



IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



SINDH MODARABA

**ANNUAL REPORT
2021-2022**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

وَتَوَكَّلْ عَلَى اللَّهِ وَكَفَى بِاللَّهِ وَكِيلًا ﴿٣﴾

AND PUT YOUR TRUST IN ALLAH,
AND ENOUGH IS ALLAH
AS A DISPOSER OF AFFAIRS.

(SURAH: 33 / AYAH: 03)

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Vision & Mission Statements

Vision

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

Mission

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

Corporate Information

Board of Directors

Mr. Waseem Mehdi Syed	-Chairman	-Independent Director
Mr. Sami ul Haq Khilji		-Non-Executive Director
Mr. Sajid Jamal Abro		-Non-Executive Director
Mr. Kamal Ahmed	-Acting Chief Executive	-Non-Executive Director
Mr. Rehan Anjum		-Non-Executive Director
Ms. Rukhsana Narejo		-Non-Executive Director
* Mr. Ishfaque Ahmed		-Chief Executive Officer

CFO & Company Secretary

M. Adnan Shakeel

Audit Committee

Mr. Rehan Anjum	-Chairman
Ms. Rukhsana Narejo	-Member

Human Resource Committee

Mr. Waseem Mehdi Syed	-Chairman
Mr. Sami ul Haq Khilji	-Member
Mr. Sajid Jamal Abro	-Member

Nomination Committee

Mr. Sajid Jamal Abro	-Chairman
Mr. Waseem Mehdi Syed	-Member
Mr. Kamal Ahmed	-Member

Procurement Committee

Mr. Sami ul Haq Khilji	-Chairman
Mr. Kamal Ahmed	-Member

Risk Management Committee

Mr. Waseem Mehdi Syed	-Chairman
Mr. Rehan Anjum	-Member
Ms. Rukhsana Narejo	-Member

Bankers

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

Auditors

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants

Note:

- * The Board of Directors has appointed Mr. Ishfaque Ahmed as Chief Executive Officer in place of Mr. Kamal Ahmed-Acting Chief Executive. Approval of Registrar Modaraba-SECP has been received in this regard. Mr. Ishfaque Ahmed has taken over the charge as CEO from 08th September 2022.

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

1st Floor, Imperial Court Building,
Dr. Ziauddin Ahmed Road,
Karachi
Tel: (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 8th annual report of Sindh Modaraba together with Audited Accounts for the year ended June 30, 2022.

1. Economy

Economic conditions deteriorated significantly towards the end of FY 2022. The country's economy came to standstill due to rising commodity prices, which inflated not only the import bill and current account deficit but pushed the country towards the balance of payments crisis. PKR/USD stayed vulnerable and the currency lost 16% against the greenback while international reserves have dwindled to barely six weeks of import cover. Current economic situation is a result of rising commodity prices as well as political instability after April, 22. GoP's finances and economy are at a crucial stage right now and IMF is the lifeline to avoid default. Pakistan needs to get IMF back on the table through the introduction of various taxes in order to keep the economy floating, however, the task has become challenging due to the domestic political situation. Besides, the external account crisis, inflation is making matters worse for the general public and industry. Inflation has already touched a level of 21.30% in June-2022 and inflation for 1QTFY23 is expected to average above 25%.

Further, rains and flooding have wreaked havoc in Pakistan. Its expected to be among the worst floods Pakistan has seen in the last 30 years. The annual rainfall of Pakistan is 125mm whereas the ongoing season has received 3x more rains so far. Sindh and Baluchistan have reportedly received the most damage with 5x – 6x more rains as compared to their respective annual averages, and higher than the magnitude recorded during flash floods of 2010-2011 for these provinces. This has severely impacted lives, health, animals, crops, infrastructure and more. Sindh has a 30% share in the agricultural GDP have been worst affected. While it is early to assess the impact, Pakistan, being an agricultural country, with a direct agricultural contribution to GDP of 23%, could reach a vulnerable position in the aftermath of these floods. Repercussions may include higher imports, compromise on exports and higher inflation; wiping out efforts of the government to stabilize recent macro headwinds. Based on preliminary estimates, CAD levels may increase by US\$4.4bn (1% of GDP) – assuming no counter measures are taken, while around 30% of CPI basket is exposed to threat of higher prices. Moreover, additional support from government may also put pressure on the fiscal side. To recall, during the 2010-2011 floods, Pakistan received a cumulative support of US\$4.5bn from IMF, UN, World Bank and ADB; whereas a 'flood surcharge' of 15% was announced for Tax year 2011 on all taxable income in a way to fund the additional costs born regarding relief, restoration and any prospective subsidies to the affected segments.

2. Operating Results and Business Overview

The Modaraba earned a net profit of Rs. 66.31 million during the year under review as compared to a profit of Rs. 75.82 million earned during the year ended June 30, 2021. The profit before tax increased by Rs. 24.87 million, however, the profit after tax decreased by Rs. 9.51 million. This was due to the implication of the income tax on the profit earned by Modaraba, which became effective on 1st July 2021. During the year, the Modaraba has disbursed Rs. 334.36 million as Islamic financing and SBP has also increased its policy rate to 15%, which increased the earnings from the financing portfolio and funds placed with the banks. The Financing Portfolio of the Modaraba increased by Rs. 29 Million to Rs.902 Million. Further, with the increase in the portfolio, DM revenue increased by Rs. 15.03 million due to an increase in the weighted average rate of return by 1.96%. The operating expenses decreased to Rs. 40.88 million as compared to Rs. 46.44 million in the same period last year due to strict control over expenses of the Modaraba. The operating results for the year ending June 30, 2022, are summarized in the table below:

	June 30, 2022	June 30, 2021
	-----Rupees-----	
Balance Sheet		
Certificate capital	450,000,000	450,000,000
Total equity	1,645,948,970	1,625,056,964
Investment in Ijarah/Diminishing Musharaka	843,708,022	819,617,511
Profit & Loss		
Revenue (net of Ijarah asset depreciation)	167,021,948	138,244,547
Operating expenses	40,887,729	46,442,770
Profit before management fee	113,522,169	78,624,804
Net Profit before tax	100,694,164	75,822,337
Net Profit after tax	66,313,222	75,822,337
Appropriations		
Profit distribution @ 12.00% (2021: 10.00%)	54,000,000	45,000,000
Statutory Reserve	13,262,644	26,537,818
Earning per Certificate	1.47	1.68

Directors' Report

3. Outlook

GDP growth is set to slow down to 3.50% in FY-23 after two years of above-average growth period. Commodity prices and political situation are the key factors to watch for FY-23. The country needs to introduce taxes and slow down its economic activity, which is a necessity for the revival of IMF program. SBP increased policy rate by 1.25% to 15% in July-2022 MPS, however, market expects policy rate to remain stable at current rate of 15% during shorter terms. Cumulatively, SBP has already hiked its policy rate by 800bps in the last eleven months which is resulting in required outcomes of slowing down economy and lowering pressure on imports. However, the country's real interest rate is negative by 10% when looked from the perspective of July-2022 inflation number, which was 24.90%.

Management is reviewing the current economic situation very cautiously and sights current rising interest rate as positive for the profitability of the Modaraba. However, the rising interest rates may increase non-performing loan and can also lead to decline of economic activity within the country. Management of the Modaraba continues to make cautious efforts for deployment of available funds in the financing business without compromising on the quality of the portfolio.

4. Profit distribution

The Board of Directors has approved a cash dividend @ 12.00% (2021:10.00%) i.e. Rs. 1.20 (2021: Rs.1.00) per certificate for the year ended 30th June 2022.

As per Modaraba Regulations issued by Securities & Exchange Commission of Pakistan, every Modaraba may create reserve fund to which shall be credited an amount of its after-tax profits or any part thereof.

The Board of Directors has appropriated Rs.13,262,644/- (20%) towards the Statutory Reserve.

5. External Annual Audit

The financial statements of Modaraba have been audited without any qualification by the auditors namely M/s. Baker Tilly Mehmood Idrees Qamar, 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.
 - Appointment of one independent director is in process due to sad demise of Mr. Habibullah Khilji.
 - 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, 2022, except for those disclosed in financial statements.
 - The value of Investment in Employees Provident Fund based on financial statements of the Fund as of June 30, 2022 is Rs. 11.997 million (2021: Rs. 9.310 million).
 - Key operating and financial data of last six years is annexed.
- Six Board Meetings of the Modaraba Company were held during the year. Attendance of each director is appended hereunder:

Directors' Report

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

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

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

Name of Directors	No. of Meetings attended
Mr. Rehan Anjum	4
Ms. Rukhsana Narejo	2
Mr. Habibullah Khilji (Deceased)	2
Mr. Kamal Ahmed – Acting CEO	1

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

Name of Directors	No. of Meetings attended
Mr. Waseem Mehdi Syed	3
Mr. Rehan Anjum	2
Ms. Rukhsana Narejo	3
Mr. Kamal Ahmed – Acting CEO	1

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

Name of Directors	No. of Meetings attended
Mr. Waseem Mehdi Syed	4
Mr. Rehan Anjum	3
Ms. Rukhsana Narejo	4
Mr. Kamal Ahmed – Acting CEO	1

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

Name of Directors	No. of Meetings attended
Mr. Waseem Mehdi Syed	1
Mr. Rehan Anjum	1
Mr. Kamal Ahmed – Acting CEO	1

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

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

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

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

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.

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

9. Credit Rating

VIS Credit Rating Company has maintained long term and short term credit rating of A+ and A-1 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, 2023. 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)



Kamal Ahmed
Acting CEO/Director



Rehan Anjum
Director

Karachi,
September 07, 2022

ڈائریکٹرز کی رپورٹ

سندھ مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، ہم 30 جون 2022 کو ختم ہونے والے سال کے آڈٹ شدہ اکاؤنٹس کے ساتھ سندھ مضاربہ کی آٹھویں سالانہ رپورٹ پیش کر رہے ہیں۔

۱- معیشت

مالی سال 2022 کے آخر تک معاشی حالات نمایاں طور پر خراب ہو گئے۔ اشیاء کی قیمتوں میں اضافے کی وجہ سے ملکی معیشت رک گئی، جس نے نہ صرف درآمدی بل اور کرنٹ اکاؤنٹ خسارہ بڑھا یا بلکہ ملک کو ادائیگیوں کے توازن کے بحران کی طرف دھکیل دیا۔ PKR/USD برابری کمزور اور کرنسی ڈالر کے مقابلے میں 16% گر گئی جبکہ بین الاقوامی ذخائر بمشکل چھ ہفتوں کے درآمدی ضرورت تک کم ہو گئے۔ موجودہ معاشی صورتحال اجناس کی قیمتوں میں اضافے کے ساتھ ساتھ 22 اپریل کے بعد سیاسی عدم استحکام کا نتیجہ ہے۔ GoP کی مالیات اور معیشت اس وقت ایک اہم مرحلے پر ہیں اور IMF ڈیفالٹ سے بچنے کے لیے واحد لائف لائن ہے۔ پاکستان کو معیشت رواں دواں رکھنے کے لیے مختلف ٹیکسز کے ذریعے آئی ایم ایف پروگرام کو واپس حاصل کرنے کی ضرورت ہے تاہم ملکی سیاسی صورتحال کی وجہ سے یہ کام مشکل ہو گیا ہے۔ اس کے علاوہ بیرونی کھاتوں کا بحران، مہنگائی عام لوگوں اور صنعت کے لیے معاملات کو مزید خراب کر رہی ہے۔ جون-2022 میں افراط زر پہلے ہی 21.30% کی سطح کو چھو چکا ہے اور 1QTFY23 کے لیے مہنگائی اوسطاً 25% سے زیادہ ہونے کی توقع ہے۔

مزید یہ کہ بارشوں اور سیلاب نے پاکستان میں تباہی مچا دی ہے۔ یہ پاکستان میں گزشتہ 30 سالوں میں دیکھے جانے والے بدترین سیلابوں میں سے ایک ہے۔ پاکستان کی سالانہ بارش 125 ملی میٹر ہے جبکہ رواں سیزن میں اب تک 3x گنا زیادہ بارشیں ہو چکی ہیں۔ سندھ اور بلوچستان میں مہینہ طور پر ان کے متعلقہ سالانہ اوسط کے مقابلے میں 6x - 5x زیادہ بارشوں کے ساتھ سب سے زیادہ نقصان ہوا ہے، اور ان صوبوں کے لیے 2010-2011 کے سیلاب کے دوران ریکارڈ کی گئی شدت سے زیادہ ہے۔ اس نے زندگیوں، صحت، جانوروں، فصلوں، بنیادی ڈھانچے اور بہت کچھ کو بری طرح متاثر کیا ہے۔ سندھ کا زرعی جی ڈی پی میں 30 فیصد حصہ سب سے زیادہ متاثر ہوا ہے۔ اگرچہ اثرات کا اندازہ لگانا قبل از وقت ہے، پاکستان ایک زرعی ملک ہونے کے ناطے، جی ڈی پی میں 23 فیصد کے براہ راست زرعی شراکت کے ساتھ، ان سیلابوں کے نتیجے میں ایک خطرناک مقام تک پہنچ سکتا ہے۔ اثرات میں زیادہ درآمدات، برآمدات پر سمجھوتہ اور زیادہ افراط زر شامل ہو سکتے ہیں۔ جو حالیہ میکرو اقدامات کو مستحکم کرنے کی حکومت کی کوششوں کو ختم کر سکتا ہے۔ ابتدائی تخمینوں کی بنیاد پر، CAD کی سطح میں US\$4.4bn (GDP کا 1%) کا اضافہ ہو سکتا ہے۔ یہ فرض کرتے ہوئے کہ کوئی جوابی اقدامات نہیں کیے گئے ہیں، جبکہ CPI باسکٹ کا تقریباً 30% زیادہ قیمتوں کے خطرے سے دوچار ہے۔ مزید برآں، حکومت کی طرف سے اضافی تعاون بھی مالیاتی پہلو پر دباؤ ڈال سکتا ہے۔ یاد رہے، 2010-2011 کے سیلاب کے دوران، پاکستان کو IMF، UN، World Bank اور ADB سے 4.5 بلین امریکی ڈالر کی مجموعی امداد ملی۔ جب کہ ٹیکس سال 2011 کے لیے تمام قابل ٹیکس آمدنی پر 15% کے 'فلڈ سرچارج' کا اعلان کیا گیا تھا تا کہ ریلیف، بحالی اور متاثرہ طبقوں کے لیے کسی بھی ممکنہ سبسڈی کے حوالے سے پیدا ہونے والے اضافی اخراجات کو پورا کیا جاسکے۔

۲- آپریٹنگ نتائج اور کاروبار کا جائزہ

زیر جائزہ سال کے دوران مضاربہ نے 66.31 ملین روپے کا منافع کمایا، جبکہ پچھلے سال 30 جون 2021 کو ختم ہونے والے سال کے دوران 75.82 ملین کمائے گئے۔ ٹیکس سے قبل منافع میں 24.87 ملین روپے کا اضافہ ہوا، تاہم بعد از ٹیکس منافع میں 9.51 ملین روپے کی کمی ہوئی۔ یہ مضاربہ کے ذریعہ کمائے گئے منافع پر اٹھ ٹیکس کے قوانین میں تبدیلیوں کی وجہ سے تھا، جو یکم جولائی 2021 سے لاگو ہوا۔ رواں سال میں، مضاربہ نے اسلامی اصولوں کے مطابق 334.36 ملین روپے کاروبار میں لگائے۔ اس کے علاوہ SBP نے بھی اپنی پالیسی ریٹ بڑھا کر 15% کر دی ہے، جس سے فنڈنگ پورٹ فولیو اور بینکوں کے پاس رکھے گئے فنڈز سے ہونے والی آمدنی میں اضافہ ہوا ہے۔ مضاربہ کے فنڈنگ پورٹ فولیو میں 29 ملین روپے کا اضافہ ہوا اور پورٹ فولیو 902 ملین روپے کی سطح پر پہنچ گیا۔ مزید، پورٹ فولیو میں اضافے کے ساتھ، واپسی کی اوسط شرح میں 1.96 فیصد اضافے کی وجہ سے ڈی ایم کی آمدنی میں 15.03 ملین روپے کا اضافہ ہوا۔ مضاربہ کے اخراجات پر سخت کنٹرول کی وجہ سے آپریٹنگ اخراجات 40.88 ملین روپے سے سطح پر آ گئے۔ جبکہ گزشتہ سال اسی عرصے میں اخراجات 46.44 ملین روپے تھے۔ 30 جون 2022 کو ختم ہونے والے سال کے آپریٹنگ نتائج کا خلاصہ نیچے دیے گئے ٹیبل میں دیا گیا ہے۔

ڈائریکٹرز کی رپورٹ

30 جون 2021	30 جون 2022	روپے
450,000,000	450,000,000	
1,625,056,964	1,645,948,970	
819,617,511	843,708,022	
138,244,547	167,021,948	
46,442,770	40,887,729	
78,624,804	113,522,169	
75,822,337	100,694,164	
75,822,337	66,313,222	
45,000,000	54,000,000	
26,537,818	13,262,644	
1.68	1.47	

بیلنس شیٹ

سرٹیفیکیٹ کی پینل

گل ایکویٹی

اجارہ/گھنٹا ہوا مشارکہ میں سرمایہ کاری

نفع اور نقصان

آمدنی (خالص اجارہ اثاثہ کی فرسودگی)

آپریٹنگ اخراجات

منافع قبل از مینجمنٹ کی فیس

منافع قبل محصول

خالص منافع

مختص کردہ رقوم

منافع کی تقسیم 12 فیصد (10 فیصد: 2021)

دستوری محفوظ ذخائر

آمدنی فی سرٹیفیکیٹ

س۔ امید مستقبل

دو سال کی اوسطاً بہتر کارکردگی کے بعد مالی سال 2023 میں جی ڈی پی کی شرح نمو 3.50 فیصد تک کم ہو سکتی ہے۔ اشیاء کی قیمتیں اور سیاسی صورتحال مالی سال 2023 کے لیے اہم عوامل ہیں۔ ملک کو ٹیکس متعارف کرانے اور اپنی معاشی سرگرمیوں کو سست کرنے کی ضرورت ہے جو کہ آئی ایم ایف پروگرام کی بحالی کی اہم ضرورت ہے۔ SBP نے جولائی - 2022 MPS میں پالیسی ریٹ میں 1.25% سے اضافہ کیا، تاہم، مارکیٹ کو توقع ہے کہ پالیسی کی شرح مختصر مدت کے دوران 15% کی موجودہ شرح پر مستحکم رہے گی۔ مجموعی طور پر، SBP نے گزشتہ گیارہ مہینوں میں پہلے ہی اپنی پالیسی ریٹ میں 800bps کا اضافہ کر دیا ہے جس کے نتیجے میں معیشت کی سست روی اور درآمدات پر دباؤ کو کم کرنے کے مطلوبہ نتائج برآء ہو رہے ہیں۔ تاہم، جولائی - 2022 کے افراط زر کی تعداد کے تناظر میں دیکھا جائے تو ملک کی حقیقی شرح سود 10 فیصد منفی ہے، جو 24.90 فیصد تھی۔

انتظامیہ موجودہ معاشی صورتحال کا بہت احتیاط سے جائزہ لے رہی ہے اور موجودہ بڑھتی ہوئی شرح سود کو مضاربہ کے منافع کے لیے مثبت سمجھتی ہے۔ تاہم، بڑھتی ہوئی شرح سود غیر فعال قرضوں میں اضافہ کر سکتی ہے اور ملک کے اندر اقتصادی سرگرمیوں میں کمی کا باعث بھی بن سکتی ہے۔ مضاربہ کی انتظامیہ پورٹ فولیو کے معیار پر سمجھوتہ کیے بغیر فنڈنگ کے کاروبار میں دستیاب فنڈز کی تعیناتی کے لیے محتاط کوششیں جاری رکھے ہوئے ہے۔

۴۔ منافع کی تقسیم

بورڈ آف ڈائریکٹرز نے 30 جون 2022 کو ختم ہونے والے سال کے لیے ڈیویڈنڈ 12 فیصد (10 فیصد: 2021) یعنی 1 روپیہ بیس پیسے (1 روپیہ: 2021) فی سرٹیفیکیٹ کا اعلان کیا ہے۔

سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ مضاربہ ضوابط کے مطابق، ہر مضاربہ ریزرو فنڈ تشکیل دے سکتا ہے جس میں اس کے بعد از ٹیکس منافع کی رقم یا اس کا کوئی حصہ جمع کیا جائے گا۔

بورڈ آف ڈائریکٹرز نے قانونی ریزرو کی طرف -/Rs.13,262,644 روپے (20%) مختص کیے ہیں۔

ڈائریکٹرز کی رپورٹ

۵۔ سالانہ بیرونی آڈٹ

مضاربہ کے مالیاتی اسٹیٹمنٹس کو بغیر کسی کوالیفیکیشن کے آڈیٹرز بکر ٹیلی محمود ادریس قمر، چارٹرڈ اکاؤنٹنٹس آڈٹ کر چکے ہیں۔

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 سیکلر کمپنیز (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۔

«مینجمنٹ کے تیار کردہ مالیاتی اسٹیٹمنٹس معاملات، آپریشن کے نتائج، کیش فلو اور ایکویٹی میں ردوبدل کی درست تصویر پیش کرتے ہیں۔
«مناسب طور سے کھاتوں کی بکس رکھی گئی ہیں۔

«مالیاتی اسٹیٹمنٹس کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو استعمال کیا گیا ہے اور اکاؤنٹنگ تخمینوں کی بنیاد مناسب اور محفوظ اندازے ہیں۔
«اندرونی نگرانی نظام کا ڈیزائن مضبوط ہے اور اس کا موثر طور پر نفاذ کیا جا چکا ہے اور اس کی موثر نگرانی کی جاتی ہے۔

«چیرمین اور بورڈ کے دیگر ممبران کا انتخاب، ان کے انتخاب کی مدت اور ان کی اجرت کی پالیسی مضاربہ کے بہترین مفاد میں اور بہترین طریقوں کے مطابق ہے۔
«جناب حبیب اللہ ظہبی کے افسوسناک انتقال کی وجہ سے ایک آزاد ڈائریکٹر کی تقرری عمل میں ہے۔

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

«30 جون 2022 پر ٹیکس، ڈیویڈنڈ، لیویز اور چارجز کی مد میں کوئی دستوری ادائیگیاں نہیں ہیں ماسوائے ان کے جو مالیاتی اسٹیٹمنٹس میں ظاہر کیے گئے ہیں۔
«30 جون 2022 تک ملازمین کے پراویڈنڈ فنڈز سے 11.997 ملین (9.310 ملین: 2021) کی سرمایہ کاری کی گئی ہے۔

«گذشتہ چھ سالوں کا اہم آپرینگ اور مالیاتی ڈیٹا منسلک ہے۔

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

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
دکھن مہدی سید	6
ساجد جمال ابرو	2
سیج الحق ظہبی	1
حبیب اللہ ظہبی (متوفی)	2
ریحان انجم	6
رخسانہ نازجو	6
کمال احمد (قائم مقام سی ای او)	6

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

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

ڈائریکٹرز کی رپورٹ

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
ریحان انجم	4
رخسانہ نار بیجو	2
حبیب اللہ ظلمی (متوفی)	2
کمال احمد (قائم مقام سی ای او)	1

• سال میں مضاربہ کمپنی کی بیومن ریورس کمیٹی کے تین اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے؛

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
وسیم مہدی سید	3
ریحان انجم	2
رخسانہ نار بیجو	3
کمال احمد (قائم مقام سی ای او)	1

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

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
وسیم مہدی سید	4
ریحان انجم	3
رخسانہ نار بیجو	4
کمال احمد (قائم مقام سی ای او)	1

• سال میں مضاربہ کمپنی کی نامزدگی کمیٹی کا ایک اجلاس ہوا۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے؛

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

بورڈ پر ویورمنٹ کی کمیٹی کو قوانین کے مطابق قائم کر چکا ہے۔ زیر فورمدت کے دوران اس کمیٹی کا کوئی اجلاس نہیں ہوا۔

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

• ڈائریکٹرز سی ای او، ایگزیکٹو بیورو اور ان کے شریک حیات اور ان کے نابالغ بچوں نے سال کے دوران مضاربہ کے سرٹیفیکٹس کا کوئی لین دین نہیں کیا۔

ڈائریکٹرز کی رپورٹ

۷۔ بورڈ آف ڈائریکٹرز

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

۸۔ سماجی ذمہ داری

مضاربہ ایک ذمہ دار کارپوریٹ شہری کے اپنے کردار کو یقینی بناتا ہے جس میں اپنے مشن کے مطابق شرعی اصولوں کو سماجی طور پر ذمہ دارانہ اور اخلاقی انداز میں شامل کرتے ہوئے، ماحول کی حفاظت، اور ان کی تیز اور ثقافتوں کی حمایت کرتا ہے جن کے ساتھ یہ کام کرتا ہے۔ مضاربہ اپنے روزمرہ کے کاموں میں عمدگی کو برقرار رکھنے اور اپنے نظام حکومت میں اعتماد بڑھانے کے لیے دیانتداری اور کارپوریٹ گورننس کے اعلیٰ ترین معیار کو برقرار رکھنے کے لیے پرعزم ہے۔ مضاربہ اعتماد پیدا کرنے اور تمام رشتوں میں انسانی وقار اور حقوق کے احترام کا مظاہرہ کرنے کی مسلسل کوشش کرتا ہے، بشمول ثقافتوں، رسوم و رواج اور افراد اور گروہوں کی اقدار کا احترام بھی کرتا ہے۔

سیلاب زدگان کی مدد کے لیے کھڑے ہونا ہماری اخلاقی ذمہ داری ہے۔ لہذا، بورڈ آف ڈائریکٹرز نے 10 ملین روپے کی رقم (خمیسوں اور کھانے پینے کی اشیاء کی فراہمی کے لیے) کی منظوری دی ہے۔ تاکہ اس عظیم کام میں حصہ ڈالا جاسکے۔

۹۔ کریڈٹ ریٹنگ

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

۱۰۔ آڈیٹرز

بورڈ نے 30 جون 2023 کو ختم ہونے والے سال کے لیے بیکر تلی محمود اور ایس قمر، چارٹرڈ اکاؤنٹنٹس کو بطور بیرونی آڈیٹر تعینات کرنے کی منظوری دے دی ہے۔ تاہم، ان کی تفرری رجسٹرڈ مضاربہ کی منظوری سے مشروط ہوگی۔

۱۱۔ اعتراف

بورڈ ایس ای سی پی اور ہمارے شرعی مشیر کا ان کی مسلسل رہنمائی اور تعاون کے لیے 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



رشوان انجم
ڈائریکٹر



کمال احمد
قائم مقام سی ای او

کراچی

07 ستمبر 2022

Key Operating & Financial Data

	2022 30-Jun-2022	2021 30-Jun-2022	2020 30-Jun-2022	2019 30-Jun-2022	2018 30-Jun-2022	2017 30-Jun-2022
Rupees						
Balance Sheet						
Certificate capital	450,000,000	450,000,000	450,000,000	450,000,000	450,000,000	450,000,000
Reserves	195,948,970	175,056,964	159,974,420	113,046,762	65,786,214	33,671,641
Total equity	1,645,948,970	1,625,056,964	1,609,974,420	1,063,046,762	1,015,786,214	983,671,641
Total Assets	1,684,584,728	1,657,153,740	1,706,170,652	1,639,272,831	1,569,428,718	1,028,593,706
Financing Portfolio	901,928,698	859,574,172	816,236,706	666,717,824	676,717,777	631,611,597
Non-performing loans	110,748,423	120,753,848	55,286,568	-	-	-
Provision (excluding general)	54,264,776	41,267,559	27,643,292	-	-	-
Current Assets	1,173,981,336	1,200,357,149	1,177,337,968	1,218,410,905	1,096,695,414	468,490,917
Current Liabilities	38,635,758	32,096,776	96,195,232	576,218,069	553,466,854	25,344,941
Total Liabilities	38,635,758	32,096,776	96,196,232	576,226,069	553,642,504	44,922,065
Profit & Loss						
Revenue (net of IJR dep & DM susp.)	167,021,948	138,244,547	188,071,755	125,016,560	88,789,355	55,107,914
Operating expenses	40,887,729	46,442,770	39,222,816	32,113,806	28,871,650	24,123,893
Profit before management fee	113,522,169	78,624,804	124,111,038	93,359,412	60,240,405	30,240,620
Profit before tax	100,733,557	75,822,337	107,884,760	81,153,602	52,364,573	26,286,960
Profit after tax	66,313,222	75,822,337	107,884,760	81,153,602	52,364,573	26,286,960
Appropriations						
Profit distribution (%)	12.00%	10.00%	13.50%	13.50%	7.50%	4.50%
Profit distribution	54,000,000	45,000,000	60,750,000	60,750,000	33,750,000	20,250,000
Statutory Reserve	13,262,644	26,537,818	43,153,904	24,346,081	15,709,372	5,257,392
Financial Ratios						
Earning per Certificate	1.47	1.68	2.40	1.80	1.16	0.58
Net profit ratio before tax (%)	60.31%	54.85%	57.36%	64.91%	58.98%	47.70%
Net profit ratio after tax (%)	39.70%	54.85%	57.36%	64.91%	58.98%	47.70%
NPL ratio	12.28%	14.05%	6.77%	0.00%	0.00%	0.00%
NPL cover ratio	49.00%	34.17%	50.00%	0.00%	0.00%	0.00%
P/E Ratio	4.76	5.22	3.42	4.16	6.02	7.87
Breakup Value	14.35	13.89	13.55	12.51	11.46	10.75
Debt ratio (%)	2.29%	1.94%	5.64%	35.15%	35.28%	4.37%
Current ratio	30.39	37.40	12.24	2.11	1.98	18.48
Earning asset to total asset (%)	94.48%	92.08%	95.61%	98.02%	93.22%	97.45%
Return on asset (%)	3.97%	4.51%	6.45%	5.06%	4.03%	3.41%
Return on equity (%)	4.05%	4.69%	8.07%	7.81%	5.24%	3.61%
Debt Equity (%)	2.35%	1.98%	5.98%	54.21%	54.50%	4.57%

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, 2022.

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

S. No.	Provision of the Rules	Rule no.	Y	N											
			Tick the relevant box												
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓												
2.	The Board has at least one-third of its total members as independent directors. At present the Board includes:	3(2)		✓											
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td>Mr. Waseem Mehdi Syed</td> <td>26 November 2020</td> </tr> <tr> <td>Acting Chief Executive Officer</td> <td>Mr. Kamal Ahmed</td> <td>12 October 2021</td> </tr> <tr> <td>Non-Executive Directors</td> <td>Mr. Kamal Ahmed Ms. Rukhsana Narejo Mr. Rehan Anjum Mr. Sajid Jamal Abro Mr. Sami ul Haq Khilji</td> <td>15 August 2017 02 February 2021 02 February 2021 07 March 2022 30 May 2022</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	Mr. Waseem Mehdi Syed	26 November 2020	Acting Chief Executive Officer	Mr. Kamal Ahmed	12 October 2021	Non-Executive Directors	Mr. Kamal Ahmed Ms. Rukhsana Narejo Mr. Rehan Anjum Mr. Sajid Jamal Abro Mr. Sami ul Haq Khilji	15 August 2017 02 February 2021 02 February 2021 07 March 2022 30 May 2022		
Category	Names	Date of appointment													
Independent Directors	Mr. Waseem Mehdi Syed	26 November 2020													
Acting Chief Executive Officer	Mr. Kamal Ahmed	12 October 2021													
Non-Executive Directors	Mr. Kamal Ahmed Ms. Rukhsana Narejo Mr. Rehan Anjum Mr. Sajid Jamal Abro Mr. Sami ul Haq Khilji	15 August 2017 02 February 2021 02 February 2021 07 March 2022 30 May 2022													
3.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓												
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.	3(7)	✓												
5.	The chairman of the Board is working separately from the chief executive of the Company.	4(1)	✓												
6.	The chairman has been elected by the Board of directors.	4(4)	✓												
7.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✓												
8.	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.	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	
	<p>(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. (www.sindhmodaraba.com)</p> <p>(c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.</p>			
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

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																			
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)	✓																			
20.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓																			
21.	a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.	10	✓																			
	b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.		✓																			
	c) The Board has placed the annual financial statements on the company's website.		✓																			
22.	All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	✓																			
23.	a) The Board has formed the requisite committees, as specified in the Rules.	12	✓																			
	b) The committees were provided with written term of reference defining their duties, authority and composition.		✓																			
	c) The minutes of the meetings of the committees were circulated to all the Board members.		✓																			
	d) The committees were chaired by the following non-executive directors:		✓																			
	<table border="1"> <thead> <tr> <th>Committee</th> <th>Number of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>2</td> <td>Rehan Anjum</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>2</td> <td>Rehan Anjum</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	2	Rehan Anjum	Risk Management Committee	3	Waseem Mehdi Syed	Human Resources Committee	3	Waseem Mehdi Syed	Procurement Committee	2	Rehan Anjum	Nomination Committee	3	Waseem Mehdi Syed			
Committee	Number of Members	Name of Chair																				
Audit Committee	2	Rehan Anjum																				
Risk Management Committee	3	Waseem Mehdi Syed																				
Human Resources Committee	3	Waseem Mehdi Syed																				
Procurement Committee	2	Rehan Anjum																				
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	✓																			

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										
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓										
26.	The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓										
27.	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓										
28.	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.	18	✓										
29.	a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. b) The annual report of the company contains criteria and details of remuneration of each director.	19		N/A									
30.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer before 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="208 1444 1005 1591"> <thead> <tr> <th>Name of member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Mr. Rehan Anjum</td> <td>Non-executive</td> <td>Professional Banker</td> </tr> <tr> <td>Ms. Rukhsana Narejo</td> <td>Non-executive</td> <td>Professional Banker</td> </tr> </tbody> </table> The chief executive and chairman of the Board are not members of the audit committee.	Name of member	Category	Professional background	Mr. Rehan Anjum	Non-executive	Professional Banker	Ms. Rukhsana Narejo	Non-executive	Professional Banker	21 (1) and 21(2)	✓	
Name of member	Category	Professional background											
Mr. Rehan Anjum	Non-executive	Professional Banker											
Ms. Rukhsana Narejo	Non-executive	Professional Banker											
32.	a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed. b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives. c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.	21(3)	✓ ✓ ✓										

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

S. No.	Provision of the Rules	Rule no.	Y	N
			Tick the relevant box	
33.	<p>a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.</p> <p>b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.</p> <p>c) The internal audit reports have been provided to the external auditors for their review.</p>	22	✓	
34.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on Code of Ethics as applicable in Pakistan.	23(4)	✓	
35.	The auditors have confirmed that they have observed applicable guidelines issued by IFAC with regard to provision of non-audit Services.	23(5)	✓	

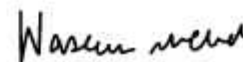
CERTAIN ADDITIONAL DISCLOSURES REQUIRED UNDER CCG

- All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
- The 'closed period', prior to the announcement of interim/final results; and business decisions, which may materially affect the market price of Modaraba's certificates, was determined and intimated to directors, employees and stock exchange.
- Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
- The 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.

(On behalf of the Board)



Kamal Ahmed
Acting CEO/Non-Executive Director



Waseem Mehdi Syed
Chairman/Independent Director

Karachi.
September 07, 2022

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

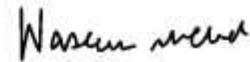
We confirm that all other material requirements envisaged in the Rules have been complied with. [except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year]:

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

(On behalf of the Board)



Kamal Ahmed
Acting CEO/Non-Executive Director



Waseem Mehdi Syed
Chairman/Independent Director

Karachi.
September 07, 2022

Shari'ah Advisor's Report



I have conducted the *Shari'ah* review of Sindh Modaraba managed by Sindh Modaraba Management Limited for the financial year ended June 2022 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*.

Notes

During the year, an amount of Rs. 543,192/- has been realized as charity on account of delay in payment by customers.

Recommendation

Several trainings have been conducted on Islamic Finance and its products. However, it is recommended that the Modaraba should organize more trainings for capacity building of its staff and management.

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

Karachi.
 26-08-2022

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013 (both hereinafter referred to as 'Codes') prepared by the Board of Directors of **Sindh Modaraba Management Limited** (the Management Company) for the year ended June 30, 2022 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, 2022.

Further, we highlight instance of non-compliance with the requirements of the Rules as reflected in Schedule II to the annexed Statement of Compliance.

Place : Karachi.

Date : September 22, 2022

UDIN: CR202210151rMHXEPITF

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants

Mehmood A. Razzak
Engagement Partner

Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of **SINDH MODARABA** (the Modaraba) as at June 30, 2022 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (*here in after referred to as the financial statements*), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Sindh Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;
 - 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, 2022 and of the profit, other comprehensive loss, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants

Place : Karachi.

Date : September 22, 2022

UDIN : AR202210151tX7OYruBi

Mehmood A. Razzak
Engagement Partner

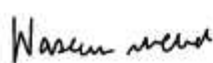
BALANCE SHEET

AS AT JUNE 30, 2022

		June 30, 2022	June 30, 2021
	Note	----- Rupees -----	-----
ASSETS			
Current assets			
Cash and bank balances	4	494,176,101	475,524,291
Short term investments	5	320,000,000	320,000,000
Advances, prepayments and other receivables	6	20,933,411	37,136,016
Current portion of Diminishing Musharaka	7	338,062,224	367,318,842
Current portion of long term loan	8	809,600	378,000
Total current assets		1,173,981,336	1,200,357,149
Non - current assets			
Diminishing Musharaka	7	505,645,798	447,293,669
Ijarah assets	9	-	5,005,000
Long term loan	8	2,378,966	1,102,500
Fixed assets - in own use	10	2,578,628	3,395,422
Total non - current assets		510,603,392	456,796,591
TOTAL ASSETS		1,684,584,728	1,657,153,740
LIABILITIES AND CERTIFICATE HOLDERS' EQUITY			
Current liabilities			
Creditors, accrued and other liabilities	11	33,269,664	26,438,518
Current portion of customers' security deposit	12	-	5,005,000
Provision for taxation	22	4,578,170	-
Profit distribution payable		787,924	653,258
		38,635,758	32,096,776
Non - current liabilities			
Customers' security deposit	12	-	-
TOTAL LIABILITIES		38,635,758	32,096,776
CERTIFICATE HOLDERS' EQUITY			
Authorized 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	195,948,970	175,056,964
Long term loan	15	1,000,000,000	1,000,000,000
		1,645,948,970	1,625,056,964
TOTAL LIABILITIES AND EQUITY		1,684,584,728	1,657,153,740
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



Acting Chief Executive



Director



Chief Financial Officer

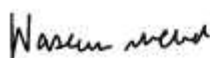
PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2022

		June 30, 2022	June 30, 2021
	Note	----- Rupees -----	-----
Income from:			
- Diminishing Musharaka		94,065,161	79,027,424
- Income from Ijarah financing-net	17	-	569,356
- Bank deposits		46,726,622	43,836,825
- Term deposit receipts		26,230,165	14,810,942
		167,021,948	138,244,547
Administrative and operating expenses	18	(40,887,729)	(46,442,770)
Provision for doubtful receivables	19	(13,259,015)	(13,513,618)
		(54,146,744)	(59,956,388)
		112,875,204	78,288,159
Other income - net	20	646,965	336,645
		113,522,169	78,624,804
Modaraba Management Company's remuneration	21	(11,352,217)	(7,862,480)
Provision for Sindh Sales Tax on Management Company's remuneration		(1,475,788)	(1,022,123)
Reversal / (provision) of workers' welfare fund		-	6,082,136
		(12,828,005)	(2,802,467)
Profit before taxation		100,694,164	75,822,337
Taxation	22	(34,380,942)	-
Profit for the year		66,313,222	75,822,337
Earnings per certificate - basic and diluted	23	1.47	1.68

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

For Sindh Modaraba Management Limited (Management Company)



Chairman



Acting Chief Executive



Director



Chief Financial Officer

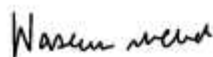
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2022

	June 30, 2022	June 30, 2021
	----- Rupees -----	
Profit for the year	66,313,222	75,822,337
Other comprehensive (loss) / income for the year		
- items that may be reclassified to profit and loss account	-	-
- items that will not be reclassified to profit and loss account subsequently	-	-
Actuarial (loss) / gain on defined benefit plan	(421,216)	10,207
Total comprehensive income for the year	<u>65,892,006</u>	<u>75,832,544</u>

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

For Sindh Modaraba Management Limited (Management Company)



Chairman



Acting Chief Executive



Director



Chief Financial Officer

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2022

	June 30, 2022	June 30, 2021
	----- Rupees -----	-----
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	100,694,164	75,822,337
Adjustments for non - cash and other items		
Depreciation on ijarah assets	9 -	2,143,092
Depreciation on fixed assets - in own use	10.1 1,431,881	1,332,608
Amortization of intangible assets	10.2 74,904	319,951
Provision for doubtful receivables	19 13,259,015	13,513,618
Reversal / (Provision) for workers' welfare fund	-	(6,082,136)
Income suspended in respect of diminishing musharaka	3,289,512	6,407,072
Income on bank deposits	(46,726,622)	(43,836,825)
Income on term deposit receipts	(26,230,165)	(14,810,942)
Provision for gratuity	676,213	1,080,255
Operating losses before working capital changes	(54,225,262)	(39,933,307)
Working capital changes		
(Increase) / decrease in current assets		
Advances, prepayments and other receivables	(16,866,565)	(19,113,629)
Diminishing Musharaka	(42,354,526)	(43,337,466)
Long term loan	8 (1,708,066)	3,113,000
	(60,929,157)	(59,338,095)
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities	6,803,765	(58,261,252)
Customers' security deposit	(5,005,000)	(2,000)
	1,798,765	(58,263,252)
Working capital changes	(59,130,392)	(117,601,347)
Income received on term deposit receipts	28,270,713	10,085,462
Income received on bank deposits	44,662,960	46,047,977
Gratuity contribution paid	11.3 (1,070,048)	(902,323)
Net cash generated from / (used in) operations	59,202,135	(26,481,201)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale proceeds from disposal of ijarah assets	5,005,000	2,000
Purchase of tangible assets-owned	10.1 (670,101)	(819,460)
Purchase of intangible assets-owned	10.2 (19,890)	(213,110)
Net cash generated from / (used in) investing activities	4,315,009	(1,030,570)
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit distributed	(44,865,334)	(60,671,793)
Net cash used in financing activities	(44,865,334)	(60,671,793)
Net increase / (decrease) in cash and cash equivalents	18,651,810	(88,183,564)
Cash and cash equivalents at the beginning of the year	795,524,291	883,707,855
Cash and cash equivalents at the end of the year	32 814,176,101	795,524,291

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

For Sindh Modaraba Management Limited (Management Company)



Chairman



Acting Chief Executive



Director



Chief Financial Officer

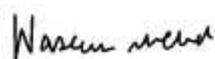
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2022

	Issued, subscribed, and paid-up certificate	Reserves			Long term loan	Total equity and reserves
		Capital	Revenue	Total reserves		
		Statutory reserve	Unappropriated profit			
Rupees						
Balance as at June 30, 2020	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	-	26,537,818	(26,537,818)	-	-	-
Transaction with Certificate Holders						
Profit distribution for the year ended June 30, 2019 at Rs. 1.35 (13.5%) per certificate	-	-	(60,750,000)	(60,750,000)	-	(60,750,000)
Balance as at June 30, 2021	450,000,000	121,071,504	53,985,460	175,056,964	1,000,000,000	1,625,056,964
Profit for the year	-	-	66,313,222	66,313,222	-	66,313,222
Other comprehensive income / (loss)	-	-	(421,216)	(421,216)	-	(421,216)
Transfer to statutory reserve	-	13,262,644	(13,262,644)	-	-	-
Transaction with Certificate Holders						
Profit distribution for the year ended June 30, 2021 at Rs. 1 (10%) per certificate	-	-	(45,000,000)	(45,000,000)	-	(45,000,000)
Balance as at June 30, 2022	450,000,000	134,334,148	61,614,822	195,948,970	1,000,000,000	1,645,948,970

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

For Sindh Modaraba Management Limited (Management Company)



Chairman



Acting Chief Executive



Director



Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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 upto June 30, 2022. The Modaraba had already adopted all the requirements of IFRS 9 in the financial statements for 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, 2022

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 recognized 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, 2022

3.1 Financial instruments

3.1.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized 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 derecognized 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 derecognized 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 amortized 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 categorized 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, 2022

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 recognized in other income/ (other expenses) in the profit and loss account as applicable.

Dividends from such investments continue to be recognized 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 recognize 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 amortized 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 recognized for the first category while 'lifetime expected credit losses' are recognized for the second and third category.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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 amortized 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 recognized 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 recognized 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 amortization and accumulated impairment losses, if any. Subsequent costs are included in the assets' carrying amounts or recognized 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.

Amortization is charged to income using the straight line method in accordance with the specified rates. The useful lives and amortization method are reviewed and adjusted, as appropriate, at each reporting date. Amortization 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, 2022

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 recognized as expenses.
- Initial direct costs incurred specifically to earn revenues from Ijarah are recognized 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 recognized on accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognized 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

Deferred

Deferred tax is recognized 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 recognized for all taxable temporary differences. Deferred tax asset is recognized 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 utilized.

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 utilized.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the year when the asset is realized 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 recognized 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 recognized 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 recognized 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 recognized 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, 2022

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 recognized as income on accrual basis, as and when rentals become due. In case of Ijarah arrangements with staggered rentals, the income is recognized 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 recognized under the effective mark-up rate method based on the Amount outstanding.
- Mark-up / return on deposits / investments is recognized on accrual basis using the effective profit rate method.
- Other income is recognized 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 recognized 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 recognized in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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 recognized 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 30,2022 ----- Rupees -----	June 30,2021 -----
Stamp papers in hand		72,700	92,500
Cash in hand		-	-
Balances with banks			
- on deposit accounts	4.1	492,734,368	474,747,249
- on current accounts	4.2	1,369,033	684,542
		<u>494,176,101</u>	<u>475,524,291</u>

4.1 These carry profit at the rates ranging from 5.50% to 11% per annum. (2021: 3.52% to 6.64% per annum). This includes balance of Rs. 483.51 million (2021: Rs. 474.72 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

4.2 This includes balance of Rs. 1,294,517 (2021: Rs. 662,938) held with Sindh Bank Limited - Islamic Banking Unit, related party.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

5. SHORT TERM INVESTMENTS	Note	June 30, 2022 ----- Rupees -----	June 30, 2021 -----
Term deposit receipts	5.1	<u>320,000,000</u>	<u>320,000,000</u>
<p>5.1 This represents investment made in Term Deposit Receipts in Meezan Bank Limited - Islamic Banking, for a period of 6 months maturity on monthly rollover basis at the mark-up rate of 12.25% per annum (June 2021: Rs.320 million in Sindh Bank Limited, a related party for a period of 3 months maturity at the mark-up rate of 7.00% per annum).</p>			
6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Note	June 30, 2022 ----- Rupees -----	June 30, 2021 -----
Advances	6.1	7,562,220	25,540,683
Prepayments		744,855	668,173
Accrued income from bank deposits	6.2	5,294,718	3,231,056
Accrued income from term deposit receipts	6.2	2,684,932	4,725,480
Accrued income from Diminishing Musharaka	6.3	4,638,686	2,964,624
Other receivables		8,000	6,000
		<u>20,933,411</u>	<u>37,136,016</u>
<p>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. 1.55 million (2021: Rs. 24.385 million).</p>			
<p>6.2 This includes accrued income of Rs. 5,245,596 (2021: Rs. 3,230,977) in bank deposits and Rs. NIL (2021: 4,725,480) in term deposits held with Sindh Bank Limited - Islamic Banking Unit, related party.</p>			
6.3 Accrued income from Diminishing Musharaka		June 30, 2022 ----- Rupees -----	June 30, 2021 -----
Receivable		21,766,615	16,803,041
Less: Income suspend		(17,127,929)	(13,838,417)
		<u>4,638,686</u>	<u>2,964,624</u>
7. DIMINISHING MUSHARAKA	Note	June 30, 2022 ----- Rupees -----	June 30, 2021 -----
Receivables - secured	7.1	901,928,698	859,574,172
Less: current portion		(338,062,224)	(367,318,842)
Less: provision in respect of diminishing musharaka	7.2	(58,220,676)	(44,961,661)
Non-current portion		<u>505,645,798</u>	<u>447,293,669</u>
<p>7.1 This represents finance provided to Individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 3 to 20 years (2021: 3 to 20 years) which is secured against mortgage of property, lien on title documents and charge on assets etc.</p>			
<p>7.2 This includes general provision of Rs.3.96 million (2021: Rs.3.69 million) made at the rate of 0.5% (2021: 0.5%) on diminishing musharaka receivables respectively.</p>			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

7.2.1 Movement in provision in respect of Diminishing Musharakah

	2022			2021		
	General	Specific	Total	General	Specific	Total
	----- Rupees -----					
Opening	3,694,102	41,267,559	44,961,661	3,804,751	27,643,292	31,448,043
Charge for the year	261,798	15,118,146	15,379,944	-	13,624,267	13,624,267
Reversal during the year	-	(2,120,929)	(2,120,929)	(110,649)	-	(110,649)
Closing	3,955,900	54,264,776	58,220,676	3,694,102	41,267,559	44,961,661

8. LONG TERM LOAN	Note	June 30, 2022	June 30, 2021
		----- Rupees -----	
Long term loan - considered good	8.1	3,188,566	1,480,500
Less: current portion of long term loan		(809,600)	(378,000)
		<u>2,378,966</u>	<u>1,102,500</u>

8.1 This includes Rs. 2.086 million (2021: NIL) and Rs. 1.102 million (2021: 1.480 million) against car loan provided to Mr. Adnan Shakeel - CFO & Co. Secretary and Mr. Kailash Moolani - Chief Internal Auditor respectively, related parties in accordance with the Monetization Policy approved by the Board.

9. IJARAH ASSETS

Particulars	June 30, 2022							
	Cost			Depreciation			Net book value	Depreciation rate
	As at July 01, 2021	Disposals	As at June 30, 2022	As at July 01, 2021	Charge / (adjustment) for the year	As at June 30, 2022		
	----- Rupees -----							
Plant and machinery	80,000,000	-	-	75,000,000	-	-	-	33.33%
		(80,000,000)			(75,000,000)			
Vehicles	10,571,500	-	-	10,566,500	-	-	-	20%
		(10,571,500)			(10,566,500)			
	<u>90,571,500</u>	<u>-</u>	<u>-</u>	<u>85,566,500</u>	<u>-</u>	<u>-</u>	<u>-</u>	
		(90,571,500)			(85,566,500)			

Particulars	June 30, 2021							
	Cost			Depreciation			Net book value	Depreciation rate
	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)			
	<u>93,113,500</u>	<u>-</u>	<u>90,571,500</u>	<u>85,963,408</u>	<u>2,143,092</u>	<u>85,566,500</u>	<u>5,005,000</u>	
		(2,542,000)			(2,540,000)			

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

- 9.1 The Modaraba has entered into Ijarah arrangements for periods ranging from 3 to 5 years (2021: 3 to 5 years) against which security deposits were obtained at the time of disbursement (note 12).

10. FIXED ASSETS - In own use	Note	June 30,2022	June 30,2021
		Rupees	Rupees
Tangible assets	10.1	2,473,808	3,235,588
Intangible assets	10.2	104,820	159,834
		<u>2,578,628</u>	<u>3,395,422</u>

10.1 TANGIBLE ASSETS

Particulars	June 30, 2022							Net book value	Depreciation Rate
	Cost			Depreciation					
	As at July 01, 2021	Additions	As at June 30, 2022	As at July 01, 2021	Charge for the year	As at June 30, 2022			
	----- Rupees -----								
Furniture and fittings	1,536,245	-	1,536,245	795,534	153,624	949,158	587,087	10%	
Office equipment	3,272,641	19,895	3,292,536	2,481,057	467,172	2,948,229	344,307	20%	
Vehicles	1,354,275	-	1,354,275	545,958	262,152	808,110	546,165	20%	
Computer and accessories	3,153,719	650,206	3,803,925	2,258,743	548,933	2,807,676	996,249	33.33%	
	<u>9,316,880</u>	<u>670,101</u>	<u>9,986,981</u>	<u>6,081,292</u>	<u>1,431,881</u>	<u>7,513,173</u>	<u>2,473,808</u>		

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%	
	<u>8,497,420</u>	<u>819,460</u>	<u>9,316,880</u>	<u>4,748,684</u>	<u>1,332,608</u>	<u>6,081,292</u>	<u>3,235,588</u>		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

10.2 INTANGIBLE ASSETS

June 30, 2022								
Particulars	Cost			Amortization			Net book value	Amortization rate
	As at July 01, 2021	Additions	As at June 30, 2022	As at July 01, 2021	Charge for the year	As at June 30, 2022		
	Rupees							
Website	37,647	-	37,647	37,646	-	37,646	1	33.33%
Almanac software	800,000	-	800,000	799,999	-	799,999	1	33.33%
Software licenses	1,254,445	19,890	1,274,335	1,094,613	74,904	1,169,517	104,818	33.33%
	<u>2,092,092</u>	<u>19,890</u>	<u>2,111,982</u>	<u>1,932,258</u>	<u>74,904</u>	<u>2,007,162</u>	<u>104,820</u>	

June 30, 2021								
Particulars	Cost			Amortization			Net book value	Amortization rate
	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>	

11. CREDITORS, ACCRUED AND OTHER LIABILITIES

Note	June 30, 2022	June 30, 2021
	Rupees	
Creditors	6,441	6,441
Modaraba management company's remuneration payable - related party	11,352,217	7,862,480
Accrued expenses	11.1 8,270,117	7,241,964
Provision for Sindh Sales Tax on management company's remuneration	1,475,788	1,022,123
Payable to gratuity fund	11.3 1,097,429	1,070,048
Other liabilities	11.2 11,067,672	9,235,462
	<u>33,269,664</u>	<u>26,438,518</u>

11.1 These includes Rs. 50,000 (2021: Rs. 300,000) for branch rent payable to Sindh Bank Limited, related party.

11.2 This also includes charity payable amounting to Rs. 551,406 (2021: Rs. 8,214). The reconciliation is as follows:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

	June 30,2022	June 30,2021
Note	Rupees	Rupees
Opening balance	8,214	8,212
Additions during the year	543,192	250,002
Less: paid to recognized charitable institutions	11.2.1 -	(250,000)
Closing balance	<u>551,406</u>	<u>8,214</u>

11.2.1 This represents NIL charity paid to recognized charitable institution (2021: Rs.250,000).

	June 30,2022	June 30,2021
Note	Rupees	Rupees
11.3 Payable to gratuity fund	<u>1,097,429</u>	<u>1,070,048</u>
11.3.1 Reconciliation of balance due to defined benefit plan		
Present value of defined benefit obligation	3,254,728	2,059,290
less: Fair value of plan assets	(2,157,299)	(989,242)
Balance sheet liability	<u>1,097,429</u>	<u>1,070,048</u>

11.3.2 Movement in the present value of defined benefit obligation

Opening balance	2,059,290	2,650,862
Current service cost	621,373	1,041,907
Interest cost	211,077	225,323
Liability transferred to other group company	-	(1,832,030)
Remeasurements charged to other comprehensive income		
- Actuarial loss from changes in financial assumptions	15,020	5,793
- Experience adjustments	347,968	(32,565)
	362,988	(26,772)
Present value of defined benefit obligation	<u>3,254,728</u>	<u>2,059,290</u>

	June 30,2022	June 30,2021
	Rupees	Rupees
11.3.3 Changes in fair value of plan assets		
Fair value of plan assets	989,242	1,748,539
Contributions	1,070,048	902,323
Interest income on plan assets	156,237	186,975
Assets transferred to other group company	-	(1,832,030)
Return on plan assets/(charges), excluding interest income	(58,228)	(16,565)
Fair value of plan assets	<u>2,157,299</u>	<u>989,242</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

11.3.4 Expense recognized in profit and loss account	Note	June 30,2022 ----- Rupees -----	June 30,2021 -----
Current service cost		621,373	1,041,907
Interest cost		211,077	225,323
Interest income on plan assets		(156,237)	(186,975)
Expense recognized in profit and loss account		<u>676,213</u>	<u>1,080,255</u>
11.3.5 Total remeasurement chargeable in other comprehensive income			
Remeasurement of plan obligation:			
Actuarial (gain) / loss from changes in financial assumptions		15,020	5,793
Experience adjustments		347,968	(32,565)
		362,988	(26,772)
Less: Return on plan assets, excluding interest income		58,228	16,565
Remeasurement of actuarial (gains) / losses on defined benefit liability		<u>421,216</u>	<u>(10,207)</u>
11.3.6 Changes in net liability			
Balance sheet liability/(asset)		1,070,048	902,323
Expenses to be charged to profit and loss account		676,213	1,080,255
Remeasurement chargeable in other comprehensive income		421,216	(10,207)
Contributions		(1,070,048)	(902,323)
		<u>1,097,429</u>	<u>1,070,048</u>
		June 30,2022 ----- Percentage -----	June 30,2021 -----
Significant actuarial assumptions			
Discount rate used for interest cost in profit and loss account		10.25%	8.50%
Discount rate used for year end obligation		13.50%	10.25%
<u>Salary increase used for year end obligation</u>			
Salary increase FY 2021		-	N/A
Salary increase FY 2022		N/A	10.25%
Salary increase FY 2023		13.50%	10.25%
Salary increase FY 2024		13.50%	10.25%
Salary increase FY 2025		13.50%	10.25%
Salary increase FY 2026		13.50%	10.25%
Salary increase FY 2027		13.50%	10.25%
Salary increase FY 2028 onwards		13.50%	-
Net salary is increased at		1-Jul-22	1-Jul-21
Mortality rates		SLIC (2001-05)-1	SLIC (2001-05)-1

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

	June 30,2022	June 30,2021
	----- Rupees -----	
Withdrawal rates	Age-based (per appendix)	Age-based (per appendix)
Retirement assumption	Age 60	Age 60
	June 30,2022	June 30,2021
	-----Rupees-----	
Estimated expenses to be charged to P&L		
Current services cost	974,582	621,373
Interest cost on defined benefit obligation	430,371	206,058
Interest income on plan asset	(354,446)	(142,622)
	1,050,507	684,809
Plan assets comprise at June 30, 2022		
Cash and/or deposits	100%	100%
Year end sensitivity (+/- 100bps) on defined benefit obligation		
Discount rate +100 bps	2,879,939	1,804,573
Discount rate - 100 bps	3,701,868	2,367,001
Salary increase +100 bps	3,702,521	2,367,505
Salary increase - 100 bps	2,872,598	1,799,373
Expected benefit payments for the next 10 years and beyond		
FY 2022	-	97,929
FY 2023	133,596	112,349
FY 2024	164,716	136,240
FY 2025	762,992	661,159
FY 2026	230,093	150,186
FY 2027	258,154	160,769
FY 2028	289,819	171,666
FY 2029	325,765	183,049
FY 2030	371,500	201,151
FY 2031	1,785,192	224,769
FY 2032	454,226	66,285,985
FY 2033 onwards	182,219,826	-
The average duration of the defined benefit obligation is	13 years	14 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

	June 30, 2022	June 30, 2021
12. CUSTOMERS' SECURITY DEPOSIT	Note ----- Rupees -----	-----
Security deposit against ijarah finance	-	5,005,000
Less: Current portion	-	(5,005,000)
Non-current portion	12.1	-

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

13. CERTIFICATE CAPITAL

13.1 Authorized certificate capital

June 30, 2022	June 30, 2021		June 30, 2022	June 30, 2021
Number of certificates			Rupees	
<u>50,000,000</u>	<u>50,000,000</u>	Modaraba certificates of Rs. 10 each	<u>500,000,000</u>	<u>500,000,000</u>

13.2 Issued, subscribed and paid - up certificate capital

June 30, 2022	June 30, 2021		June 30, 2022	June 30, 2021
Number of certificates			Rupees	
<u>45,000,000</u>	<u>45,000,000</u>	Modaraba certificates of Rs. 10 each fully paid in cash	<u>450,000,000</u>	<u>450,000,000</u>

13.3 As at June 30, 2022, Sindh Modaraba Management Limited (Management Company) holds 42,446,000 i.e. 94.33% (2021: 42,446,000 i.e. 94.33%) certificates of the Modaraba.

	June 30, 2022	June 30, 2021
14. RESERVES	Note ----- Rupees -----	-----
Capital		
Statutory reserve	14.1 144,281,132	121,071,504
Revenue		
Unappropriated profit	51,667,838	53,985,460
	<u>195,948,970</u>	<u>175,056,964</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. 13,262,644 (2021: Rs. 26,537,818) which represents 20% (2021: 35%) of the net profit for the year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

	Note	June 30, 2022 ----- Rupees -----	June 30, 2021 -----
15. LONG TERM LOAN	15.1	<u>1,000,000,000</u>	<u>1,000,000,000</u>

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' favor. Accordingly, no liability in respect of the above has been recognized in these financial statements.

	June 30, 2022 ----- Rupees -----	June 30, 2021 -----
17. INCOME FROM IJARAH FINANCING - NET		
Ijarah financing	-	2,712,448
Less: Ijarah depreciation		
- on plant and machinery	-	(12)
- on vehicles	-	(2,143,080)
	-	(2,143,092)
	<u>-</u>	<u>569,356</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

18. ADMINISTRATIVE AND OPERATING EXPENSES	Note	June 30, 2022	June 30, 2021
		----- Rupees -----	
Salaries, allowances and other benefits	18.1	26,117,326	32,887,885
Legal and professional charges	18.2	1,779,789	2,032,064
Repairs and maintenance		896,137	895,347
Utility services		1,177,542	1,023,904
Takaful / insurance - owned assets		145,233	171,572
Takaful / insurance - ijarah and diminishing musharaka		448,189	375,824
Postage, courier and telegraphs		196,769	114,319
Generator sharing and fuel charges	18.3	925,358	520,909
Entertainment		188,632	164,187
Advertisement and publications		176,450	313,272
Staff orientation and training		6,000	3,000
Rent, rates and taxes	18.4	799,996	800,016
Registration and subscription fee		1,201,624	1,183,148
Travelling and conveyance		3,764,839	2,835,246
Security services		600,000	600,000
Printing, stationery and photocopy		505,479	437,330
Auditors' remuneration	18.5	305,294	279,704
Depreciation expense - tangible assets	10.1	1,431,881	1,332,608
Amortization expense - intangible assets	10.2	74,904	319,951
Miscellaneous		146,287	152,484
		<u>40,887,729</u>	<u>46,442,770</u>

18.1 This includes amount of Rs. 855,955 (2021: Rs. 1,104,994) paid / charged to provident fund and provision for gratuity of Rs. 676,213 (2021: Rs. 1,080,255).

18.2 This includes amount of Rs. 432,000 (2021: Rs. 432,000) charged to Shariah Advisor as compensation for his service.

18.3 This includes amount of Rs. 720,000 (2021: Rs. 436,860) against sharing of expenses with Sindh Insurance Limited - related party.

18.4 This includes amount of Rs. 600,000 (2021: Rs. 600,000) branch rent to Sindh Bank Limited - related party.

18.5 Auditors' remuneration	June 30, 2022	June 30, 2021
	----- Rupees -----	
Audit fee	160,930	146,300
Half yearly review fee	48,400	44,000
Special certification	42,350	38,500
Other services	20,000	20,000
Sindh sales tax	22,614	19,904
Out of pocket expenses	11,000	11,000
	<u>305,294</u>	<u>279,704</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

18.6	The remuneration paid to key management personnel	Note	June 30, 2022	June 30, 2021
			Rupees	
	Basic salary		4,836,992	7,867,152
	House rent		2,176,647	2,889,686
	Other allowances		967,380	2,223,743
	Bonuses		1,105,689	2,055,858
	Provident fund		483,685	786,709
	Other benefits		2,348,279	3,048,166
			11,918,672	18,871,314
			Unaudited	Audited
			June 30, 2022	June 30, 2021
			----- Rupees -----	
18.7	Defined contribution plan			
	Size of the fund (total assets)		12,090,086	9,361,340
	Cost of investment made		11,997,768	9,310,730
	Fair value of investment made		11,997,768	9,310,730
			June 30, 2022	June 30, 2021
			----- Percentage -----	
	Percentage of investment made		99%	99%
	Break up of Investment at cost			
			June 30, 2022	
			Rupees	Percentage
			11,997,768	99%
			June 30, 2021	
			Rupees	Percentage
			9,310,730	99%
			June 30, 2022	June 30, 2021
			----- Rupees -----	
19.	PROVISION/(REVERSAL) FOR DOUBTFUL RECEIVABLES			
	Provision against Diminishing Musharaka	7.2	13,259,015	13,513,618
			13,259,015	13,513,618
20.	OTHER INCOME - NET			
	Documentation and processing fee		641,177	297,100
	Others		5,788	39,545
			646,965	336,645
21.	MODARABA MANAGEMENT COMPANY'S REMUNERATION	21.1	11,352,217	7,862,480

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, 2022 has been recognized at 10% of the profit for the year before charging such remuneration and taxation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

22. TAXATION	Note	June 30, 2022 ----- Rupees -----	June 30, 2021 ----- Rupees -----
Provision for the year:			
Current	22.1	34,380,942	-
Prior period		-	-
Deferred	22.2	-	-
		34,380,942	
Advance tax:			
Tax deducted / collected at source		(10,376,164)	-
Tax paid / adjusted		(19,426,608)	-
		(29,802,772)	
		4,578,170	-

22.1 The provision for current tax is based on normal income tax charge as per the relevant sections of Income Tax Ordinance, 2001. The Modaraba availed benefit of tax exemption for the year ended June 30, 2021, therefore, no current tax charge in comparative period.

22.2 Deferred tax asset amounting to Rs. 15 million has not been accounted for in these financial statements due to uncertainties regarding the future taxable profits against which such asset would be utilized.

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, 2022 ----- Rupees -----	June 30, 2021 ----- Rupees -----
Profit for the year after taxation (Rupees)	66,313,222	75,822,337
Weighted average number of certificates (Numbers)	45,000,000	45,000,000
Earnings per certificate (Rupees)	1.47	1.68

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, 2022 which would have any effect on the earnings per certificate.

24. NUMBER OF EMPLOYEES	June 30, 2022 ----- Numbers -----	June 30, 2021 ----- Numbers -----
Total numbers of employees at year end	14	13
Average number of employees	14	13

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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:

25.1	BALANCES AS AT YEAR END	Note	June 30, 2022 ----- Rupees -----	June 30, 2021 -----
	Sindh Insurance Limited - associated company			
	Sharing of Expenses payable		-	218,430
			<u> </u>	<u> </u>
25.2	TRANSACTIONS FOR THE YEAR			
	Sindh Bank Limited - associated company			
	Income from deposits		46,574,435	43,808,562
	Income from term deposit receipt		12,352,874	14,810,942
	Branch rent paid		850,000	600,000
			<u>59,777,309</u>	<u>59,219,504</u>
	Sindh Modaraba Management Limited - management company			
	Share of profit paid		-	59,044,812
	Modaraba management company's remuneration paid		7,862,480	12,411,104
	Dividend paid / distributed		42,446,000	57,302,100
			<u>50,308,480</u>	<u>128,758,016</u>
	Sindh Insurance Limited - associated company			
	Takaful / insurance paid		852,078	895,240
	Sharing of expenses paid		968,635	436,860
			<u>1,820,713</u>	<u>1,332,100</u>
	Key Management Personnel			
	Salaries, allowances and benefits paid	18.6	<u>11,918,672</u>	<u>18,871,314</u>
	Sindh Modaraba Employees Provident Fund - employee fund			
	Contribution paid (both employer's and employee's contribution)		<u>1,711,910</u>	<u>2,209,988</u>
	Sindh Modaraba Employees Gratuity Fund - employee fund			
	Contribution paid		<u>1,070,048</u>	<u>902,323</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

26. FINANCIAL INSTRUMENTS BY CATEGORY	Note	June 30, 2022	June 30, 2021
		----- Rupees -----	
Financial assets as per balance sheet			
At amortized cost			
<i>Current assets</i>			
- Cash and bank balances		494,176,101	475,524,291
- Short term investments		320,000,000	320,000,000
- Advances and other receivables		20,188,556	36,467,843
- Current portion of diminishing musharaka		338,062,224	367,318,842
- Current portion of long term loan		809,600	378,000
		1,173,236,481	1,199,688,976
<i>Non-current assets</i>			
- Long term portion of diminishing musharaka		505,645,798	447,293,669
- Long term loan		2,378,966	1,102,500
		508,024,764	448,396,169
		1,681,261,245	1,648,085,145
Financial liabilities as per balance sheet			
At amortized cost			
<i>Current liabilities</i>			
- Creditors, accrued and other liabilities		32,469,668	25,638,522
- Profit distribution payable		787,924	653,258
		33,257,592	26,291,780

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, 2022, 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, 2022

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, 2022, 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, 2022	June 30, 2021
	----- Rupees -----	
Cash and bank balances	494,176,101	475,524,291
Short term investments	320,000,000	320,000,000
Diminishing Musharaka	843,708,022	814,612,511
Advances and other receivables	20,188,556	36,467,843
Long term loan	3,188,566	1,480,500
	<u>1,681,261,245</u>	<u>1,648,085,145</u>

As at June 30, 2022, 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, 2022

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

Sectors	June 30, 2022		June 30, 2021	
	Rupees	%	Rupees	%
Sugar	102,391,330	11.35	163,750,662	18.68
Oil & Gas - Oil Marketing	-	-	13,125,000	1.50
Security services	31,087,040	3.45	16,856,616	1.92
Other services	30,095,314	3.34	42,190,116	4.81
Individual	32,143,608	3.56	8,965,657	1.02
Brokerage	634,677	0.07	1,102,621	0.13
Transport	59,683,888	6.62	68,652,822	7.83
Metal & Steel	2,275,000	0.25	1,873,524	0.21
Construction	147,210,176	16.32	206,167,939	23.53
Pharmaceutical	30,465,000	3.38	60,454,205	6.90
Poultry, Poultry feed & hatchery	52,706,589	5.84	57,532,213	6.56
Chemical & Allied (Other)	42,499,515	4.71	15,940,111	1.82
Textile	83,149,560	9.22	62,947,267	7.18
Food & Beverages	68,750,000	7.62	110,806,595	12.64
Engineering	-	-	283,341	0.03
Real Estate	-	-	22,676,695	2.59
Energy	4,522,225	0.50	8,230,148	0.94
Health	199,500,000	22.12	-	-
Others	14,814,776	1.64	14,821,681	1.69
	901,928,698	100	876,377,213	100

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 Musharka arrangements to avoid undue concentration of risks with individuals or groups of customers in specific locations or businesses.

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

Credit risk ratings	Rating	June 30, 2022	June 30, 2021
		----- Rupees -----	
Bank balances - Sindh Bank Limited	A+ / A-1	484,432,553	474,718,761
Bank balances - Meezan Bank Limited	AAA/A-1+	9,599,447	-
TDRs - Meezan Bank Limited	AAA/A-1+	320,000,000	320,000,000
Bank balances - Bank Alhabib Limited	AAA / A-1+	13,455	13,357
Bank balances - NRSP Micro Finance Bank Limited	A- / A-1	16,438	15,131
		814,061,893	794,747,249

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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:

2022							
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 -----							
Maturities of assets and liabilities							
Financial assets							
Cash and bank balances	492,734,368	-	492,734,368	1,441,733	-	1,441,733	494,176,101
Short term investments	320,000,000	-	320,000,000	-	-	-	320,000,000
Diminishing Musharaka	338,062,224	505,645,798	843,708,022	-	-	-	843,708,022
Long term loan	-	-	-	809,600	2,378,966	3,188,566	3,188,566
Advances and other receivables	-	-	-	20,188,556	-	20,188,556	20,188,556
	1,150,796,592	505,645,798	1,656,442,390	22,439,889	2,378,966	24,818,855	1,681,261,245
Financial liabilities							
Creditors, accrued and other liabilities	-	-	-	32,469,668	-	32,469,668	32,469,668
Profit distribution payable	-	-	-	787,924	-	787,924	787,924
	-	-	-	33,257,592	-	33,257,592	33,257,592
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 -----							
Maturities of assets and liabilities							
Financial assets							
Cash and bank balances	474,747,249	-	474,747,249	777,042	-	777,042	475,524,291
Short term investments	320,000,000	-	320,000,000	-	-	-	320,000,000
Diminishing Musharaka	367,318,842	447,293,669	814,612,511	-	-	-	814,612,511
Long term loan	-	-	-	378,000	1,102,500	1,480,500	1,480,500
Advances and other receivables	-	-	-	36,467,843	-	36,467,843	36,467,843
	1,162,066,091	447,293,669	1,609,359,760	37,622,885	1,102,500	38,725,385	1,648,085,145
Financial liabilities							
Creditors, accrued and other liabilities	-	-	-	25,638,522	-	25,638,522	25,638,522
Profit distribution payable	-	-	-	653,258	-	653,258	653,258
	-	-	-	26,291,780	-	26,291,780	26,291,780

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2022

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 2022, 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, 2022

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 71.39% (2021: 76.19% from ten major customers) of the total revenue from operations during the year ended 30 June 2022.

31. NON - ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on September 07, 2022 approved a cash distribution of Rs. 1.20 per certificate. The financial statements of the Modaraba for the year ended June 30, 2022 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, 2023.

		June 30, 2022	June 30, 2021
	Note	-----Rupees-----	
32. CASH AND CASH EQUIVALENT			
Cash and bank balances	4	494,176,101	475,524,291
Short term investments	5	320,000,000	320,000,000
		<u>814,176,101</u>	<u>795,524,291</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, 2022

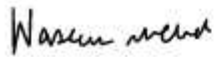
34. DATE OF AUTHORISATION

These financial statements were authorized for issue on September 07, 2022 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

Acting Chief Executive

Director

Chief Financial Officer

Pattern Of Certificate Holding By The Certificate Holders As At June 30, 2022

Number Of Certificate Holders	Certificate Holding			Total Certificate Held
	From		To	
214	1	-	100	1,583
443	101	-	500	219,535
56	501	-	1000	53,856
93	1001	-	5000	252,686
17	5001	-	10000	132,500
5	10001	-	15000	63,340
5	15001	-	20000	94,000
4	20001	-	25000	90,000
2	30001	-	35000	64,500
2	35001	-	40000	79,000
1	45001	-	50000	50,000
2	50001	-	55000	104,500
1	55001	-	60000	56,500
1	65001	-	70000	68,000
1	70001	-	75000	75,000
1	75001	-	80000	76,500
1	145001	-	150000	150,000
2	200001	-	205000	406,000
1	245001	-	250000	249,000
1	265001	-	270000	267,500
1	42445001	-	42450000	42,446,000
854				45,000,000

Categories Of Shareholders	Shares Held	Percentage
(i) Government;		NIL
(ii) Associated Companies, Undertakings and Related Parties (name wise details);		
Sindh Modaraba Management Ltd.	42,446,000	94.32
	42,446,000	94.32
(iii) Mutual Funds;		NIL
(iv) Directors, Chief Executive, and their spouse and minor children (name wise details);		
Rehan Anjum - Director	500	0.00
Ahmed Salman - Spouse (Rukhsana Narejo - Director)	5,000	0.01
	5,500	0.01
(v) Executives;		NIL
(vi) Public Sector Companies and corporations;		NIL
(vii) Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful Companies and		NIL
Hafiz Limited	34,000	0.08
	34,000	0.08
Individual		
Local - Individuals	2,514,500	5.59
	2,514,500	5.59
Grand Total:	45,000,000	100

Shareholders holding five percent or more voting rights in the Public Sector Company

	Shares Held	Percentage
Sindh Modaraba Management Ltd.	42,446,000	94.32

Notice of Annual Review Meeting

Notice is hereby given that the 8th Annual Review Meeting of certificate holders of Sindh Modaraba will be held on 26th October 2022 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, 2022 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, 2022



M. Adnan Shakeel
Company Secretary

Note:

1. The Modaraba Certificate transfer book shall remain closed from October 19, 2022 to October 26, 2022 (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, 2022 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 بھائی اطلاع دی جاتی ہے کہ سندھ مضاربہ کے سرٹیفکیٹ ہولڈرز کا آٹھواں سالانہ جائزہ اجلاس ۲۶ اکتوبر ۲۰۲۲ء کو صبح ۱۰:۳۰ بجے کمرہ نمبر ۶۰۲، چھٹی منزل، پروگریسیو سینٹر، ۳۰-اے، بلاک نمبر ۶، شارع فیصل، کراچی میں منعقد ہوگا جس میں رجسٹرار مضاربہ کے سرکلر نمبر ۲۰۰۳ / ۱۴ اور پروڈینشل ریگولیشن کے شق ۲۰ کے تحت ۳۰، جون ۲۰۲۲ء کو ختم ہونے والے سال میں مضاربہ کی کارکردگی کا جائزہ لیا جائے گا۔

سید علی حسنین

ایم۔ عدنان کھیل
کمپنی سیکرٹری

کراچی
۱۵ اکتوبر ۲۰۲۲

نوٹس:

- ۱- سرٹیفکیٹس ٹرانسفر بکس ۱۹، اکتوبر ۲۰۲۲ء سے ۲۶، اکتوبر ۲۰۲۲ء 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 بروقت تصور کی جائیں گی۔
- ۲- سرٹیفکیٹ ہولڈرز سے درخواست ہے کہ اگر ان کے ایڈریس میں کوئی تبدیلی ہو تو رجسٹرار کو آگاہ کریں۔
- ۳- سی ڈی سی سرٹیفکیٹ ہولڈرز جو اجلاس میں شرکت کرنا چاہتے ہیں، اپنے ساتھ اصل شناختی کارڈ، اکاؤنٹ نمبر (آئی بی اے این) اور پارٹنر شپ آئی ڈی نمبر لازمی لائیں۔

**Islamic Financing
Products Offered by
Sindh Modaraba**

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

SINDH MODARABA

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