7
Mr. RehanAnjum	3
Ms. Rukhsana Narejo	3
Mr. Zulfiqar Ali – CEO	1

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. Waseem Mehdi Syed	2
Mr. Kamal Ahmed	4
Mr. Muhammad Shahid Murtaza	2
Ms. Yasmin Zafar	2
Mr. Habibullah Khilji	2

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

Name of Directors	No. of Meetings attended
Mr. Muhammad Shahid Murtaza	1
Syed Hassan Naqvi	1
Ms. Yasmin Zafar	1

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

Name of Directors	No. of Meetings attended
Mr. Asif Haider Mirza	2
Mr. Muhammad Shahid Murtaza	2
Mr. Kamal Ahmed	2

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

Name of Directors	No. of Meetings attended
Mr. Muhammad Bilal Sheikh	1
Mr. Waseem Mehdi Syed	1
Syed Hassan Naqvi	1
Mr. Kamal Ahmed	2
Mr. RehanAnjum	1

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



## Directors' Report

### 7. The Board of Directors

During the year, the term of directors was completed and fresh election of directors was held on 22<sup>nd</sup> October 2020 wherein some new directors were appointed in place of outgoing members.

The Board wishes to place its appreciation for the valuable contribution made by the out-going directors.

Further, the term of previous CEO was expired and Mr. Zulfiqar Ali appointed as Chief Executive Officer of the Company.

### 8. Social Responsibility

The Modaraba ensures its role of a Responsible Corporate Citizen by conducting business in line with its mission incorporating shariah principles in a socially responsible and ethical manner, protecting the environment, and supporting the communities and cultures with which it works.

The Modaraba is committed to maintain the highest standards of integrity and corporate governance practices in order to maintain excellence in its daily operations, and to build-up confidence in its governance systems.

The Modaraba constantly strives to build trust and demonstrate respect for human dignity and rights in all relationships, including respect for cultures, customs and values of individuals and groups.

### 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, 2022. However, their appointment will be subject to the approval of Registrar Modaraba.


### 11. Acknowledgment by the Management/Board

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

(On behalf of the Board)



Chief Executive Officer



Director

Karachi.  
September 07, 2021

## ڈائریکٹرز کی رپورٹ

سندھ مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، ہم سندھ مضاربہ کی ساتویں سالانہ رپورٹ 30 جون، 2021 کو مکمل ہونے والے سال کے آڈٹ شدہ اکاؤنٹس کے ہمراہ پیش کر رہے ہیں۔

## ۱۔ معیشت

پاکستان کی معاشی ترقی گذشتہ کئی سالوں کے دوران غیر مستحکم رہی، جس میں تیزی اور مندی کے مسلسل رجحان کی وجہ سے جو طویل مدتی اور جامع ترقی کا حصول چیلنجوں کا باعث بنا۔ موجودہ حکومت نے بہتر کارکردگی، کاروبار کرنے کی لاگت میں کمی، بہتر ریگولیٹری ماحول، بڑھتی ہوئی پیداواری صلاحیت اور سرمایہ کاری کے ذریعے پائیدار معاشی نمو حاصل کرنے کے معاشی وژن پر توجہ دی۔

حکومت کے بروقت اور مناسب اقدامات کے اثرات تمام شعبوں میں وسیع پیمانے پر ترقی کے ساتھ معاشی بحالی کی صورت میں بہتر نظر آتے ہیں۔ بیرون ملک مقیم پاکستانیوں کی جانب سے ترسیلات زر میں نمایاں اضافہ ہوا، کرنٹ اکاؤنٹ بیلنس میں بہتری آئی اور ملک کی برآمدات میں بھی قابل ذکر تبدیلی آئی۔ تاہم مختلف اہم معاشی اشاریوں میں خاطر خواہ بہتری کے باوجود، ملک بھر میں بڑھتی ہوئی مہنگائی معاشی فیصلہ سازوں کے لیے تشویش کا باعث ہے۔

افغانستان میں تیزی سے بدلتی ہوئی صورتحال اور دنیا بھر میں بڑے پیمانے پر COVID-19 پکسیسیشن مہم کی معیشت کو اثر انداز کر سکتی ہے۔ جغرافیائی سیاسی صورتحال کے علاوہ درآمدی بل میں نمایاں اضافے کی وجہ سے گھٹتا ہوا کرنٹ اکاؤنٹ اور ایکسٹرنل اکاؤنٹ نمبر تشویش کی ایک اور وجہ ہے۔ اگلے چند مہینے اہم ثابت ہو سکتے ہیں کیونکہ آئی۔ ایم۔ ایف پروگرام کی بحالی، ایف۔ اے۔ ٹی۔ ایف کا جائزہ اور بین الاقوامی معیشتوں کی رفتار میں اضافہ پاکستان کی مالیاتی اور مانیٹری پالیسی کو اثر انداز کر سکتی ہے۔

## ۲۔ آپریٹنگ نتائج اور کاروبار کا جائزہ

30 جون، 2020 کو ختم ہونے والے سال میں 107,885 ملین روپے منافع کے مقابلے میں زیر غور سال کے دوران 75.82 ملین روپے کمائے۔ جیسا کہ ہماری سرمایہ رپورٹس میں بتایا گیا ہے کہ منافع میں کمی کی بنیادی وجہ اسٹیٹ بینک کی پالیسی کی شرح میں 625 پی۔ پی۔ ایس کی کمی تھی، جس نے نہ صرف فنانسنگ پورٹ فولیو سے ہونے والی آمدنی کو متاثر کیا بلکہ بینکوں کے پاس رکھے گئے فنڈز پر ہماری آمدنی بھی متاثر ہوئی۔ آمدنی میں کمی کی ایک اور اہم وجہ نان بدقارم فنانسنگ کی درجہ بندی کے حوالے سے زیادہ سخت مضاربہ ریگولیٹری قوانین ہیں جس کے نتیجے میں این۔ پی۔ ایل پر اضافی پروویژنز ہیں۔ مزید یہ کہ، 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۔ انتظامیہ منفی اثرات کو کم سے کم سطح پر رکھنے کے لیے تمام کوششیں کر رہی ہے۔ 30 جون 2021 کو ختم ہونے والے سال کے آپریٹنگ نتائج درج ذیل ہیں۔

30 جون 2020 ..... روپے ..... 30 جون 2021

450,000,000	450,000,000
1,609,974,420	1,625,056,964
791,938,755	819,617,511

بیلنس شیٹ

سرٹیفیکیٹ کیسٹریبل

گل ایکویٹی

اجارہ اٹھٹنا ہوا مشارکہ میں سرمایہ کاری

## ڈائریکٹرز کی رپورٹ

## نفع اور نقصان

188,071,755	138,244,547	آمدنی (خالص اجارہ اثاثہ کی فرسودگی)
39,222,816	46,442,770	آپریٹنگ اخراجات
124,111,038	78,624,804	منافع قبل از منجمنٹ کی فیس
107,884,760	75,822,337	خالص منافع
		مختص کردہ رقوم
60,750,000	45,000,000	منافع کی تقسیم 10 فیصد (13 اعشاریہ 50 فیصد: 2020)
43,153,904	26,537,818	دستوری محفوظ ذخائر
2.40	1.68	آمدنی فی سرٹیکسٹ
		س۔ امید مستقبل

مالی سال 2021 میں واضح ہونے والی معاشی رفتار مالی سال 2022 میں مزید مضبوط ہونے کی توقع ہے۔ دوسری اور تیسری لہر کے دوران موجودہ یکسیشن سرگرمی کے ساتھ معاشی سرگرمیوں کو جاری رکھنا خوش آئند ہے۔ حکومت نے اقتصادی سرگرمیوں کو فروغ دینے کے لیے حالیہ بجٹ میں مختلف اقدامات متعارف کرائے ہیں۔ پرائیویٹ سیکٹر قوانین جس میں سال 2021 کے آغاز کے بعد سے تیزی آئی ہے توقع ہے کہ مالی سال 2022 میں اس میں مزید تیزی ہوگی۔ مضاربہ اس صورتحال کا فائدہ اٹھانے کے لیے اچھی پوزیشن میں ہے اور پورٹ فولیو کے معیار پر سمجھوتہ کیے بغیر فنڈنگ کے کاروبار میں دستیاب فنڈز کو تیزی سے تعینات کرنے کا ارادہ رکھتی ہے۔ آپریٹنگ اخراجات کو پائیدار سطح پر رکھنے کے لیے تمام کوششیں کی جائیں گی۔ تاہم، مضاربہ کو دستیاب ٹیکس چھوٹ واپس لینے کے حکومتی فیصلے سے مالی سال 2022 اور اس کے بعد کے منافع پر بڑی حد تک اثر پڑے گا۔

## ۴۔ منافع کی تقسیم

بورڈ آف ڈائریکٹرز نے 30 جون 2021 کو ختم ہونے والے سال کے لیے ڈیویڈنڈ 10 فیصد (13 اعشاریہ 50 فیصد: 2020) یعنی 1 روپیہ (1 روپیہ 35 پیسے: 2020) فی سرٹیکسٹ کا اعلان کیا ہے۔ سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ مضاربہ ریگولیشنز کے مطابق مضاربہ کے لیے لازم ہے وہ بعد از ٹیکس منافع کا کم سے کم 20 فیصد اور زیادہ سے زیادہ 50 فیصد دستوری ذخائر کے لیے مختص کرے۔ بورڈ آف ڈائریکٹرز نے دستوری ذخائر کے لیے 26,537,818 روپے (35 فیصد) مختص کئے ہیں۔

## ۵۔ سالانہ بیرونی آڈٹ

مضاربہ کے مالیاتی اسٹیٹمنٹس کو بغیر کسی کوالیفیکیشن کے آڈیٹرز بیکری ٹی محمود اور بیس قر، 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 ایکٹرکٹیز (کارپوریٹ گورننس) قوانین 2013 کے ضوابط کی پابندی کرے۔ دستوری آڈیٹ 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۔
- \* منجمنت کے تیار کردہ مالیاتی اسٹیٹمنٹس معاملات، آپریشن کے نتائج، کیش فلو اور ایکویٹی میں تذبذب کی درست تصویر پیش کرتے ہیں۔
- \* مناسب طور سے کھاتوں کی بکس رکھی گئی ہیں۔
- \* مالیاتی اسٹیٹمنٹس کی تیاری میں مناسب آکاؤنٹنگ پالیسیوں کو استعمال کیا گیا ہے اور آکاؤنٹنگ تخمینوں کی بنیاد مناسب اور محفوظ اندازے ہیں۔
- \* اندرونی نگرانی نظام کا ڈیزائن مضبوط ہے اور اس کا موثر طور پر نفاذ کیا جا چکا ہے اور اس کی موثر نگرانی کی جاتی ہے۔
- \* چیرمین اور بورڈ کے دیگر ممبران کا انتخاب، ان کے انتخاب کی مدت اور ان کے مشاہروں کی پالیسی 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 شدہ ہونے کی صورت میں ان کو مناسب طور پر ظاہر کیا اور اس کی وضاحت کی گئی ہے۔
- \* 30 جون 2021 پر بیکس، 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 2021 تک ملازمتی کے پراویڈنڈ فنڈز سے پراویڈنڈ فنڈز سے 9,310 ملین (2020: 13,400 ملین) کی سرمایہ کاری کی گئی ہے۔
- \* گذشتہ چھ سالوں کا اہم آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے۔
- \* سال میں مضاربہ کمپنی کے بورڈ کے دس اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب محمد جمال شیخ	5
سید حسن نقوی	5
جناب محمد نسیم الدین قاروقی	4
جناب محمد شاہد مرعشی	3
جناب آصف حیدر مرزا	3
جناب کمال احمد	10
مس یاسمین ظفر	3
جناب وسیم مہدی سید	7
جناب حبیب اللہ ظفر	7
جناب رحمان انجم	3
مس رحمانہ فاروقی	3
جناب ذوالفقار علی سی ای ای او	1

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 وسیم مہدی سید	2
جناب کمال احمد	4
جناب محمد شاہد نقوی	2
مس یاسمین ظفر	2
جناب حبیب اللہ ظہری	2

سال میں مضارہ پہ کینیڈا کی پانچ ریسٹریٹڈ کمپنی کے دو اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب محمد شاہد نقوی	1
سید حسن نقوی	1
مس یاسمین ظفر	1

سال میں مضارہ پہ کینیڈا کی ریسٹریٹڈ کمپنی 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	2
جناب محمد شاہد نقوی	2
جناب کمال احمد	2

سال میں مضارہ پہ کینیڈا کی ریسٹریٹڈ کمپنی کے چار اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے:

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب محمد جمال شیخ	1
جناب وسیم مہدی سید	1
سید حسن نقوی	1
جناب کمال احمد	2
جناب رحمان انجم	1

یورڈ ناظرہ کی اور پرو کیورمنٹ کی کمیٹیوں کو قوانین کے مطابق قائم کر چکا ہے۔ زیر غور مدت کے دوران ان کمیٹیوں کا کوئی اجلاس نہیں ہوا۔

اس رپورٹ کے ساتھ سرٹیفیکٹ ہولڈنگ کا خاکہ منسلک ہے۔

ڈائریکٹرز ہی ای او این کیویٹرز اور ان کے شریک حیات اور ان کے ناپالغ بچوں نے سال کے دوران مضارہ پہ کے سرٹیفیکٹس کا کوئی لین دین نہیں کیا۔

## ڈائریکٹرز کی رپورٹ

۷۔ بورڈ آف ڈائریکٹرز

سال کے دوران، ڈائریکٹرز کی مدت پوری ہوئی اور ڈائریکٹرز کے نئے انتخابات 22 اکتوبر 2020 کو ہوئے جس میں آڈٹ گونگ ممبروں کی جگہ کچھ نئے ڈائریکٹرز مقرر کیے گئے۔ بورڈ آڈٹ گونگ ڈائریکٹرز کی قابل قدر خدمات کو سراہتی ہے۔ مزید یہ کہ سابق سی۔ ای۔ او کی مدت ختم ہو گئی تھی اور جناب ذوالفقار علی کو کمپنی کا چیف ایگزیکٹو آفیسر مقرر کیا گیا۔

۸۔ سماجی ذمہ داری

مضاربہ ایک ذمہ دار کارپوریٹ شہریت کو یقینی بنانے کے لئے کاروبار کو اپنے مقصد کے تحت شرعی اصولوں کے ساتھ سماجی طور پر ذمہ دار اند اور اخلاقی اقدار میں ماحول کو تحفظ دینے کے ساتھ انجام دیتا ہے تاکہ سماجی اور ثقافتی طور پر مددگار ہو۔

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

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

۹۔ کریڈٹ ریٹنگ

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۔ آڈٹرز

آڈٹ کمپنی کی سفارش پر بورڈ موجودہ آڈٹرز میسرز بیکر ٹیلر محمود اور بیس قمر، چارٹرڈ اکاؤنٹنٹس کی بطور آڈٹرز برائے مالی سال جس کا اختتام 30 جون 2022 کو ہوگا، دوبارہ انتخاب کی منظوری دے چکا ہے۔ لیکن ان کا انتخاب رجسٹرار مضاربہ کی منظوری سے مشروط ہے۔

۱۱۔ اعتراف

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

بورڈ کی جانب سے



ڈائریکٹر



چیف ایگزیکٹو آفیسر

کراچی

07 ستمبر 2021



## Key Operating &amp; Financial Data

	2021 30-Jun-21	2020 30-Jun-20	2019 30-Jun-19	2018 30-Jun-18	2017 30-Jun-17	2016 30-Jun-16
<b>Rupees</b>						
<b>Balance Sheet</b>						
Certificate capital	450,000,000	450,000,000	450,000,000	450,000,000	450,000,000	450,000,000
Reserves	175,056,964	159,974,420	113,046,762	65,786,214	33,671,641	23,134,681
Total equity	1,625,056,964	1,609,974,420	1,063,046,762	1,015,786,214	983,671,641	473,134,681
Total Assets	1,657,153,740	1,706,170,652	1,639,272,831	1,569,428,718	1,028,593,706	515,424,898
Financing Portfolio	819,617,511	791,938,755	666,717,824	676,717,777	631,611,597	458,637,100
Non-performing loans						
Provision made						
Current Assets	1,200,357,149	1,177,337,968	1,218,410,905	1,096,695,414	468,490,917	77,776,379
Current Liabilities	32,096,776	96,195,232	576,218,069	553,466,854	25,344,941	9,604,892
Total Liabilities	32,096,776	96,196,232	576,226,069	553,642,504	44,922,065	42,290,217
<b>Profit &amp; Loss</b>						
Revenue (net of Ijarah asset depreciation)	138,244,547	188,071,755	125,016,560	88,789,355	55,107,914	34,633,861
Operating expenses	46,442,770	39,222,816	32,113,806	28,871,650	24,123,893	17,232,616
Profit before management fee	78,624,804	124,111,038	93,359,412	60,240,405	30,240,620	23,890,309
Net Profit	75,822,337	107,884,760	81,153,602	52,364,573	26,286,960	20,743,478
<b>Appropriations</b>						
Profit distribution (%)	10.00%	13.50%	13.50%	7.50%	4.50%	3.50%
Profit distribution	45,000,000	60,750,000	60,750,000	33,750,000	20,250,000	15,750,000
Statutory Reserve	26,537,818	43,153,904	24,346,081	15,709,372	5,257,392	4,148,696
<b>Financial Ratios</b>						
Earning per Certificate	1.68	2.40	1.80	1.16	0.58	0.46
Net profit ratio (%)	54.85%	57.36%	64.91%	58.98%	47.70%	59.89%
P/E Ratio	5.22	3.42	4.16	6.02	7.87	8.46
Breakup Value	13.89	13.55	12.51	11.46	10.75	10.51
Debt ratio (%)	1.94%	5.64%	35.15%	35.28%	4.37%	8.20%
Current ratio	37.40	12.24	2.11	1.98	18.48	8.10
Earning asset to total asset (%)	89.67%	94.18%	98.02%	93.22%	97.45%	96.83%
Return on asset (%)	4.51%	6.45%	5.06%	4.03%	3.41%	4.17%
Return on equity (%)	4.69%	8.07%	7.81%	5.24%	3.61%	4.45%
Debt Equity (%)	1.98%	5.98%	54.21%	54.50%	4.57%	8.94%

### 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, 2021.

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: <table border="1" data-bbox="247 821 984 1115" style="margin-left: 20px;"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td rowspan="2">Independent Directors</td> <td>Mr. Waseem Mehdi Syed</td> <td>26 November 2020</td> </tr> <tr> <td>Mr. Habibullah Khilji</td> <td>25 November 2020</td> </tr> <tr> <td>Chief Executive Officer</td> <td>Mr. Zulfiqar Ali</td> <td>19 May 2021</td> </tr> <tr> <td rowspan="3">Non-Executive Directors</td> <td>Mr. Kamal Ahmed</td> <td>15 August 2017</td> </tr> <tr> <td>Ms. Rukhsana Narejo</td> <td>02 February 2021</td> </tr> <tr> <td>Mr. Rehan Anjum</td> <td>02 February 2021</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	Mr. Waseem Mehdi Syed	26 November 2020	Mr. Habibullah Khilji	25 November 2020	Chief Executive Officer	Mr. Zulfiqar Ali	19 May 2021	Non-Executive Directors	Mr. Kamal Ahmed	15 August 2017	Ms. Rukhsana Narejo	02 February 2021	Mr. Rehan Anjum	02 February 2021	3(2)	✓	
Category	Names	Date of appointment																				
Independent Directors	Mr. Waseem Mehdi Syed	26 November 2020																				
	Mr. Habibullah Khilji	25 November 2020																				
Chief Executive Officer	Mr. Zulfiqar Ali	19 May 2021																				
Non-Executive Directors	Mr. Kamal Ahmed	15 August 2017																				
	Ms. Rukhsana Narejo	02 February 2021																				
	Mr. Rehan Anjum	02 February 2021																				
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.sindhmodarabalttd.com">www.sindhmodarabalttd.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.	6(1)	✓	
	b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✓	
	c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	✓	
19.	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8 (2)	✓	



**Statement of Compliance with the 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																			
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="279 1119 1020 1430" 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>Habibullah Khilji</td> </tr> <tr> <td>Risk Management Committee</td> <td>3</td> <td>Waseem Mehdi Syed</td> </tr> <tr> <td>Human Resources Committee</td> <td>3</td> <td>Waseem Mehdi Syed</td> </tr> <tr> <td>Procurement Committee</td> <td>3</td> <td>Habibullah Khilji</td> </tr> <tr> <td>Nomination Committee</td> <td>3</td> <td>Waseem Mehdi Syed</td> </tr> </tbody> </table>	Committee	Number of Members	Name of Chair	Audit Committee	3	Habibullah Khilji	Risk Management Committee	3	Waseem Mehdi Syed	Human Resources Committee	3	Waseem Mehdi Syed	Procurement Committee	3	Habibullah Khilji	Nomination Committee	3	Waseem Mehdi Syed	12	✓ ✓ ✓ ✓	
Committee	Number of Members	Name of Chair																				
Audit Committee	3	Habibullah Khilji																				
Risk Management Committee	3	Waseem Mehdi Syed																				
Human Resources Committee	3	Waseem Mehdi Syed																				
Procurement Committee	3	Habibullah Khilji																				
Nomination Committee	3	Waseem Mehdi Syed																				
24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	✓																			
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓																			
26.	The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓																			
27.	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓																			

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

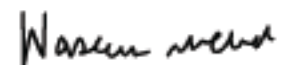
S. No.	Provision of the Rules	Rule no.	Y	N												
			Tick the relevant box													
28.	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.	18	✓													
29.	a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration.  b) The annual report of the company contains criteria and details of remuneration of each director.	19		N/A												
30.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the Board.	20	✓													
31.	The Board has formed an audit committee, with defined and written terms of reference, and having the following members:  <table border="1" data-bbox="258 1033 995 1213"> <thead> <tr> <th>Name of member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Mr.Habibullah Khilji</td> <td>Independent</td> <td>Public Sector professional</td> </tr> <tr> <td>Mr.Kamal Ahmed</td> <td>Non-executive</td> <td>Financial controller</td> </tr> <tr> <td>Mc Rehan Anjum</td> <td>Independent</td> <td>Professional Banker</td> </tr> </tbody> </table> The chief executive and chairman of the Board are not members of the audit committee.	Name of member	Category	Professional background	Mr.Habibullah Khilji	Independent	Public Sector professional	Mr.Kamal Ahmed	Non-executive	Financial controller	Mc Rehan Anjum	Independent	Professional Banker	21 (1) and 21(2)	✓	
Name of member	Category	Professional background														
Mr.Habibullah Khilji	Independent	Public Sector professional														
Mr.Kamal Ahmed	Non-executive	Financial controller														
Mc Rehan Anjum	Independent	Professional Banker														
32.	a) The chief financial officer, the chief internal auditor, and arepresentative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed.  b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives.  c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.	21(3)	✓  ✓  ✓													
33.	a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.  b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.  c) The internal audit reports have been provided to the external auditors for their review.	22	✓  ✓  ✓													

**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	
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**

**Chairman**

Karachi.  
September 07, 2021



## Shari'ah Advisor's Report

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

I have conducted the *Shari'ah* review of Sindh Modaraba managed by Sindh Modaraba Management Limited for the financial year ended June 2021 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 the Islamic Law of Contract and its practical implementation & challenges in the modern day financial industry.

- 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 has most of its portfolio of financing assets covered through Takaful arrangements. However, a small portion is still covered through the conventional insurance companies. It must be fully converted into Takaful as soon as possible upon the next renewal.

### Notes

1. During the year, an amount of Rs. 250,000/- has been realized as charity on account of delay in payment by customers.
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: 30-08-2021

**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 herein after referred to as 'Codes') prepared by the Board of Directors of **Sindh Modaraba Management Limited** (the Management Company) for the year ended June 30, 2021 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, 2021.

**Baker Tilly Mehmood Idrees Qamar**  
Chartered Accountants

Place : Karachi.  
Date : September 07, 2021

**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, 2021 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, profit and loss account and statement of comprehensive income 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;
  - 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, 2021 and of the profit, other comprehensive income, 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.

**Baker Tilly Mehmood Idrees Qamar**  
Chartered Accountants

Place : Karachi.

Date : September 07, 2021

**Mehmood A. Razzak**  
Engagement Partner



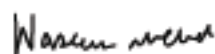
**BALANCE SHEET**

AS AT JUNE 30, 2021

		June 30, 2021	June 30, 2020
	Note	Rupees	
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	4	475,524,291	883,707,855
Short term investments	5	320,000,000	-
Advances, prepayments and other receivables	6	37,136,016	21,915,131
Current portion of Diminishing Musharaka	7	367,318,842	270,789,982
Current portion of long term loan	8	378,000	925,000
<b>Total current assets</b>		<b>1,200,357,149</b>	<b>1,177,337,968</b>
<b>Non - current assets</b>			
Diminishing Musharaka	7	447,293,669	513,998,681
Ijarah assets	9	5,005,000	7,150,092
Long term loan	8	1,102,500	3,668,500
Fixed assets - in own use	10	3,395,422	4,015,411
<b>Total non - current assets</b>		<b>456,796,591</b>	<b>528,832,684</b>
<b>TOTAL ASSETS</b>		<b>1,657,153,740</b>	<b>1,706,170,652</b>
<b>LIABILITIES AND CERTIFICATE HOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	11	26,438,518	90,614,181
Current portion of customers' security deposit	12	5,005,000	5,006,000
Profit distribution payable		653,258	575,051
		<b>32,096,776</b>	<b>96,195,232</b>
<b>Non - current liabilities</b>			
Customers' security deposit	12	-	1,000
<b>TOTAL LIABILITIES</b>		<b>32,096,776</b>	<b>96,196,232</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>			
Authorised certificate capital	13	500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital	13	450,000,000	450,000,000
Reserves	14	175,056,964	159,974,420
Long term loan	15	1,000,000,000	1,000,000,000
		<b>1,625,056,964</b>	<b>1,609,974,420</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>1,657,153,740</b>	<b>1,706,170,652</b>
Contingencies and commitments	16		

The annexed notes 1 to 35 form an integral part of these financial statements.


For Sindh Modaraba Management Limited (Management Company)



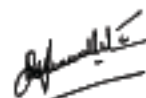
Chairman



Chief Executive Officer



Director



Acting CFO

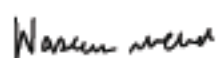
**PROFIT AND LOSS ACCOUNT**

FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020
Income from:			
- Diminishing Musharaka		79,027,424	101,857,955
- Income from Ijarah financing-net	17	569,356	841,662
- Bank deposits		43,836,825	83,292,466
- Term deposit receipts		14,810,942	2,079,672
		<u>138,244,547</u>	<u>188,071,755</u>
Administrative and operating expenses	18	(46,442,770)	(39,222,816)
Provision for doubtful receivables	19	(13,513,618)	(28,150,551)
		<u>(59,956,388)</u>	<u>(67,373,367)</u>
		<u>78,288,159</u>	<u>120,698,388</u>
Other income - net	20	336,645	3,412,650
		<u>78,624,804</u>	<u>124,111,038</u>
Modaraba Management Company's remuneration	21	(7,862,480)	(12,411,104)
Provision for Sindh Sales Tax on Management Company's remuneration		(1,022,123)	(1,613,444)
Reversal / (provision) of workers' welfare fund		6,082,136	(2,201,730)
		<u>(2,802,467)</u>	<u>(16,226,278)</u>
<b>Profit before taxation</b>		<u>75,822,337</u>	<u>107,884,760</u>
Taxation	22	-	-
<b>Profit for the year</b>		<u>75,822,337</u>	<u>107,884,760</u>
Earnings per certificate - basic and diluted	23	<u>1.68</u>	<u>2.40</u>

The annexed notes 1 to 35 form an integral part of these financial statements.

For Sindh Modaraba Management Limited (Management Company)



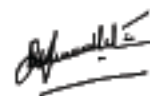
Chairman



Chief Executive Officer



Director



Acting CFO

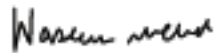
**STATEMENT OF COMPREHENSIVE INCOME**

FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	Rupees	June 30, 2020
	<u>                    </u>		<u>                    </u>
<b>Profit for the year</b>	<b>75,822,337</b>		<b>107,884,760</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 gain/(loss) on defined benefit plan	<b>10,207</b>		<b>(207,102)</b>
<b>Total comprehensive income for the year</b>	<b><u>75,832,544</u></b>		<b><u>107,677,658</u></b>

The annexed notes 1 to 35 form an integral part of these financial statements.


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



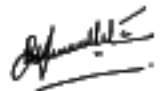
Chairman



Chief Executive Officer



Director



Acting CFO



**CASH FLOW STATEMENT**  
 FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021	June 30, 2020
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		75,822,337	107,884,760
<b>Adjustments for non - cash and other items</b>			
Depreciation on ijarah assets	9	2,143,092	2,836,813
Depreciation on fixed assets - in own use	10.1	1,332,608	1,148,516
Amortisation of intangible assets	10.2	319,981	334,423
Provision for doubtful receivables	19	13,513,618	28,150,551
Reversal/(Provision) for workers' welfare fund		(8,082,136)	2,201,730
Income suspended in respect of diminishing musharaka		6,407,072	7,431,345
Loss on disposal of fixed assets	20	-	40,216
Gain on disposal of ijarah assets	20	-	(52,428)
Income on bank deposits		(43,836,825)	(83,292,466)
Income on term deposit receipts		(14,810,942)	(2,079,672)
Provision for gratuity		1,080,255	695,221
<b>Operating losses before working capital changes</b>		<b>(39,933,307)</b>	<b>(42,585,751)</b>
<b>Working capital changes</b>			
<b>(Increase) / decrease in current assets</b>			
Advances, prepayments and other receivables		(19,113,629)	(12,175,103)
Ijarah rental receivables		-	12,573
Diminishing Musharaka		(43,337,466)	(156,750,937)
Long term loan	8	3,113,000	(4,377,500)
<b>Increase / (decrease) in current liabilities</b>			
Creditors, accrued and other liabilities		(58,261,252)	(482,393,273)
Customers' security deposit		(2,000)	(273,370)
		(117,601,347)	(655,957,610)
Income received on term deposit receipts		10,085,462	4,229,809
Income received on bank deposits		46,047,977	84,409,871
Gratuity contribution paid	11.3	(902,323)	(746,903)
<b>Net cash used in from operations</b>		<b>(26,481,201)</b>	<b>(502,765,824)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale proceeds from disposal of ijarah assets		2,000	595,007
Sale proceeds from disposal of fixed assets		-	32,000
Purchase of tangible assets-owned	10.1	(819,460)	(2,316,172)
Purchase of intangible assets-owned	10.2	(213,110)	-
<b>Net cash used in from investing activities</b>		<b>(1,030,570)</b>	<b>(1,689,165)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Long term loan received	15	-	500,000,000
Profit distributed		(60,671,793)	(60,470,344)
<b>Net cash (used in)/generated from financing activities</b>		<b>(60,671,793)</b>	<b>439,529,656</b>
<b>Net decrease in cash and cash equivalents</b>		<b>(88,183,564)</b>	<b>(64,825,333)</b>
Cash and cash equivalents at the beginning of the year		883,707,855	948,633,188
<b>Cash and cash equivalents at the end of the year</b>	32	<b>795,524,291</b>	<b>883,707,855</b>

The annexed notes 1 to 35 form an integral part of these financial statements.

For Sindh Modaraba Management Limited (Management Company)



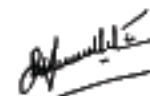
Chairman



Chief Executive Officer



Director



Acting CFO

**STATEMENT OF CHANGES IN EQUITY**

FOR THE YEAR ENDED JUNE 30, 2021

	Issued, subscribed, and paid-up certificate	Reserves			Long term loan	Total equity and reserves
		Capital	Revenue	Total reserves		
		Statutory reserve	Unappropriated profit			
Rupees						
<b>Balance as at June 30, 2019</b>	450,000,000	51,379,782	61,666,980	113,046,762	500,000,000	1,063,046,762
Profit for the year	-	-	107,884,760	107,884,760	-	107,884,760
Other comprehensive income / (loss)	-	-	(207,102)	(207,102)	-	(207,102)
Transfer to statutory reserve	-	43,153,904	(43,153,904)	-	-	-
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. 1.35 (13.6%) per certificate	-	-	(60,750,000)	(60,750,000)	-	(60,750,000)
<b>Balance as at June 30, 2020</b>	450,000,000	94,533,686	65,440,734	159,974,420	1,000,000,000	1,609,974,420
Profit for the year	-	-	75,822,337	75,822,337	-	75,822,337
Other comprehensive income / (loss)	-	-	10,207	10,207	-	10,207
Transfer to statutory reserve	-	26,637,818	(26,637,818)	-	-	-
<b>Transaction with Certificate Holders</b>						
Profit distribution for the year ended June 30, 2020 at Rs. 1.35 (13.5%) per certificate	-	-	(60,750,000)	(60,750,000)	-	(60,750,000)
<b>Balance as at June 30, 2021</b>	450,000,000	121,071,504	63,985,469	175,056,964	1,000,000,000	1,625,056,964

The annexed notes 1 to 35 form an integral part of these financial statements.

For Sindh Modaraba Management Limited (Management Company)



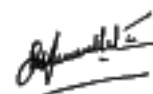
Chairman



Chief Executive Officer



Director



Acting CFO

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

### 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'.

### 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, Modaraba Regulations for Modaraba and the Islamic Financial Accounting Standards (IFASs) have been followed.

During the current year, the SECP has deferred the applicability of all requirements of IFRS 9 for modarabas until June 30, 2022. The Modaraba had already adopted all the requirements of IFRS 9 in the financial statements in the year ended June 30, 2019 with the exception of determining the provision against financing portfolio. The provision against financing portfolio has been determined in accordance with the requirements of Modaraba Regulations issued by the SECP.

#### 2.2 Basis of measurement

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

#### 2.3 Functional and presentation currency

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

### 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, interpretations and amendments to published approved accounting standards that are effective and relevant

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for accounting periods beginning on or after July 01, 2020. However, these do not have any significant impact on the Modaraba's financial statements.

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

There are certain amendments and interpretations that are mandatory for accounting periods beginning on or after July 01, 2020 are considered not to be relevant for the Modaraba's financial statements and hence have not been detailed here.

#### 2.5.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The new standard, certain amendments and interpretations that are mandatory for accounting periods beginning on or after July 01, 2021 are considered not to be relevant for the Modaraba's financial statements and hence have not been detailed 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

### 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.

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

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

### 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 FVTOCI are not reported separately from other changes in fair value.

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

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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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.

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

### 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.

### 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

### 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, 2021

### 3.16 Segment reporting

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

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

### 3.17 Related party transactions

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

### 3.18 Dividend income

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

### 3.19 Ijarah rental receivable

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

### 3.20 Compensated absences

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

## 4. CASH AND BANK BALANCES

	Note	June 30, 2021	June 30, 2020
		Rupees	
Stamp papers in hand		92,500	58,400
Cash in hand		-	-
Balances with banks			
- on deposit accounts	4.1	474,747,249	883,062,409
- on current accounts	4.2	684,542	587,046
		<u>475,524,291</u>	<u>883,707,855</u>

**4.1** These carry profit at the rates ranging from 3.52% to 6.64% per annum. (2020: 4.97% to 8.59% per annum). This includes balance of Rs. 474.72 million (2020: Rs. 882.52 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

**4.2** This includes balance of Rs. 662,938 (2020: Rs. 585,929) held with Sindh Bank Limited - Islamic Banking Unit, related party.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021	June 30, 2020
		Rupees	
<b>5. SHORT TERM INVESTMENTS</b>			
Term deposit receipts	5.1	<u>320,000,000</u>	<u>-</u>
5.1	This represents investment made in Term Deposit Receipt in Sindh Bank Limited, Islamic (a related party) for the period of 3 months (2020: Nil). This investment carries profit at the rate of 7% per annum (2020: Nil).		
<b>6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances	6.1	25,540,683	2,599,217
Prepayments		668,173	547,949
Accrued income from bank deposits	6.2	3,231,056	5,442,208
Accrued income from term deposit receipts	6.2	4,725,480	-
Accrued income from Diminishing Musharaka	6.3	2,964,624	13,321,757
Other receivables		6,000	4,000
		<u>37,136,016</u>	<u>21,915,131</u>
6.1	This includes advance to vendors in respect of acquisition of assets under Diminishing Musharaka arrangement for onward delivery to lessee (customer) amounting to Rs. 24.385 million (2020: Rs. 1.55 million).		
6.2	This includes accrued income of Rs. 3,230,977 (2020: Rs. 5,438,429) and Rs. 4,725,480 (2020: Nil) in deposit account and term deposit receipts respectively, held with Sindh Bank Limited - Islamic Banking Unit, related party.		
<b>6.3 Accrued income from Diminishing Musharaka</b>			
Receivable		16,803,041	20,753,102
Less: Income suspend		(13,838,417)	(7,431,345)
		<u>2,964,624</u>	<u>13,321,757</u>
<b>7. DIMINISHING MUSHARAKA</b>			
Receivables - secured	7.1	859,574,172	816,236,706
Less: current portion		(367,318,842)	(270,789,982)
Less: provision in respect of diminishing musharaka	7.2	(44,961,661)	(31,448,043)
Non-current portion		<u>447,293,669</u>	<u>513,998,681</u>
7.1	This represents the finance provided to Individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 3 to 20 years (2020: 3 to 20 years) which is secured against mortgage of property, lien on title documents and charge on assets etc.		
7.2	This includes general provision of Rs. 3.69 million (2020: 3.80 million) made at the rate of 0.5% (2020: 0.5%) on diminishing musharaka receivables respectively.		

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2021

#### 7.2.1 Movement in provision in respect of Diminishing Musharaka

	June 30, 2021			June 30, 2020		
	General	Specific	Total	General	Specific	Total
	----- Rupees -----					
Opening	3,804,751	27,643,292	31,448,043	3,297,429	-	3,297,429
Charge for the year	-	13,624,267	13,624,267	507,322	27,643,292	28,150,614
Reversal during the year	(110,649)	-	(110,649)	-	-	-
<b>Closing</b>	<b>3,694,102</b>	<b>41,267,559</b>	<b>44,961,661</b>	<b>3,804,751</b>	<b>27,643,292</b>	<b>31,448,043</b>

#### 8. LONG TERM LOAN

	June 30, 2021	June 30, 2020
	----- Rupees -----	
Long term loan - considered good	1,480,500	4,593,500
Less: current portion of long term loan	(378,000)	(925,000)
	<b>1,102,500</b>	<b>3,668,500</b>

8.1 This represents car loan provided to Head of Internal Audit (related party) in accordance with the Monetization Policy approved by the Board.

#### 9. IJARAH ASSETS

Particulars	June 30, 2021							Net book value	Depreciation rate
	Cost			Depreciation					
	As at July 01, 2020	Disposals	As at June 30, 2021	As at July 01, 2020	Charge / (adjustment) for the year	As at June 30, 2021			
	----- Rupees -----								
Plant and machinery	80,000,000	-	80,000,000	74,999,988	12	75,000,000	5,000,000	33.33%	
Vehicles	13,113,500	-	10,571,500	10,963,420	2,143,080	10,566,500	5,000	20%	
		(2,542,000)			(2,540,000)				
	<b>93,113,500</b>	<b>-</b>	<b>90,571,500</b>	<b>85,963,408</b>	<b>2,143,092</b>	<b>85,566,500</b>	<b>5,005,000</b>		
		(2,542,000)			(2,540,000)				

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%	
Vehicles	15,934,200	-	13,113,500	10,529,728	2,836,813	10,963,420	2,150,080	20-50%	
		(1,250,000)			(1,125,000)				
		(2,820,700)			(2,403,121)				
	<b>97,184,200</b>	<b>-</b>	<b>93,113,500</b>	<b>86,654,716</b>	<b>2,836,813</b>	<b>85,963,408</b>	<b>7,150,092</b>		
		(4,070,700)			(3,528,121)				



**NOTES TO THE FINANCIAL STATEMENTS**

FOR THE YEAR ENDED JUNE 30, 2021

- 9.1 The Modaraba has entered into Ijarah arrangements for periods ranging from 3 to 5 years (2020: 3 to 5 years) against which security deposits were obtained at the time of disbursement (note 12).

Contractual rental receivables - Ijarah assets	Note	June 30, 2021	June 30, 2020
		Rupees	
Not later than 1 year		-	2,983,190
Later than 1 year but not later than 5 years		-	29,328
<b>Total</b>		<b>-</b>	<b>3,012,518</b>

**10. FIXED ASSETS - In own use**

Tangible assets	10.1	3,235,588	3,748,736
Intangible assets	10.2	159,834	266,675
Capital work in progress	10.3	-	-
		<b>3,395,422</b>	<b>4,015,411</b>

**10.1 TANGIBLE ASSETS**

Particulars	June 30, 2021							Net book value	Depreciation Rate
	Cost			Depreciation					
	As at July 01, 2020	Additions	As at June 30, 2021	As at July 01, 2020	Charge for the year	As at June 30, 2021			
	----- Rupees -----								
Furniture and fittings	1,416,245	120,000	1,536,245	646,910	148,624	795,534	740,711	10%	
Office equipment	3,272,641	-	3,272,641	1,946,377	534,680	2,481,057	791,584	20%	
Vehicles	1,354,275	-	1,354,275	283,806	262,152	545,958	808,317	20%	
Computer and accessories	2,454,259	699,460	3,153,719	1,871,591	387,152	2,258,743	894,976	33.33%	
	<b>8,497,420</b>	<b>819,460</b>	<b>9,316,880</b>	<b>4,748,684</b>	<b>1,332,608</b>	<b>6,081,292</b>	<b>3,235,588</b>		

Particulars	June 30, 2020							Net book value	Depreciation rate
	Cost			Depreciation					
	As at July 01, 2019	Additions/ (Disposals)	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 (384,491)	3,272,641	1,651,451	608,918 (313,992)	1,946,377	1,326,264	20%	
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 (12,350)	2,454,259	1,728,531	153,693 (10,633)	1,871,591	582,668	33.33%	
	<b>6,578,089</b>	<b>2,316,172 (396,841)</b>	<b>8,497,420</b>	<b>3,924,793</b>	<b>1,148,516 (324,625)</b>	<b>4,748,684</b>	<b>3,748,736</b>		

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

### 10.2 INTANGIBLE ASSETS

Particulars	June 30, 2021							Net book value	Amortisation rate
	Cost			Amortisation					
	As at July 01, 2020	Additions	As at June 30, 2021	As at July 01, 2020	Charge for the year	As at June 30, 2021			
Rupees									
Website	37,647	-	37,647	37,646	-	37,646	1	33.33%	
Almanac software	800,000	-	800,000	533,328	266,671	799,999	1	33.33%	
Software licenses	1,041,335	213,110	1,254,445	1,041,333	53,280	1,094,613	159,832	33.33%	
	<u>1,878,982</u>	<u>213,110</u>	<u>2,092,092</u>	<u>1,612,307</u>	<u>319,951</u>	<u>1,932,258</u>	<u>159,834</u>		

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	37,647	-	37,647	27,196	10,450	37,646	1	33.33%	
Almanac software	800,000	-	800,000	266,664	266,664	533,328	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>		

### 11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Note	June 30, 2021	June 30, 2020
	Rupees	
Creditors	6,441	65,238
Modaraba management company's remuneration payable - related party	7,862,480	12,411,104
Accrued expenses	7,241,964	8,006,934
Workers' welfare fund	-	6,082,136
Provision for Sindh Sales Tax on management company's remuneration	1,022,123	1,613,444
Payable to gratuity fund	1,070,048	902,323
Other liabilities	9,235,462	61,533,002
	<u>26,438,518</u>	<u>90,614,181</u>

11.1 These includes Rs. 300,000 (2020: Rs. 300,000) for branch rent payable to Sindh Bank Limited, related party.

11.2 This includes Nil (2020: 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.

This also includes charity payable amounting to Rs. 8,214 (2020: Rs. 8,212). The reconciliation is as follows:

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 Rupees	June 30, 2020
Opening balance		8,212	236,284
Additions during the year		250,002	7,928
Less: paid to recognized charitable institutions	11.2 1	(250,000)	(236,000)
Closing balance		<u>8,214</u>	<u>8,212</u>

11.2.1 This amount represents charity paid to recognized charitable institution (2020: Rs.236,000).

	Note	June 30, 2021 Rupees	June 30, 2020
<b>11.3 Payable to gratuity fund</b>	<b>11.3.1</b>	<b><u>1,070,048</u></b>	<b><u>902,323</u></b>
<b>11.3.1 Reconciliation of balance due to defined benefit plan</b>			
Present value of defined benefit obligation		2,059,290	2,650,862
less: Fair value of plan assets		(989,242)	(1,748,539)
Balance sheet liability		<u>1,070,048</u>	<u>902,323</u>

### 11.3.2 Movement in the present value of defined benefit obligation

Opening balance		2,650,862	1,622,306
Current service cost		1,041,907	642,004
Interest cost		225,323	231,179
Liability transferred to other group company		(1,832,030)	-
Remeasurements charged to other comprehensive income			
- Actuarial loss from changes in financial assumptions		5,793	(22,255)
- Experience adjustments		(32,565)	177,628
		(26,772)	155,373
Present value of defined benefit obligation		<u>2,059,290</u>	<u>2,650,862</u>

### 11.3.3 Changes in fair value of plan assets

Fair value of plan assets		1,748,539	875,403
Contributions		902,323	746,903
Interest income on plan assets		186,975	177,962
Assets transferred to other group company		(1,832,030)	-
Return on plan assets/(charges), excluding interest income		(16,565)	(51,729)
Fair value of plan assets		<u>989,242</u>	<u>1,748,539</u>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020
	Rupees	
<b>11.3.4 Expense recognized in profit and loss account</b>		
Current service cost	1,041,907	642,004
Interest cost	225,323	231,179
Interest income on plan assets	(186,975)	(177,962)
Expense recognized in profit and loss account	<u>1,080,255</u>	<u>695,221</u>
<b>11.3.5 Total remeasurement chargeable in other comprehensive income</b>		
Remeasurement of plan obligation:		
Actuarial (gain) / loss from changes in financial assumptions	5,793	(22,255)
Experience adjustments	(32,565)	177,628
	(26,772)	155,373
Less: return on plan assets, excluding interest income	16,565	51,729
Remeasurement of actuarial (gains) / losses on defined benefit liability	<u>(10,207)</u>	<u>207,102</u>
<b>11.3.6 Changes in net liability</b>		
Balance sheet liability/(asset)	902,323	746,903
Expenses to be charged to profit and loss account	1,080,255	695,221
Remeasurement chargeable in other comprehensive income	(10,207)	207,102
Contributions	(902,323)	(746,903)
	<u>1,070,048</u>	<u>902,323</u>
	June 30, 2021	June 30, 2020
	Percentage	
<b>Significant actuarial assumptions</b>		
Discount rate used for interest cost in profit and loss account	8.50%	14.25%
Discount rate used for year end obligation	10.25%	8.50%
<u>Salary increase used for year end obligation</u>		
Salary increase FY 2020	-	N/A
Salary increase FY 2021	N/A	8.50%
Salary increase FY 2022	10.25%	8.50%
Salary increase FY 2023	10.25%	8.50%
Salary increase FY 2024	10.25%	8.50%
Salary increase FY 2025	10.25%	8.50%
Salary increase FY 2026	10.25%	8.50%
Salary increase FY 2027 onwards	10.25%	-
Net salary is increased at	1-Jul-21	1-Jul-20
<b>Mortality rates</b>	SLIC	SLIC
	(2001-05)-1	(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, 2021

	June 30, 2021	June 30, 2020
Withdrawal rates	<b>Age-based (per appendix)</b>	<b>Age-based (per appendix)</b>
Retirement assumption	<b>Age 60</b>	<b>Age 60</b>
	June 30, 2021	June 30, 2020
	Rupees	
<b>Estimated expenses to be charged to P&amp;L</b>		
Current services cost	621,373	933,514
Interest cost on defined benefit obligation	206,058	219,781
Interest income on plan asset	(142,622)	(174,827)
	<b>684,809</b>	<b>978,468</b>
<b>Plan assets comprise at June 30,</b>		
Cash and/or deposits	<b>100%</b>	<b>100%</b>
<b>Year end sensitivity (+/- 100bps) on defined benefit obligation</b>		
Discount rate +100 bps	1,804,573	2,388,319
Discount rate - 100 bps	2,367,001	2,958,116
Salary increase +100 bps	2,367,505	2,959,241
Salary increase - 100 bps	1,799,373	2,382,357
<b>Expected benefit payments for the next 10 years and beyond</b>		
FY 2021	-	130,402
FY 2022	97,929	149,447
FY 2023	112,349	172,503
FY 2024	136,240	205,322
FY 2025	661,159	744,999
FY 2026	150,186	241,653
FY 2027	160,769	680,738
FY 2028	171,666	282,583
FY 2029	183,049	312,389
FY 2030	201,151	351,777
FY 2031	224,769	45,834,213
FY 2032 onwards	66,285,985	-
<b>The average duration of the defined benefit obligation is</b>	<b>14 years</b>	<b>11 years</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021	June 30, 2020
		Rupees	
<b>12. CUSTOMERS' SECURITY DEPOSIT</b>			
Security deposit against ijarah finance		5,005,000	5,007,000
Less: Current portion		(5,005,000)	(5,006,000)
Non-current portion	12.1	-	1,000

12.1 This represents amounts received under ijarah finance repayable / adjustable at the expiry of the arrangement.

### 13. CERTIFICATE CAPITAL

#### 13.1 Authorised certificate capital

June 30, 2021	June 30, 2020		June 30, 2021	June 30, 2020
Rupees			Rupees	
Number of certificates			Number of certificates	
50,000,000	50,000,000	Modaraba certificates of Rs. 10 each	500,000,000	500,000,000

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

June 30, 2021	June 30, 2020		June 30, 2021	June 30, 2020
Rupees			Rupees	
Number of certificates			Number of certificates	
45,000,000	45,000,000	Modaraba certificates of Rs. 10 each fully paid in cash	450,000,000	450,000,000

13.3 As at June 30, 2021, Sindh Modaraba Management Limited (Management Company) holds 42,446,000 i.e. 94.33% (2020: 42,461,000 i.e. 94.36%) certificates of the Modaraba.

### 14. RESERVES

	Note	June 30, 2021	June 30, 2020
		Rupees	
<b>Capital</b>			
Statutory reserve	14.1	121,071,504	94,533,686
<b>Revenue</b>			
Unappropriated profit		53,985,460	65,440,734
		<u>175,056,964</u>	<u>159,974,420</u>

14.1 Statutory reserve represents profit set aside by the Modaraba to comply with the Modaraba Regulations 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% and not more than 20% of its after tax profits.

During the year, the Modaraba has transferred an amount of Rs. 26,537,818 (2020: Rs. 43,153,904) which represents 35% (2020: 40%) of the net profit for the year.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

		June 30, 2021	June 30, 2020
	Note	Rupees	
<b>15. LONG TERM LOAN</b>	<b>15.1</b>	<b><u>1,000,000,000</u></b>	<b><u>1,000,000,000</u></b>

**15.1** 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.

### 16. CONTINGENCIES AND COMMITMENTS

#### 16.1 CONTINGENCIES

**16.1.1** 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.

#### 16.2 COMMITMENTS

The Modaraba has issued letters of comfort to Silk bank Limited on behalf of a customer as at year end for guaranteeing the payment of Rs. 35.70 million against import of plant and machinery which will ultimately be given by the Modaraba to the customer against Diminishing Musharika arrangements.

		June 30, 2021	June 30, 2020
		Rupees	
<b>17. INCOME FROM IJARAH FINANCING - NET</b>			
Ijarah financing		2,712,448	3,678,475
Less: Ijarah depreciation			
- on plant and machinery		(12)	-
- on vehicles		(2,143,080)	(2,836,813)
		<b>(2,143,092)</b>	<b>(2,836,813)</b>
		<b><u>569,356</u></b>	<b><u>841,662</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

18. ADMINISTRATIVE AND OPERATING EXPENSES	Note	June 30, 2021	June 30, 2020
		Rupees	
Salaries, allowances and other benefits	18.1	32,887,885	25,445,203
Legal and professional charges	18.2	2,032,064	3,363,814
Repairs and maintenance		895,347	852,187
Utility services		1,023,904	984,984
Takaful / insurance - owned assets		171,572	154,134
Takaful / insurance - ijarah and diminishing musharaka		375,824	756,775
Postage, courier and telegraphs		114,319	137,066
Generator sharing and fuel charges	18.3	520,909	485,047
Entertainment		164,187	171,893
Advertisement and publications		313,272	147,640
Staff orientation and training		3,000	15,000
Rent, rates and taxes	18.4	800,016	800,006
Registration and subscription fee		1,183,148	997,956
Travelling and conveyance		2,835,246	2,125,212
Security services		600,000	522,128
Printing, stationery and photocopy		437,330	334,600
Auditors' remuneration	18.5	279,704	268,040
Depreciation expense - tangible assets	10.1	1,332,608	1,148,516
Amortisation expense - intangible assets	10.2	319,951	334,423
Miscellaneous		152,484	178,192
		<b>46,442,770</b>	<b>39,222,816</b>

18.1 This includes amount of Rs. 1,104,994 (2020: Rs. 823,552) paid / charged to provident fund and provision for gratuity of Rs. 1,080,255 (2020: Rs. 695,221).

18.2 This includes amount of Rs. 432,000 (2020: Rs. 432,000) paid to Shariah Advisor as compensation for his service.

18.3 This includes amount of Rs. 436,860 (2020: Rs. 436,860) against sharing of expenses with Sindh Insurance Limited - related party.

18.4 This includes amount of Rs. 600,000 (2020: Rs. 600,000) branch rent to Sindh Bank Limited - related party.

18.5 Auditors' remuneration	June 30, 2021	June 30, 2020
	Rupees	
Audit fee	146,300	133,000
Half yearly review fee	44,000	40,000
Special certification	38,500	35,000
Other services	20,000	30,000
Sindh sales tax	19,904	19,040
Out of pocket expenses	11,000	11,000
	<b>279,704</b>	<b>268,040</b>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

		June 30, 2021	June 30, 2020
		Rupees	
<b>18.6</b>	<b>The remuneration paid to key management personnel</b>		
	Basic salary	7,867,152	6,060,638
	House rent	2,889,686	2,727,264
	Other allowances	2,223,743	1,212,126
	Bonuses	2,055,858	1,354,955
	Provident fund	786,709	548,096
	Other benefits	3,048,166	1,699,041
		<b>18,871,314</b>	<b>13,602,120</b>
		Unaudited	Audited
		June 30, 2021	June 30, 2020
		Rupees	
<b>18.7</b>	<b>Defined contribution plan</b>		
	Size of the fund (total assets)	9,361,041	13,466,711
	Cost of investment made	9,310,730	13,399,749
	Fair value of investment made	9,310,730	13,399,749
		June 30, 2021	June 30, 2020
		Percentage	
	Percentage of investment made	99%	100%
	<b>Break up of Investment at cost</b>		
		June 30, 2021	June 30, 2020
		Rupees	Percentage
		Rupees	Percentage
	PLS Account	9,310,730	99%
		13,399,749	99%
<b>19.</b>	<b>PROVISION/(REVERSAL) FOR DOUBTFUL RECEIVABLES</b>	June 30, 2021	June 30, 2020
		Rupees	
	Reversal of provision against Ijarah rental receivables	-	(63)
	Provision against Diminishing Musharaka	13,513,618	28,150,614
		<b>13,513,618</b>	<b>28,150,551</b>
<b>20.</b>	<b>OTHER INCOME - NET</b>		
	Documentation and processing fee	297,100	691,000
	Income on GoS funds	-	2,705,189
	Gain on disposal of Ijarah assets	-	52,428
	Loss on disposal of fixed assets	-	(40,216)
	Others	39,545	4,249
		<b>336,645</b>	<b>3,412,650</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021	June 30, 2020
		Rupees	
<b>21. MODARABA MANAGEMENT COMPANY'S REMUNERATION</b>	<b>21.1</b>	<b>7,862,480</b>	<b>12,411,104</b>

**21.1** 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, 2021 has been recognised at 10% of the profit for the year before charging such remuneration, provision for workers' welfare fund and taxation.

### 22. 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 31, no provision for taxation has been made in these financial statements.

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

#### 23.1 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, 2021	June 30, 2020
	Rupees	
Profit for the year after taxation (Rupees)	<u>75,822,337</u>	<u>107,884,760</u>
Weighted average number of certificates (Numbers)	<u>45,000,000</u>	<u>45,000,000</u>
Earnings per certificate (Rupees)	<u>1.68</u>	<u>2.40</u>

#### 23.2 Diluted

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at June 30, 2021 which would have any effect on the earnings per certificate.

	June 30, 2021	June 30, 2020
	Rupees	
<b>24. NUMBER OF EMPLOYEES</b>		
Total numbers of employees at year end	<u>13</u>	<u>13</u>
Average number of employees	<u>13</u>	<u>11</u>

### 25. 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:

**NOTES TO THE FINANCIAL STATEMENTS**  
 FOR THE YEAR ENDED JUNE 30, 2021

		June 30, 2021	June 30, 2020
		Rupees	
<b>25.1 BALANCES AS AT YEAR END</b>			
<b>Sindh Insurance Limited - associated company</b>			
Sharing of Expenses payable		<u>218,430</u>	<u>218,430</u>
<b>25.2 TRANSACTIONS FOR THE YEAR</b>	<b>Note</b>	<b>June 30, 2021</b>	<b>June 30, 2020</b>
		Rupees	
<b>Sindh Bank Limited - associated company</b>			
Income from deposits		43,808,562	81,974,158
Income from term deposit receipt		14,810,942	871,233
Branch rent paid		600,000	300,000
		<u>59,219,504</u>	<u>83,145,391</u>
<b>Sindh Modaraba Management Limited - management company</b>			
Long term loan received		-	500,000,000
Share of profit paid		59,044,812	-
Modaraba management company's remuneration paid		12,411,104	9,335,941
Dividend paid / distributed		57,302,100	57,322,350
		<u>128,758,016</u>	<u>566,658,291</u>
<b>Sindh Insurance Limited - associated company</b>			
Takaful/insurance paid		895,240	750,698
Sharing of expenses paid		436,860	436,860
		<u>1,332,100</u>	<u>1,187,558</u>
<b>Key Management Personnel</b>			
Salaries, allowances and benefits paid	18.6	<u>18,871,314</u>	<u>13,602,120</u>
<b>Sindh Modaraba Employees Provident Fund - employee fund</b>			
Contribution paid (both employer's and employee's contribution)		<u>2,209,988</u>	<u>1,647,104</u>
<b>Sindh Modaraba Employees Gratuity Fund - employee fund</b>			
Contribution paid		<u>902,323</u>	<u>746,903</u>

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

### 26. FINANCIAL INSTRUMENTS BY CATEGORY

#### Financial assets as per balance sheet

June 30, 2021                      June 30, 2020  
 ----- Rupees -----

#### At amortized cost

##### Current assets

- Cash and bank balances	475,524,291	883,707,855
- Short term investments	320,000,000	-
- Advances and other receivables	36,467,843	18,767,965
- Current portion of diminishing musharaka	367,318,842	270,789,982
- Current portion of long term loan	378,000	925,000
	<u>1,199,688,976</u>	<u>1,174,190,802</u>

##### Non-current assets

- Long term portion of diminishing musharaka	447,293,669	513,998,681
- Long term loan	1,102,500	3,668,500
	<u>448,396,169</u>	<u>517,667,181</u>
	<u>1,648,085,145</u>	<u>1,691,857,983</u>

#### Financial liabilities as per balance sheet

#### At amortized cost

##### Current liabilities

- Creditors, accrued and other liabilities	25,638,522	83,932,065
- Profit distribution payable	653,258	575,051
	<u>26,291,780</u>	<u>84,507,116</u>

### 27. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

#### 27.1 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.

##### 27.1.1 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, 2021, Modaraba has no financial assets and liabilities in foreign currencies.

##### 27.1.2 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.



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

### 27.1.3 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, 2021, the Modaraba did not hold any instruments which exposed it to price risk.

### 27.2 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, 2021	June 30, 2020
	----- Rupees -----	
Cash and bank balances	475,524,291	883,707,855
Short term investments	320,000,000	-
Diminishing Musharaka	814,612,511	784,788,663
Advances and other receivables	36,467,843	18,767,965
Long term loan	1,480,500	4,593,500
	<u>1,648,085,145</u>	<u>1,691,857,983</u>

As at June 30, 2021, there were no financial assets which were pledged as collateral for liabilities or contingent liabilities of the Modaraba.

#### 27.2.1 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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

Sectors	June 30, 2021		June 30, 2020	
	Rupees	%	Rupees	%
Sugar	163,750,662	18.68	199,445,380	23.77
Oil & Gas - Oil Marketing	13,125,000	1.50	22,967,402	2.74
Security services	16,856,616	1.92	-	-
Other services	42,190,116	4.81	51,276,902	6.11
Individual	8,965,657	1.02	12,946,576	1.54
Brokerage	1,102,621	0.13	1,389,856	0.17
Transport	68,652,822	7.83	20,175,282	2.40
Metal & Steel	1,873,524	0.21	3,010,215	0.36
Construction	206,167,939	23.53	97,621,112	11.63
Printing	-	-	552,400	0.07
Pharmaceutical	60,454,205	6.90	69,616,375	8.30
Poultry, Poultry feed & hatchery	57,532,213	6.56	58,431,888	6.96
Entertainment	-	-	3,143,350	0.37
Chemical & Allied (Other)	15,940,111	1.82	32,549,421	3.88
Textile	62,947,267	7.18	69,770,056	8.31
Food & Beverages	110,806,595	12.64	139,694,131	16.65
Engineering	283,341	0.03	3,714,643	0.44
Real Estate	22,676,695	2.59	39,602,689	4.72
Energy	8,230,148	0.94	13,225,212	1.58
Others	14,821,681	1.69	-	-
	<b>876,377,213</b>	<b>100</b>	<b>839,132,900</b>	<b>100</b>

### 27.2.3 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.

Credit risk ratings	Rating	June 30, 2021	June 30, 2020
		Rupees	
Bank balances - Sindh Bank Limited	A+ / A-1	474,716,761	882,515,141
TDRs - Sindh Bank Limited	A+ / A-1	320,000,000	-
Bank balances - Bank Alhabib Limited	AAA / A-1+	13,357	12,877
Bank balances - NRSP Micro Finance Bank Limited	A / A-1	15,131	534,391
		<b>794,747,249</b>	<b>883,062,409</b>

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2021

#### 27.3 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, 2021						
Profit bearing			Non - profit bearing			Total
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						
Cash and bank balances	474,747,249	-	474,747,249	777,042	-	777,042
Short term investments	320,000,000	-	320,000,000	-	-	-
Diminishing Musharaka	367,318,842	447,293,669	814,612,511	-	-	-
Long term loan	-	-	-	378,000	1,102,500	1,480,500
Advances and other receivables	-	-	-	36,467,843	-	36,467,843
	<b>1,162,066,091</b>	<b>447,293,669</b>	<b>1,609,359,760</b>	<b>37,622,885</b>	<b>1,102,500</b>	<b>38,725,385</b>
<b>Financial assets</b>						<b>1,648,085,145</b>
Creditors, accrued and other liabilities	-	-	-	25,638,522	-	25,638,522
Profit distribution payable	-	-	-	653,258	-	653,258
				<b>26,291,780</b>		<b>26,291,780</b>

June 30, 2020						
Profit bearing			Non - profit bearing			Total
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						
Cash and bank balances	883,062,409	-	883,062,409	645,446	-	645,446.00
Diminishing Musharaka	270,789,982	513,998,681	784,788,663	-	-	-
Long term loan	-	-	-	925,000	3,668,500	4,593,500
Advances and other receivables	-	-	-	18,767,965	-	18,767,965
	<b>1,153,852,391</b>	<b>513,998,681</b>	<b>1,667,851,072</b>	<b>20,338,411</b>	<b>3,668,500</b>	<b>24,006,911</b>
<b>Financial assets</b>						<b>1,691,857,983</b>
Creditors, accrued and other liabilities	-	-	-	83,932,065	-	83,932,065
Profit distribution payable	-	-	-	575,051	-	575,051
				<b>84,507,116</b>		<b>84,507,116</b>



## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

### 28. 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.

### 29. 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 2021, there were no financial instruments which were measured at fair values in the financial statements.

### 30. 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.

## NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2021

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 76.19% (2020: 70.44% from ten major customers) of the total revenue from operations during the year ended 30 June 2021.

### 31. NON - ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on **September 07, 2021** approved a cash distribution of Rs. 1.00 per certificate. The financial statements of the Modaraba for the year ended June 30, 2021 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, 2022.

32. CASH AND CASH EQUIVALENT	Note	June 30, 2021	June 30, 2020
		Rupees	Rupees
Cash and bank balances	4	475,524,291	883,707,855
Short term investments	5	320,000,000	-
		<u>795,524,291</u>	<u>883,707,855</u>

### 33. CORRESPONDING FIGURES

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

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

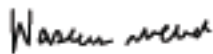
### 34. DATE OF AUTHORISATION

These financial statements were authorised for issue on September 07, 2021 by the Board of Directors of the Management Company.

### 35. GENERAL

The figures have been rounded off to the nearest rupees.


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



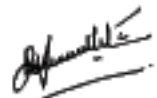
Chairman



Chief Executive Officer



Director



Acting CFO



## Pattern Of Certificate Holding By The Certificate Holders As At June 30, 2021

Number Of Certificate Holders	Certificate Holding			Total Certificate Held
	From		To	
208	1	-	100	1,371
440	101	-	500	219,440
58	501	-	1000	56,822
82	1001	-	5000	231,763
26	5001	-	10000	198,788
6	10001	-	15000	76,316
3	15001	-	20000	59,000
5	20001	-	25000	115,500
2	30001	-	35000	66,000
2	35001	-	40000	79,000
1	40001	-	45000	44,500
1	50001	-	55000	55,000
1	55001	-	60000	55,500
2	60001	-	65000	124,000
1	70001	-	75000	70,500
1	80001	-	85000	85,000
1	85001	-	90000	88,000
1	110001	-	115000	111,000
1	115001	-	120000	120,000
1	145001	-	150000	150,000
1	250001	-	255000	255,000
1	290001	-	295000	291,500
1	42445001	-	42450000	42,446,000
<b>846</b>				<b>45,000,000</b>

<u>Categories Of Certificate holders</u>	<u>Certificate Held</u>	<u>Percentage</u>
(i) Government;		NIL
(ii) Associated Companies, Undertakings and Related Parties (name wise details);		
Sindh Modaraba Management Ltd.	42,446,000	
	<b>42,446,000</b>	<b>94.32</b>
(iii) Mutual Funds;		NIL
(iv) Directors, Chief Executive, and their spouse and minor children (name wise details);		NIL
(v) Executives;		NIL
(vi) Public Sector Companies and corporations;		NIL
(vii) Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful Companies and		
Hafiz Limited	35,000	
	<b>35,000</b>	<b>0.08</b>
(viii) Individual		
Local - Individuals	2,519,000	
	<b>2,519,000</b>	<b>5.60</b>
<b>Grand Total:</b>	<b>45,000,000</b>	<b>100</b>

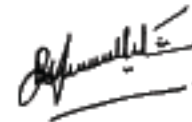
### Certificate holders holding five percent or more voting rights in the Public Sector Company

	<u>Certificate Held</u>	<u>Percentage</u>
Sindh Modaraba Management Ltd.	42,446,000	94.32

## Notice of Annual Review Meeting

Notice is hereby given that the 7<sup>th</sup> Annual Review Meeting of certificate holders of Sindh Modaraba will be held on 26<sup>th</sup> October 2021 at 10:30 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, 2021 in terms of clause 20 of the Prudential Regulations for Modaraba issued vide Circular number 4/2004 by Registrar Modaraba Companies and Modarabas.

Karachi  
October 05, 2021



---

M. Adnan Shakeel  
Acting Company Secretary

### Note:

1. The Modaraba Certificate transfer book shall remain closed from October 19, 2021 to October 26, 2021 (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 18, 2021 will be treated in time for the entitlement of profit distribution and to attend Annual Review Meeting.
2. The certificate holders are advised to notify to the registrar of Sindh Modaraba, any change in their addresses.
3. CDC certificate holders desiring to attend the meeting are requested to bring their original CNIC, Account, and Participant's ID number, for identification purpose.

## اطلاع برائے سالانہ جائزہ اجلاس

بزرگ برائے اطلاع دی جاتی ہے کہ سندھ مضاربہ کے سرٹیفکیٹ ہولڈرز کا ساتواں سالانہ جائزہ اجلاس ۲۶ اکتوبر ۲۰۲۱ء کو صبح 10:30 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 پروڈیونشل ریگولیشن کے شیڈول ۲۰ کے تحت ۳۰ جون، ۲۰۲۱ء کو ختم ہونے والے سال میں مضاربہ کی کارکردگی کا جائزہ لیا جائے گا۔



ایم۔ حدنان گلپل  
ایگزیکٹو مینیجنگ ڈائریکٹر

کراچی  
۱۵ اکتوبر ۲۰۲۱ء

## نوٹس:

- ۱- سرٹیفکیٹس ٹرانسفر بکس ۱۹، اکتوبر ۲۰۲۱ء سے ۲۶ اکتوبر ۲۰۲۱ء تک (بشمول دونوں آیام) بند رہیں گی تاکہ اجلاس میں شرکت اور ڈویڈنڈ کے حقدار کا تعین ہو سکے۔ سرٹیفکیٹ منتقلی کے لیے ۱۸، اکتوبر ۲۰۲۱ء 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 پارٹنرسپنٹ آئی ڈی نمبر لازمی لائیں۔



**Islamic Financing  
Products Offered by  
Sindh Modaraba**

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

**SINDH MODARABA**

1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi  
Tel : (92-21) 35640708-9 web: [www.sindhmodarabaltd.com](http://www.sindhmodarabaltd.com)