

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

SINDH MODARABA

ANNUAL REPORT JUNE 30 2016



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

وَالْعَصْرِ

إِنَّ الْإِنْسَانَ لِفِي خُسْرٍ

إِلَّا الَّذِينَ آمَنُوا وَعَمِلُوا الصَّالِحَاتِ وَتَوَاصَوْا

بِالْحَقِّ وَتَوَاصَوْا بِالصَّبْرِ

By time,
Indeed, man is in loss,
Except those who believe and do righteous good deeds and
advise each other to truth and advise each other to patience.

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Vision & Mission Statements

Vision

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

Mission

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

Corporate Information

Board of Directors

Mr. Muhammad Bilal Sheikh	-Chairman	-Non-Executive Director
Mr. Muhammad Sohail Khan Rajput		-Non-Executive Director
Mr. Muhammad Naimuddin Farooqui		-Non-Executive Director
Syed Shahnawaz Nadir Shah		-Non-Executive Director
Mr. Muhammad Shahid Murtaza		-Independent Director
Mr. Asif Haider Mirza		-Independent Director
Mr. Moin Mohajir		-Independent Director
Mr. Javed Iqbal		-Chief Executive

CFO & Company Secretary

Mr. Zulfiqar Ali

Audit Committee

Mr. Muhammad Shahid Murtaza	-Chairman
Mr. Muhammad Naimuddin Farooqui	-Member
Syed Shahnawaz Nadir Shah	-Member
Mr. Moin Mohajir	-Member

Human Resource Committee

Mr. Muhammad Bilal Sheikh	-Chairman
Mr. Moin Mohajir	-Member
Mr. Asif Haider Mirza	-Member
Mr. Javed Iqbal	-Member

Nomination Committee

Mr. Muhammad Sohail Khan Rajput	-Chairman
Mr. Muhammad Bilal Sheikh	-Member
Mr. Muhammad Shahid Murtaza	-Member
Mr. Asif Haider Mirza	-Member

Procurement Committee

Mr. Muhammad Sohail Khan Rajput	-Chairman
Mr. Muhammad Shahid Murtaza	-Member
Syed Shahnawaz Nadir Shah	-Member
Mr. Asif Haider Mirza	-Member

Risk Management Committee

Mr. Muhammad Bilal Sheikh	-Chairman
Mr. Muhammad Shahid Murtaza	-Member
Mr. Moin Mohajir	-Member
Mr. Javed Iqbal	-Member

Bankers

Sindh Bank Limited-Islamic Banking (Saadat)

Auditors

Grant Thornton Anjum Rahman
Chartered Accountants

Shariah Advisor

Mufti Zeeshan Abdul Aziz

Legal Advisor

Mohsin Tayebaly & Co.

Share Registrar

Technology Trade (Pvt.) Ltd
Dagja House, 241-C Block 2,
P.E.C.H.S., Shahra-e-Quaideen
Karachi.
Tel: (92-21) 34391316

Registered/Head Office

1st Floor, Imperial Court,
Dr. Ziauddin Ahmed Road
Karachi
Tel : (92-21) 35640708-9
web : www.sindhmodarabaltd.com
Email: info@sindhmodarabaltd.com

Directors' Report

On behalf of the Board of Directors of Sindh Modaraba Management Limited, we are presenting the 2nd annual report of Sindh Modaraba together with Audited Accounts for the year ended June 30, 2016.

1. Economy

Despite global economic slowdown, Pakistan economy maintained its modest pace reaching an eight year high of 4.7% growth in GDP from 4% in previous years. The strong performance from the industry and services led the growth despite suffering from heavy losses in the agriculture sector, recording a massive decline of 27.8% in cotton crop. The growth in industrial sector, in particular, accelerated on the back of better energy supply and improvement in security situation. The other macro-economic indicators also improved during the financial year 2016 with the containment of fiscal deficit, stability of exchange rate and continuous increase in FX reserves. The initiative under China-Pakistan Economic Corridor (CPEC) not only attracted foreign direct investment, but also helped in reviving the confidence of local businesses.

The broad improvement in macro-economic indicators sets the foundation for a higher and sustained growth. A better availability of energy supplies and improvement in the security situation has eased two of the major impediments for the country's economic growth. In this backdrop, the government envisages a higher growth of 5.7% in the FY2017. Additionally, Pakistan will possibly receive higher foreign portfolio investment through PSX (Pakistan Stock Exchange) after MSCI's decision to reclassify it as an emerging market in June, 2016.

Following completion of IMF program successfully in September, 2016, the country is most likely to maintain discipline in its fiscal performance, widening its tax base by bringing more people in tax net. The country's inflation outlook remains subdued and likely to remain benign due to low commodity prices in the global market and maintaining the current monetary policy initiatives.

Looking beyond FY2017, the spending on infrastructure and investment from China under CPEC would have far reaching, long term positive impact on Pakistan economy.

2. Operating Results and Business Overview

	June 30, 2016	June 30, 2015
	Rupees	
Balance Sheet		
Certificate capital	450,000,000	450,000,000
Total equity	473,134,681	459,591,203
Investment in Ijarah/Diminishing Musharaka	458,637,100	163,224,858
Profit & Loss		
Revenue (net of Ijarah asset depreciation)	34,633,861	22,683,644
Operating expenses	17,232,616	4,501,890
Profit before management fee	23,890,309	11,071,202
Net Profit	20,743,478	9,591,203
Appropriations		
Profit distribution @ 3.50% (2015: 1.60%)	15,750,000	7,200,000
Statutory Reserve	4,148,696	1,918,241
Earning per Certificate	0.46	0.21

The Modaraba earned net profit of Rs. 20.74 million during the year under review as compared to profit of Rs. 9.59 million earned during period ended June 30, 2015. The other income bolstered during the year as the Government of Sindh borne the entire preliminary expenses incurred on flotation of modaraba. The management continued its policy of carefully building a high quality financing portfolio that can serve as a strong base for future growth of the Modaraba. Financing facilities worth Rs. 413 million were disbursed to reputable customers during the year. The Modaraba opened its first branch in Lahore in May 2016 to expand its outreach and to geographically diversify its portfolio.

Directors' Report

3. Outlook

Sindh Modaraba has strong financial support and backing of its sponsors and its associated concerns significant of them is Sindh Bank Limited. Sindh Bank Limited, established 5 years ago has successfully positioned itself among the best performing banks. The management is exploring various options for resource mobilization for Modaraba, including leveraging of its balance sheet through credit lines from banks and financial support from the Management Company of the Modaraba. Sindh Modaraba has adequate credit lines available from its associated undertaking to support its future growth. The availability of on-going financial support will further strengthen the Modaraba's initiative for extending its outreach and to capitalize on the opportunities available under Islamic financing. The management intends to open further branches in other cities of the country in near future to improve financial inclusion. Sindh Modaraba would continue striving hard to monitor its operating costs at sustainable level while ensuring strict discipline towards Shariah rules and regulations. Sindh Modaraba's board is composed of experienced professionals whose knowledge and skill set is constantly being improved and updated through courses and seminars on the principles of Islamic Finance Industry. This would certainly help to augment the vigilance and oversight of the board. We are pleased to report that Modaraba's gradual progression would earn its place amongst the best performing entities of the sector.

4. Profit distribution

The Board of Directors has approved cash dividend @ 3.50% (2015:1.60%) i.e. Re. 0.35 (2015: Re. 0.16) per certificate for the year ended 30th June 2016.

As per Prudential Regulations issued by Securities & Exchange Commission of Pakistan, Modarabas are required to transfer a minimum 20% and maximum 50% post-tax profit to statutory reserves. The Board of Directors has appropriated Rs. 4,148,696/- (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 Grant Thornton Anjum Rahman, Chartered Accountants.

6. Corporate Governance

The Modaraba is required to comply with various requirements of the Code of Corporate Governance (CCG) contained in Pakistan Stock Exchange Regulations as well as 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 CCG and 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 chairman and other members of the Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Modaraba as well as in line with the best practices.
- International Financial Reporting Standards, as applicable to modarabas in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.

Directors' Report

- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2016, except for those disclosed in financial statements.
- No investment was made by the Employees Provident Fund as on June 30, 2016.
- Key operating and financial data of last six years cannot be presented as this is the second year of Modaraba's operations.
- Four Board meetings of the Modaraba 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
Mr. Muhammad Sohail Khan Rajput	3
Mr. Muhammad Naimuddin Farooqui	4
Mr. Muhammad Shahid Murtaza	4
Syed Shahnawaz Nadir Shah	4
Mr. Moin Mohajir	4
Mr. Asif Haider Murtaza	4
Mr. Javed Iqbal-CEO	4

Leave of absence was granted to the director 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. Muhammad Shahid Murtaza	4
Mr. Muhammad Naimuddin Farooqui	4
Syed Shahnawaz Nadir Shah	4
Mr. Moin Mohajir	4

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

7. The Board of Directors

Subsequent to year end, Government of Sindh appointed Syed Hassan Naqvi as Secretary Finance Department. Accordingly, he has been co-opted as director on the Board of the Modaraba Company in place of Mr. Sohail Khan Rajput. Mr. Moin Mohajir, an independent director resigned from the Board in August 2016. Furthermore, Mr. Javed Iqbal also resigned as CEO of the Company. However, he will continue to serve the Company till the appointment of the new CEO.

The Board wishes to place on record its appreciation for the valuable contributions made by Mr. Sohail Khan Rajput and Mr. Moin Mohajir as directors and Mr. Javed Iqbal as CEO of the Company.

Directors' Report

8. Social Responsibility

Corporate social responsibility (CSR) refers to business practices involving initiatives that benefit society. The Modaraba ensures its role of a Responsible Corporate Citizen by adhering to the following principles:

- Conducting business in a socially responsible and ethical manner.
- Protecting the environment and the safety of people.
- Supporting human rights; and
- Supporting the communities and cultures with which it works.

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

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

9. Auditors


On the recommendation of Audit Committee, the Board has approved the reappointment of present auditors M/s Grant Thornton Anjum Rahman, Chartered Accountants, as auditors for the financial year ending June 30, 2017. However, their appointment will be subject to the approval of Registrar Modaraba.

10. Acknowledgment

The Board would like to thank the SECP for its continued guidance and support. It would also like to thank the valued customers of the Modaraba for their continued trust and support. The Board also appreciates dedication and hard work of the employees of the Modaraba.

Karachi
August 30, 2016

On behalf of the Board



Javed Iqbal
Chief Executive Officer

ڈائریکٹرز کی رپورٹ

سندھ مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، ہم سندھ مضاربہ کی دوسری سالانہ رپورٹ ۳۰ جون ۲۰۱۶ء کو مکمل ہونے والے سال کے آڈٹ شدہ اکاؤنٹس کے ہمراہ پیش کر رہے ہیں۔

۱- معیشت

عالمی معیشت میں ترقی کی رفتار میں کمی کے باوجود، پاکستانی معیشت نے اپنی معتدل رفتار قائم رکھی اور گزشتہ سالوں کی ۴ فیصد نمو کے مقابلے میں ۷.۴ فیصد تک پہنچ گئی۔ صنعت اور خدمات میں ترقی کے زبردست مظاہرے کی وجہ سے یہ شرح نمو ممکن ہوئی، باوجود یکہ زرعی سیکٹر میں بھاری نقصان ہوا اور کپاس کی پیداوار میں ۸.۷ فیصد کی شدید کمی ظاہر ہوئی۔ صنعتی سیکٹر میں نمو، خصوصی طور پر توانائی کی بہتر فراہمی اور سلامتی کی بہتر صورت حال کی مرہونِ منت ہے۔ دوسرے میکرو اکنامک اشاروں میں بہتری ہوئی جن میں مالیاتی نقصان میں کمی، شرح مبادلہ میں استحکام اور زر مبادلہ کے ذخائر میں اضافہ شامل ہیں۔ چائنہ پاکستان اقتصادی راہداری (سی پیک) کے آغاز نے نہ صرف غیر ملکی براہ راست سرمایہ کاری کو مائل کیا، بلکہ مقامی صنعت کے اعتماد میں بھی اضافے کا بھی باعث بنی۔

میکرو اکنامک اشاروں میں وسیع بہتری اونچی اور مستقل نشوونما کی بنیاد مہیا کرتی ہے۔ توانائی کی بہتر فراہمی اور سلامتی کی صورت حال میں بہتری نے ملکی اقتصادی ترقی کی راہ میں حائل دو بڑی رکاوٹوں میں بڑی حد تک کمی کر دی۔ اس پس منظر میں حکومت سال ۲۰۱۷ء کے دوران ۷.۵ فیصد کی بہتر شرح نمو کی توقع رکھتی ہے۔ مزید برآں، پاکستان ممکنہ طور پر پی سی ایکس (پاکستان اسٹاک ایکس چینج) کے ذریعے، ایم سی ایس آئی کے اس کو ایمر جنگ مارکیٹ کے طور پر جون ۲۰۱۶ء میں دوبارہ درجہ بندی کے فیصلے کے بعد، پہلے سے زیادہ فارن پورٹ فولیو انویسٹمنٹ حاصل کر سکے گا۔

آئی ایم ایف پروگرام کی ستمبر ۲۰۱۶ء تک کامیاب تکمیل کے بعد، امید کی جاتی ہے کہ ملک اپنی مالی کارکردگی میں نظم و ضبط برقرار رکھ سکے گا، اور ٹیکس کے جال کو وسیع کر کے مزید لوگوں کو ٹیکس نیٹ میں لاسکے گا۔ ملک کی افراط زر کی شرح کم سطح پر قائم ہے اور امید کی جاتی ہے کہ عالمی منڈیوں میں اشیاء صرف کی کم قیمتوں اور موجودہ مانیٹری پالیسی کاوشوں کے تسلسل کی وجہ سے کم رہے گی۔

سال ۲۰۱۷ء کے بعد، بنیادی ڈھانچے پر ہونے والے اخراجات اور سی پیک منصوبے کے تحت چائنہ سے ہونے والی سرمایہ کاری کے پاکستانی معیشت پر دور رس، طویل المدت مثبت نتائج مرتب ہونگے۔

۲- آپریٹنگ نتائج اور کاروبار کا جائزہ

۳۰ جون ۲۰۱۶ء ۳۰ جون ۲۰۱۵ء
روپے

450,000,000	450,000,000
473,134,681	459,591,203
458,637,100	163,224,858

بیلنس شیٹ

سرٹیفیکیٹ کیپیٹل

کل ایکویٹی

اجارہ / گھنٹا ہوا امشار کہ میں سرمایہ کاری

ڈائریکٹرز کی رپورٹ

۲۰۱۶ جون ۳۰ ۲۰۱۵ جون ۳۰
روپے

34,633,861	22,683,644	نفع اور نقصان
17,232,616	4,501,890	آمدنی (خالص اجارہ اثاثہ کی فرسودگی)
23,890,309	11,071,202	آپریٹنگ اخراجات
20,743,478	9,591,203	منافع قبل از منجمنٹ کی فیس
15,750,000	7,200,000	خالص منافع
4,148,696	1,918,241	مختص کردہ رقوم
0.46	0.21	منافع کی تقسیم ۱۳ اعشاریہ ۵۰ فیصد (۱۱ اعشاریہ ۶۰ فیصد: ۲۰۱۵)
		دستوری محفوظ ذخائر
		آمدنی فی سرٹیفیکٹ

مضاربہ نے گزشتہ سال ۲۰۱۵ جون ۳۰ کو ختم ہونے والے سال میں ۱۹ اعشاریہ ۵۹ ملین روپے کے مقابلے میں زیر غور سال کے دوران ۲۰ اعشاریہ ۴۲ ملین روپے کمائے۔ حکومت سندھ کے مضاربہ کے اجراء (فلوٹیشن) پر ہونے والے تمام ابتدائی اخراجات اٹھانے کی وجہ سے دیگر آمدنی میں اضافہ ہوا۔ منجمنٹ نے اعلیٰ معیار کے فنانشل پورٹ فولیو بنانے کے لیے محتاط پالیسی جاری رکھی جو مضاربہ کے مستقبل کی ترقی کے لیے مضبوط بنیاد فراہم کرے گی۔ سال کے دوران اپنے معزز گاہکوں کو ۱۳ ملین روپے مالیت کے قرضہ جات کی سہولیات فراہم کی گئیں۔ مضاربہ نے اپنے کاروبار کو وسعت اور پورٹ فولیو کو جغرافیائی طور پر وسیع کرنے کے لیے مئی ۲۰۱۶ میں اپنی پہلی شاخ (برانچ) لاہور میں کھولی۔

۳۔ امید مستقبل

سندھ مضاربہ کو اپنے اسپانسرز اور منسلک اداروں کی حمایت اور پشت پناہی حاصل ہے جس میں سندھ بینک نمایاں ہے۔ پانچ سال قبل بننے والے سندھ بینک نے بہترین کارکردگی والے بینکوں میں اپنی جگہ بنائی ہے۔ منجمنٹ مضاربہ کے وسائل کو متحرک کرنے کے لیے متعدد امکانات پر غور کر رہی ہے بشمول اپنی بیلنس شیٹ کو بہتر بنانا اور اس کے لیے بینکوں سے قرضوں کا اجراء کرنا اور منجمنٹ کمپنی سے مالی معاونت حاصل کرنا۔ سندھ مضاربہ کے پاس اپنی مستقبل کی نمو کیلئے اپنے منسلک ادارے سے کافی کریڈٹ لائسنز دستیاب ہیں۔ اس مالی معاونت کی دستیابی، مضاربہ کی پہنچ اور اسلامی سرمایہ کاری کے مواقع سے فائدہ اٹھانے کی استطاعت کو مضبوط کرے گی۔ منجمنٹ مستقبل قریب میں ملک کے دیگر شہروں میں مزید شاخیں کھولنے کا ارادہ رکھتی ہے۔ سندھ مضاربہ اپنے آپریٹنگ اخراجات کو قابل برداشت حد میں رکھنے کی اپنی کوشش کو جاری رکھے گا اور شرعی اصولوں اور ضابطوں پر عمل کو یقینی بنائے گا۔ سندھ مضاربہ کا بورڈ تجربہ کار پرو فیشنلز پر مشتمل ہے جن کے علم اور مہارت میں شریعہ سے متعلق کورسز اور سیمینار کے ذریعے مزید بہتری لائی جا رہی ہے۔ اس سے بورڈ کی مستعدی اور نگرانی کو بڑھانے میں یقیناً مدد ملے گی۔ ہم یہ بتانے میں خوشی محسوس کر رہے ہیں کہ مضاربہ رفتہ رفتہ مضاربہ اپنے شعبے میں بہترین کارکردگی دکھانے والے اداروں میں اپنی جگہ بنالے گا۔

۴۔ منافع کی تقسیم

بورڈ آف ڈائریکٹرز نے ۲۰۱۶ جون ۳۰ کو اختتام ہونے والے سال کے لیے ڈیویڈنڈ @ ۱۳ اعشاریہ ۵۰ فیصد (۱۱ اعشاریہ ۶۰: ۲۰۱۵) یعنی ۳۵ پیسے (۱۶ پیسے: ۲۰۱۵) فی سرٹیفیکٹ کا اعلان کیا ہے

ڈائریکٹرز کی رپورٹ

سیکیورٹیز زائیڈ ایکسچینج کمیشن آف پاکستان کے جاری کردہ پروڈینشل ریگولیشنز کے مطابق مضاربہ کے لیے لازم ہے وہ بعد از ٹیکس منافع کا کم سے کم ۲۰ فیصد اور زیادہ سے زیادہ ۵۰ فیصد دستوری ذخائر کے لیے مختص کرے۔ بورڈ آف ڈائریکٹرز نے دستوری ذخائر کے لیے ۲۱۳۸۶۹۶ روپے (۲۰٪) مختص کئے ہیں۔

۵۔ سالانہ بیرونی آڈٹ

مضاربہ کے مالیاتی اسٹیٹمنٹس کو بغیر کسی کو ایفیکیشن کے آڈیٹر گرانٹ تھورنٹن انجمن رحمان، چارٹرڈ اکاؤنٹنٹس آڈٹ کر چکے ہیں۔

۶۔ کارپورٹ گورننس

مضاربہ کے لیے لازم ہے کہ وہ پاکستان اسٹاک ایکسچینج ریگولیشنز میں درج کارپوریٹ گورننس (سی سی جی) اور اس کے ساتھ ساتھ ایس ای سی پی کے جاری کردہ پبلک سیکٹر کمینیز (کارپوریٹ گورننس) قوانین ۲۰۱۳ کے ضوابط کی پابندی کرے۔

* دستوری آڈیٹر کے لیے ضروری ہے کہ وہ بہترین طریقوں پر عملدرآمد کرنے کے بارے میں اپنی جائزہ رپورٹ بھی دے 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 اور جن پر عملدرآمد نہیں ہوا ان کے 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 ایکوٹی 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 مضاربہ کے بہترین مفاد میں اور بہترین طریقوں کے مطابق ہے۔

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

* مضاربہ کے ایک جاری رہنے والے ادارے کے ہونے کی صلاحیت کے بارے میں کوئی خاص شبہات نہیں ہیں۔

* ۲۰۱۶ جون ۲۰ 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

* ۲۰۱۶ جون ۲۰ تک ملازمین کے پروویڈنڈ فنڈ سے کوئی سرمایہ کاری نہیں کی گئی

ڈائریکٹر کی رپورٹ

* گزشتہ چھ سالوں کا اہم آپریٹنگ اور مالیاتی ڈیٹا پیش نہیں کیا جاسکتا کیونکہ مضاربہ کے آپریشن کا یہ دوسرا سال ہے

* سال میں مضاربہ 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	۴
جناب محمد سہیل خان راجپوت	۳
جناب محمد نعیم الدین فاروقی	۴
جناب محمد شاہد مرتضیٰ	۴
سید شاہنواز زنادر شاہ	۴
جناب معین مہاجر	۴
جناب آصف حیدر مرتضیٰ	۴
جناب جاوید اقبال - سی ای او	۴

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

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

ڈائریکٹر کے نام	میٹنگز میں حاضری کی تعداد
جناب محمد شاہد مرتضیٰ	۴
جناب محمد نعیم الدین فاروقی	۴
سید شاہنواز زنادر شاہ	۴
جناب معین مہاجر	۴

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

* اس رپورٹ کے ساتھ سرٹیفیکیٹ ہولڈنگ کا خاکہ منسلک ہے

* ڈائریکٹر، سی ای او، ایگزیکٹو ایڈمنسٹریٹو اور ان کے شریک حیات اور ان کے نابالغ بچوں نے سال کے دوران مضاربہ کے سرٹیفیکیٹس کا کوئی لین دین نہیں کیا

ڈائریکٹرز کی رپورٹ

۷۔ بورڈز آف ڈائریکٹرز

اختتام سال کے بعد، حکومت سندھ نے سید حسن نقوی کی تقرری بطور سکریٹری، فنانس ڈپارٹمنٹ کی اور اس طرح سے ان کو جناب سہیل خان راچپوت کی جگہ بورڈ میں شامل کیا گیا۔ اگست ۲۰۱۶ میں جناب معین مہاجر نے، جو کہ آزاد ڈائریکٹر تھے، استعفیٰ دے دیا۔ علاوہ ازیں جناب جاوید اقبال نے بھی بطور کمپنی کے سی ای او کے استعفیٰ دے دیا۔ لیکن وہ نئے سی ای او کے انتخاب تک خدمات سرانجام دیتے رہیں گے۔

بورڈ جناب سہیل خان راچپوت اور معین مہاجر کی بطور ڈائریکٹرز اور جناب جاوید اقبال کی بطور کمپنی کے سی ای او کے کمپنی کے لیے گرانقدر خدمات کو سراہتے ہوئے رکارڈ پر لانا چاہتا ہے۔

۸۔ سماجی ذمہ داریاں

ادارے کی سماجی ذمہ داری (سی ایس آر) سے مراد وہ اقدامات ہیں جو معاشرے کو فائدہ پہنچائے۔ مضاربہ اپنے کردار کو بطور ذمہ دار کارپوریٹ شہری کے درج ذیل اصولوں کی بنیاد پر یقینی بناتا ہے؛

* کاروبار سماجی طور پر ذمہ دار اور اخلاقی طریقے سے ادا کرنا

* ماحول کا تحفظ اور لوگوں کی حفاظت کرنا

* انسانی حقوق کی حمایت کرے

* جن معاشرتی گروہوں اور تہذیب میں کام کرے اس کی مدد کرنا

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

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

۹۔ آڈیٹرز

آڈٹ کمیٹی کی سفارش پر بورڈ نے موجودہ آڈیٹرز میسرز گرانٹ تھورنٹن انجمن رحمان، چارٹرڈ اکاؤنٹینٹس کی بطور آڈیٹرز برائے مالی سال جس کا اختتام ۳۰ جون ۲۰۱۷ کو ہوگا، دوبارہ انتخاب کی منظوری دے چکا ہے۔ لیکن ان کا انتخاب رجسٹرڈ مضاربہ کی منظوری سے مشروط ہے۔

۱۰۔ اعتراف

بورڈ ایس ای سی پی کا اس کی مسلسل رہنمائی اور حمایت کے لئے شکریہ ادا کرنا چاہتا ہے۔ اور وہ مضاربہ کے معزز گاہکوں کا اس پر اعتماد اور حمایت کرنے کا بھی شکریہ کرنا چاہتا ہے۔ بورڈ مضاربہ کے ملازمین کے خلوص اور سخت محنت کو بھی سراہتا ہے۔

بورڈ کی جانب سے



جاوید اقبال

چیف ایگزیکٹو آفیسر

کراچی

۳۰ اگست ۲۰۱۶

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

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in listing regulations of Karachi Stock Exchange and Public Sector Companies (Corporate Governance) Rules 2013 (the Rules) for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance for the year ended June 30, 2016.

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		Remarks																						
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓																								
2.	<div>The Board has the requisite percentage of independent directors. At present the board includes :</div> <table><thead><tr><th>Category</th><th>Names</th><th>Date of appointment</th></tr></thead><tbody><tr><td rowspan="3">Independent Directors</td><td>- M. Shahid Murtaza</td><td>31st Oct 2014</td></tr><tr><td>- Moin Mohajir</td><td>31st Oct 2014</td></tr><tr><td>- Asif Haider</td><td>31st Oct 2014</td></tr><tr><td>Executive Directors</td><td>-</td><td>-</td></tr><tr><td rowspan="4">Non-Executive Directors</td><td>- M. Bilal Sheikh</td><td>31st Oct 2014</td></tr><tr><td>- M. Naimuddin Farooqi</td><td>31st Oct 2014</td></tr><tr><td>- M. Sohail Khan Rajput</td><td>31st Oct 2014</td></tr><tr><td>- S. Shahnawaz Nadir Shah</td><td>31st Oct 2014</td></tr></tbody></table>	Category	Names	Date of appointment	Independent Directors	- M. Shahid Murtaza	31 st Oct 2014	- Moin Mohajir	31 st Oct 2014	- Asif Haider	31 st Oct 2014	Executive Directors	-	-	Non-Executive Directors	- M. Bilal Sheikh	31 st Oct 2014	- M. Naimuddin Farooqi	31 st Oct 2014	- M. Sohail Khan Rajput	31 st Oct 2014	- S. Shahnawaz Nadir Shah	31 st Oct 2014	3(2)	✓		
Category	Names	Date of appointment																									
Independent Directors	- M. Shahid Murtaza	31 st Oct 2014																									
	- Moin Mohajir	31 st Oct 2014																									
	- Asif Haider	31 st Oct 2014																									
Executive Directors	-	-																									
Non-Executive Directors	- M. Bilal Sheikh	31 st Oct 2014																									
	- M. Naimuddin Farooqi	31 st Oct 2014																									
	- M. Sohail Khan Rajput	31 st Oct 2014																									
	- S. Shahnawaz Nadir Shah	31 st Oct 2014																									
3.	A casual vacancy occurring on the board was filled up by the directors within ninety days.	3(4)			N/A																						
4.	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)	✓		Except one for which exemption recd. from SECP																						
5.	The appointing authorities have applied the fit and proper criteria given in the Annexure in making nominations of the persons for election as board members under the provisions of the Ordinance.	3(7)	✓																								
6.	The chairman of the board is working separately from the chief executive of the Company.	4(1)	✓																								
7.	The chairman has been elected from amongst the independent directors.	4(4)		✓	Exemption recd. from SECP																						
8.	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)	✓																								
9.	(a) The company has prepared a “Code of Conduct” and 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. (Address of website to be indicated www.sindhmodarabalttd.com) (b) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.	5(4)	✓ ✓																								

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

S. No.	Provision of the Rules	Rule No.	Y Tick the relevant box	N	Remarks
10.	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 stakeholder, in the manner prescribed in the Rules.	5(5)	✓		
11.	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)	✓		
12.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b)(vi)	✓		
13.	(a) The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service. (b) A Committee has been formed to investigating deviations from the company's code of conduct.	5(5)(c)(ii)	✓		
14.	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, in accordance with the SPPRA Rules.	5(5)(c)(iii)	✓		
15.	The Board has developed a vision or mission statement, corporate strategy and 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(6)	✓		
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 have submitted its request for appropriate compensation to the Government for consideration.	5(8)			N/A
17.	a) The Board has met at least four times during the year. b) Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. c) The minutes of the meetings were appropriately recorded and circulated.	6(1) 6(2) 6(3)	✓ ✓ ✓		
18.	The Board has carried out performance evaluation of its members, including the chairman and chief executive, on the basis of a process, based on specified criteria, developed by it. The board has also monitored and assessed the performance of senior management on annual / half yearly / quarterly basis*. *Strike out whichever is not applicable.	8	✓		
19.	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	✓		

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

S. No.	Provision of the Rules	Rule No.	Y Tick the relevant box	N	Remarks																		
20.	The Board has approved the profit and loss account for and balance sheet as at the end of first, second and third quarter as well as the financial year end, and has placed the annual financial statements on the Company's website. Monthly accounts were also prepared and circulated amongst the board members.	10	✓																				
21	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	✓																				
22.	(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>4</td><td>M. Shahid Murtaza</td></tr><tr><td>Risk Management Committee</td><td>4</td><td>M. Bilal Sheikh</td></tr><tr><td>Human Resources Committee</td><td>4</td><td>M. Bilal Sheikh</td></tr><tr><td>Procurement Committee</td><td>4</td><td>M. Sohail Khan Rajput</td></tr><tr><td>Nomination Committee</td><td>4</td><td>M. Sohail Khan Rajput</td></tr></table>	Committee	Number of Members	Name of Chair	Audit Committee	4	M. Shahid Murtaza	Risk Management Committee	4	M. Bilal Sheikh	Human Resources Committee	4	M. Bilal Sheikh	Procurement Committee	4	M. Sohail Khan Rajput	Nomination Committee	4	M. Sohail Khan Rajput	12	✓		
Committee	Number of Members	Name of Chair																					
Audit Committee	4	M. Shahid Murtaza																					
Risk Management Committee	4	M. Bilal Sheikh																					
Human Resources Committee	4	M. Bilal Sheikh																					
Procurement Committee	4	M. Sohail Khan Rajput																					
Nomination Committee	4	M. Sohail Khan Rajput																					
23.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, with their remuneration and terms and conditions of employment, and as per their prescribed qualification.	13/14	✓		Internal Audit function is outsourced to a reputed Chartered Accountant firm.																		
24.	The Company has adopted International Financial Reporting Standards notified by the Commission under clause (i) of sub-section (3) of section 234 of the Ordinance.	16	✓																				
25.	The directors' report for this year has been prepared in compliance with the requirements of the Ordinance and the Rules and fully described the salient matters required to be disclosed.	17	✓																				
26.	The directors, CEO and executives do not hold any interest in the shares of the company other than that disclosed in the pattern of shareholding.	18	✓																				

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

S. No.	Provision of the Rules	Rule No.	Y N Tick the relevant box		Remarks		
27.	A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place. The annual report of the company contains criteria and details of remuneration of each director.	19			N/A		
28.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer, before approval of the board.	20	✓				
29.	The Board has formed an audit committee, with defined and written terms of reference, and having the following members:		✓				
	<div> <div>Name of member</div> <div>Category</div> <div>Professional background”</div> </div>						
	M.Shahid Murtaza					Independent	Banker
	M.Naimuddin Farooqui					Non-executive	Banker
	S. Shahnawz Nadir Shah					Non-executive	Investment Specialist
	Moin Mohajir					Independent	Chartered Accountant
The Chief Executive and Chairman of the Board are not members of the audit committee.							
30.	The Board has set up and effective internal audit function, which has an audit charter, duly approved by the committee, and which worked in accordance with the applicable standards.	22	✓				
31.	The Company has appointed its external auditors in line with the requirements envisaged under the Rules.	23	✓				
32.	The external auditors of the company have confirmed that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guideline on Code of Ethics as applicable in Pakistan.	23(4)	✓				
33.	The external auditors have not been appointed to provide non-audit services and the auditors have confirmed that they have observed applicable guideline issued by IFAC in this regard.	23(5)	✓				
34.	The Company has complied with all the corporate and financial reporting requirements of the Rules.						

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.
- There was no material/price sensitive information that has to be disseminated among all market participants at once through the stock exchange.



Javed Iqbal
Chief Executive Officer

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]:

Schedule - II:

Sr. No	Rule/sub-rule no.	Reasons for non-compliance	Future course of action
1.	4(4)	The Chairman being nominee of Government of Sindh is a professional banker with unblemished track record who was elected by the Board of Directors to formulate the Company on a fast track basis.	SECP (Company Law Division) has provided relaxation to the Company from applicability of this rule for a period of three years.



Javed Iqbal
Chief Executive Officer

Shari'ah Advisor's Report



I have conducted the Shari'ah review of Sindh Modaraba managed by Sindh Modaraba Management Company for the financial year ended June 2016 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas 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. Following is the major development that took place during the year:
 - a) The Business activities of the Modaraba are mainly based on the two basic Shariah Complaint modes of Financing i.e. Ijarah and Diminishing Musharakah.
 - b) The management of Modaraba has arranged trainings on modes and products of Islamic Finance for its Board of Directors and for its staff as well.
- iii. The agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board 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 and the Shari'ah Compliance and 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 relating to any deposit raising product apply.
- vi. No earnings that have been realized from the sources or means prohibited by Shari'ah during the period.

Observation(s)

- 1) The Modaraba has a part of its portfolio of assets covered through conventional insurance companies instead of Shariah Compliant Takaful.
- 2) The Modaraba has received an amount of 24,481/- as Charity payment from a client due to non-fulfillment of commitment by the client, however that charity amount was deposited by Modaraba in its own operational account, instead of keeping it in a separate Charity account.

Recommendation(s)

- 1) It is recommended that the Modaraba completely gets its financed assets covered through Takaful.
- 2) Management must operate a separate charity account and transfer the charity amount into that designated account and subsequently pay that as charity within the stipulated time frame.

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
Shariah Advisor
Sindh Modaraba
Dated: August 22nd 2016

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

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance and Public Sector Companies (Corporate Governance) Rules, 2013 (both herein referred to as 'Codes') for the year ended June 30, 2016 prepared by the Board of Directors (the Board) of Sindh Modaraba Management Limited (the Management Company) to comply with the requirements of Rule 5.19 of the Rule Book of Pakistan Stock Exchange Limited where the Modaraba is listed, and the provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

The responsibility for compliance with the Codes is that of the Board of Modaraba Management Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Modaraba's compliance with the provisions of the Codes and report if it does not and to highlight any non-compliance with the requirements of the Codes. 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 Codes.

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

The Codes require the Modaraba to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of related party transactions by the Board upon recommendation of the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the 'Statement of Compliance' does not appropriately reflect the Modaraba's compliance, in all material respects with the best practices contained in the Codes as applicable to the Modaraba for the year ended June 30, 2016.

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

Date: August 30, 2016

Place: Karachi

Grant Thornton Anjum Rahman
Chartered Accountants

Muhammad Shaukat Naseeb
Engagement Partner

Independent Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of the Sindh Modaraba (the Modaraba) as at June 30, 2016 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here in after referred to as the 'financial statements'), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- (a) in our opinion, proper books of account have been kept by the Modaraba Company in respect of Sindh Modaraba, as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
 - (i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in accordance with the accounting policies stated therein;
 - (ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - (iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2016 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Date : August 30, 2016

Place : Karachi

Grant Thornton Anjum Rahman
Chartered Accountants

Muhammad Shaukat Naseeb
Engagement Partner

BALANCE SHEET

AS AT JUNE 30, 2016


	June 30, 2016	June 30, 2015
Note	Rupees	Rupees
ASSETS		
Current assets		
Cash and bank balances	4 40,445,905	309,603,524
Ijarah rental receivables	5 1,711,015	730,517
Advances, prepayments and other receivables	6 9,341,792	3,064,496
Current portion of Diminishing Musharaka	7 25,953,667	10,737,273
Current portion of long term loan	324,000	324,000
Total current assets	77,776,379	324,459,810
Non - current assets		
Long term portion of Diminishing Musharaka	7 224,349,085	106,474,545
Ijarah assets	8 208,334,348	46,013,040
Long term loan	9 864,000	1,188,000
Fixed assets - in own use	10 4,101,086	274,655
Total non - current assets	437,648,519	153,950,240
TOTAL ASSETS	515,424,898	478,410,050
LIABILITIES AND EQUITY		
Current liabilities		
Creditors, accrued and other liabilities	11 9,598,094	9,491,879
Profit distribution payable	6,798	-
Total current liabilities	9,604,892	9,491,879
Non - current liabilities		
Long term security deposit	12 32,685,325	9,326,968
Total non - current liabilities	32,685,325	9,326,968
TOTAL LIABILITIES	42,290,217	18,818,847
CERTIFICATE HOLDERS' EQUITY		
Certificate capital		
Authorised certificate capital		
50,000,000 (2015: 50,000,000) certificates of Rs. 10 each	13 500,000,000	500,000,000
Issued, subscribed, and paid - up certificate capital	13 450,000,000	450,000,000
Reserves	14 23,134,681	9,591,203
Total equity	473,134,681	459,591,203
TOTAL LIABILITIES AND EQUITY	515,424,898	478,410,050
CONTINGENCIES AND COMMITMENTS		
	15	

The annexed notes 1 to 30 form an integral part of these financial statements.

For Sindh Modaraba Management Limited
(Management Company)

 Chairman


 Chief Executive


 Director

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016	June 30, 2015
Note	Rupees	
Income from:		
- Diminishing Musharaka	14,867,889	3,024,007
- Ijarah rental	59,085,026	730,517
- Bank deposits	10,259,851	19,090,763
Gain on disposal of investments	1,280,724	460,155
	85,493,490	23,305,442
Administrative and operating expenses	16 (17,232,616)	(4,501,890)
Depreciation - Ijarah assets	8 (50,859,629)	(621,798)
General provision for doubtful receivables	(1,266,401)	-
Preliminary expenses - net	17 -	(7,189,552)
	(69,358,646)	(12,313,240)
	16,134,844	10,992,202
Other income	18 7,755,465	79,000
	23,890,309	11,071,202
Management Company's remuneration	19 (2,389,031)	(1,107,120)
Sindh sales tax on Management Company's remuneration	(334,464)	(177,139)
Workers' welfare fund	(423,336)	(195,740)
Profit before taxation	20,743,478	9,591,203
Taxation	20 -	-
Profit for the year	20,743,478	9,591,203
Earnings per certificate - basic and diluted	21 0.46	0.21

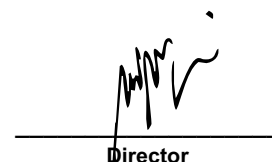
The annexed notes 1 to 30 form an integral part of these financial statements.



Chairman

For Sindh Modaraba Management Limited
(Management Company)


Chief Executive



Director

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2016


	June 30, 2016	June 30, 2015
	Rupees	
Profit for the year	20,743,478	9,591,203
Other comprehensive income for the year		
- items that may be reclassified to profit and loss account	-	-
- items that will not be reclassified to profit and loss account subsequently	-	-
Total comprehensive income for the year	20,743,478	9,591,203

The annexed notes 1 to 30 form an integral part of these financial statements.




Chairman

For Sindh Modaraba Management Limited
(Management Company)



Chief Executive



Director

CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2016

		June 30, 2016	June 30, 2015
Note		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
		20,743,478	9,591,203
	Profit before taxation		
	Adjustments for non - cash and other items		
	Depreciation on Ijarah assets	8 50,859,629	621,798
	Depreciation on Fixed assets - in own use	16 660,655	19,946
	Amortisation of Intangible assets	16 102,158	-
	General provision for doubtful receivables	1,266,401	-
	Workers' welfare fund	423,336	195,740
	Gain on disposal of Ijarah asset	18 (262,933)	-
	Gain on disposal of investments	(1,280,724)	(460,155)
	Income on bank deposits	(10,259,851)	(18,630,608)
	Provision for provident fund (employer's contribution)	336,435	136,628
	Reversal of preliminary expenses	(7,189,552)	-
		34,655,554	(18,116,651)
Working capital changes			
	Increase in advances, prepayments and other receivables	(7,922,031)	(1,247,581)
	Increase in Ijarah rental receivables	(989,096)	(730,517)
	Increase in Diminishing Musharaka	(134,348,737)	(117,211,818)
	Increase in creditors, accrued and other liabilities	4,756,206	9,159,511
	Increase in security deposit against Ijarah assets	23,358,357	9,326,968
		(115,145,301)	(100,703,437)
	Provident fund contribution paid (employer's contribution)	(336,435)	-
	Recovery/(Disbursement) of loan	324,000	(1,512,000)
	Net cash used in operations	(59,758,704)	(110,740,885)
CASH FLOWS FROM INVESTING ACTIVITIES			
	Purchase of Ijarah assets	8 (224,987,527)	(46,634,838)
	Sale proceeds from disposal of Ijarah assets	12,069,523	-
	Purchase of fixed assets	(1,947,587)	(294,601)
	Purchase of Intangible	10.2 (525,432)	-
	Income received on bank deposits	13,185,310	17,273,848
	Net cash used in investing activities	(202,205,713)	(29,655,591)
CASH FLOWS FROM FINANCING ACTIVITIES			
	Proceeds from issue of certificates	-	450,000,000
	Dividend paid	(7,193,202)	-
	Net cash (used in)/generated from financing activities	(7,193,202)	450,000,000
	Net (decrease)/increase in cash and cash equivalents	(269,157,619)	309,603,524
	Cash and cash equivalents at the beginning of the year	309,603,524	-
	Cash and cash equivalents at the end of the year	40,445,905	309,603,524

The annexed notes 1 to 30 form an integral part of these financial statements.



Chairman

For Sindh Modaraba Management Limited
(Management Company)


Chief Executive



Director

STATEMENT OF CHANGES IN EQUITY


FOR THE YEAR ENDED JUNE 30, 2016

	Issued, subscribed, and paid-up certificate capital	Revenue Reserve Unappropriated profit	Capital Reserve Statutory reserve	Total
	-----Rupees-----			
Issue of Certificate capital	450,000,000	-	-	450,000,000
Profit for the period	-	9,591,203	-	9,591,203
Other comprehensive income for the period	-	-	-	-
Transfer to statutory reserve	-	(1,918,241)	1,918,241	-
Balance as at June 30, 2015	450,000,000	7,672,962	1,918,241	459,591,203
Profit distribution for the period ended June 30, 2015 at Re. 0.16 per certificate	-	(7,200,000)	-	(7,200,000)
Profit for the year	-	20,743,478	-	20,743,478
Other comprehensive income for the year	-	-	-	-
Transfer to statutory reserve	-	(4,148,696)	4,148,696	-
Balance as at June 30, 2016	450,000,000	17,067,744	6,066,937	473,134,681


 Chairman

For Sindh Modaraba Management Limited
(Management Company)


 Chief Executive


 Director

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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.

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. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board, as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Islamic Financial Accounting Standards (IFASs) and the directives issued by the SECP differ with the requirements of (IFRSs), the requirements of the former prevail.

The amounts for comparative prior period presented are for the period from the date of floatation of Modaraba till the end of the preceeding financial year.

2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention.

2.3 Functional and presentation currency

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

2.4 Use of significant estimates and judgments

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

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

- a) estimates of residual values, useful lives and depreciation methods of fixed assets in own use (note 3.3) and Ijarah assets (note 3.4);
- b) investments & loans, advances, prepayments and other receivables (note 3.2 and 3.5); and
- c) provision for taxation (note 3.6).

2.5 Standards, amendments and interpretations to the approved accounting standards

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

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

Standards, amendments and interpretations	Effective date
IFRS 13 'Fair Value Measurement'	January 1, 2015

Adoption of the above revisions, amendments and interpretations of the standards have no significant effect on the amounts for the year ended June 30, 2016.

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

The other new standards, amendments to published standards and interpretations that are mandatory for the financial year beginning on July 1, 2015 are considered not to be relevant or to have any significant effect on the Modaraba's financial reporting and operations and are therefore not presented here.

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

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

Standards, amendments and interpretations	Effective date
IAS 1 'Disclosure Initiative (Amendments to IAS 1 Presentation of Financial Statements)'	January 1, 2016
Annual Improvements to IFRS 2012 - 2014 Cycle	January 1, 2016
IAS 16 and IAS 38 'Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to IAS 16 and IAS 38)'	January 1, 2016
IAS 7 'Disclosure Initiative (Amendments to IAS 7)'	January 1, 2017
IAS 12 'Recognition of deferred tax assets for unrealized losses (Amendments to IAS 12)'	January 1, 2017

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

2.5.4 Standards that are not yet notified by the Securities and Exchange Commission of Pakistan (SECP) for adoption in Pakistan

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

	IASB effective date (annual periods beginning on or after)
IFRS 14 'Regulatory Deferral Accounts'	January 1, 2016
IFRS 15 'Revenue from Contracts with Customers'	January 1, 2018
IFRS 09 'Financial Instruments (revised 2014)'	January 1, 2018
IFRS 16 'Leases'	January 1, 2019

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

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

3.2 Financial instruments

3.2.1 Financial assets

3.2.1.1 Classification

Financial assets in the scope of IAS 39 "Financial Instruments : Recognition and Measurement", are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. When financial assets are recognized initially, they are measured at fair value, plus (in the case of investments not at fair value through profit or loss) directly attributable transaction cost. The Modaraba determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

a) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'Financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, if any, are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognized in profit and loss account.

b) Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to maturity when the Modaraba has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Other long-term investments, that are intended to be held-to-maturity, are subsequently measured at amortized cost.

This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization, using the effective interest rate method, of a difference between the initially recognized amount and the maturity amount. This calculation includes all fees and charges paid or received between parties to the contract that are an integral part of the effective interest rate, transaction cost and all other premiums and discounts. For investments carried at amortized cost, gains and losses are recognized in profit and loss account when the investments are derecognized or impaired, as well as, through the amortization process.

c) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortized cost using the effective interest rate method. Gains and losses are recognized in profit and loss account when the loans and receivables are derecognized or impaired, as well as, through the amortization process.

d) Available-for-sale

Available-for-sale financial assets are those non derivative financial assets that are designated as available-for-sale or are not classified in any of the three preceding categories. After initial recognition available-for-sale financial assets are measured at fair value with gains and losses being recognized as a separate component of equity until the investment is derecognized or until the investment is determined to be impaired at which time the cumulative gain or loss previously reported in equity is included in the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid price at the close of business on the balance sheet date. For investments where there is no active market, value is determined using valuation technique.

3.2.1.2 Impairment (including provision for potential Ijarah losses and write offs)

The carrying amount of the Modaraba's assets are reviewed at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such an indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the profit and loss account.

For loans and receivables, a provision for impairment is established when there is objective evidence that the Modaraba will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective profit rate.

Provision for non-performing facilities, if any, is made in accordance with the requirements of the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP) and is charged to the profit and loss account in the current period. Outstanding balances in net investment in Ijarah finance are written off when there is no realistic prospect of recovery.

3.2.2 Financial liabilities

Financial liabilities are recognised at the time the Modaraba becomes a party to the contractual provisions of the instrument and include creditors, accrued and other liabilities. These are initially recognised at fair values and subsequently stated at amortised cost.

3.2.3 Derecognition

Financial assets are derecognised at the time when the Modaraba loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss arising on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

3.2.4 Off-setting of financial assets and liabilities

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

3.3 Fixed assets - In own use

3.3.1 Tangible assets

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

Depreciation on all fixed assets is charged to income on a straight - line basis in accordance with the specified rates. The useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

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

3.3.2 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the assets' carrying amounts or recognised as separate

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

assets, as appropriate, only where it is probable that the future economic benefits associated with the assets will flow to the Modaraba and the cost of the items can be measured reliably.

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

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

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

3.4 Ijarah assets

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

- Muj'ir (lessors) presents the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.

- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are recognised as expenses.

- Initial direct costs incurred specifically to earn revenues from Ijarah are recognised as an expense in the profit and loss account in the period in which they are incurred.

3.5 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.

3.6 Taxation

Current

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

Deferred

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

3.7 Impairment of non-financial assets

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

3.8 Creditors, accrued and other liabilities

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

3.9 Provisions

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

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

3.10 Staff retirement benefits

The Modaraba operates a 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.

3.11 Revenue recognition

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

- Income in respect of non-performing Ijarah finance is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations for Modarabas issued by the SECP.
- Documentation charges, front end fees and other Ijarah related income are taken to the profit and loss account on an accrual basis.
- Profit on Diminishing Musharaka arrangements is recognised under the effective mark-up rate method based on the amount outstanding.
- Mark-up / return on deposits / investments is recognised on accrual basis using the effective profit rate method.
- Other income is recognised on an accrual basis.

3.12 Proposed profit distribution to certificate holders and transfers between reserves

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

3.13 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.

3.14 Foreign currency transactions

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

3.15 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.

3.16 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.

3.17 Dividend income

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

3.18 Ijarah rental receivable

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

		June 30, 2016	June 30, 2015
	Note	Rupees	Rupees
4 CASH AND BANK BALANCES			
Stamp papers in hand		47,200	10,050
Balances with banks			
-on deposit accounts	4.1	40,379,487	309,573,474
-on current accounts		19,218	20,000
		<u>40,445,905</u>	<u>309,603,524</u>

4.1 These represent balances held with Sindh Bank Limited - Islamic Banking Unit, a related party. These carry profit at the rates ranging from 6.1% to 6.2% per annum. (2015: 7.1% to 9%).

		June 30, 2016	June 30, 2015
	Note	Rupees	Rupees
5 IJARAH RENTAL RECEIVABLES			
Ijarah rental receivables - Considered good		1,719,613	730,517
Less: Provision for ijarah rental receivables	5.1	(8,598)	-
		<u>1,711,015</u>	<u>730,517</u>

5.1 This represents general provision made at the rate of 0.5% (2015: Nil) against ijarah rental receivables.

		June 30, 2016	June 30, 2015
	Note	Rupees	Rupees
6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advances	6.1	6,143,847	214,309
Prepayments		515,251	127,640
Accrued income from bank deposits		172,180	1,816,915
Accrued income from Diminishing Musharaka		2,477,394	845,882
Other receivables		33,120	59,750
		<u>9,341,792</u>	<u>3,064,496</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

- 6.1 This includes amount of Rs. 4,862,700 (2015: Nil) which has been advanced to vendors in respect of supply of Ijarah assets for onward delivery to lessee (Mustajir).

		June 30, 2016	June 30, 2015
	Note	Rupees	Rupees
7 DIMINISHING MUSHARAKA			
Receivables - Secured	7.1	251,560,555	117,211,818
Less: Current portion of Diminishing Musharaka		(25,953,667)	(10,737,273)
Less: Provision in respect of Diminishing Musharaka	7.2	(1,257,803)	-
Long term portion of Diminishing Musharaka		<u>224,349,085</u>	<u>106,474,545</u>

- 7.1 This represents the finance provided to Individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 3 to 20 years (2015: 5 years) which is secured against mortgage of property, lien on title documents and pari passu charge on assets.

- 7.2 This represents general provision made at the rate of 0.5% (2015: Nil) on diminishing musharaka receivables.

8 IJARAH ASSETS

June 30, 2016								
Particulars	Cost			Depreciation			Net book value as at June 30, 2016	Depreciation Rate
	Opening balance	Additions/ (Disposals)	Closing balance	Opening balance	Charge/ (Adjustment) for the year	Closing balance		
	-----Rupees-----							
Plant and machinery	46,634,838	147,835,787	194,470,625	621,798	33,297,382	33,919,180	160,551,445	33.33%
Vehicles	-	77,151,740	63,248,000	-	17,562,247	15,465,097	47,782,903	20-50%
		(13,903,740)		-	(2,097,150)		-	
	46,634,838	224,987,527	257,718,625	621,798	50,859,629	49,384,277	208,334,348	
		(13,903,740)			(2,097,150)			

June 30, 2015								
Particulars	Cost			Depreciation			Net book value as at June 30, 2015	Depreciation Rate
	Opening balance	Additions	Closing balance	Opening balance	Charge for the period	Closing balance		
	-----Amount in Rupees-----							
Plant and machinery	-	46,634,838	46,634,838	-	621,798	621,798	46,013,040	33.33%

- 8.1 The Modaraba has entered into Ijarah arrangements for periods ranging 2 to 5 years (2015: 3 years) against which security deposits were obtained at the time of disbursement (note 12).

		June 30, 2016	June 30, 2015
	Note	Rupees	Rupees
Contractual rental receivables - Ijarah assets			
Not later than 1 year		85,566,462	14,610,344
Later than 1 year but not later than 5 years		112,822,903	29,220,687
Total		<u>198,389,365</u>	<u>43,831,031</u>

9 LONG TERM LOAN

Long term loan - considered good	9.1	1,188,000	1,512,000
Less: current portion of long term loan		(324,000)	(324,000)
		<u>864,000</u>	<u>1,188,000</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

- 9.1 This represents car loan provided to Chief Financial Officer in accordance with the Monetization Policy approved by the Board.

		June 30, 2016	June 30, 2015
	Note	Rupees	Rupees
10 FIXED ASSETS - In own use			
Tangible assets	10.1	3,677,812	274,655
Intangible assets	10.2	423,274	-
		<u>4,101,086</u>	<u>274,655</u>

10.1 TANGIBLE ASSETS

2016								
Particulars	Cost			Depreciation			Net book value as at June 30, 2016	Depreciation Rate
	Opening balance	Additions	Closing balance	Opening balance	Charge for the year	Closing balance		
	-----Amount in Rupees-----							
Furniture and fittings	95,017	1,217,918	1,312,935	3,313	96,693	100,006	1,212,929	10%
Office Equipment	-	1,324,474	1,324,474	-	214,897	214,897	1,109,577	20%
Vehicles	43,500	-	43,500	3,625	8,700	12,325	31,175	20%
Computer and accessories	156,084	1,521,420	1,677,504	13,008	340,365	353,373	1,324,131	33.33%
	294,601	4,063,812	4,358,413	19,946	660,655	680,601	3,677,812	

2015								
Particulars	Cost			Depreciation			Net book value as at June 30, 2015	Depreciation Rate
	Opening balance	Additions	Closing balance	Opening balance	Charge for the period	Closing balance		
	-----Amount in Rupees-----							
Furniture and fittings	-	95,017	95,017	-	3,313	3,313	91,704	10%
Vehicles	-	43,500	43,500	-	3,625	3,625	39,875	20%
Computer and accessories	-	156,084	156,084	-	13,008	13,008	143,076	33.33%
	-	294,601	294,601	-	19,946	19,946	274,655	

10.2 INTANGIBLE ASSETS

2016								
Particulars	Cost			Amortisation			Net book value as at June 30, 2016	Amortisation Rate
	Opening balance	Additions	Closing balance	Opening balance	Charge for the year	Closing balance		
	-----Amount in Rupees-----							
Software licenses	-	525,432	525,432	-	102,158	102,158	423,274	33.33%

		June 30, 2016	June 30, 2015
	Note	Rupees	Rupees
11 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Preliminary expenses payable to the Management Company	11.1	-	7,189,552
Management remuneration payable		3,496,150	1,107,120
Sindh sales tax payable on management remuneration		511,603	177,139
Creditors		2,249,264	-
Other liabilities		1,547,760	459,591
Accrued expenses		1,793,317	558,477
		<u>9,598,094</u>	<u>9,491,879</u>

- 11.1 During the year, Government of Sindh has agreed to reimburse preliminary expenses to the Management Company. Hence, the liability is no more payable to Management Company by the Modaraba.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

		June 30, 2016	June 30, 2015
	Note	Rupees	Rupees
12 LONG TERM SECURITY DEPOSIT			
Security deposit against Ijarah finance	12.1	<u>32,685,325</u>	<u>9,326,968</u>

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

13 CERTIFICATE CAPITAL

Number of certificates

June 30, 2016	June 30, 2015	Authorised certificate capital		
<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>
		Issued, subscribed and paid - up certificate capital		
<u>45,000,000</u>	<u>45,000,000</u>	Modaraba certificates of Rs. 10 each fully paid in cash	13.1	<u>450,000,000</u>

13.1 As at June 30, 2016, Sindh Modaraba Management Limited (Management Company and a related party) holds 42,847,500 (2015: 42,847,500) certificates of the Modaraba.

		June 30, 2016	June 30, 2015
	Note	Rupees	Rupees
14 RESERVES			
Capital Reserve			
Statutory reserve	14.1	<u>6,066,937</u>	<u>1,918,241</u>
Revenue Reserve			
Unappropriated profit		<u>17,067,744</u>	<u>7,672,962</u>
		<u>23,134,681</u>	<u>9,591,203</u>

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

During the year, the Modaraba has transferred an amount of Rs. 4,148,696 (2015: Rs.1,918,241) which represents 20% of the net profit for the year.

15 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments at the balance sheet date (2015: Nil).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

		June 30, 2016	June 30, 2015
	Note	Rupees	
16 ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries, allowances and other benefits	16.1	10,993,197	2,836,347
Legal and professional charges		1,306,677	368,650
Repairs and maintenance		527,284	117,935
Utility services		696,077	195,996
Insurance		322,308	2,399
Postage, Courier and Telegraphs		86,376	5,300
Generator Sharing and fuel charges		549,053	161,580
Entertainment		105,715	19,056
Advertisement and Publications		136,523	33,540
Staff Orientation and Training		14,000	-
Rent, Rates and Taxes		99,996	100,000
Registration and subscription fee		535,318	162,000
Travelling and conveyance		96,941	113,472
Security services		341,988	110,866
Printing, stationery and photocopy		365,098	133,864
Auditors' remuneration	16.2	160,151	100,000
Depreciation expense - tangible assets		660,655	19,946
Amortisation expense - intangible assets		102,158	-
Miscellaneous		133,101	20,939
		<u>17,232,616</u>	<u>4,501,890</u>
16.1	This includes amount of Rs. 336,435 (2015: Rs. 136,628) paid to provident fund.		
16.2 Auditors' remuneration			
Audit fee		91,425	75,000
Half yearly review fee		26,500	-
Special certifications		30,475	25,000
Out of pocket expenses		11,751	-
		<u>160,151</u>	<u>100,000</u>
17 PRELIMINARY EXPENSES - Net			
Total preliminary expenses		-	17,770,307
Borne by Government of Sindh through the Management Company (also refer note 11.1)	11.1	-	(10,580,755)
Net preliminary expenses charged to profit and loss account		<u>-</u>	<u>7,189,552</u>
18 OTHER INCOME			
Reversal of preliminary expenses	11.1	7,189,552	-
Documentation fee		299,480	75,000
Gain on disposal of Ijarah assets		262,933	-
Others		3,500	4,000
		<u>7,755,465</u>	<u>79,000</u>
19 MANAGEMENT COMPANY'S REMUNERATION			
Management Company's remuneration		<u>2,389,031</u>	<u>1,107,120</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

The Management Company is entitled to remuneration for services rendered to the Modaraba 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, 2016 has been recognised at 10% of the profit for the year before charging such remuneration and taxation.

20 TAXATION

The income of a non-trading modaraba is exempt from income tax provided that it distributes at least 90% of its profits to its certificate holders. As the Management Company of the Modaraba, subsequent to the year end, has approved the required distribution as detailed in note 28, no provision for taxation has been made in these financial statements.

21 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

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, 2016	June 30, 2015
Profit for the year/period after taxation (Rupees)	<u>20,743,478</u>	<u>9,591,203</u>
Weighted average number of certificates (Numbers)	<u>45,000,000</u>	<u>45,000,000</u>
Earnings per certificate (Rupees)	<u>0.46</u>	<u>0.21</u>

Diluted

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at June 30, 2016 which would have any effect on the earnings per certificate.

22 NUMBER OF EMPLOYEES

	June 30, 2016	June 30, 2015
Total numbers of employees	<u>12</u>	<u>10</u>

23 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 as at June 30, 2016 are as follows:

	June 30, 2016	June 30, 2015
BALANCES AS AT YEAR END	Rupees	Rupees
Sindh Bank Limited		
Balance at deposits account	40,379,487	309,573,474
Accrued income on balances at deposits account	172,180	1,816,915
	<u>40,551,667</u>	<u>311,390,389</u>
Sindh Modaraba Management Limited		
Management remuneration payable	3,496,150	1,107,120
Preliminary expenses payable	-	7,189,552
Purchase of fixed assets	2,116,225	-
	<u>5,612,375</u>	<u>8,296,672</u>
Key Management Personnel		
Salaries, allowances and other benefits	-	106,061
Long term loan	1,188,000	1,512,000
	<u>1,188,000</u>	<u>1,618,061</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016	June 30, 2015
Note	Rupees	
Sindh Insurance Limited		
Sharing of Expenses payable	218,430	-
TRANSACTIONS FOR THE YEAR		
Sindh Bank Limited		
Income from deposits	10,259,851	19,090,763
Sindh Modaraba Management Limited		
Management Company remuneration	2,389,031	1,107,120
Purchase of fixed assets	2,116,225	-
Preliminary expenses	-	7,189,552
Reversal of preliminary expenses	(7,189,552)	-
	(2,684,296)	8,296,672
Sindh Insurance Limited		
Insurance of assets	675,549	1,079
Sharing of expenses	436,860	145,620
	1,112,409	146,699
Key Management Personnel		
Salaries, allowances and benefits	3,937,339	1,180,357
Loan to employee	-	1,620,000
	3,937,339	2,800,357
Sindh Modaraba Employees Provident Fund		
Contribution paid (both employer's and employee's contribution)	809,498	-

24 FINANCIAL INSTRUMENTS BY CATEGORY

ASSETS

Current assets

Cash and bank balances	40,398,705	-	40,398,705
Ijarah rental receivables	1,711,015	-	1,711,015
Advances and other receivables	3,963,841	-	3,963,841
Current portion of Diminishing Musharaka	25,953,667	-	25,953,667
Current portion of long term loan	324,000	-	324,000
	72,351,228	-	72,351,228

Non-current assets

Long term portion of Diminishing Musharaka	224,349,085	-	224,349,085
Long term loan	864,000	-	864,000
	225,213,085	-	225,213,085
	297,564,313	-	297,564,313

LIABILITIES

Current liabilities

Creditors, accrued and other liabilities	9,598,094	-	9,598,094
Profit distribution payable	6,798	-	6,798
	9,604,892	-	9,604,892

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

ASSETS

Current assets

Cash and bank balances
Ijarah rental receivables
Advances and other receivables
Current portion of Diminishing Musharaka
Current portion of long term loan

June 30, 2015		
Loans and receivables	Available for sale	Total
-----Rupees-----		
309,593,474	-	309,593,474
730,517	-	730,517
2,936,856	-	2,936,856
10,737,273	-	10,737,273
324,000	-	324,000
324,322,120	-	324,322,120

Non-current assets

Long term portion of Diminishing Musharaka
Long term loan

106,474,545	-	106,474,545
1,188,000	-	1,188,000
107,662,545	-	107,662,545
431,984,665	-	431,984,665

LIABILITIES

Current liabilities

Creditors, accrued and other liabilities
Profit distribution payable

June 30, 2015		
At amortised cost	Fair value through profit and loss	Total
-----Rupees-----		
9,491,879	-	9,491,879
-	-	-
9,491,879	-	9,491,879

25 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.

25.1 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.

25.1.1 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, 2016, Modaraba has no financial assets and liabilities in foreign currencies.

25.1.2 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, 2016

25.1.3 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, 2016, the Modaraba did not hold any instruments which exposed it to price risk.

25.2 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, 2016	June 30, 2015
	Rupees	
Cash and bank balances	40,398,705	309,593,474
Ijarah rental receivables	1,711,015	730,517
Diminishing Musharaka	250,302,752	117,211,818
Advances, prepayments and other receivables	9,341,792	3,064,496
Long term loan	1,188,000	1,512,000
	302,942,264	432,112,305

As at June 30, 2016, there were no financial assets which were pledged as collateral for liabilities or contingent liabilities of the Modaraba.

As at June 30, 2016, there were no Financial assets which were past due.

25.2.1 Concentration of credit risk

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

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

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

	June 30, 2016		June 30, 2015	
Sectors	Rupees	%	Rupees	%
Sugar	85,270,013	19.77	85,331,454	54.88
Oil & Gas - Oil Marketing	91,467,593	21.20	32,726,246	21.05
Electronic & Allied	65,434,856	15.17	37,416,590	24.07
Services	35,324,770	8.19	-	-
Individual	9,983,981	2.31	-	-
Construction	6,095,123	1.41	-	-
Chemical & Allied (Other)	137,830,249	31.95	-	-
	431,406,585	100.00	155,474,290	100.00

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

25.2.3 Management of credit risk

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

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

	Rating	June 30, 2016	June 30, 2015
		----- Rupees -----	----- Rupees -----
Credit risk ratings			
Bank balances - Sindh Bank Limited	AA / A-1+	40,379,487	309,573,474

25.3 Liquidity risk

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

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

Maturities of assets and liabilities

Financial

Cash and bank balances
Ijarah rentals receivable
Diminishing Musharaka
Advances, prepayments and other receivables

June 30, 2016						
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-----						
40,398,705	-	40,398,705	-	-	-	40,398,705
-	-	-	1,711,015	-	1,711,015	1,711,015
25,953,667	224,349,085	250,302,752	-	-	-	250,302,752
-	-	-	3,963,841	-	3,963,841	3,963,841
66,352,372	224,349,085	290,701,457	5,674,856	-	5,674,856	296,376,313
-	-	-	9,598,094	-	9,598,094	9,598,094
-	-	-	6,798	-	6,798	6,798
-	-	-	9,604,892	-	9,604,892	9,604,892

Financial liabilities

Creditors, accrued and other liabilities
Profit distribution payable

June 30, 2015						
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-----						
309,593,474	-	309,593,474	-	-	-	309,593,474
-	-	-	730,517	-	730,517	730,517
10,737,273	106,474,545	117,211,818	-	-	-	117,211,818
-	-	-	2,936,856	-	2,936,856	2,936,856
320,330,747	106,474,545	426,805,292	3,667,373	-	3,667,373	430,472,665
-	-	-	9,491,879	-	9,491,879	9,491,879
-	-	-	9,491,879	-	9,491,879	9,491,879

Financial liabilities

Creditors, accrued and other liabilities

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

26 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.

27 SEGMENT INFORMATION

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

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

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

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

28 NON - ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on August 30, 2016 approved a cash distribution of Rs. 0.35 per certificate. The financial statements of the Modaraba for the year ended June 30, 2016 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, 2017.

29 CORRESPONDING FIGURES

Corresponding figures, wherever necessary, have been reclassified for the purpose of better presentation and comparison.

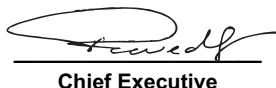
30 DATE OF AUTHORISATION

These financial statements were authorised for issue on August 30, 2016 by the Board of Directors of the Management Company.

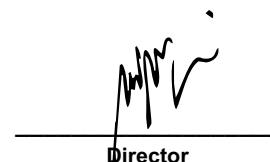


Chairman

For Sindh Modaraba Management Limited
(Management Company)



Chief Executive



Director

PATTERN OF HOLDING OF CERTIFICATES BY THE CERTIFICATE HOLDERS AS AT JUNE 30, 2016

No. of Certificate Holders	Certificate Holding		Total Certificates Held
	From	To	
55	1	100	446
538	101	500	269,000
59	501	1000	59,000
51	1001	5000	122,554
5	5001	10000	35,500
2	10001	15000	23,500
1	15001	20000	19,000
2	20001	25000	45,500
1	35001	40000	37,500
1	200001	205000	203,500
1	1335001	1340000	1,337,000
1	42845001	42850000	42,847,500
717			45,000,000

Categories of Certificate Holders	No. of Certificates Held	Percentage
DIRECTORS, CHIEF EXECUTIVE OFFICER, AND THEIR SPOUSE AND MINOR CHILDREN		
MUHAMMAD NAIMUDDIN FAROOQUI	1,000	
JAVED IQBAL	500	
MUHAMMAD BILAL SHEIKH	3,000	
	4,500	0.01
ASSOCIATED COMPANIES, UNDERTAKING AND RELATED PARTIES.		
SINDH MODARABA MANAGEMENT LTD.	42,847,500	95.22
MODARABAS AND MUTUAL FUNDS.		
CDC - TRUSTEE NAFA STOCK FUND	1,337,000	2.97
OTHERS		
PEARL SECURITIES LIMITED	203,500	
CASSIM INVESTMENTS (PRIVATE) LIMITED	37,500	
	241,000	0.54
Individual		
Local - Individuals	570,000	1.26
TOTAL	45,000,000	100.00

Notice of Annual Review Meeting

Notice is hereby given that the 2nd Annual Review Meeting of certificate holders of Sindh Modaraba will be held on Friday 21st October 2016 at 4:00 pm 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, 2016 in terms of clause 20 of the Prudential Regulations for Modaraba issued vide Circular number 4/2004 by Registrar Modaraba Companies and Modarabas.

On behalf of the Board

Zulfiqar Ali
Company Secretary

Place: Karachi
Date: August 30, 2016

Note:








1. The Modaraba Certificate transfer book shall remain closed from October 14, 2016 to October 21, 2016 (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 13, 2016 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 NIC, Account, and Participant's ID number, for identification purpose.










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SINDH MODARABA

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