

SINDH MODARABA MANAGEMENT LIMITED

Financial Statements
For the Year Ended June 30, 2018

JALIS AHMAD & CO.
CHARTERED ACCOUNTANTS
121, CLIFTON CENTRE,
BLOCK-5, MAIN CLIFTON ROAD,
KARACHI
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DIRECTORS' REPORT

On behalf of the Board of Directors, we are pleased to present the fifth annual report along with audited accounts of Sindh Modaraba Management Limited for the year ended June 30, 2018.

1. Business Overview & Outlook

The highlights of the operating results for the year ended June 30, 2018 are presented as under:

	June 30, 2018	June 30, 2017
	-----Rupees-----	
Revenue	<u>32,120,397</u>	<u>28,067,407</u>
General & Admin expenses	<u>28,120,820</u>	<u>31,298,928</u>
Profit/(Loss) before taxation	<u>3,999,577</u>	<u>(3,226,158)</u>
Profit/(Loss) after taxation	<u>651,536</u>	<u>(5,373,610)</u>

During the year, the Company earned profit after tax of Rs. 0.65 million as compared to a loss of Rs. 5.37 million incurred during the last year ended June 30, 2017. This was possible due to improved earnings from Sindh Modaraba by way of higher management fee and enhanced dividend income. Operating expenses were kept under control. Due to improved profitability of the Modaraba during the year ended June 30, 2018 distribution of enhanced rate of dividend has been proposed for the ensuing year. Strict monitoring of operating expenses will continue as a matter of policy to keep it at a sustainable level. We are hopeful for improving our financial performance in the coming years.

2. Dividend

Due to nominal profit of the Company during the year, the Directors have not declared any dividend for the year ended 30th June 2018

3. External Annual Audit

The financial statements of Company have been audited without any qualification by the auditors namely M/s Jalis Ahmad & Co., Chartered Accountants.

4. Corporate Governance

The Company is required to comply with various requirements of the Public Sector Companies (Corporate Governance) Rules, 2013 (Rules) issued by the SECP.

The statutory auditors are also required to issue their review report over the compliance statement of the best practices, which is published with the financial statements.

The Board of Directors has reviewed the Rules and confirms that:

- The Board has consistently complied with the relevant principles of corporate governance and has identified the rules that have not been complied with the period in which such non-compliance continued and the reasons for such non-compliance.
- Financial statements, prepared by the management, present fairly the state of affairs, the results of its operations, cash flows and change in equity.
- Proper books of account have been maintained.
- Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The appointment of the Chairman and other members of the Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Company as well as in line with the best practices and policies approved by the Board.
- Applicable International Financial Reporting Standards have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2018, 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, 2018 is Rs. 6.519 million (2017: 3.35 million).
- Key operating and financial data of last five years is annexed as this is the fifth year of Company's operations.
- Four Board meetings of the Company were held during the year. Attendance of each director is appended hereunder:

Name of Directors	No. of Meetings attended
Mr. Muhammad Bilal Sheikh	4
Syed Hasan Naqvi	2
Mr. Muhammad Naimuddin Farooqui	4
Mr. Muhammad Shahid Murtaza	4
Mr. Asif Haider Mirza	4
Mr. Kamal Ahmed	3
Ms. Yasmin Zafar	3

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

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

Name of Directors	No. of Meetings attended
Mr. Kamal Ahmed	3
Mr. Asif Haider Mirza	3
Mr. Muhammad Shahid Murtaza	4
Ms. Yasmin Zafar	1

- The Board has also established Human Resource, Risk Management, Nomination and Procurement Committees as required under the Rules. No meeting of these committees were held during the year.

5. The Board of Directors

During the year, Mr. Kamal Ahmed and Ms. Yasmin Zafar joined the Board as independent directors in place of Syed Shahnawaz Nadir and Mr. Moin Mohajir. At the beginning of the current year, Government of Sindh appointed Dr. Noor Alam as Secretary Finance Department. Accordingly, he has been co-opted as director on the Board of the Modaraba Company in place of Syed Hassan Naqvi.

6. Social Responsibility

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

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

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

The employees of the Management Company and the Modaraba have contributed one day salary to the Diamer Basha and Mohamad Dam Fund, established by the Supreme Court of Pakistan. An equivalent amount was also contributed by the Company and Modaraba to this Fund.

7. Pattern of Shareholding

Category No.	Categories of Shareholders	No. of shares held
1	Government of Sindh (Viability Gap Fund) through its finance department	99,999,993
2	<u>Directors:</u> Mr. Muhammad Bilal Sheikh Mr. Muhammad Naimuddin Farooqui Mr. Muhammad Shahid Murtaza Mr. Asif Haider Mirza Mr. Kamal Ahmed Ms. Yasmin Zafar	1 1 1 1 1 1
3	Others	1
TOTAL		100,000,000

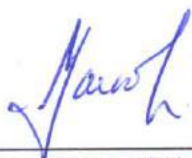
8. Auditors

The Audit Committee of the Board has recommended appointment of Riaz Ahmad & Co. Chartered Accountants as external auditors for the year ending June 30, 2019 in place of retiring auditors M/s Jalis Ahmad & Co, Chartered Accountants,.

9. Acknowledgment

The Board wishes to place on record its appreciation for SECP and Shariah Advisor for their continued guidance and support. The Board would also like to thank the sponsors for their unflinching support to the Company particularly in its formative stage.

(On behalf of the Board)



Muhammad Naimuddin Farooqui
Chief Executive Officer



Muhammad Bilal Sheikh
Chairman

Karachi:
August 27, 2018

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

Name of Company **SINDH MODARABA MANAGEMENT LIMITED**
 Name of the line ministry **Finance Department, Government of Sindh**
 For the year ended **June 30, 2018**

- I. This statement presents the overview of the compliance with the Public Sector Companies (Corporate Governance) Rules, 2013 (hereinafter called "the Rules") issued for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of public sector governance.
- II. The company has complied with the provisions of the Rules in the following manner:

S. No.	Provision of the Rules	Rule no.	Y	N																					
			Tick the relevant box																						
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																						
2.	The Board has at least one-third of its total members as independent directors. At present the Board includes: <table><tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr><tr><td rowspan="2">Independent Directors</td><td>Mr. Kamal Ahmed</td><td>August 15, 2017</td></tr><tr><td>Ms. Yasmin Zafar</td><td>August 30, 2017</td></tr><tr><td>Executive Directors</td><td>Mr. M. Naimuddin Farooqui</td><td>September 22, 2016</td></tr><tr><td rowspan="3">Non-Executive Directors</td><td>Mr. M. Bilal Sheikh</td><td>October 31, 2014</td></tr><tr><td>Mr. M. Shahid Murtaza</td><td>October 31, 2014</td></tr><tr><td>Mr. Asif Haider</td><td>October 31, 2014</td></tr><tr><td></td><td>Secretary Finance, GoS</td><td>-</td></tr></table>	Category	Names	Date of appointment	Independent Directors	Mr. Kamal Ahmed	August 15, 2017	Ms. Yasmin Zafar	August 30, 2017	Executive Directors	Mr. M. Naimuddin Farooqui	September 22, 2016	Non-Executive Directors	Mr. M. Bilal Sheikh	October 31, 2014	Mr. M. Shahid Murtaza	October 31, 2014	Mr. Asif Haider	October 31, 2014		Secretary Finance, GoS	-	3(2)	✓	
Category	Names	Date of appointment																							
Independent Directors	Mr. Kamal Ahmed	August 15, 2017																							
	Ms. Yasmin Zafar	August 30, 2017																							
Executive Directors	Mr. M. Naimuddin Farooqui	September 22, 2016																							
Non-Executive Directors	Mr. M. Bilal Sheikh	October 31, 2014																							
	Mr. M. Shahid Murtaza	October 31, 2014																							
	Mr. Asif Haider	October 31, 2014																							
	Secretary Finance, GoS	-																							
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.	<p>(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.</p> <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.sindhmodarabalttd.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>	5(4)	✓	
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓	
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓	
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b)(vi)	✓	
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	✓	
13.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	✓	
14.	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✓	
15.	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	✓	
16.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)		N/A
17.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)		N/A
18.	<p>a) The Board has met at least four times during the year.</p> <p>b) Written notices of the Board meetings, along with agenda</p>	6(1)	✓	

	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. b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors. c) The Board has placed the annual financial statements on the company's website.	10	✓ ✓ ✓																			
22.	All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	✓																			
23.	a) The Board has formed the requisite committees, as specified in the Rules. b) The committees were provided with written term of reference defining their duties, authority and composition. c) The minutes of the meetings of the committees were circulated to all the Board members. d) The committees were chaired by the following non-executive directors: <table><tr><th>Committee</th><th>Number of Members</th><th>Name of Chair</th></tr><tr><td>Audit Committee</td><td>3</td><td>Kamal Ahmed</td></tr><tr><td>Risk Management Committee</td><td>3</td><td>Muhammad Bilal Sheikh</td></tr><tr><td>Human Resources Committee</td><td>3</td><td>Muhammad Bilal Sheikh</td></tr><tr><td>Procurement Committee</td><td>3</td><td>Secretary Finance, GoS</td></tr><tr><td>Nomination Committee</td><td>3</td><td>Secretary Finance, GoS</td></tr></table>	Committee	Number of Members	Name of Chair	Audit Committee	3	Kamal Ahmed	Risk Management Committee	3	Muhammad Bilal Sheikh	Human Resources Committee	3	Muhammad Bilal Sheikh	Procurement Committee	3	Secretary Finance, GoS	Nomination Committee	3	Secretary Finance, GoS	12	✓ ✓ ✓	
Committee	Number of Members	Name of Chair																				
Audit Committee	3	Kamal Ahmed																				
Risk Management Committee	3	Muhammad Bilal Sheikh																				
Human Resources Committee	3	Muhammad Bilal Sheikh																				
Procurement Committee	3	Secretary Finance, GoS																				
Nomination Committee	3	Secretary Finance, GoS																				
24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	✓	Internal Audit function is outsourced to a reputed Chartered Accountant firm.																		

25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓													
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.	<p>The Board has formed an audit committee, with defined and written terms of reference, and having the following members:</p> <table><tr><td>Name of member</td><td>Category</td><td>Professional background</td></tr><tr><td>Mr. Kamal Ahmed</td><td>Independent</td><td>Financial controller</td></tr><tr><td>Mr. Shahid Murtaza</td><td>Non-executive</td><td>Banker</td></tr><tr><td>Ms. Yasmin Zafar</td><td>Independent</td><td>Education & Marketing</td></tr></table> <p>The chief executive and chairman of the Board are not members of the audit committee.</p>	Name of member	Category	Professional background	Mr. Kamal Ahmed	Independent	Financial controller	Mr. Shahid Murtaza	Non-executive	Banker	Ms. Yasmin Zafar	Independent	Education & Marketing	21 (1) and 21(2)	✓	
Name of member	Category	Professional background														
Mr. Kamal Ahmed	Independent	Financial controller														
Mr. Shahid Murtaza	Non-executive	Banker														
Ms. Yasmin Zafar	Independent	Education & Marketing														
32.	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	21(3)	✓ ✓ ✓													

	auditors.			
33.	a) The Board has set up an effective internal audit function, which has an audit charter, duly approved by the audit committee.	22	✓	
	b) The chief internal auditor has requisite qualification and experience prescribed in the Rules.		✓	Internal Audit function is outsourced to a reputed Chartered Accountant firm.
	c) The internal audit reports have been provided to the external auditors for their review.			
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)	✓	



Muhammad Naimuddin Farooqui
Chief Executive Officer



Muhammad Bilal Sheikh
Chairman

JALIS AHMAD & CO.

CHARTERED ACCOUNTANTS

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Review Report to the Members on the Statement of Compliance with the Public Sector Companies (Corporate Governance) Rules, 2013

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Public Sector Companies (Corporate Governance) Rules, 2013 ("the Rules") prepared by the Board of Directors of **Sindh Modaraba Management Limited** ("the Company") for the year ended June 30th 2018.

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

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

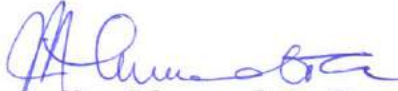
The Rules requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of 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 Company's compliance, in all material respects, with the best practices contained in the Rules as applicable to the Company for the year ended June 30th 2018.

Date: **27 AUG 2018**

Place: KARACHI




Jalis Ahmad & Co.
Chartered Accountants
Engagement person: Mr. Iqbal Yousuf- FCA

JALIS AHMAD & CO.

CHARTERED ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

To the members of Sindh Modaraba Management Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of Sindh Modaraba Management Limited, which comprise the statement of financial position as at June 30, 2018, and the statement of profit and loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit and loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at June 30, 2018 and of the profit and loss and other comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Board of directors is responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



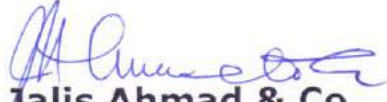
Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) Proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, income statement and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) Investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) No Zakat was deductible under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980).

Date: **27 AUG 2018**
Place: KARACHI




Jalis Ahmad & Co.
Chartered Accountants
Engagement Person: Mr. Iqbal Yousuf, FCA

SINDH MODARABA MANAGEMENT LIMITED

**STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
NON-CURRENT ASSETS			
Property and equipments	4	11,561,626	13,049,572
Long term investment	5	425,281,931	425,281,931
Long term loan	6	500,000,000	500,000,000
		936,843,557	938,331,503
CURRENT ASSETS			
Advance, deposits, prepayment and other receivables	7	11,210,410	7,926,756
Short term investments	8	60,000,000	-
Cash and bank balances	9	28,076,170	88,660,925
		99,286,580	96,587,681
CURRENT LIABILITIES			
Creditors, accrued and other liabilities	10	24,805,200	24,245,783
		24,805,200	24,245,783
Net current assets		74,481,380	72,341,898
Net assets		1,011,324,937	1,010,673,401
EQUITY AND RESERVES			
AUTHORIZED SHARE CAPITAL			
100,000,000 ordinary shares of Rs. 10/- each (2017: 100,000,000 ordinary shares)	11	1,000,000,000	1,000,000,000
Issued, subscribed and paid up share capital	11	1,000,000,000	1,000,000,000
Revenue reserves	12	11,324,937	10,673,401
Net shareholders' equity		1,011,324,937	1,010,673,401
		1,011,324,937	1,010,673,401

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


Chief Executive


Director

SINDH MODARABA MANAGEMENT LIMITED

**STATEMENT OF PROFIT AND LOSS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
Revenue	13	32,120,397	28,067,407
General and administrative expenses	14	(28,120,820)	(31,298,928)
Profit / (loss) from operating activities		<u>3,999,577</u>	<u>(3,231,521)</u>
Other income		-	5,363
Profit / (loss) before taxation		<u>3,999,577</u>	<u>(3,226,158)</u>
Taxation	16	(3,348,041)	(2,147,452)
Profit / (loss) after taxation		<u>651,536</u>	<u>(5,373,610)</u>

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


Chief Executive


Director

SINDH MODARABA MANAGEMENT LIMITED

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2018

	2018 Rupees	2017 Rupees
Profit / (loss) after taxation	651,536	(5,373,610)
Other comprehensive income		
- items that may be reclassified to profit and loss account	-	-
- items that will not be reclassified to profit and loss account subsequently	-	-
Total comprehensive profit / (loss) for the year	<u><u>651,536</u></u>	<u><u>(5,373,610)</u></u>

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


Chief Executive


Director

SINDH MODARABA MANAGEMENT LIMITED

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit / (loss) before taxation		3,999,577	(3,226,158)
Adjustments			
Depreciation		1,541,148	1,035,866
Amortization		8,326	11,099
Dividend income		(19,107,450)	(14,996,625)
Gain on sale of investments		-	(247,593)
		(17,557,976)	(14,197,253)
(Loss) before working capital changes		(13,558,399)	(17,423,411)
Working capital changes			
Decrease/(increase) in current assets			
Advance, deposits, prepayment and other receivables		(2,878,189)	9,228,864
(Decrease)/increase in current liabilities			
Creditors, accrued and other liabilities		559,417	22,985,557
		(2,318,772)	32,214,421
Income tax paid		(3,753,506)	(3,361,599)
Net cash (used in)/generated from operating activities		(19,630,677)	11,429,411
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale proceeds from disposal of Property and Equipment		-	1,088,100
Addition in Property and Equipment		(61,528)	(4,739,125)
Sale proceeds from sale of investments		-	4,118,708
Long term loan		-	(500,000,000)
Dividend received		19,107,450	14,996,625
Net cash generated from/(used in) investing activities		19,045,922	(484,535,692)
CASH FLOWS FROM FINANCING ACTIVITIES			
Issue of share capital		-	500,000,000
Net cash generated from financing activities		-	500,000,000
Net (decrease)/increase in cash and cash equivalents		(584,755)	26,893,719
Cash and cash equivalents at beginning of the year		88,660,925	61,767,206
Cash and cash equivalents at end of the year	17	88,076,170	88,660,925

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


Chief Executive


Director

SINDH MODARABA MANAGEMENT LIMITED

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED JUNE 30, 2018**

	Share Capital	Unappropriated profit	Net shareholders' equity
	-----Rupees-----		
Balance as at June 30, 2016	500,000,000	16,047,011	516,047,011
Issue of Right Shares	500,000,000	-	500,000,000
(Loss) for the year	-	(5,373,610)	(5,373,610)
Balance as at June 30, 2017	1,000,000,000	10,673,401	1,010,673,401
Profit for the year	-	651,536	651,536
Balance as at June 30, 2018	1,000,000,000	11,324,937	1,011,324,937

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


Chief Executive


Director

SINDH MODARABA MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

Sindh Modaraba Management Limited has been incorporated in Pakistan as a public limited company by share under the Companies Ordinance, 1984 on November 28, 2013. Its registered office is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road Karachi. The principal activity of the company is to engage in floatation and management of Modaraba and to function as a Modaraba Management Company with in the meaning of the Modaraba Companies and Modaraba (Flotation and Control) Ordinance 1980.

2 STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standard comprise of such International Financial Reporting Standard (IFRS) issued by the International Accounting Standard Board as are notified under the Companies Act, 2017, provisions of and directives issued under the Companies Act, 2017. In case requirements differ, the provisions or directives of the Companies Act, 2017 shall prevail.

2.1 STATEMENT OF COMPREHENSIVE INCOME

IAS1 (revised), 'presentation of financial statements' standard prohibits the presentation of items of income and expenses (that is "non-owner changes in equity") in the statement of changes in equity, requiring "non-owner changes in equity" to be presented separately from owner changes in equity. All "non-owner changes in equity" are required to be shown in performance statement. Companies can choose whether to present one performance statement (the statement of comprehensive income) or two statements (income statement and statement of comprehensive income).

The Company has preferred to present two statements; an income statement and a statement of comprehensive income. The financial information has been prepared under revised disclosure requirements.

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

Th

3.2 Property and equipment

a) Owned assets

Assets (tangible/intangible) in own use are stated at cost less accumulated depreciation/amortization. Depreciation/amortization is charged to income on straight line method using the rates specified in note 4 to the financial statements. Depreciation/amortization is charged from the month an item is acquired or capitalized up to the month of disposal.

Maintenance costs and normal repairs are charged to income statement as and when incurred. Major renewals and repairs are capitalized.

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

b) Leased assets

The company accounts for property, plant and equipment acquired under finance leases recording the assets and the related liability at the amounts, which are determined on the basis of discounted value of minimum lease payments. Financial charges are allocated to the accounting period in a manner so as to provide a constant periodic rate of charge on the outstanding liability. Depreciation is charged to income applying the same basis as for

c) Gain or loss on disposal

Gain or loss on disposal of assets, if any, is included in income currently.

d) Impairment of assets

The company assesses at each balance sheet date whether there is any indication that a property, plant and equipment may be impaired. If such indication exists, the carrying amounts of such assets are reviewed to assess whether they are recorded in excess of their recoverable amount. Where carrying amounts exceed the estimated recoverable amount, assets are written down to the recoverable amount.

3.3 Investment

Investments in securities are initially recognized at cost, being the fair value of the consideration given, including acquisition costs associated with the investment. Thereafter these are classified and measured as follows:

Held-for-trading

These are securities which are either acquired for generating profit from short term fluctuations in market prices, interest rate movements, dealers margin or are securities included in a portfolio in which a pattern of short-term profit making exists.

After initial recognition, these investments are remeasured at fair value. Unrealized gains and losses are included in the income statement for the year.

3.4 Investment in associates

Investment in associates is accounted for using the equity method. The equity method is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post acquisition change in the investor's share of net assets of the investee. The profit or loss of the investor includes the investor's share of the profit or loss of the investee.

Investments in modaraba managed by the company are stated at cost. Provision is made for decline other than temporary in the value of investments, if any.

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

3.5 Advances, deposits, prepayments and others receivable

These are stated at cost.

3.6 Trade debts

Sundry debtors originated by the company are recognized and carried at original invoice amount. Bad debts are written off when identified.

3.7 Cash and cash equivalent

Cash and cash equivalents are carried in the balance sheet at cost. These include balances with bank in deposit account and short term investment.

3.8 Creditors, accrued expenses and other liabilities

Liabilities for trade and others payable are carried at cost which is the fair value of the consideration to be paid in future in respect of goods and services.

3.9 Provisions

Provisions are recognized when:

- the company has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligations; and
- a reliable estimate of the obligation can be made.

3.10 Taxation

Current

Provision for current taxation is based on taxable income at current rates of taxation after taking into account available tax credits and tax rebates if any in accordance with the provisions of the Income Tax Ordinance, 2001 and Income Tax Rules, 2002.

Deferred

Provision for deferred taxation, if any, is made on all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. However, deferred tax asset is recognized only to the extent that it is probable that future taxable profit will be available against which the assets can be utilized.

SINDH MODARABA MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

3.11 Revenue recognition

- (a) Management remuneration is charged up to 10 percent of net profit of modaraba and is recognized on an accrual basis.
- (b) Dividend income is recognized when the shareholders' right to receive payment is established.
- (c) Profit on PLS savings bank accounts is recognized on accrual basis.
- (d) Revenue is recognized when invoice is raised to the customer.

3.12 Related party transactions

All transactions with related parties are priced on an arm's length basis. Prices for these transactions are determined on the basis of admissible valuation methods, which sets the price by reference to comparable goods sold in an economically comparable market to a buyer unrelated to the seller.

3.13 Financial instruments

a) Financial assets

3

A financial asset is any asset that is cash, an equity instrument of another entity, a contractual right to receive cash or another financial asset from another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially favorable to the entity. All financial assets approximate their fair values.

b) Financial liabilities

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another entity or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the entity.

Any gain or loss on the recognition of the financial assets and liabilities is included in net profit and loss for the year in which it arises.

Assets and liabilities that are of contractual nature and that are created as a result of statutory requirements imposed by the Government are not the financial instruments of the company.

c) Offsetting of a financial asset and a financial liability

A financial asset and a financial liability is offset and net amount is reported in the balance sheet only when an enterprise currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

3.14 Staff retirement benefits

The company operates:

A provident fund for all eligible employees and equal contributions by the employer and employee are made at the rate of 10% of the basic salaries of the employees .

A Gratuity fund for all eligible employees and provision of gratuity by the employer is made at the rate of 8.33% of the basic salaries of employees.

3.15 Compensated absences

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

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

4 PROPERTY, PLANT AND EQUIPMENTS

---Property and equipments

---Intangible assets

	Note	2018 Rupees	2017 Rupees
4.1		11,561,625	13,041,245
		1	8,327
		11,561,626	13,049,572

PROPERTY AND EQUIPMENTS

Particulars	Owned					Total
	Leasehold improvement	Furniture and fixtures	Office equipment	Computer equipment	Motor vehicle	

At June 30, 2017

Cost	9,484,003	716,125	320,000	95,390	4,641,290	15,256,808
Accumulated depreciation	(1,451,111)	(226,545)	(197,338)	(95,388)	(245,181)	(2,215,563)
Net book value	8,032,892	489,580	122,662	2	4,396,109	13,041,245

Net carrying value basis

Year ended June 30, 2018

Opening net book value (NBV)	8,032,892	489,580	122,662	2	4,396,109	13,041,245
Additions - cost	-	61,528	-	-	-	61,528
Disposal - Cost	-	-	-	-	-	-
Depreciation charge for the year	(474,201)	(74,689)	(64,000)	-	(928,258)	(1,541,148)
Closing net book value (NBV)	7,558,691	476,419	58,662	2	3,467,851	11,561,625

At June 30, 2018

Cost	9,484,003	777,653	320,000	95,390	4,641,290	15,318,336
Accumulated depreciation	(1,925,312)	(301,234)	(261,338)	(95,388)	(1,173,439)	(3,756,711)
Net book value	7,558,691	476,419	58,662	2	3,467,851	11,561,625

Net carrying value basis

Year ended June 30, 2017

Opening net book value (NBV)	8,408,442	561,193	186,662	20,489	1,249,300	10,426,086
Additions - cost	97,835	-	-	-	4,641,290	4,739,125
Disposal - Cost	-	-	-	-	(2,418,000)	(2,418,000)
Depreciation charge for the year	(473,385)	(71,613)	(64,000)	(20,487)	(406,381)	(1,035,866)
Depreciation - Adjustment	-	-	-	-	1,329,900	1,329,900
Closing net book value (NBV)	8,032,892	489,580	122,662	2	4,396,109	13,041,245

Rate

5%	10%	20%	33.33%	20%
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SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
5 LONG TERM INVESTMENT			
Sindh Modaraba 42,461,000 (2017: 42,461,000) certificates of Rs. 10/- each	5.1	<u>425,281,931</u>	<u>425,281,931</u>
<p>5.1 Sindh Modaraba is floated and managed by the company and the company holds 94.36% (June 2017: 94.36%) of the total certificate capital of the Modaraba.</p> <p>The break-up value of the above investment is Rs. 11.46 (June 2017: Rs. 10.75) per certificate as at June 30, 2018 based on the audited accounts of Sindh Modaraba and the quoted market price on Pakistan Stock Exchange on June 30, 2018 was Rs. 7.00 (June 2017: Rs. 4.60) per certificate. The above investment is carried at cost being a long term strategic investment.</p>			
6 LONG TERM LOAN-Unsecured interest free	6.1	<u>500,000,000</u>	<u>500,000,000</u>
<p>6.1 This represents interest free loan provided to Sindh Modaraba (related party). The loan is subordinated to senior debts of Modaraba and is repayable at the discretion of Modaraba. The Modaraba has the option to issue equity certificates in future against this loan, subject to necessary regulatory approvals.</p>			
7 ADVANCE,DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES			
Security deposit		50,000	50,000
Prepaid office rent		865,943	754,610
Prepaid expense		30,020	12,515
Prepaid insurance		101,224	103,017
Accrued profit on bank deposit - term deposit receipt		597,020	-
Accrued profit on bank deposit - daily product account		4,145	-
Advance income tax	7.1	3,538,017	3,132,552
Other advances		-	850,000
Management remuneration receivable - related party		6,024,041	3,024,062
		<u>11,210,410</u>	<u>7,926,756</u>
7.1 ADVANCE INCOME TAX			
Opening balance		3,132,552	1,918,405
Provided during the year:			
- current year		(3,348,041)	(2,147,452)
- prior year		-	-
		(215,489)	(229,047)
Payments/adjustments during the year		3,753,506	3,361,599
Tax refundable		<u>3,538,017</u>	<u>3,132,552</u>

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
8 SHORT TERM INVESTMENTS			
Term deposit receipts	8.1	60,000,000	-
		<u>60,000,000</u>	<u>-</u>
8.1 This represents investment made in Terms Deposit Receipt in a Microfinance Bank for the period of six months. This investment carries markup at the rate of 6.96% per annum (June 30, 2017: Nil)			
9 CASH AND BANK BALANCES			
- in PLS accounts	9.1	28,076,170	88,660,925
		<u>28,076,170</u>	<u>88,660,925</u>
9.1 These carry profit at the rates ranging from 4.78% to 6.05% per annum. (2017: 6.05% per annum). This includes balance of Rs. 27.02 million (2017: 88.66 million) held with Sindh Bank Limited, a related party.			
10 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Withholding tax payable		-	109
Provident fund payable	10.1	-	-
Gratuity Payable	10.2	1,558,330	850,000
Compensated absence payable	10.3	1,636,250	1,168,752
Accrued expenses		1,215,297	1,792,671
Auditor's remuneration		93,603	109,803
Advance against expenses for issuance of SUKUK	10.4	20,300,448	20,300,448
Other liabilities		1,272	24,000
		<u>24,805,200</u>	<u>24,245,783</u>
10.1 Provident fund payable			
Opening balance		-	-
Provided during the year		2,040,000	2,015,152
		2,040,000	2,015,152
Payments/adjustments during the year		<u>(2,040,000)</u>	<u>(2,015,152)</u>
		<u>-</u>	<u>-</u>

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
10.2 Gratuity fund payable			
Opening balance		850,000	-
Provided during the year		708,330	850,000
		1,558,330	850,000
Payments/adjustments during the year		-	-
		<u>1,558,330</u>	<u>850,000</u>
10.3 Compensated absence payable			
Opening balance		1,168,752	-
Provided during the year		467,498	1,168,752
		1,636,250	1,168,752
Payments/adjustments during the year		-	-
		<u>1,636,250</u>	<u>1,168,752</u>
10.4	This represents amount received from Government of Sindh for expenses related to issuance of Sukuk by Sindh Modaraba.		
11 SHARE CAPITAL			
Authorized share capital			
100,000,000 ordinary shares of Rs.10/- each		<u>1,000,000,000</u>	<u>1,000,000,000</u>
Issued, subscribed and paid up share capital			
100,000,000 ordinary shares of Rs.10/- each fully paid in cash		<u>1,000,000,000</u>	<u>1,000,000,000</u>
11.1	At June 30, 2018, Government of Sindh (through Viability Gap Fund) and its nominees held 100 percent (2017: 100 percent) of the share capital of the Company.		
11.2 RECONCILIATION OF SHARE CAPITAL			
Opening share		100,000,000	50,000,000
Issue during the year against cash		-	50,000,000
Closing shares		<u>100,000,000</u>	<u>100,000,000</u>
12 REVENUE RESERVES			
Unappropriated profit		<u>11,324,937</u>	<u>10,673,401</u>
13 REVENUE			
Profit on - daily product account		2,230,301	9,799,127
Profit on - term deposit receipt		4,758,605	-
Modaraba management company's remuneration		6,024,041	3,024,062
Dividend income from Sindh Modaraba		19,107,450	14,996,625
Gain on sale of investments		-	247,593
		<u>32,120,397</u>	<u>28,067,407</u>

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
14 GENERAL AND ADMINISTRATIVE EXPENSE			
Salaries allowances and other benefits	14.1	21,616,089	23,217,552
Director meeting fee		1,350,000	1,280,000
Traveling and conveyance expense		-	139,333
Insurance expense		124,504	128,603
Security guard charges		72,000	72,000
Legal and professional		193,946	2,198,430
Repair and maintenance		-	233,333
Entertainment		36,749	41,870
Vehicle running expense		618,723	574,262
Rent expense		2,216,164	2,061,473
Registration and subscription fee		222,020	148,020
Auditor's remuneration	14.2	97,200	150,000
Depreciation/amortization		1,549,474	1,046,965
Miscellaneous expenses		23,951	7,087
		28,120,820	31,298,928

14.1 This includes amount of Rs 708,330/- against provision for gratuity (June 2017: 850,000), amount of Rs. 467,498/- against provision for compensated absence (June 2017: 1,168,752) & amount of Rs. 1,020,000/- against provident fund (June 2017: 1,007,576).

14.2 Auditor's Remuneration:

Audit fees	64,800	60,000
Special certificate	32,400	90,000
	97,200	150,000

15 REMUNERATION OF CHIEF EXECUTIVE

	Chief Executive	
Remuneration	16,830,000	16,625,000
Retirement benefits	1,728,330	1,857,576
Other benefits	2,476,862	4,477,558
	21,035,192	22,960,134
Number of persons	1	2

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
16 TAXATION			
Current year		3,348,041	2,147,452
Prior year		-	-
Deferred tax		-	-
		<u>3,348,041</u>	<u>2,147,452</u>
17 CASH AND CASH EQUIVALENT			
Short term investment	8	60,000,000	-
Cash and bank balance	9	28,076,170	88,660,925
		<u>88,076,170</u>	<u>88,660,925</u>

18 DEFINED CONTRIBUTION PLAN

Detail of the Staff Provident Fund based on unaudited financial statement for the year ended June 30, 2018 are below

	Unaudited 2018 Rupees	Audited 2017 Rupees
Size of the fund (total assets)	6,534,922	3,360,346
Cost of investment made	6,518,892	3,352,671
Fair value of investment made	6,518,892	3,352,671

	Percentage	
Percentage of investment made	<u>100%</u>	<u>100%</u>

Break up of Investment at cost

	2018		2017	
	Rupees	Percentage	Rupees	Percentage
PLS Account	<u>6,518,892</u>	<u>100%</u>	<u>3,352,671</u>	<u>100%</u>

Investments out of provident funds have been made in accordance with the provisions of section 227 of the Companies Act, 2017, and the rules formulated for the purpose.

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
19 RELATED PARTY TRANSACTION			

The company has related party relationship with its associated companies, directors and key management personnel.

The details of related party transactions and balances otherwise than disclosed in the financial statements as at June 30, 2018 are as follows:

	2018 Rupees	2017 Rupees
Balances at the year end		
Payable to Sindh Modaraba	-	24,000
Transactions during the year		
Profit on daily product account-Sindh Bank	1,679,327	9,799,127
Remuneration & other benefits paid to key management personnel	20,330,481	21,309,595
Reimbursement from Govt. of Sindh for Right Issue expenses	-	1,654,000
Received from Govt. of Sindh for increase in capital	-	500,000,000
Received from Govt. of Sindh for preliminary expenses and sukuk	-	27,490,000
Management Remuneration received from Sindh Modaraba	3,024,062	3,496,150
Received from Sindh Modaraba for transfer of fixed assets	-	2,116,225
Sindh Modaraba Employees Provident Fund (Both Employer & Employee Cont. paid)	2,040,000	2,015,152
Sindh Insurance Limited-Insurance premium paid	234,105	363,234

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
20 FINANCIAL INSTRUMENTS BY CATEGORY			

	2018		
	At amortized cost	Loans and receivables	Held to maturity
	Rupees		
ASSETS			
Current assets			
Cash and bank balances	28,076,170	-	-
Short term investments	-	-	60,000,000
Advance, deposit and other receivables	-	10,213,223	-
	28,076,170	10,213,223	60,000,000
			98,289,393
Non-current assets			
Long term loan	-	500,000,000	-
	-	500,000,000	-
	28,076,170	510,213,223	60,000,000
			598,289,393

	2018	
	At amortised cost	Total
	Rupees	
LIABILITIES		
Current liabilities		
Creditors, accrued and other liabilities	24,805,200	24,805,200

	2017		
	At amortized cost	Loans and receivables	Total
	Rupees		
ASSETS			
Current assets			
Cash and bank balances	88,660,925	-	88,660,925
Advance, deposit and other receivables	-	7,056,614	7,056,614
	88,660,925	7,056,614	95,717,539
Non-current assets			
Long term loan	-	500,000,000	500,000,000
	-	500,000,000	500,000,000
	88,660,925	507,056,614	595,717,539

	2017	
	At amortised cost	Total
	Rupees	
LIABILITIES		
Current liabilities		
Creditors, accrued and other liabilities	24,245,783	24,245,783

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
21 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES			
The activities of the Company expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Board of Directors of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework.			
21.1 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.			
21.1.1 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, 2018, the Company has no financial assets and liabilities in foreign currencies.			
21.1.2 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 Company has adopted appropriate policies to minimise its exposure to this risk.			
21.1.3 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, 2018, the Company did not hold any instruments which exposed it to price risk.			

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
21.2 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, Investments, 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:

	2018	2017
	-----Rupees-----	-----Rupees-----
Cash and bank balances	28,076,170	88,660,925
Short term investments	60,000,000	-
Advance, deposit and other receivables	10,213,223	7,056,614
Long term loan	500,000,000	500,000,000
	598,289,393	595,717,539

As at June 30, 2018, there were no financial assets which were pledged as collateral for liabilities or contingent liabilities of the Company.

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

		2018	2017
	Rating	-----Rupees-----	-----Rupees-----
Credit risk ratings			
Bank balances - Sindh Bank Limited	AA/A-1+	27,021,199	88,660,925
TDRs - NRSP Micro Finance Bank	A/A-1	60,000,000	-
Bank balances - NRSP Micro Finance	A/A-1	1,054,971	-
		88,076,170	88,660,925

21.2.1 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Company's total credit exposure. The Company's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
21.3 Liquidity risk			

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company 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 Company'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 Company's reputation.

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

Maturities of liabilities

2018			
Maturity upto 1 year	Maturity after 1 year and upto 5 years	Above 5 years	Sub Total
-----Rupees-----			

Financial liabilities

Creditors, accrued and
other liabilities

24,805,200	-	-	24,805,200
24,805,200	-	-	24,805,200

2017			
Maturity upto 1 year	Maturity after 1 year and upto 5 years	Above 5 years	Total
-----Rupees-----			

Financial liabilities

Creditors, accrued and
other liabilities

24,245,783	-	-	24,245,783
24,245,783	-	-	24,245,783

22 CAPITAL RISK MANAGEMENT

The Company's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company is currently financing its operations through equity and working capital. The Company has no gearing risk in the current year.

SINDH MODARABA MANAGEMENT LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	Note	2018 Rupees	2017 Rupees
23 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 Company 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) 7, 'Financial Instruments: Disclosures' requires the Company 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 2018, there were no financial instruments which were measured at fair values in the financial statements.

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

The internal reporting provided to the Chief Executive Officer for the Company'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 Company is domiciled in Pakistan. All of the Company's income is from investments in entities incorporated in Pakistan.

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

SINDH MODARABA MANAGEMENT LIMITED

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

	2018	2017
	(Number)	
25 NUMBER OF EMPLOYEES		
Average employees during the year	1	1
Employees as at June 30	1	1

26 GENERAL

26.1 Corresponding figures where necessary has been reclassified for the purpose of better presentation.

26.2 These financial statements were authorized by the board of directors of the company on 27 AUG 2018.

26.3 Figures have been rounded off to the nearest rupee.


Chief Executive


Director

ڈائریکٹرز کی رپورٹ

ہم بورڈ آف ڈائریکٹرز کی جانب سے سندھ مضاربہ مینجمنٹ لمیٹڈ کی 30 جون 2018 کو اختتام پذیر ہونے والے سال پر پانچویں سالانہ رپورٹ بمع آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

1 کاروبار کا جائزہ اور امید مستقبل

30 جون 2018 کو ختم ہونے والے سال کے کاروباری نتائج کی جھلکیاں درج ذیل ہیں

30 جون 2018	30 جون 2017	
-----روپے-----		
32,120,397	28,067,407	کل مجموعی منافع
28,120,820	31,298,928	عام اور انتظامی اخراجات
3,999,577	(3,226,158)	نفع/(نقصان) قبل از ٹیکس
651,536	(5,373,610)	نفع/(نقصان) بعد از ٹیکس

کمپنی کو 30 جون 2017 کو ختم ہونے والے سال میں 5.37 ملین روپے کے نقصان کے مقابلے میں اس سال میں 0.625 ملین روپے کا منافع ہوا، یہ سندھ مضاربہ کی بہتر انتظامی فیس اور ڈیویڈنڈ بڑھنے کی وجہ سے ممکن ہوا۔ آپریٹنگ اخراجات کو کنٹرول میں رکھا گیا۔ 30 جون 2018 کو ختم ہونے والے سال کے دوران مضاربہ کے بہتر منافع کی وجہ سے ڈیویڈنڈ کی شرح میں اضافہ ہوا ہے۔ کمپنی کی پالیسی کے تحت آپریٹنگ اخراجات پر سخت نگرانی رکھی جائے گی۔ ہم امید رکھتے ہیں کہ آنے والے سالوں میں ہماری مالیاتی کارکردگی مزید بہتر ہوگی۔

2 ڈیویڈنڈ (حصص پر منافع)

سال کے دوران مختصر منافع کی وجہ سے ڈائریکٹرز نے 30 جون 2018 کو ختم ہونے والے سال کے لیے کسی ڈیویڈنڈ کا اعلان نہیں کیا۔

3 سالانہ بیرونی آڈٹ

کمپنی کے مالیاتی اسٹیٹمنٹس کو بغیر کسی کو الیفیکیشن کے آڈیٹر جلیس احمد اینڈ کو چارٹرڈ اکاؤنٹنٹس آڈٹ کر چکے ہیں۔

4 کارپوریٹ گورننس

کمپنی کے لیے لازم ہے کہ ایس ای سی پی کے جاری کردہ پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) قوانین 2013 (سی جی آر) کے ضابطوں کی پابندی کرے۔ دستور آڈیٹر کے لیے ضروری ہے کہ وہ بہترین طریقوں پر عملدرآمد کرنے کے بارے میں اپنی جائزہ رپورٹ بھی دے جو مالیاتی اسٹیٹمنٹس کے ساتھ شائع کی جاتی ہے۔

بورڈ آف ڈائریکٹرز سی جی آر کا جائزہ لے چکے ہیں اور تصدیق کرتے ہیں کہ؛

- * بورڈ متعلقہ اصولوں کی پابندی کر چکا ہے اور جن پر عملدرآمد نہیں ہوا ان کی شناخت کر چکا ہے اور وہ مدت جس میں عدم عملدرآمد جاری رہا اور ان کی وجوہات کیا تھیں۔
- * مینجمنٹ کے تیار کردہ مالیاتی اسٹیٹمنٹس معاملات، آپریشن کے نتائج، کیش فلو اور ایکویٹی میں رد و بدل کی درست تصویر پیش کرتے ہیں
- * مناسبت طور سے کھاتوں کی بکس رکھی گئی ہیں۔
- * مالیاتی اسٹیٹمنٹس کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو استعمال کیا گیا ہے اور اکاؤنٹنگ تخمینوں کی بنیاد مناسب اور محفوظ اندازے ہیں۔
- * اندرونی نگرانی نظام کا ڈیزائن مضبوط ہے اور اس کا موثر طور پر نفاذ کیا جا چکا ہے اور اس کی موثر نگرانی کی جاتی ہے
- * چیرمین اور بورڈ کے دیگر ممبران کا انتخاب، ان کے انتخاب کی مدت اور ان کے مشاہروں کی پالیسی کمپنی کے بہترین مفاد میں اور بہترین طریقوں کے مطابق ہے۔

- * مالیاتی اسٹیٹمنٹس کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈز جو پاکستان میں کمپنی پر لاگو ہوتے ہیں ان پر عملدرآمد کیا گیا اور ان پر عملدرآمد نہ ہونے کی صورت میں ان کو مناسب طور پر ظاہر کیا اور اس کی وضاحت کی گئی ہے۔
- * 30 جون 2018 پر ٹیکس، ڈیوٹیز، لیویز اور چارجز کی مد میں کوئی دستوری ادائیگیاں نہیں ہیں ماسوائے ان کے جو مالیاتی اسٹیٹمنٹس میں ظاہر کیے گئے ہیں
- * 30 جون 2018 تک ملازمین کے پراویڈنڈ فنڈز سے 6.519 ملین (2017: 3.35 ملین) کی سرمایہ کاری کی گئی ہے
- * گزشتہ پانچ سالوں کا اہم آپریٹنگ اور مالیاتی ڈیٹا منسلک ہے کیونکہ مضاربہ کے آپریشن کا یہ پانچواں سال ہے
- * سال میں کمپنی کے بورڈ کے چار اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے؛

ڈائریکٹر کے نام	میٹنگز میں حاضری کی تعداد
جناب محمد بلال شیخ	4
سید حسن نقوی	2
جناب محمد نعیم الدین فاروقی	4
جناب محمد شاہد مرتضیٰ	4
جناب آصف حیدر مرزا	4
جناب کمال احمد	3
مس یاسمین ظفر	3

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

- * سال میں کمپنی کی آڈٹ کمیٹی کے چار اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے؛

ڈائریکٹر کے نام	میٹنگز میں حاضری کی تعداد
جناب کمال احمد	3
جناب آصف حیدر مرزا	3
جناب محمد شاہد مرتضیٰ	4
مس یاسمین ظفر	1

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

5 بورڈ آف ڈائریکٹرز

سال کے دوران، جناب کمال احمد، سید شاہنواز نادر شاہ اور مس یاسمین ظفر، جناب معین مہاجر کی جگہوں پر آزاد ڈائریکٹرز کے طور پر شامل ہوئے۔ سال کے اختتام کے بعد، حکومت سندھ نے ڈاکٹر نور عالم کی تقرری بطور سکریٹری، فنانس ڈیپارٹمنٹ کی اور اس طرح سے ان کو سید حسن نقوی کی جگہ بورڈ میں شامل کیا گیا۔

6 سماجی ذمہ داری

کمپنی سماجی طور پر ذمہ دارانہ اور اخلاقی انداز میں ماحول کا تحفظ، معاشرے اور لوگوں کی حفاظت کے ساتھ ساتھ کاروبار کو سماجی طور پر کرنے میں ایک ذمہ دار کارپوریٹ شہری ہونے کو یقینی بناتا ہے۔

کمپنی پُر عزم ہے کہ وہ سالمیت اور کارپوریٹ گورننس کے اعلیٰ ترین طریقہ کار کو برقرار رکھے تاکہ روزمرہ کے کاروباری معاملات میں اعلیٰ کارکردگی دکھاسکے اور اپنی گورننس (خسن کارکردگی) پر اعتماد پیدا کرسکے۔

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

مضاربہ اور مینجمنٹ کمپنی کے ملازمین نے دیامر باشا اور مہمند ڈیم فنڈ کو، جو سپریم کورٹ آف پاکستان کا قائم کردہ ہے، ایک دن کی تنخواہ کا حصہ دیا۔ اس فنڈ میں مضاربہ اور مینجمنٹ کمپنی نے بھی برابر کا حصہ ملایا ہے۔

7 شراکت داری کی تفصیل

کیٹگری نمبر	شیئر ہولڈرز کی کیٹگری	حصص کی تعداد
1	حکومت سندھ (وائیبلٹی گیپ فنڈ) کے فنانس ڈیپارٹمنٹ کی معرفت	99,999,993
2	ڈائریکٹرز	
	جناب محمد بلال شیخ	1
	جناب محمد نعیم الدین فاروقی	1
	جناب محمد شاہد مرتضیٰ	1
	جناب آصف حیدر مرزا	1
	جناب کمال احمد	1
	مس یاسمین ظفر	1
3	دیگر	1
	ٹوٹل	100,000,000

8 بیرونی آڈیٹرز کی تقرری

بورڈ کی آڈٹ کمیٹی نے ریاض احمد اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کو ریٹائر ہونے والے آڈیٹرز جلیس احمد اینڈ کو چارٹرڈ اکاؤنٹنٹس کی جگہ پر 30 جون 2019 کو ختم ہونے والے سال کے لیے مقرر کرنے کی سفارش کی ہے۔

9 اعتراف

بورڈ ایس۔ای۔سی۔ پی اور شریعہ اڈوائیزرز کی مسلسل رہنمائی اور حمایت کے لیے اپنی ستائش کو ریکارڈ پر لانے کا خواہش مند ہے۔ بورڈ اپنے اسپانسرز کی خاص طور پر کمپنی کے تشکیلاتی مرحلے کے دوران، مسلسل حمایت پر اس کا شکریہ ادا کرنا چاہتا ہے۔

بورڈ کی جانب سے

محمد بلال شیخ
چیئر مین

محمد نعیم الدین فاروقی
چیف ایگزیکٹو آفیسر
کراچی
27 اگست 2018