

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



SINDH MODARABA



ANNUAL REPORT
2022-2023



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Vision & Mission Statements

Vision

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

Mission

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

Corporate Information

Board of Directors

Mr. Waseem Mehdi Syed	-Chairman	-Independent Director
Mr. Sami ul Haq Khilji		-Non-Executive Director
*Mr. Kazim Hussain Jatoi		-Non-Executive Director
Mr. Kamal Ahmed		-Non-Executive Director
Ms. Naila Asad Shaikh		-Non-Executive Director
Mr. Ishfaque Ahmed		-Chief Executive Officer

CFO & Company Secretary

Muhammad Adnan Shakeel

Audit Committee

Mr. Kamal Ahmed	-Chairman
Ms. Naila Asad Shaikh	-Member

Shariah Advisor

Mufti Zeeshan Abdul Aziz

Human Resource Committee

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

Legal Advisor

Mohsin Tayebaly & Co.

Nomination Committee

Mr. Waseem Mehdi Syed	-Chairman
Mr. Kamal Ahmed	-Member

Share Registrar

F.D. Registrar Services Pvt. Ltd.
Office # 1705, 17th Floor, Saima
Trade Tower-A, I.I. Chundrigarh
Road, Karachi

Procurement Committee

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

Risk Management Committee

Mr. Waseem Mehdi Syed	-Chairman
Ms. Naila Asad Shaikh	-Member

Registered/Head Office

1st Floor, Imperial Court Building,
Dr. Ziauddin Ahmed Road
Karachi
Tel: (92-21) 35640708-9

Bankers

Sindh Bank Limited (Islamic Banking)
Meezan Bank Limited
NRSP Microfinance Bank Limited (Islamic Banking)
Soneri Bank Limited (Islamic Banking)
Al Baraka Bank Pakistan Limited
Habib Metropolitan Bank (Islamic Banking)

Lahore Branch

30-30A, Commercial Building
The Mall
Lahore

Auditors

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants

***Note:** The Board of Directors has co-opted Mr. Kazim Hussain Jatoi, Secretary Finance - Governor of Sindh as Non Executive Director in place of Mr. Sajid Jamal Abro on 21 September 2023 subject to approval of Registrar Modaraba.

Director's Report

On behalf of the Board of Directors of Sindh Modaraba Management Limited, we are presenting the 9th annual report of Sindh Modaraba together with Audited Accounts for the year ended June 30, 2023.

1. Economy

The country's economy is facing numerous challenges; including political instability, catastrophic flooding in 2022 and delicate economic conditions. Inflation and consumer price index is expected to remain high on the back of further fuel price increases and its significantly impact on living standard.

Furthermore, inconsistent policy measures, including informal exchange rate restrictions and import controls, delayed the IMF-EFF program, and contributed to creditworthiness downgrades. The economic outlook is dependent on timely and full implementation of policy reforms, with very high downside risks. Implementing the macro-stabilization measures and structural reforms underpinned by the IMF-EFF program is necessary for unlocking much-needed external refinancing and new disbursements from regional partners. IMF has asked Pakistan to meet a number of conditions, which among others included; 1) market-determined exchange rates, 2) a positive real interest rates, and 3) commitment of FCY support from friendly countries.

Maintaining stability and a sustained recovery will require the development, communication, and effective implementation of a bold reform strategy, including: i) adherence to a flexible market-determined exchange rate and sound fiscal-monetary policies; ii) increased domestic revenue mobilization; iii) curtailing and improving the quality of public expenditures; iv) structural reforms to improve investment, competitiveness, and productivity; and v) urgent measures to restore the financial viability of the energy sector.

Future outlook remains relatively unpredictable, as lot depends upon holding elections as well as finalization of the IMF program. Currency exchange and interest rates are expected to remain under pressure due to the absence of clear and prudent economic policy due to prevailing political instability.

2. Operating Results and Business Overview

The Modaraba earned a net profit of Rs. 130.41 million during the year under review as compared to a net profit of Rs. 66.31 million earned during the year ended June 30, 2022. The profit before tax increased by Rs. 93.88 million. During the year, the Modaraba has disbursed Rs. 252.90 million as Islamic financing and SBP has also increased its policy rate to 22%, which increased the earnings from the financing portfolio and funds placed with the banks. The Gross Financing Portfolio of the Modaraba net increased by Rs. 17.54 Million to Rs. 919.47 Million. Further, with the increase in the portfolio, DM revenue increased by Rs. 112.64 million due to an increase in the weighted average rate of return by 20.18%. The operating expenses is Rs. 64.09 million as compared to Rs. 40.88 million in the same period last year mainly due to a one-time donation of about Rs. 10 million to flood victims as Corporate Social Responsibility and inflationary effect in a recessional economic condition.

The operating results for the year ending June 30, 2023, are summarized in the table below:

	June 30, 2023	June 30, 2022
	-----Rupees-----	
Balance Sheet		
Certificate capital	450,000,000	450,000,000
Total equity	1,722,367,212	1,645,948,970
Investment in Diminishing Musharaka	863,791,867	843,708,022
Profit & Loss		
Revenue (net of Ijarah asset depreciation)	279,664,809	167,021,948
Operating expenses	64,092,024	40,887,729
Profit before management fee	219,363,097	113,522,169
Net Profit before tax	194,575,067	100,694,164
Net Profit after tax	130,410,860	66,313,222
Appropriations		
Profit distribution @ of 12.50% (2022: 12.00%)	56,250,000	54,000,000
Statutory Reserve	26,082,172	13,262,644
Earning per Certificate	2.90	1.47

Director's Report

3. Outlook

Moving towards FY 2024, the country's economy appears to be entering into a new phase. Pending final approval by its board, the IMF provisionally agreed to a USD 3 billion bailout with the government on 30 June, averting an imminent default. The agreement will improve international reserves and unlock further funding from other creditors; such as the USD 2 billion from Saudi Arabia announced on 11 July 2023. Having said that, the government was forced to revise its budget to secure the IMF deal, cutting spending and raising taxes.

Management is continuously reviewing the economic developments and is prudently making decisions towards advances and deployment of funds without compromising the quality portfolio.

4. Profit distribution

The Board of Directors has approved a cash dividend @ 12.50% (2022:12.00%) i.e. Rs. 1.25 (2022: Rs. 1.20) per certificate for the year ended 30th June 2023.

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

The Board of Directors has appropriated Rs. 26,082,172/- (20%) towards the Statutory Reserve.

5. External Annual Audit

The financial statements of Modaraba have been audited without any qualification by the auditors namely M/s. Baker Tilly Mehmood Idrees Qamar, Chartered Accountants.

6. Corporate Governance

The Modaraba is required to comply with various requirements of the Public Sector Companies (Corporate Governance) Rules, 2013 (Rules) as well as Listed Companies (Code of Corporate Governance) Regulations 2019 (the CCG) issued by the SECP.

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

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

- The Board has consistently complied with the relevant principles of corporate governance.
- Financial statements, prepared by the management, present fairly the state of affairs, the results of its operations, cash flows and change in equity.
- Proper books of account have been maintained.
- Appropriate accounting policies have been applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- The system of internal control is sound in design and has been effectively implemented and monitored.
- The appointment of chairman and other members of the Board and the terms of their appointment along with the remuneration policy adopted are in the best interests of the Modaraba as well as in line with the best practices.
- Appointment of one independent director is in process due to sad demise of Mr. Habibullah Khilji.
- International Financial Reporting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements and any departure there from has been adequately disclosed and explained.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2023, except for those disclosed in financial statements.
- The value of Investment in Employees Provident Fund based on financial statements of the Fund as of June 30, 2023 is Rs. 10.608 million (2022: Rs. 11.997 million).
- Key operating and financial data of last six years is annexed.

Director's Report

- 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. Waseem Mehdi Syed	4
Mr. Sajid Jamal Abro	4
Mr. Sami ul Haq Khilji	4
Mr. Kamal Ahmed	4
Mr. Rehan Anjum	4
Ms. Rukhsana Narejo	4

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

Name of Directors	No. of Meetings attended
Mr. Rehan Anjum	4
Ms. Rukhsana Narejo	4

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

Name of Directors	No. of Meetings attended
Mr. Waseem Mehdi Syed	2
Mr. Sajid Jamal Abro	2
Mr. Sami ul Haq Khilji	2

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

Name of Directors	No. of Meetings attended
Mr. Waseem Mehdi Syed	1
Mr. Rehan Anjum	1
Ms. Rukhsana Narejo	1

- The Board has also established Nomination Committee as required under the Rules. However no meeting of this committee was required to be held during the year as per applicable rules.
- The Board has also established Procurement Committee as required under the Rules. However no meeting of this committee was required to be held during the year as per applicable rules.
- 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.

Director's Report

7. The Board of Directors

The Board appointed Mr. Muhammad Bilal Sheikh and Ms. Naila Asad Shaikh as Non-Executive Directors in place of Mr. Rehan Anjum and Ms. Rukhsana Narejo, respectively, for remaining tenure of the board. The Board also expressed condolence, profound grief and sorrow on the sudden demise of Mr. Muhammad Bilal Sheikh, Ex-Chairman and a newly appointed Director. May Allah rest the departed soul in peace. Further consequent upon transfer posting of Seceratry Finance-Government of Sindh, the Board has co-opted Mr. Kazim Hussain Jatoi as Non-Executive Director in place of Mr. Sajjad Jamal Abro, which is subject to approval of Registrar Modaraba. The Board also appreciated the valuable contributions made by the outgoing directors and welcomed new directors on the board.

8. Social Responsibility

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

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

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

9. Credit Rating

VIS Credit Rating Company has maintained long term and short term credit rating of A+ and A-1 respectively to the Modaraba with a stable outlook.

10. Auditors

The Board has approved the appointment of Baker Tilly Mehmood Idrees Qamar, Chartered Accountants as external auditors for the year ending June 30, 2024. However, their appointment will be subject to the approval of Registrar Modaraba.

11. Acknowledgment by the Management/Board

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

(On behalf of the Board)



Ishfaque Ahmed
CEO



Kamal Ahmed
Director

Karachi:

21 September 2023

ڈائریکٹرز کی رپورٹ

سندھ مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، ہم 30 جون 2023 کو ختم ہونے والے سال کے آڈٹ شدہ اکاؤنٹس کے ساتھ سندھ مضاربہ کی نویں سالانہ رپورٹ پیش کر رہے ہیں۔

۱۔ معیشت

ملکی معیشت کو بے شمار چیلنجز کا سامنا ہے۔ جس میں سیاسی عدم استحکام، 2022 میں تباہ کن سیلاب اور نازک معاشی حالات شامل ہیں۔ ایندھن کی قیمتوں میں مزید اضافہ کی وجہ سے افراط زر اور صارف قیمت انڈیکس بلند رہنے کی توقع ہے جو کہ معیار زندگی پر نمایاں طور پر متاثر ہو رہا ہے۔

مزید یہ کہ، متضاد پالیسی اقدامات، بشمول غیر رسمی شرح مبادلہ کی پابندیاں اور درآمدی کنٹرول، نے IMF-EFF پروگرام میں تاخیر کی، اور قرض کی اہلیت میں کمی کا باعث بنا۔ اقتصادی نقطہ نظر بہت زیادہ منفی خطرات کے ساتھ، پالیسی اصلاحات کے بروقت اور مکمل نفاذ پر منحصر ہے۔ IMF-EFF پروگرام کے تحت وسیع استحکام کے اقدامات اور ساختی اصلاحات کو نافذ کرنا انتہائی ضروری ہے جو کہ بیرونی ری فنانسنگ اور علاقائی شراکت داروں سے نئے قرضوں کے حصول کے لیے مدد کرے گا۔ آئی ایم ایف نے پاکستان سے کئی شرائط کو پورا کرنے کو کہا ہے، جن میں دیگر شامل ہیں۔ (1) مارکیٹ سے طے شدہ زر مبادلہ کی شرح، (2) ایک مثبت حقیقی شرح سود، اور (3) دوست ممالک کی جانب سے FCY سپورٹ کا عزم۔

استحکام کو برقرار رکھنے اور پائیداری کی بحالی کے لیے ایک جرات مندانہ اصلاحاتی حکمت عملی کی ترقی، مواصلات اور موثر نفاذ کی ضرورت ہوگی، بشمول:

(i) ایک پگنڈا مارکیٹ سے طے شدہ شرح مبادلہ اور درست مالیاتی پالیسیوں کی پابندی؛ (ii) ملکی آمدنی میں اضافہ (iii) عوامی اخراجات کو کم کرنا اور ان کے معیار کو بہتر بنانا؛ (iv) سرمایہ کاری، مسابقت، اور پیداواری صلاحیت کو بہتر بنانے کے لیے ساختی اصلاحات؛ اور (v) توانائی کے شعبے کی مالی استحکام کو بحال کرنے کے لیے فوری اقدامات۔

مستقبل کا نقطہ نظر نسبتاً غیر متوقع ہے، کیونکہ بہت کچھ انتخابات کے انعقاد اور آئی ایم ایف پروگرام کو حتمی شکل دینے پر منحصر ہے۔ موجودہ سیاسی عدم استحکام کی وجہ سے واضح اور دانشمندانہ اقتصادی پالیسی کی عدم موجودگی کی وجہ سے کرنسی کے تبادلے اور شرح سود کے دباؤ میں رہنے کی توقع ہے۔

۲۔ آپریٹنگ نتائج اور کاروبار کا جائزہ

مضاربہ نے زیر نظر سال کے دوران 130.41 ملین روپے کا خالص منافع کمایا۔ جبکہ اس کے مقابلے میں۔ 30 جون 2022 کو ختم ہونے والے سال کے دوران 66.31 ملین کمائے گئے تھے۔ ٹیکسس سے قبل منافع میں 93.88 ملین روپے کا اضافہ ہوا۔ سال کے دوران مضاربہ نے 252.90 ملین روپے کی اسلامی فنانسنگ کے طور پر سرمایہ کاری کری اور SBP نے بھی اپنی پالیسی ریٹ کو بڑھا کر 22% کر دیا ہے، جس سے فنانسنگ پورٹ فولیو اور بینکوں کے پاس رکھے گئے فنڈز سے ہونے والی آمدنی میں اضافہ ہوا ہے۔ مضاربہ کے مجموعی فنانسنگ پورٹ فولیو میں 17.54 ملین روپے کا اضافہ ہوا اور پورٹ فولیو 919.47 ملین روپے کی سطح پر پہنچ گیا۔ مزید، پورٹ فولیو میں اضافے کے ساتھ، ڈی ایم کی آمدنی میں 112.64 ملین روپے کا اضافہ ہوا جسکی وجہ وزنی اوسط شرح میں 20.18% کا اضافہ ہے۔ آپریٹنگ اخراجات 64.09 ملین روپے ہیں جو کہ پچھلے سال کی اسی مدت میں 40.88 ملین روپے تھے، جس کی بنیادی وجہ مشکل معاشی حالات میں مہنگائی اور 10 ملین روپے کا ایک وقتی عطیہ ہے جو کہ کارپوریٹ سماجی ذمہ داری کے طور پر سیلاب متاثرین کے لیے عطا کئے گئے۔

ڈائریکٹرز کی رپورٹ

30 جون 2023 کو ختم ہونے والے سال کے آپریٹنگ نتائج کا خلاصہ درج ذیل ہیں۔

June 30, 2022	روپے	June 30, 2023	
450,000,000		450,000,000	بیلنس شیٹ
1,645,948,970		1,722,367,212	سرٹیفکیٹ کیپٹل
843,708,022		863,791,867	کل ایکویٹی
			مشارکہ متناسبہ میں سرمایہ کاری
			نفع اور نقصان
167,021,948		279,664,809	آمدنی (اجارہ فرسودگی کے بعد)
40,887,729		64,092,024	آپریٹنگ اخراجات
113,522,169		219,363,097	منجنت فیس سے پہلے نفع
100,694,164		194,575,067	ٹیکس سے پہلے خالص منافع
66,313,222		130,410,860	ٹیکس کے بعد خالص منافع
			مخصصات
54,000,000		56,250,000	منافع کی تقسیم @12.50% (2022:12.00%)
13,262,644		26,082,172	قانونی ریزرو
1.47		2.90	کمائی فی سرٹیفکیٹ
			۳۔ امید مستقبل

مالی سال 2024 کی طرف بڑھتے ہوئے، ملکی معیشت ایک نئے مرحلے میں داخل ہوتی دکھائی دے رہی ہے۔ آئی ایم ایف کے بورڈ کی طرف سے حتمی منظوری کے التوا میں، آئی ایم ایف نے عارضی طور پر 30 جون کو حکومت کے ساتھ 3 بلین امریکی ڈالر کے تیل آؤٹ پر اتفاق کیا۔ جس نے وقتی ڈیفالٹ کو ٹال دیا۔ یہ معاہدہ بین الاقوامی ذخائر کو بہتر بنائے گا اور دوسرے قرض دہندگان سے مزید فنڈنگ کھولے گا۔ جیسا کہ 11 جولائی 2023 کو سعودی عرب کی جانب سے 2 بلین امریکی ڈالر کا اعلان کیا گیا۔ مزید یہ کہ حکومت کو IMF معاہدے کو محفوظ بنانے کے لیے اپنے بجٹ پر نظر ثانی کرنی پڑی اور اخراجات میں کمی اور ٹیکسوں میں اضافہ کرنا پڑا۔

انتظامیہ معاشی چش رفت کا مسلسل جائزہ لے رہی ہے اور پورٹ فولیو کے معیار پر سمجھوتہ کیے بغیر فنڈز کی تعیناتی کے لیے سمجھداری سے فیصلے کر رہی ہے۔

۴۔ منافع کی تقسیم

بورڈ آف ڈائریکٹرز نے کیش ڈیویڈنڈ کی منظوری دے دی ہے @12.50% (2022:12.00%) یعنی روپے 1.25 (2022:1.20 روپے) 30 جون 2023 کو ختم ہونے والے سال کے لیے فی سرٹیفکیٹ۔

ڈائریکٹرز کی رپورٹ

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

بورڈ آف ڈائریکٹرز نے 26,082,172 روپے (20%) قانونی ریزرو کی طرف مختص کیے ہیں۔

۵۔ سالانہ بیرونی آڈٹ

کمپنی کے مالیاتی اسٹیٹمنٹس کو بغیر کسی کوالیفیکیشن کے آڈیٹرز بیکر ٹیلی محمود ادریس قمر چارٹرڈ اکاؤنٹنٹس آڈٹ کر چکے ہیں۔

۶۔ کارپوریٹ گورننس

مضاربہ کو پبلک سیکٹر کمپنیز (کارپوریٹ گورننس) رولز، 2013 (قواعد) کے ساتھ ساتھ ایس ای سی پی کی طرف سے جاری کردہ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز، 2019 (سی سی جی) کی مختلف ضروریات کی تعمیل کرنا لازم ہے۔

قانونی آڈیٹرز سے بھی ضروری ہے کہ وہ بہترین طریقوں کے تعمیل کے بیان پر اپنی جائزہ رپورٹ جاری کریں، جو مالیاتی بیانات کے ساتھ شائع کی جاتی ہے۔ بورڈ آف ڈائریکٹرز نے CCG اور قواعد کا جائزہ لیا ہے اور تصدیق کی ہے کہ:

- بورڈ نے کارپوریٹ گورننس کے متعلقہ اصولوں کی مسلسل تعمیل کی ہے۔
- مینجمنٹ کے تیار کردہ مالیاتی اسٹیٹمنٹس معاملات، آپریشن کے نتائج، کیش فلو اور ایکویٹی میں رد و بدل کی درست تصویر پیش کرتے ہیں۔
- مناسب طور سے کھاتوں کی بکس رکھی گئی ہیں۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں مناسب اکاؤنٹنگ پالیسیوں کو استعمال کیا گیا ہے اور اکاؤنٹنگ تخمینوں کی بنیاد مناسب اور محفوظ اندازے ہیں۔
- اندرونی نگرانی نظام کا ڈیزائن مضبوط ہے اور اس کا موثر طور پر نفاذ کیا جا چکا ہے اور اس کی موثر نگرانی کی جاتی ہے۔
- چیرمین اور بورڈ کے دیگر ممبران کا انتخاب، ان کے انتخاب کی مدت اور ان کے مشاہروں کی پالیسی کمپنی کے بہترین مفاد میں اور بہترین طریقوں کے مطابق ہے۔
- جناب حبیب اللہ ظلمی کے افسوسناک انتقال کی وجہ سے ایک آزاد ڈائریکٹر کی تقرری عمل میں ہے۔
- مالیاتی اسٹیٹمنٹس کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ اسٹینڈرڈز جو پاکستان میں کمپنی پر لاگو ہوتے ہیں ان پر عملدرآمد کیا گیا اور ان پر عملدرآمد نہ ہونے کی صورت میں ان کو مناسب طور پر ظاہر کیا اور اس کی وضاحت کی گئی ہے۔
- 30 جون 2023 پر ٹیکس، ڈیویڈنڈ، لیویز اور چارجز کی مد میں کوئی دستوری ادائیگیاں نہیں ہیں ماسوائے ان کے جو مالیاتی اسٹیٹمنٹس میں ظاہر کیے گئے ہیں۔
- 30 جون 2023 تک ملازمین کے پراویڈنڈ فنڈز سے Rs.10.608 ملین (2021: Rs.11.997 ملین) کی سرمایہ کاری کی گئی ہے۔
- گذشتہ چھ سالوں کا اہم آپریشننگ اور مالیاتی ڈیٹا منسلک ہے۔

ڈائریکٹرز کی رپورٹ

◦ سال میں کمپنی کے بورڈ کے چار اجلاس ہوئے۔ ہر ڈائریکٹر کی حاضری کی تفصیل درج ذیل ہے؛

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب وسیم مہدی سید	4
جناب ساجد جمال ابڑو	4
جناب سمیع الحق خلیجی	4
جناب کمال احمد	4
جناب ریحان انجم	4
مس رخسانہ نارنجو	4

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

میٹنگز میں حاضری کی تعداد	ڈائریکٹرز کے نام
4	جناب ریحان انجم
4	مس رخسانہ نارنجو

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

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب وسیم مہدی سید	2
جناب ساجد جمال ابڑو	2
جناب سمیع الحق خلیجی	2

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

ڈائریکٹرز کے نام	میٹنگز میں حاضری کی تعداد
جناب وسیم مہدی سید	1
جناب ریحان انجم	1
مس رخسانہ نارنجو	1

◦ بورڈ نے قواعد کے تحت مطلوبہ ہازرگی کمیٹی بھی قائم کی ہے۔ تاہم، لاگو قوانین کے مطابق سال کے دوران اس کمیٹی کا کوئی اجلاس منعقد کرنے کی ضرورت نہیں پڑی۔

◦ بورڈ نے قواعد کے تحت ایک پروکیورمنٹ کمیٹی بھی قائم کی ہے۔ تاہم، لاگو قوانین کے مطابق سال کے دوران اس کمیٹی کا کوئی اجلاس منعقد نہیں ہوئی۔

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

◦ ڈائریکٹرز ہی ای او ایڈ کیونڈیشنز اور ان کے شریک حیات اور ان کے نابالغ بچوں نے سال کے دوران مضاربہ کے سرٹیفکیٹس کا کوئی لین دین نہیں کیا۔

ڈائریکٹرز کی رپورٹ

۷۔ بورڈ آف ڈائریکٹرز

بورڈ نے جناب محمد بلال شیخ اور محترمہ نائلہ اسد شیخ کو بورڈ کی بقیہ مدت کے لیے بالترتیب جناب رحمان انجم اور محترمہ رخسانہ ناریجو کی جگہ نان ایگزیکٹو ڈائریکٹرز مقرر کیا۔ بورڈ نے سابق چیئرمین اور نئے تعینات ہونے والے ڈائریکٹر جناب محمد بلال شیخ کے اچانک انتقال پر تعزیت، گہرے دکھ اور افسوس کا اظہار بھی کیا۔ اللہ مرحوم کی روح کو سکون عطا فرمائے۔ مزید برآں، سیکریٹری خزانہ حکومت سندھ کی ٹرانسفر پوسٹنگ کے نتیجے میں، بورڈ نے جناب ساجد جمال ابڑو کی جگہ جناب کاظم حسین جتوئی کو نان ایگزیکٹو ڈائریکٹر کے طور پر منتخب کیا ہے، جو رجسٹرار مضاربہ کی منظوری سے مشروط ہے۔ بورڈ نے سبکدوش ہونے والے ڈائریکٹرز کے قابل قدر تعاون کو سراہا اور بورڈ میں نئے ڈائریکٹرز کو خوش آمدید کہا۔

۸۔ سماجی ذمہ داری

مضاربہ ایک ذمہ دار کارپوریٹ شہری کے اپنے کردار کو یقینی بناتا ہے جس میں اپنے مشن کے مطابق شرعی اصولوں کو سماجی طور پر ذمہ دارانہ اور اخلاقی انداز میں شامل کرتے ہوئے، ماحول کی حفاظت، اور ان کیونٹیز اور ٹھافوں کی حمایت کرتا ہے جن کے ساتھ یہ کام کرتا ہے۔

مضاربہ اپنے روزمرہ کے کاموں میں عمدگی کو برقرار رکھنے اور اپنے نظام حکومت میں اعتماد بڑھانے کے لیے دیانتداری اور کارپوریٹ گورننس کے اعلیٰ ترین معیارات کو برقرار رکھنے کے لیے پرعزم ہے۔

مضاربہ اعتماد پیدا کرنے اور تمام رشتوں میں انسانی وقار اور حقوق کے احترام کا مظاہرہ کرنے کی مسلسل کوشش کرتا ہے، بشمول ٹھافوں، رسوم و رواج اور افراد اور گروہوں کی اقدار کا احترام۔

۹۔ کریڈٹ ریٹنگ

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

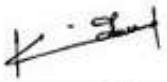
۱۰۔ آڈیٹرز

بورڈ نے 30 جون 2024 کو ختم ہونے والے سال کے لیے بیکرتی محمود اور بیس قمر، چارٹرڈ اکاؤنٹنٹس کو بطور بیرونی آڈیٹر تعینات کرنے کی منظوری دے دی ہے۔ تاہم، ان کی تقرری رجسٹرار مضاربہ کی منظوری سے مشروط ہوگی۔

۱۱۔ اعتراف

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

بورڈ کی جانب سے



کمال احمد
ڈائریکٹر



اشفاق احمد
سی ای او

کراچی
21 ستمبر 2023

Key Operating & Financial Data

	2023 30-Jun-2023	2022 30-Jun-2022	2021 30-Jun-2021	2020 30-Jun-2020	2019 30-Jun-2019	2018 30-Jun-2018
Rupees						
Balance Sheet						
Certificate capital	450,000,000	450,000,000	450,000,000	450,000,000	450,000,000	450,000,000
Reserves	272,367,212	195,948,970	175,056,964	159,974,420	113,046,762	65,786,214
Total equity	1,722,367,212	1,645,948,970	1,625,056,964	1,609,974,420	1,063,046,762	1,015,786,214
Total Assets	1,778,233,492	1,684,584,728	1,657,153,740	1,706,170,652	1,639,272,831	1,569,428,718
Financing Portfolio	919,465,142	901,928,698	859,574,172	816,236,706	666,717,824	676,717,777
Non-performing loans	133,486,060	110,748,423	120,753,848	55,286,568	-	-
Provision (excluding general)	51,740,324	54,264,776	41,267,560	27,643,292	-	-
Current Assets	1,280,808,047	1,173,981,336	1,200,357,149	1,177,337,968	1,218,410,905	1,096,695,414
Current Liabilities	55,866,280	38,635,758	32,096,776	96,195,232	576,218,069	553,466,854
Total Liabilities	55,866,280	38,635,758	32,096,776	96,196,232	576,226,069	553,642,504
Profit & Loss						
Revenue (net of IJR dep & DM susp.)	279,664,809	167,021,948	138,244,547	188,071,755	125,016,560	88,789,355
Operating expenses	64,092,024	40,887,729	46,442,770	39,222,816	32,113,806	28,871,650
(Reversal) / Provision	(2,547,401)	13,259,015	13,513,618	28,150,551	118,098	672,972
Profit before management fee	219,363,097	113,522,169	78,624,804	124,111,038	93,359,412	60,240,405
Profit before tax	194,575,067	100,694,164	75,822,337	107,884,760	81,153,602	52,364,573
Profit after tax	130,410,860	66,313,222	75,822,337	107,884,760	81,153,602	52,364,573
Appropriations						
Profit distribution (%)	12.50%	12.00%	10.00%	13.50%	13.50%	7.50%
Profit distribution	56,250,000	54,000,000	45,000,000	60,750,000	60,750,000	33,750,000
Statutory Reserve	26,082,172	13,262,644	26,537,818	43,153,904	24,346,081	15,709,372
Financial Ratios						
Earning per Certificate	2.90	1.47	1.68	2.40	1.80	1.16
Net profit ratio before tax (%)	69.57%	60.29%	54.85%	57.36%	64.91%	58.98%
Net profit ratio after tax (%)	46.63%	39.70%	54.85%	57.36%	64.91%	58.98%
NPL ratio	14.52%	12.28%	14.05%	6.77%	0.00%	0.00%
NPL cover ratio	38.76%	49.00%	34.17%	50.00%	0.00%	0.00%
P/E Ratio	2.77	4.76	5.22	3.42	4.16	6.02
Breakup Value	16.05	14.35	13.89	13.55	12.51	11.46
Debt ratio (%)	3.14%	2.29%	1.94%	5.64%	35.15%	35.28%
Current ratio	22.93	30.39	37.40	12.24	2.11	1.98
Earning asset to total asset (%)	93.52%	94.48%	92.08%	95.61%	98.02%	93.22%
Return on asset (%)	7.53%	3.97%	4.51%	6.45%	5.06%	4.03%
Return on equity (%)	7.74%	4.05%	4.69%	8.07%	7.81%	5.24%
Debt Equity (%)	3.24%	2.35%	1.98%	5.98%	54.21%	54.50%

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

This statement is being presented to comply with the Listed Companies (Code of Corporate Governance) Regulations 2019 and Public Sector Companies (Corporate Governance) Rules 2013 (the Rules) for the purpose of establishing a framework of good governance, whereby a public sector company is managed in compliance with the best practices of corporate governance for the year ended June 30, 2023.

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

S. No.	Provision of the Rules	Rule no.	Y	N											
			Tick the relevant box												
1.	The independent directors meet the criteria of independence, as defined under the Rules.	2(d)	✓												
2.	The Board has at least one-third of its total members as independent directors. At present the Board includes:	3(2)		✓											
	<table border="1"> <thead> <tr> <th>Category</th> <th>Names</th> <th>Date of appointment</th> </tr> </thead> <tbody> <tr> <td>Independent Directors</td> <td>Mr. Waseem Mehdi Syed</td> <td>26 November 2020</td> </tr> <tr> <td>Chief Executive Officer</td> <td>Mr. Ishfaq Ahmed</td> <td>05 September 2022</td> </tr> <tr> <td>Non-Executive Directors</td> <td>Mr. Kamal Ahmed Ms. Rukhsana Narejo Mr. Rehan Anjum Mr. Sajid Jamal Abro Mr. Sami ul Haq Khilji</td> <td>15 August 2017 02 February 2021 02 February 2021 07 March 2022 30 May 2022</td> </tr> </tbody> </table>	Category	Names	Date of appointment	Independent Directors	Mr. Waseem Mehdi Syed	26 November 2020	Chief Executive Officer	Mr. Ishfaq Ahmed	05 September 2022	Non-Executive Directors	Mr. Kamal Ahmed Ms. Rukhsana Narejo Mr. Rehan Anjum Mr. Sajid Jamal Abro Mr. Sami ul Haq Khilji	15 August 2017 02 February 2021 02 February 2021 07 March 2022 30 May 2022		
Category	Names	Date of appointment													
Independent Directors	Mr. Waseem Mehdi Syed	26 November 2020													
Chief Executive Officer	Mr. Ishfaq Ahmed	05 September 2022													
Non-Executive Directors	Mr. Kamal Ahmed Ms. Rukhsana Narejo Mr. Rehan Anjum Mr. Sajid Jamal Abro Mr. Sami ul Haq Khilji	15 August 2017 02 February 2021 02 February 2021 07 March 2022 30 May 2022													
3.	The directors have confirmed that none of them is serving as a director on more than five public sector companies and listed companies simultaneously, except their subsidiaries.	3(5)	✓												
4.	The appointing authorities have applied the fit and proper criteria given in the Annexure to the Rules in making nominations of the persons for election as Board members under the provisions of the Act.	3(7)	✓												
5.	The chairman of the Board is working separately from the chief executive of the Company.	4(1)	✓												
6.	The chairman has been elected by the Board of directors.	4(4)	✓												
7.	The Board has evaluated the candidates for the position of the chief executive on the basis of the fit and proper criteria as well as the guidelines specified by the Commission.	5(2)	✓												
8.	(a) The company has prepared a "Code of Conduct" to ensure that professional standards and corporate values are in place.	5(4)	✓												

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

S. No.	Provision of the Rules	Rule no.	Y	N
			Tick the relevant box	
	<p>(b) The Board has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures, including posting the same on the company's website. (www.sindhmodarabald.com)</p> <p>(c) The Board has set in place adequate systems and controls for the identification and redressal of grievances arising from unethical practices.</p>			
9.	The Board has established a system of sound internal control, to ensure compliance with the fundamental principles of probity and propriety; objectivity, integrity and honesty; and relationship with the stakeholders, in the manner prescribed in the Rules.	5(5)	✓	
10.	The Board has developed and enforced an appropriate conflict of interest policy to lay down circumstances or considerations when a person may be deemed to have actual or potential conflict of interests, and the procedure for disclosing such interest.	5(5)(b)(ii)	✓	
11.	The Board has developed and implemented a policy on anti-corruption to minimize actual or perceived corruption in the company.	5(5)(b)(vi)	✓	
12.	The Board has ensured equality of opportunity by establishing open and fair procedures for making appointments and for determining terms and conditions of service.	5(5)(c)(ii)	✓	
13.	The Board has ensured compliance with the law as well as the company's internal rules and procedures relating to public procurement, tender regulations, and purchasing and technical standards, when dealing with suppliers of goods and services.	5(5)(c)(iii)	✓	
14.	The Board has developed a vision or mission statement and corporate strategy of the company.	5(6)	✓	
15.	The Board has developed significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended, has been maintained.	5(7)	✓	
16.	The Board has quantified the outlay of any action in respect of any service delivered or goods sold by the Company as a public service obligation, and has submitted its request for appropriate compensation to the Government for consideration.	5(8)		N/A
17.	The Board has ensured compliance with policy directions requirements received from the Government.	5(11)		N/A

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

S. No.	Provision of the Rules	Rule no.	Y	N																		
			Tick the relevant box																			
18.	a) The Board has met at least four times during the year.	6(1)	✓																			
	b) Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings.	6(2)	✓																			
	c) The minutes of the meetings were appropriately recorded and circulated.	6(3)	✓																			
19.	The Board has monitored and assessed the performance of senior management on annual basis and held them accountable for accomplishing objectives, goals and key performance indicators set for this purpose.	8 (2)	✓																			
20.	The Board has reviewed and approved the related party transactions placed before it after recommendations of the audit committee. A party wise record of transactions entered into with the related parties during the year has been maintained.	9	✓																			
21.	a) The Board has approved the profit and loss account for, and balance sheet as at the end of, the first, second and third quarter of the year as well as the financial year end.	10	✓																			
	b) In case of listed PSCs, the Board has prepared half yearly accounts and undertaken limited scope review by the auditors.		✓																			
	c) The Board has placed the annual financial statements on the company's website.		✓																			
22.	All the Board members underwent an orientation course arranged by the company to apprise them of the material developments and information as specified in the Rules.	11	✓																			
23.	a) The Board has formed the requisite committees, as specified in the Rules.	12	✓																			
	b) The committees were provided with written term of reference defining their duties, authority and composition.		✓																			
	c) The minutes of the meetings of the committees were circulated to all the Board members.		✓																			
	d) The committees were chaired by the following non-executive directors:		✓																			
	<table border="1"> <thead> <tr> <th>Committee</th> <th>Number of Members</th> <th>Name of Chair</th> </tr> </thead> <tbody> <tr> <td>Audit Committee</td> <td>2</td> <td>Rehan Anjum</td> </tr> <tr> <td>Risk Management Committee</td> <td>3</td> <td>Waseem Mehdi Syed</td> </tr> <tr> <td>Human Resources Committee</td> <td>3</td> <td>Waseem Mehdi Syed</td> </tr> <tr> <td>Procurement Committee</td> <td>2</td> <td>Sami ul Haq Khilji</td> </tr> <tr> <td>Nomination Committee</td> <td>3</td> <td>Sajid Jamal Abro</td> </tr> </tbody> </table>	Committee	Number of Members	Name of Chair	Audit Committee	2	Rehan Anjum	Risk Management Committee	3	Waseem Mehdi Syed	Human Resources Committee	3	Waseem Mehdi Syed	Procurement Committee	2	Sami ul Haq Khilji	Nomination Committee	3	Sajid Jamal Abro			
Committee	Number of Members	Name of Chair																				
Audit Committee	2	Rehan Anjum																				
Risk Management Committee	3	Waseem Mehdi Syed																				
Human Resources Committee	3	Waseem Mehdi Syed																				
Procurement Committee	2	Sami ul Haq Khilji																				
Nomination Committee	3	Sajid Jamal Abro																				
24.	The Board has approved appointment of Chief Financial Officer, Company Secretary and Chief Internal Auditor, by whatever name called, with their remuneration and terms and conditions of employment.	13	✓																			

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

S. No.	Provision of the Rules	Rule no.	Y	N									
			Tick the relevant box										
25.	The Chief Financial Officer and the Company Secretary have requisite qualification prescribed in the Rules.	14	✓										
26.	The company has adopted International Financial Reporting Standards notified by the Commission in terms of sub-section (1) of section 225 of the Act.	16	✓										
27.	The directors' report for this year has been prepared in compliance with the requirements of the Act and the Rules and fully describes the salient matters required to be disclosed.	17	✓										
28.	The directors, CEO and executives, or their relatives, are not, directly or indirectly, concerned or interested in any contract or arrangement entered into by or on behalf of the company except those disclosed to the company.	18	✓										
29.	a) A formal and transparent procedure for fixing the remuneration packages of individual directors has been set in place and no director is involved in deciding his own remuneration. b) The annual report of the company contains criteria and details of remuneration of each director.	19	N/A										
30.	The financial statements of the company were duly endorsed by the chief executive and chief financial officer before consideration and approval of the audit committee and the Board.	20	✓										
31.	The Board has formed an audit committee, with defined and written terms of reference, and having the following members: <table border="1" data-bbox="215 1365 1013 1501"> <thead> <tr> <th>Name of member</th> <th>Category</th> <th>Professional background</th> </tr> </thead> <tbody> <tr> <td>Mr. Rehan Anjum</td> <td>Non-executive</td> <td>Professional Banker</td> </tr> <tr> <td>Ms. Rukhsana Narejo</td> <td>Non-executive</td> <td>Professional Banker</td> </tr> </tbody> </table> The chief executive and chairman of the Board are not members of the audit committee.	Name of member	Category	Professional background	Mr. Rehan Anjum	Non-executive	Professional Banker	Ms. Rukhsana Narejo	Non-executive	Professional Banker	21 (1) and 21(2)	✓	✓
Name of member	Category	Professional background											
Mr. Rehan Anjum	Non-executive	Professional Banker											
Ms. Rukhsana Narejo	Non-executive	Professional Banker											
32.	a) The chief financial officer, the chief internal auditor, and a representative of the external auditors attended all meetings of the audit committee at which issues relating to accounts and audit were discussed. b) The audit committee met the external auditors, at least once a year, without the presence of the chief financial officer, the chief internal auditor and other executives. c) The audit committee met the chief internal auditor and other members of the internal audit function, at least once a year, without the presence of chief financial officer and the external auditors.	21(3)	✓ ✓ ✓										

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

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

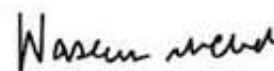
CERTAIN ADDITIONAL DISCLOSURES REQUIRED UNDER CCG

- All the directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
- The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of Modaraba's certificates, was determined and intimated to directors, employees and stock exchange.
- Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
- The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the company
- The Company has complied with the requirements relating to maintenance of register of persons having inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.

(On behalf of the Board)



Ishfaq Ahmed
Chief Executive Officer



Waseem Mehdi Syed
Chairman/Independent Director

Karachi:

21 September 2023

Schedule II

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

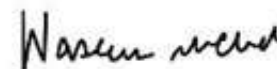
We confirm that all other material requirements envisaged in the Rules have been complied with. [except for the following, toward which reasonable progress is being made by the company to seek compliance by the end of next accounting year]:

Sr. No	Rule/sub-rule no.	Reasons for non-compliance	Future course of action
1.	3(2) & 21(1)	Death/Demise of one independent director.	The company is in the process of appointing a suitable candidate in his place and will be complied soon.

(On behalf of the Board)



Ishfaque Ahmed
Chief Executive Officer



Waseem Mehdi Syed
Chairman/Independent Director

Karachi:

21 September 2023

Shari'ah Advisors Report



I have conducted the Shari'ah review of Sindh Modaraba managed by Sindh Modaraba Management Limited for the financial year ended June 2023 in accordance with the requirements of the **Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas** issued by SECP and report that except the observations as reported hereunder, in my opinion:

- i. The Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
- ii. During the year, the financings were mainly done on Diminishing Musharakah mode which is a Shariah Compliant mode of financing.

The Modaraba has organized trainings on the Islamic Law of Contract and its practical implementation & challenges in the modern day financial industry.

- iii. The agreement(s) entered into by the Modaraba during the period are Shari'ah compliant and the financing agreement(s) have been executed on the formats as approved by the Religious Board of SECP and all the related conditions have been met;
- iv. To the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan, specific AAOIFI Shariah Standards which have been adopted by SECP and the Shari'ah Compliance & Shari'ah Audit Regulations for Modarabas.
- v. The Modaraba does not have any deposit raising product at the moment, therefore no profit sharing ratios, profits and charging of losses (if any) relating to any deposit raising product apply.
- vi. No earnings have been realized from the sources or by means prohibited by Shari'ah.

Notes

During the year, an amount of Rs. 3,665,363/- has been realized as charity on account of delay in payment by customers and Modaraba has made charity of Rs. 1,400,000/- recognized charitable institution.

Recommendation

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

Conclusion

In my opinion and to the best of my knowledge and information provided by the Modaraba, I am of the view that during the period overall business activities of the Modaraba are Shariah Compliant.

And Allah knows best.

Mufti Zeeshan Abdul Aziz
Shari'ah Advisor
Sindh Modaraba
Dated: 03-08-2023

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Listed Companies (Code of Corporate Governance) Regulations, 2019 and Public Sector Companies (Corporate Governance) Rules, 2013 (both hereinafter referred to as 'Codes') prepared by the Board of Directors of **Sindh Modaraba Management Limited** (the Management Company) for the year ended June 30, 2023 to comply with the requirements of regulation 36 of Listed Companies (Code of Corporate Governance) Regulations, 2019 and the provisions of Public Sector Companies (Corporate Governance) Rules, 2013.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code and the Rules as applicable to the Modaraba for the year ended June 30, 2023.

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

Place : Karachi.
Date: 27 September 2023

UDIN: CR202310151AOFRQJCSB

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants

Mehmood A. Razzak
Engagement Partner

Auditors' Report To The Certificate Holders

We have audited the annexed balance sheet of SINDH MODARABA (the Modaraba) as at June 30, 2023 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (here in after referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

- a) in our opinion, proper books of accounts have been kept by the Modaraba Company in respect of the Sindh Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules 1981, and are in agreement with the books of accounts and are further in agreement with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were accordance with the objects, terms and conditions of the Modaraba.
- c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with the approved accounting standards as applicable in Pakistan, and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of Modaraba's affairs as at June 30, 2023 and of the profit, other comprehensive loss, cash flows and changes in equity for the year then ended; and
- d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

Place : Karachi.
Date: 27 September 2023

UDIN: AR20231015141yruSEbA

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants

Mehmood A. Razzak
Engagement Partner

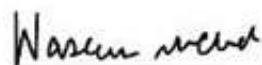
BALANCE SHEET

AS AT JUNE 30, 2023

		June 30, 2023	June 30, 2022
	Note	----- Rupees -----	----- Rupees -----
ASSETS			
Current assets			
Cash and bank balances	4	182,076,260	494,176,101
Short term investments	5	700,000,000	320,000,000
Advances, prepayments and other receivables	6	28,738,060	20,933,411
Current portion of Diminishing Musharaka	7	369,562,127	338,062,224
Current portion of long term loan	8	431,600	809,600
Total current assets		1,280,808,047	1,173,981,336
Non - current assets			
Diminishing Musharaka	7	494,229,740	505,645,798
Long term loan	8	1,222,862	2,378,966
Ijarah assets	9	-	-
Fixed assets - in own use	10	1,972,843	2,578,628
Total non - current assets		497,425,445	510,603,392
TOTAL ASSETS		1,778,233,492	1,684,584,728
LIABILITIES AND CERTIFICATE HOLDERS' EQUITY			
Current liabilities			
Creditors, accrued and other liabilities	11	44,381,187	33,269,664
Taxation - net	20	10,555,612	4,578,170
Profit distribution payable		929,481	787,924
TOTAL LIABILITIES		55,866,280	38,635,758
CERTIFICATE HOLDERS' EQUITY			
Authorized certificate capital	12	500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital	12	450,000,000	450,000,000
Reserves	13	272,367,212	195,948,970
Long term loan	14	1,000,000,000	1,000,000,000
		1,722,367,212	1,645,948,970
TOTAL LIABILITIES AND EQUITY		1,778,233,492	1,684,584,728
Contingencies and commitments	15		

The annexed notes 1 to 33 form an integral part of these financial statements.

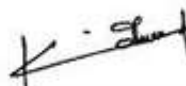
For Sindh Modaraba Management Limited (Management Company)



Chairman



Chief Executive Officer



Director



Chief Financial Officer

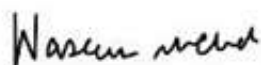
PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED JUNE 30, 2023

		June 30, 2023	June 30, 2022
	Note	----- Rupees -----	----- Rupees -----
Income from:			
- Diminishing Musharaka		162,281,756	94,065,161
- Bank deposits		45,458,962	46,726,622
- Term deposit receipts		71,924,091	26,230,165
		279,664,809	167,021,948
Administrative and operating expenses	16	(64,092,024)	(40,887,729)
Reversal / (provision) for doubtful receivables	17	2,547,401	(13,259,015)
		(61,544,623)	(54,146,744)
		218,120,186	112,875,204
Other income - net	18	1,242,911	646,965
		219,363,097	113,522,169
Modaraba Management Company's remuneration	19	(21,936,310)	(11,352,217)
Provision for Sindh Sales Tax on Management		(2,851,720)	(1,475,788)
Company's remuneration		(24,788,030)	(12,828,005)
Profit before taxation		194,575,067	100,694,164
Taxation	20	(64,164,207)	(34,380,942)
Profit for the year		130,410,860	66,313,222
Earnings per certificate - basic and diluted	21	2.90	1.47

The annexed notes 1 to 33 form an integral part of these financial statements.

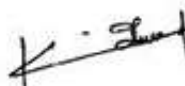
For Sindh Modaraba Management Limited (Management Company)



Chairman



Chief Executive Officer



Director



Chief Financial Officer

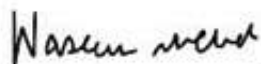
STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022
	----- Rupees -----	-----
Profit for the year	130,410,860	66,313,222
Other comprehensive income / (loss) for the year		
- items that may be reclassified to profit and loss account	-	-
- items that will not be reclassified to profit and loss account subsequently	-	-
Actuarial gain / (loss) on defined benefit plan	7,382	(421,216)
Total comprehensive income for the year	<u>130,418,242</u>	<u>65,892,006</u>

The annexed notes 1 to 33 form an integral part of these financial statements.

For Sindh Modaraba Management Limited (Management Company)



Chairman



Chief Executive Officer



Director



Chief Financial Officer

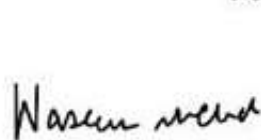
CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2023

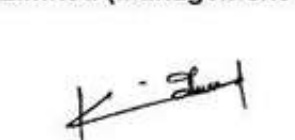
	Note	June 30, 2023 ----- Rupees -----	June 30, 2022 ----- Rupees -----
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		194,575,067	100,694,164
Adjustments for non - cash and other items			
Depreciation on fixed assets - in own use	10.1	1,248,965	1,431,881
Amortization of intangible assets	10.2	77,664	74,904
(Reversal) / Provision for doubtful receivables	17	(2,547,401)	13,259,015
Income suspended in respect of diminishing musharaka		2,758,341	3,289,512
Income on bank deposits		(45,458,962)	(46,726,622)
Gain on disposal of fixed assets		(232,568)	-
Income on term deposit receipts		(71,924,091)	(26,230,165)
Provision for gratuity		1,048,658	676,213
Operating losses before working capital changes		(115,029,394)	(54,225,262)
Working capital changes			
(Increase) / decrease in current assets			
Advances, prepayments and other receivables		(7,796,928)	(16,866,565)
Diminishing Musharaka		(17,536,444)	(42,354,526)
Long term loan	8	1,534,104	(1,708,066)
		(23,799,268)	(60,929,157)
Increase / (decrease) in current liabilities			
Creditors, accrued and other liabilities		11,167,676	6,803,765
Customers' security deposit		-	(5,005,000)
		11,167,676	1,798,765
Working capital changes		(12,631,592)	(59,130,392)
Income received on term deposit receipts		71,617,242	28,270,713
Income received on bank deposits		42,999,749	44,662,960
Gratuity contribution paid	11.3	(1,097,429)	(1,070,048)
Taxes paid		(58,186,765)	-
Net cash generated from operating activities		122,246,878	59,202,135
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale proceeds from disposal of ijarah assets		-	5,005,000
Sale proceeds from disposal of fixed assets		234,602	-
Purchase of tangible assets-owned	10.1	(722,878)	(670,101)
Purchase of intangible assets-owned	10.2	-	(19,890)
Net cash (used in) / generated from investing activities		(488,276)	4,315,009
CASH FLOWS FROM FINANCING ACTIVITIES			
Profit distributed		(53,858,443)	(44,865,334)
Net cash used in financing activities		(53,858,443)	(44,865,334)
Net increase in cash and cash equivalents		67,900,159	18,651,810
Cash and cash equivalents at the beginning of the year		814,176,101	795,524,291
Cash and cash equivalents at the end of the year	30	882,076,260	814,176,101


The annexed notes 1 to 33 form an integral part of these financial statements.

For Sindh Modaraba Management Limited (Management Company)


Chairman


Chief Executive Officer


Director


Chief Financial Officer

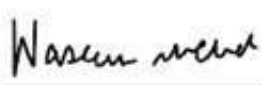
STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED JUNE 30, 2023

	Issued, subscribed, and paid-up certificate capital	Reserves			Long term Loan	Total equity and reserves
		Capital reserve Statutory reserve	Revenue reserve Unappropriated profit	Total reserves		
Rupees						
Balance as at June 30, 2021	450,000,000	121,071,504	53,985,460	175,056,964	1,000,000,000	1,625,056,964
Profit for the year	-	-	66,313,222	66,313,222	-	66,313,222
Other comprehensive income / (loss)	-	-	(421,216)	(421,216)	-	(421,216)
Transfer to statutory reserve	-	13,262,644	(13,262,644)	-	-	-
Transaction with Certificate Holders						
"Profit distribution for the year ended June 30, 2021 at Rs. 1 (10%) per certificate"	-	-	(45,000,000)	(45,000,000)	-	(45,000,000)
Balance as at June 30, 2022	450,000,000	134,334,148	61,614,822	195,948,970	1,000,000,000	1,645,948,970
Profit for the year	-	-	130,410,860	130,410,860	-	130,410,860
Other comprehensive income / (loss)	-	-	7,382	7,382	-	7,382
Transfer to statutory reserve	-	26,082,172	(26,082,172)	-	-	-
Transaction with Certificate Holders						
"Profit distribution for the year ended June 30, 2022 at Rs. 1.2 (12%) per certificate"	-	-	(54,000,000)	(54,000,000)	-	(54,000,000)
Balance as at June 30, 2023	450,000,000	160,416,320	111,950,892	272,367,212	1,000,000,000	1,722,367,212

The annexed notes 1 to 33 form an integral part of these financial statements.

For Sindh Modaraba Management Limited (Management Company)


Chairman


Chief Executive Officer


Director


Chief Financial Officer

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

1. LEGAL STATUS AND NATURE OF BUSINESS

Sindh Modaraba (the Modaraba) has been floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Sindh Modaraba Management Limited (the Management Company), which is a wholly owned subsidiary of Government of Sindh. The registered office of the Modaraba is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.

The Modaraba is a perpetual, multi-purpose and multi-dimensional Modaraba and is primarily engaged in providing Shariah compliant financing facilities to credit worthy customers. The Modaraba is listed on Pakistan Stock Exchange.

The VIS Credit Rating Company Limited has maintained long term rating of A+ and short term rating of A-1 to the Modaraba. Outlook on the assigned rating is 'Stable'.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017, the Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modarabas and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever provisions of and directives issued under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Prudential Regulations for Modaraba and the Islamic Financial Accounting Standards (IFASs) differ from the IFRS Standards, the provision of and directives issues under the Companies Act, 2017, the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, the Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations for Modaraba and the Islamic Financial Accounting Standards (IFASs) have been followed.

During the current year, the SECP has deferred the applicability of all requirements of IFRS 9 for modarabas upto June 30, 2024. The Modaraba had already adopted all the requirements of IFRS 9 in the financial statements for the year ended June 30, 2019 with the exception of determining the provision against financing portfolio. The provision against financing portfolio has been determined in accordance with the requirements of Modaraba Regulations issued by the SECP.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

2.4 Use of significant estimates and judgments

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

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

- a) estimates of residual values, useful lives and depreciation methods of fixed assets in own use (note 3.3) and Ijarah assets (note 3.4);
- b) estimates of useful lives and amortization charge for its intangibles (note 3.3.2)
- c) certain actuarial assumptions have been adopted as disclosed in these financial statement for actuarial valuation of present value of defined benefit obligation (note 3.11);
- d) investments & loans, advances, prepayments and other receivables (note 3.1 and 3.6); and
- e) provision for taxation (note 3.7).

2.5 New and amended standards and interpretations

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

There are certain amendments and interpretations to the accounting and reporting standards which are mandatory for accounting periods beginning on or after July 01, 2022. However, these do not have any significant impact on the Modaraba's financial statements.

	Effective date
IAS 16 Proceeds before an asset's intended use	January 01, 2022

Amendment to IAS 16 'Property, Plant and Equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit or loss. The amendments apply retrospectively, but only to items of PPE made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

The other new standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on or after July 01, 2023 are considered not to be relevant or to have any significant effect on the Company's financial reporting and operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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

The new standard, certain amendments and interpretations that are mandatory for accounting periods beginning after January 01, 2023 are considered not to be relevant for the Modaraba's financial statements.

		Effective date
IAS 1	Disclosure of accounting policies	January 01, 2023
IAS 8	Definition of accounting estimates	January 01, 2023
IAS 12	Deferred tax	January 01, 2023
IAS 1	Classification of liabilities as current or non-current	January 01, 2024

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 Financial instruments

3.1.1 Recognition, initial measurement and derecognition

Financial assets and financial liabilities are recognized when the Modaraba becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.

"Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred."

A financial liability is derecognized when it is extinguished, discharged, cancelled or has expired.

3.1.2 Subsequent measurement of financial assets

Financial assets at amortized cost

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

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

After initial recognition, these are measured at amortized cost using the effective profit rate method. Discounting is omitted where the effect of discounting is immaterial. The Modaraba's cash and cash equivalents and short term investments fall into this category of financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

3.1.4 Impairment of financial assets

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVTOCI that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Modaraba first identifying a credit loss event. Instead the Modaraba considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

"In applying this forward-looking approach, a distinction is made between:"

- "financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and"
- "financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2')."

"Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date." 12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second and third category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

3.1.5 Classification and subsequent measurement of financial liabilities

Financial liabilities comprise trade and other payables, amount due to a related party and borrowings.

"Financial liabilities are measured subsequently at amortized cost using the effective profit rate method. Discounting is omitted if the impact is immaterial."

3.1.6 Off-setting of financial assets and liabilities

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

3.2 Cash and cash equivalents

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

3.3 Fixed assets - In own use

3.3.1 Tangible assets

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

All other repairs and maintenance expenses are charged to the profit and loss account as and when incurred. Depreciation on all fixed assets is charged to income on a straight - line basis in accordance with the specified rates.

The useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

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

3.3.2 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent costs are included in the assets' carrying amounts or recognized as separate assets, as appropriate, only where it is probable that the future economic benefits associated with the assets will flow to the Modaraba and the cost of the items can be measured reliably.

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

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

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

3.3.3 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost less accumulated impairment losses, if any, and represents expenditure on fixed assets in the course of installation and advances for capital expenditure. Transfers are made to the relevant category of tangible/intangible assets as and when the assets are available for intended use.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

3.4 Ijarah assets given to customers under agreement

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

- Muj`ir (lessors) presents the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income are recognized as expenses.
- Initial direct costs incurred specifically to earn revenues from Ijarah are recognized as an expense in the profit and loss account in the period in which they are incurred.

3.5 Murabaha Finance

Funds disbursed for purchase of goods are recorded as 'Advance for Murabaha'. On culmination of Murabaha i.e. sale of goods to customers, Murabaha financings are recorded at the deferred sale price. Goods Purchased but remaining unsold at the balances sheet date are recorded as inventories. Profit on Murabaha Financings is recognized on accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognized immediately upon the later date. Profit unearned at balance sheet date is deferred and recorded as deferred murabaha income. Financing are stated net of specific and general Provisions against non- performing financings, if any, which are charged to the profit and loss account.

3.6 Loans, advances, prepayments and other receivables

These are stated at cost less estimates made for doubtful receivables based on a review of all outstanding amounts at the reporting date. Balances considered bad and irrecoverable are written off when identified.

3.7 Taxation

Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any.

Deferred

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

3.8 Impairment of non-financial assets

The carrying amounts of the Modaraba's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. Impairment loss determined as the difference between carrying value and recoverable amount being higher of asset's fair value less cost to sell and value in use. If such an indication exists, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss. The resulting impairment loss is recognized in the profit and loss account.

3.9 Creditors, accrued and other liabilities

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

3.10 Provisions

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

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

3.11 Staff retirement benefits

Defined contribution plan - employees provident fund

The Modaraba operates a recognized provident fund for all eligible employees and equal contributions by the employer and employee to the provident fund are made at the rate of 10% of the basic salaries of employees.

Defined benefit plan - employees gratuity fund

The Modaraba operates a gratuity fund for all eligible employees who have completed the minimum three years of service. The fund is administered by the trustee nominated under the Trust Deed. The contributions to the Fund are made in accordance with the actuarial valuation using Projected Unit Credit Method. Actuarial gains and losses arising at each valuation date are recognized immediately.

3.12 Revenue recognition

The revenue recognition of the Modaraba is based on the following policies:

- For Ijarah arrangements, Ijarah rentals are recognized as income on accrual basis, as and when rentals become due. In case of Ijarah arrangements with staggered rentals, the income is recognized on a straight line basis over the Ijarah term.
- Income in respect of non-performing Ijarah finance is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations for Modarabas issued by the SECP.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

- Documentation charges, front end fees and other Ijarah related income are taken to the profit and loss account on an accrual basis.
- Profit on Diminishing Musharaka arrangements is recognized under the effective mark-up rate method based on the Amount outstanding.
- Mark-up / return on deposits / investments is recognized on accrual basis using the effective profit rate method.
- Other income is recognized on an accrual basis.

3.13 Proposed profit distribution to certificate holders

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

3.14 Earnings per certificate

Basic earnings per certificate is calculated by dividing the profit after taxation for the period by the weighted average number of certificates outstanding during the period. Diluted earnings per certificate is determined by adjusting the profit or loss attributable to ordinary certificate holders by taking into account the conversion of any dilutive potential ordinary certificates.

3.15 Foreign currency transactions

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

3.16 Segment reporting

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

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

3.17 Related party transactions

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

3.18 Dividend income

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

3.19 Ijarah rental receivable

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

3.20 Compensated absences

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

4. CASH AND BANK BALANCES	Note	2023 ----- Rupees -----	2022 -----
Stamp papers in hand		62,600	72,700
Balances with banks:			
- on deposit accounts	4.1	178,235,009	492,734,368
- on current accounts	4.2	3,778,651	1,369,033
		<u>182,076,260</u>	<u>494,176,101</u>

4.1 These carry profit at rates ranging from 4.25% to 18.50% per annum. (2022: 5.50% to 11% per annum). This includes a balance of Rs. 9.66 million (2022: Rs. 483.51 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

4.2 This includes a balance of Rs. 3,755,470 (2022: Rs. 1,294,517) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

5. SHORT TERM INVESTMENTS	Note	2023 ----- Rupees -----	2022 -----
Term deposit receipts	5.1	<u>700,000,000</u>	<u>320,000,000</u>

5.1 This represents investment made in Term Deposit Receipts with Soneri Bank Limited - Islamic Banking, for a period of 3 months profit at maturity at the mark-up rate of 19.50% per annum (June 2022: Rs.320 million in Meezan Bank Limited - Islamic Banking, for a period of 6 months maturity on a monthly rollover basis at the mark-up rate of 12.25% per annum).

6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES	Note	2023 ----- Rupees -----	2022 -----
Advances	6.1	8,461,900	7,562,220
Prepayments		1,241,275	744,855
Accrued income from bank deposits	6.2	7,753,931	5,294,718
Accrued income from term deposit receipts		2,991,781	2,684,932
Accrued income from Diminishing Musharaka	6.3	8,289,173	4,638,686
Other receivables		-	8,000
		<u>28,738,060</u>	<u>20,933,411</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

- 6.1 This includes advance to vendors in respect of the acquisition of assets under the Diminishing Musharaka arrangement for onward delivery to the lessee (customer) amounting to Rs. 8.45 million (2022: Rs. 1.55 million).
- 6.2 This includes accrued income of Rs. 813,626 (2022: Rs. 5,245,596) on bank deposits held with Sindh Bank Limited - Islamic Banking Unit, related party.

6.3 Accrued income from Diminishing Musharaka	2023	2022
	----- Rupees -----	
Receivable	28,175,443	21,766,615
Less: Income suspend	(19,886,270)	(17,127,929)
	<u>8,289,173</u>	<u>4,638,686</u>

7. DIMINISHING MUSHARAKA	Note	2023	2022
		----- Rupees -----	
Receivables - secured	7.1	919,465,142	901,928,698
Less: Current portion		(369,562,127)	(338,062,224)
Less: Provision in respect of diminishing musharaka	7.2	(55,673,275)	(58,220,676)
Non-current portion		<u>494,229,740</u>	<u>505,645,798</u>

- 7.1 This represents finance provided to Individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 3 to 20 years (2022: 3 to 20 years) which is secured against mortgage of property, lien on title documents and charge on assets etc.
- 7.2 This includes a general provision of Rs.3.93 million (2022: Rs.3.96 million) made at the rate of 0.5% (2022: 0.5%) on diminishing musharaka receivables respectively.

7.2.1 Movement in provision in respect of Diminishing Musharakah

	2023			2022		
	General	Specific	Total	General	Specific	Total
	----- Rupees -----					

Opening	3,955,900	54,264,776	58,220,676	3,694,102	41,267,559	44,961,661
Charge for the year	-	-	-	261,798	15,118,146	15,379,944
Reversal during the year	(22,949)	(2,524,452)	(2,547,401)	-	(2,120,929)	(2,120,929)
Closing	<u>3,932,951</u>	<u>51,740,324</u>	<u>55,673,275</u>	<u>3,955,900</u>	<u>54,264,776</u>	<u>58,220,676</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

8. LONG TERM LOAN	Note	2023	Rupees	2022
		-----	-----	-----
Long term loan - considered good	8.1	1,654,462		3,188,566
Less: Current portion of long term loan		(431,600)		(809,600)
		<u>1,222,862</u>		<u>2,378,966</u>

8.1 This represents the car loan provided to Mr. Adnan Shakeel - CFO & Co. Secretary (2022: 2.086 million and Rs.1.102 million against the car loan provided to Mr. Adnan Shakeel - CFO & Co. Secretary and Mr. Kailash Moolani - Chief Internal Auditor respectively), related parties in accordance with the Monetization Policy approved by the Board.

9. IJARAH ASSETS

June 30, 2023								
Particulars	Cost			Depreciation			Net book value	Depreciation rate
	As at July 01, 2022	Disposals	As at June 30, 2023	As at July 01, 2022	Charge for the year	As at June 30, 2023		
	----- Rupees -----							
Plant and machinery	-	-	-	-	-	-	-	33.33%
Vehicles	-	-	-	-	-	-	-	20%
	-	-	-	-	-	-	-	
	-	-	-	-	-	-	-	

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

9.1 The Modaraba has entered into Ijarah arrangements for periods ranging from Nil (2022: 3 to 5 years) against which security deposits were obtained at the time of disbursement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

10. FIXED ASSETS - In own use	Note	June 30, 2023	June 30, 2022
		Rupees	
Tangible assets	10.1	1,945,687	2,473,808
Intangible assets	10.2	27,156	104,820
		<u>1,972,843</u>	<u>2,578,628</u>

10.1 TANGIBLE ASSETS

	Furniture and fittings	Office equipment	Vehicles	Computer and accessories	Total
	Rupees				
As at June 30, 2021					
Cost	1,536,245	3,272,641	1,354,275	3,153,719	9,316,880
Accumulated depreciation	(795,534)	(2,481,057)	(545,958)	(2,258,743)	(6,081,292)
Net book value	<u>740,711</u>	<u>791,584</u>	<u>808,317</u>	<u>894,976</u>	<u>3,235,588</u>
Net carrying value basis Year ended June 30, 2022					
Opening net book value	740,711	791,584	808,317	894,976	3,235,588
Additions - at cost	-	19,895	-	650,206	670,101
Depreciation charge	(153,624)	(467,172)	(262,152)	(548,933)	(1,431,881)
Closing net book value	<u>587,087</u>	<u>344,307</u>	<u>546,165</u>	<u>996,249</u>	<u>2,473,808</u>
Gross carrying value basis As at June 30, 2022					
Cost	1,536,245	3,292,536	1,354,275	3,803,925	9,986,981
Accumulated depreciation	(949,158)	(2,948,229)	(808,110)	(2,807,676)	(7,513,173)
Net book value	<u>587,087</u>	<u>344,307</u>	<u>546,165</u>	<u>996,249</u>	<u>2,473,808</u>
Net carrying value basis Year ended June 30, 2023					
Opening net book value	587,087	344,307	546,165	996,249	2,473,808
Additions - at cost	28,972	272,040	-	421,866	722,878
Disposal					
Cost	-	(591,336)	-	(1,210,995)	(1,802,331)
Accumulated depreciation	-	589,314	-	1,210,983	1,800,297
Depreciation charge	(156,034)	(2,022)	(262,152)	(12)	(2,034)
Closing net book value	<u>460,025</u>	<u>394,855</u>	<u>284,013</u>	<u>806,794</u>	<u>1,945,687</u>
Gross carrying value basis As at June 30, 2023					
Cost	1,565,217	2,973,240	1,354,275	3,014,796	8,907,528
Accumulated depreciation	(1,105,192)	(2,578,385)	(1,070,262)	(2,208,002)	(6,961,841)
Net book value	<u>460,025</u>	<u>394,855</u>	<u>284,013</u>	<u>806,794</u>	<u>1,945,687</u>
Depreciation (% per annum)	<u>10%</u>	<u>20%</u>	<u>20%</u>	<u>33.33%</u>	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

10.2 INTANGIBLE ASSETS

	Website	Almanac software	Software licenses	Total
	----- Rupees -----			
As at June 30, 2021				
Cost	37,647	800,000	1,254,445	2,092,092
Accumulated amortization	(37,646)	(799,999)	(1,094,613)	(1,932,258)
Net book value	<u>1</u>	<u>1</u>	<u>159,832</u>	<u>159,834</u>
Net carrying value basis				
Year ended June 30, 2022				
Opening net book value	1	1	159,832	159,834
Additions - at cost	-	-	19,890	19,890
Amortization charge	-	-	(74,904)	(74,904)
Closing net book value	<u>1</u>	<u>1</u>	<u>104,818</u>	<u>104,820</u>
Gross carrying value basis				
As at June 30, 2022				
Cost	37,647	800,000	1,274,335	2,111,982
Accumulated amortization	(37,646)	(799,999)	(1,169,517)	(2,007,162)
Net book value	<u>1</u>	<u>1</u>	<u>104,818</u>	<u>104,820</u>
Net carrying value basis				
Year ended June 30, 2023				
Opening net book value	1	1	104,818	104,820
Additions - at cost	-	-	-	-
Amortization charge	-	-	(77,664)	(77,664)
Closing net book value	<u>1</u>	<u>1</u>	<u>27,154</u>	<u>27,156</u>
Gross carrying value basis				
As at June 30, 2023				
Cost	37,647	800,000	1,274,335	2,111,982
Accumulated amortization	(37,646)	(799,999)	(1,247,181)	(2,084,826)
Net book value	<u>1</u>	<u>1</u>	<u>27,154</u>	<u>27,156</u>
Amortization (% per annum)	<u>33.33%</u>	<u>33.33%</u>	<u>33.33%</u>	

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022
Note	----- Rupees -----	-----
11. CREDITORS, ACCRUED AND OTHER LIABILITIES		
Creditors	6,441	6,441
Modaraba management company's remuneration payable - related party	21,936,310	11,352,217
Accrued expenses	11.1 9,616,653	8,270,117
Provision for Sindh Sales Tax on management company's remuneration	2,851,720	1,475,788
Payable to gratuity fund	11.3 1,041,276	1,097,429
Other liabilities	11.2 8,928,787	11,067,672
	<u>44,381,187</u>	<u>33,269,664</u>
11.1 These includes Rs. 50,000 (2022: Rs. 50,000) for branch rent payable to Sindh Bank Limited, related party.		
11.2 This also includes charity payable amounting to Rs. 2,816,769 (2022: Rs. 551,406). The reconciliation is as follows:		
	June 30, 2023	June 30, 2022
Note	----- Rupees -----	-----
Opening balance	551,406	8,214
Additions during the year	3,665,363	543,192
Less: Paid to recognized charitable institutions	11.2.1 1,400,000	-
Closing balance	<u>2,816,769</u>	<u>551,406</u>
11.2.1 This represents charity paid to recognized charitable institution.		
11.3 Payable to gratuity fund	11.3.1 1,041,276	1,097,429
11.3.1 Reconciliation of balance due to defined benefit plan		
Present value of defined benefit obligation	4,561,051	3,254,728
Less: Fair value of plan assets	(3,519,775)	(2,157,299)
Balance sheet liability	<u>1,041,276</u>	<u>1,097,429</u>
11.3.2 Movement in the present value of defined benefit obligation		
Opening balance	3,254,728	2,059,290
Current service cost	974,582	621,373
Interest cost	439,388	211,077
Remeasurements charged to other comprehensive income		
- Actuarial loss from changes in financial assumptions	13,340	15,020
- Experience adjustments	(120,987)	347,968
	<u>(107,647)</u>	<u>362,988</u>
Present value of defined benefit obligation	<u>4,561,051</u>	<u>3,254,728</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022
	----- Rupees -----	----- Rupees -----
11.3.3 Changes in fair value of plan assets		
Fair value of plan assets	2,157,299	989,242
Contributions	1,097,429	1,070,048
Interest income on plan assets	365,312	156,237
Assets transferred to other group company	-	-
Return on plan assets / (charges), excluding interest income	(100,265)	(58,228)
	<u>3,519,775</u>	<u>2,157,299</u>
11.3.4 Expense recognized in profit and loss account		
Current service cost	974,582	621,373
Interest cost	439,388	211,077
Interest income on plan assets	(365,312)	(156,237)
	<u>1,048,658</u>	<u>676,213</u>
11.3.5 Total remeasurement chargeable in other comprehensive income		
Remeasurement of plan obligation:		
Actuarial (loss) / gain from changes in financial assumptions	13,340	15,020
Experience adjustments	(120,987)	347,968
	(107,647)	362,988
Less: Return on plan assets, excluding interest income	100,265	58,228
	<u>(7,382)</u>	<u>421,216</u>
11.3.6 Changes in net liability		
Balance sheet liability	1,097,429	1,070,048
Expenses to be charged to profit and loss account	1,048,658	676,213
Remeasurement chargeable in other comprehensive income	(7,382)	421,216
Contributions	(1,097,429)	(1,070,048)
	<u>1,041,276</u>	<u>1,097,429</u>
	June 30, 2023	June 30, 2022
	----- Percentage -----	----- Percentage -----
Significant actuarial assumptions		
Discount rate used for interest cost in profit and loss account	13.50%	10.25%
Discount rate used for year end obligation	15.75%	13.50%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

June 30, 2023 June 30, 2022
----- Percentage -----

Salary increase used for year end obligation	-	-
Salary increase FY 2021	N/A	N/A
Salary increase FY 2022	15.75%	13.50%
Salary increase FY 2023	15.75%	13.50%
Salary increase FY 2024	15.75%	13.50%
Salary increase FY 2025	15.75%	13.50%
Salary increase FY 2026	15.75%	13.50%
Salary increase FY 2027	15.75%	13.50%
Salary increase FY 2028 onwards	1-Jul-23	1-Jul-22
Net salary is increased at		
Mortality rates	" SLIC (2001-05)-1 "	" SLIC (2001-05)-1 "

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

June 30, 2023 June 30, 2022
----- Rupees -----

Withdrawal rates	" Age-based (per appendix) "	" Age-based (per appendix) "
Retirement assumption	<u>Age 60</u>	<u>Age 60</u>

June 30, 2023 June 30, 2022
----- Rupees -----

Estimated expenses to be charged to P&L		
Current services cost	1,170,371	974,582
Interest cost on defined benefit obligation	704,586	430,371
Interest income on plan asset	(627,007)	(354,446)
	<u>1,247,950</u>	<u>1,050,507</u>
Plan assets comprise at June 30, 2022		
Cash and/or deposits	<u>100%</u>	<u>100%</u>

Year end sensitivity (+/- 100bps) on defined benefit obligation

Discount rate +100 bps	4,066,015	2,879,939
Discount rate - 100 bps	5,147,880	3,701,868
Salary increase +100 bps	5,148,725	3,702,521
Salary increase - 100 bps	4,056,528	2,872,598

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

June 30, 2023 June 30, 2022
----- Rupees -----

Expected benefit payments for the next 10 years and beyond

FY 2023	-	133,596
FY 2024	174,980	164,716
FY 2025	822,609	762,992
FY 2026	257,380	230,093
FY 2027	294,836	258,154
FY 2028	337,299	289,819
FY 2029	384,823	325,765
FY 2030	442,923	371,500
FY 2031	2,188,983	1,785,192
FY 2032	557,313	454,226
FY 2033	646,976	182,219,826
FY 2034 onwards	308,651,035	-
The average duration of the defined benefit obligation is	12 years	13 years

12. CERTIFICATE CAPITAL

12.1 Authorized certificate capital

June 30,2023	June 30, 2022		June 30,2023	June 30, 2022
Number of certificates			Rupees	
<u>50,000,000</u>	<u>50,000,000</u>	Modaraba certificates of Rs. 10 each	<u>500,000,000</u>	<u>500,000,000</u>

12.2 Issued, subscribed and paid - up certificate capital

June 30,2023	June 30, 2022		June 30,2023	June 30, 2022
Number of certificates			Rupees	
<u>45,000,000</u>	<u>45,000,000</u>	Modaraba certificates of Rs. 10 each fully paid in cash	<u>450,000,000</u>	<u>450,000,000</u>

12.3 As at June 30, 2023, Sindh Modaraba Management Limited (Management Company) holds 42,446,000 i.e. 94.33% (2022: 42,446,000 i.e. 94.33%) certificates of the Modaraba.

June 30, 2023 June 30, 2022
Note ----- Rupees -----

13. RESERVES

Capital

Statutory reserve **13.1** 160,416,320 134,334,148

Revenue

Unappropriated profit 111,950,892 61,614,822

272,367,212 195,948,970

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

- 13.1** The statutory reserve represents profit set aside by the Modaraba to comply with the Modaraba Regulations issued by the SECP.

During the year, the Modaraba has transferred an amount of Rs. 26,082,172 (2022: Rs. 13,262,644) which represents 20% (2022: 20%) of the net profit after tax for the year.

June 30, 2023 June 30, 2022
 Note ----- Rupees -----

- | | | | | |
|------------|-----------------------|-------------|-----------------------------|-----------------------------|
| 14. | LONG TERM LOAN | 14.1 | <u>1,000,000,000</u> | <u>1,000,000,000</u> |
|------------|-----------------------|-------------|-----------------------------|-----------------------------|

- 14.1** This represents interest free loan provided by the Management Company (related party) to the Modaraba. The loan is sub-ordinated to senior debt and is repayable at the discretion of Modaraba. The Modaraba has the option to issue modaraba certificates in future against this loan, subject to necessary regulatory approvals.

15. CONTINGENCIES AND COMMITMENTS

15.1 CONTINGENCIES

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	Note	June 30, 2023 Rupees	June 30, 2022
16. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries, allowances and other benefits	16.1 & 16.6	35,631,174	26,117,326
Legal and professional charges	16.2	1,750,796	1,779,789
Repairs and maintenance		1,357,541	896,137
Utility services		1,463,862	1,177,542
Takaful / insurance - owned assets		158,445	145,233
Takaful / insurance - ijarah and diminishing musharaka		869,103	448,189
Postage, courier and telegraphs		170,982	196,769
Generator sharing and fuel charges	16.3	1,273,414	925,358
Entertainment		291,907	188,632
Advertisement and publications		135,312	176,450
Staff orientation and training		10,250	6,000
Rent, rates and taxes	16.4	800,016	799,996
Registration and subscription fee		1,187,766	1,201,624
Travelling and conveyance		5,997,638	3,764,839
Security services		600,000	600,000
Printing, stationery and photocopy		564,098	505,479
Auditors' remuneration	16.5	334,636	305,294
Depreciation expense - tangible assets	10.1	1,248,965	1,431,881
Amortization expense - intangible assets	10.2	77,664	74,904
Donation	16.7	9,997,500	-
Miscellaneous		170,955	146,287
		<u>64,092,024</u>	<u>40,887,729</u>

16.1 This includes an amount of Rs. 1,101,845 (2022: Rs. 855,955) charged to the provident fund and a provision for gratuity of Rs. 1,048,658 (2022: Rs. 676,213).

	Unaudited June 30, 2023 Rupees	Audited June 30, 2022
16.1.1 Defined contribution plan		
Size of the fund (total assets)	10,689,538	12,185,852
Cost of investment made	10,607,930	11,997,768
Fair value of investment made	10,607,930	11,997,768
	June 30, 2023 Percentage	June 30, 2022
Percentage of investment made	<u>99%</u>	<u>98%</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

Break up of Investment at cost

June 30, 2023		June 30, 2022	
Rupees	Percentage	Rupees	Percentage
<u>10,607,930</u>	<u>99%</u>	<u>11,997,768</u>	<u>98%</u>

- 16.2** This includes an amount of Rs. 432,000 (2022: Rs. 432,000) charged to Shariah Advisor as compensation for his service.
- 16.3** This includes an amount of Rs. 1,080,000 (2022: Rs. 720,000) against sharing of expenses with Sindh Insurance Limited - related party.
- 16.4** This includes an amount of Rs. 600,000 (2022: Rs. 600,000) branch rent to Sindh Bank Limited - related party.

	June 30, 2023	June 30, 2022
	----- Rupees -----	-----
16.5 Auditors' remuneration		
Audit fee	177,023	160,930
Half yearly review fee	53,240	48,400
Special certification	46,585	42,350
Other services	20,000	20,000
Sindh sales tax	24,788	22,614
Out of pocket expenses	13,000	11,000
	<u>334,636</u>	<u>305,294</u>

16.6 The remuneration paid to key management personnel

Basic salary	5,971,061	4,836,992
House rent	2,686,978	2,176,647
Other allowances	1,010,898	967,380
Bonuses	1,938,412	1,105,689
Provident fund	517,611	483,685
Other benefits	3,453,094	2,348,279
	<u>15,578,054</u>	<u>11,918,672</u>

- 16.7** This represent donation to the Provincial Disaster Management Authority (PDMA) - Government of Sindh (GoS).

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022
	Note ----- Rupees -----	----- Rupees -----
17. (REVERSAL) / PROVISION FOR DOUBTFUL RECEIVABLES		
(Reversal) / provision against Diminishing Musharaka	7.2 (2,547,401)	13,259,015
	<u>(2,547,401)</u>	<u>13,259,015</u>
18. OTHER INCOME - NET		
Documentation and processing fee	442,336	641,177
Gain on disposal of fixed assets	232,568	-
Others	568,007	5,788
	<u>1,242,911</u>	<u>646,965</u>
19. MODARABA MANAGEMENT COMPANY'S REMUNERATION	19.1 <u>21,936,310</u>	<u>11,352,217</u>
19.1 The Modaraba Management Company is entitled to remuneration under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of annual profits of the Modaraba computed in the prescribed manner. The remuneration for the year ended June 30, 2023, has been recognized at 10% of the profit for the year before charging such remuneration and taxation.		
20. TAXATION - Net		
Provision - Opening	4,578,170	
Provision for taxation		
- Current year	64,201,697	34,380,942
- Prior year	(37,490)	-
	64,164,207	34,380,942
Advance tax deducted / paid	(58,186,765)	(29,802,772)
Provision - Closing	<u>10,555,612</u>	<u>4,578,170</u>
20.1 The provision for current tax is based on normal income tax charge as per the relevant sections of Income Tax Ordinance, 2001.		
20.2 Deferred tax asset amounting to Rs. 11.68 million has not been accounted for in these financial statements due to uncertainties regarding the future taxable profits against which such asset would be utilized.		
21. EARNINGS PER CERTIFICATE - BASIC AND DILUTED		

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

21.1 Basic

Basic earnings per certificate is calculated by dividing the net profit after taxation for the year by the weighted average number of certificates outstanding during the year as follows:

	June 30, 2023	June 30, 2022
	----- Rupees -----	----- Rupees -----
Profit for the year after taxation (Rupees)	<u>130,410,860</u>	<u>66,313,222</u>
Weighted average number of certificates (Numbers)	<u>45,000,000</u>	<u>45,000,000</u>
Earnings per certificate (Rupees)	<u>2.90</u>	<u>1.47</u>

21.2 Diluted

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at June 30, 2023 which would have any effect on the earnings per certificate.

	June 30, 2023	June 30, 2022
	----- Rupees -----	----- Rupees -----
22. NUMBER OF EMPLOYEES		
Total numbers of employees at year end	14	14
Average number of employees	14	14

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 otherwise than disclosed else where in these financial statement are as follows:

	June 30, 2023	June 30, 2022
	----- Rupees -----	----- Rupees -----
23.1 TRANSACTIONS FOR THE YEAR		
Sindh Bank Limited - associated company		
Income from deposits	30,991,020	46,574,435
Income from term deposit receipt	39,726,021	12,352,874
Branch rent paid	600,000	850,000
	<u>71,317,041</u>	<u>59,777,309</u>
Sindh Modaraba Management Limited - management company		
Modaraba management company's remuneration paid	11,352,217	7,862,480
Dividend paid / distributed	50,935,200	42,446,000
	<u>62,287,417</u>	<u>50,308,480</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022
Note	----- Rupees -----	-----
Sindh Insurance Limited - associated company		
Takaful / insurance paid	1,892,951	852,078
Sharing of expenses paid	983,128	968,635
	<u>2,876,079</u>	<u>1,820,713</u>
Key Management Personnel		
Salaries, allowances and benefits paid	16.6 <u>15,578,054</u>	<u>11,918,672</u>
Sindh Modaraba Employees Provident Fund - employee fund		
Contribution paid (both employer's and employee's contribution)	<u>2,191,418</u>	<u>1,711,910</u>
Sindh Modaraba Employees Gratuity Fund - employee fund		
Contribution paid	<u>1,097,429</u>	<u>1,070,048</u>

24. FINANCIAL INSTRUMENTS BY CATEGORY

Financial assets as per balance sheet

June 30, 2023 June 30, 2022
----- Rupees -----

At amortized cost

Current assets

- Cash and bank balances	182,076,260	494,176,101
- Short term investments	700,000,000	320,000,000
- Advances and other receivables	27,496,785	20,188,556
- Current portion of diminishing musharaka	369,562,127	338,062,224
- Current portion of long term loan	431,600	809,600
	<u>1,279,566,772</u>	<u>1,173,236,481</u>

Non-current assets

- Long term portion of diminishing musharaka	494,229,740	505,645,798
- Long term loan	1,222,862	2,378,966
	<u>495,452,602</u>	<u>508,024,764</u>

1,775,019,374 1,681,261,245

Financial liabilities as per balance sheet

At amortized cost

Current liabilities

- Creditors, accrued and other liabilities	44,381,187	32,469,668
- Profit distribution payable	929,481	787,924
	<u>45,310,668</u>	<u>33,257,592</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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, 2023, 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.

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, 2023, 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:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

	June 30, 2023	June 30, 2022
	Note ----- Rupees -----	-----
Cash and bank balances	182,076,260	494,176,101
Short term investments	700,000,000	320,000,000
Diminishing Musharaka	863,791,867	843,708,022
Advances and other receivables	27,496,785	20,188,556
Long term loan	1,654,462	3,188,566
	<u>1,775,019,374</u>	<u>1,681,261,245</u>

As at June 30, 2023, there were no financial assets which were pledged as collateral for liabilities or contingent liabilities of the Modaraba.

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 Modaraba's total credit exposure. Concentrations of credit risk indicate the relative sensitivity of the Modaraba's performance to developments affecting a particular industry.

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

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

Sectors	June 30, 2023		June 30, 2022	
	Rupees	%	Rupees	%
Sugar	63,972,855	6.96	102,391,330	11.35
Oil & Gas - Oil Marketing	11,280,000	1.23	-	-
Security services	23,106,380	2.51	31,087,040	3.45
Other services	62,054,013	6.75	30,095,314	3.34
Individual	45,420,169	4.94	32,143,608	3.56
Brokerage	74,682	0.01	634,677	0.07
Transport	57,392,505	6.24	59,683,888	6.62
Metal & Steel	2,275,000	0.25	2,275,000	0.25
Construction	177,162,502	19.27	147,210,176	16.32
Pharmaceutical	12,920,625	1.41	30,465,000	3.38
Poultry, Poultry feed & hatchery	51,206,590	5.57	52,706,589	5.84
Chemical & Allied (Other)	35,441,402	3.85	42,499,515	4.71
Textile	62,756,501	6.83	83,149,560	9.22
Food & Beverages	56,250,000	6.12	68,750,000	7.62
Energy	42,200,000	4.59	4,522,225	0.50
Health	197,020,834	21.43	199,500,000	22.12
Others	18,931,084	2.06	14,814,776	1.64
	<u>919,465,142</u>	<u>100</u>	<u>901,928,698</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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

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

Credit risk ratings	Rating	June 30, 2023	June 30, 2022
		----- Rupees -----	-----
Bank balances - Sindh Bank Limited	A+ / A-1	13,425,183	484,432,553
Bank balances - Meezan Bank Limited	AAA/A-1+	767	9,599,447
TDRs - Meezan Bank Limited	AAA/A-1+	-	320,000,000
Bank balances - Bank Al-Habib Limited	AAA / A-1+	14,036	13,455
Bank balances - NRSP Micro Finance Bank Limited	A / A-1	17,642	16,438
Bank balances - Soneri Bank Limited	AA- / A1+	92,511,625	-
Bank balances - Bank Al-Baraka Limited	A+ / A-1	76,000,000	-
TDRs - Soneri Bank Limited	AA- / A1+	700,000,000	-
Bank balances - Habib Metropolitan Bank Limited	AA+ / A-1+	21,226	-
		<u>881,990,479</u>	<u>814,061,893</u>

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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:

June 30, 2023						
Profit bearing			Non - profit bearing			Total
Maturity upto 1 year	Maturity after 1 year and upto 5 years	Sub Total	Maturity upto 1 year	Maturity after 1 year and upto 5 years	Sub Total	
----- Rupees -----						
Maturities of assets and liabilities						
Financial assets						
Cash and bank balances	178,235,009	-	178,235,009	3,841,251	-	3,841,251
Short term investments	700,000,000	-	700,000,000	-	-	-
Diminishing Musharaka	369,562,127	494,229,740	863,791,867	-	-	-
Long term loan	-	-	-	431,600	1,222,862	1,654,462
Advances and other receivables	-	-	-	27,496,785	-	27,496,785
	1,247,797,136	494,229,740	1,742,026,876	31,769,636	1,222,862	32,992,498
						1,775,019,374
Financial liabilities						
Creditors, accrued and other liabilities	-	-	-	44,381,187	-	44,381,187
Profit distribution payable	-	-	-	929,481	-	929,481
				45,310,668		45,310,668
						45,310,668
----- Rupees -----						
June 30, 2022						
Profit bearing			Non - profit bearing			Total
Maturity upto 1 year	Maturity after 1 year and upto 5 years	Sub Total	Maturity upto 1 year	Maturity after 1 year and upto 5 years	Sub Total	
----- Rupees -----						
Maturities of assets and liabilities						
Financial assets						
Cash and bank balances	492,734,368	-	492,734,368	1,441,733	-	1,441,733
Short term investments	320,000,000	-	320,000,000	-	-	-
Diminishing Musharaka	338,062,224	505,645,798	843,708,022	-	-	-
Long term loan	-	-	-	809,600	2,378,966	3,188,566
Advances and other receivables	-	-	-	20,188,556	-	20,188,556
	1,150,796,592	505,645,798	1,656,442,390	22,439,889	2,378,966	24,818,855
						1,681,261,245
Financial liabilities						
Creditors, accrued and other liabilities	-	-	-	32,469,668	-	32,469,668
Profit distribution payable	-	-	-	787,924	-	787,924
				33,257,592		33,257,592
						33,257,592

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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.

The Modaraba finances its operations through equity and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. There is no borrowing made by the Modaraba as at the balance sheet date, therefore, no gearing ratio is calculated.

27. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

International Financial Reporting Standard (IFRS) 13, 'Fair value measurements' requires the Modaraba to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the assets or liability that are not based on observable market data (i.e., unobservable inputs) (level 3).

As at June 30, 2023, there were no financial instruments which were measured at fair values in the financial statements.

28. SEGMENT INFORMATION

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2023

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

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

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

Revenue from operation from ten major customers of the Modaraba constitutes 65.20% (2022: 71.39% from ten major customers) of the total revenue from operations during the year ended 30 June 2023.

29. NON - ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on 21 September 2023, approved a cash distribution of Rs. 1.25 per certificate. The financial statements of the Modaraba for the year ended June 30, 2023 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, 2024.

		June 30, 2023	June 30, 2022
	Note	----- Rupees -----	-----
30. CASH AND CASH EQUIVALENT			
Cash and bank balances	4	182,076,260	494,176,101
Short term investments	5	700,000,000	320,000,000
		<u>882,076,260</u>	<u>814,176,101</u>

31. CORRESPONDING FIGURES

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

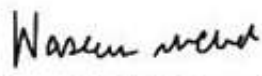
32. DATE OF AUTHORISATION

These financial statements were authorized for issue on 21 September 2023 by the Board of Directors of the Management Company.

33. GENERAL

The figures have been rounded off to the nearest rupees.

For Sindh Modaraba Management Limited (Management Company)


Chairman


Chief Executive Officer


Director


Chief Financial Officer

Pattern Of Certificate Holding By The Certificate Holders As At June 30, 2023

Number Of Certificate Holders	Certificate Holding			Total Certificate Held
	From		To	
250	1	-	100	1,729
446	101	-	500	220,054
52	501	-	1000	49,985
80	1001	-	5000	228,892
20	5001	-	10000	145,000
3	10001	-	15000	39,840
5	15001	-	20000	96,500
3	20001	-	25000	71,500
3	30001	-	35000	99,500
2	35001	-	40000	79,000
1	45001	-	50000	50,000
2	50001	-	55000	104,500
1	60001	-	65000	60,500
1	65001	-	70000	68,000
1	70001	-	75000	75,000
1	75001	-	80000	76,500
1	145001	-	150000	150,000
1	180001	-	185000	185,000
1	200001	-	205000	205,000
1	245001	-	250000	249,000
1	295001	-	300000	298,500
1	42445001	-	42450000	42,446,000
877				45,000,000

Categories Of Shareholders	Shares Held	Percentage
(i) Government;		NIL
(ii) Associated Companies, Undertakings and Related Parties (name wise details);		
Sindh Modaraba Management Ltd.	42,446,000	
	42,446,000	94.32
(iii) Mutual Funds;		NIL
(iv) Directors, Chief Executive, and their spouse and minor children (name wise details);		
Ishfaque Ahmed -CEO	500	0.001
Rehan Anjum -Director	500	0.001
Tahoorah Ishfaque -Spouse (CEO)	500	0.001
Soolia Ishfaque -Relative (CEO)	500	0.001
Ahmed Salman -Spouse (Rukhsana Narejo -Director)	5,000	0.011
	7,000	0.016
(v) Executives;		
Faraz Uz Zafar -Head of Compliance	2,000	
	2,000	0.004

Pattern Of Certificate Holding By The Certificate Holders As At June 30, 2023

Categories Of Shareholders	Shares Held	Percentage
(vi) Public Sector Companies and corporations;		NIL
(vii) Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful Companies and Modarabas;		NIL
Hafiz Limited	33,000	
	<u>33,000</u>	0.073
Individual		
Local - Individuals	2,388,500	
	<u>2,512,000</u>	5.582
Grand Total:	<u>45,000,000</u>	100.00

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

Sindh Modaraba Management Ltd.	<u>42,446,000</u>	94.32
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Notice of Annual Review Meeting & Announcement Of Cash Dividend

Notice is hereby given that the 9th Annual Review Meeting of certificate holders of Sindh Modaraba will be held on 26 October 2023 at 10:30 A.M. at 602, 6th Floor, Progressive Centre, 30-A, Block-6, P.E.C.H.S, Shahra e Faisal, Karachi to review the performance of the Modaraba for the year ended June 30, 2023 in terms of clause 20 of the Prudential Regulations for Modaraba issued vide Circular number 4/2004 by Registrar Modaraba Companies and Modarabas.

The Board of Directors of Sindh Modaraba has approved a final cash dividend of 12.50% (Rs.1.25 per certificate) for the year ended June 30, 2023.

The Modaraba Certificate transfer book shall remain closed from 19 October 2023 to 26 October 2023 (both days inclusive) to determine the names of Certificate Holders entitled to receive dividend and to attend the Annual Review Meeting.

Agenda

Transmission of Annual Audited Financial Statements to its members through QR-enabled code and Weblink.

SECP has allowed all the listed companies, vide its S.R.O. 389(I)2023 dated 21 March 2023, to circulate the annual balance sheet, profit & loss account, auditor's report and directors report, etc. ("annual audited financial statements") to its members through QR enabled code and Weblink, after obtaining approval of share/certificate holders in its Annual General/Review Meeting.

However, Sindh Modaraba shall circulate the annual audited financial statements through email in case an email address has been provided as required by the member/shareholder. Furthermore, Sindh Modaraba shall send the same in hard copy to their members/shareholders at their registered addresses, free of cost, within one week, if a request has been made by the member on the standard request form available on the website of the company.

Therefore, the members/share/certificate holders are requested to approve the transmission of Annual Audited Financial Statements via QR-enabled code and Weblink.

Karachi
October 05, 2023

M. Adnan Shakeel
Company Secretary

Note:

1. The Modaraba Certificate transfer book shall remain closed from October 19, 2023 to October 26, 2023 (both days inclusive) to determine the names of Certificate Holders entitled to receive dividends and to attend the Annual Review Meeting. Transfers received in order at the registrar's office of the Modaraba up to the close of the business on October 18, 2023 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 the registrar of Sindh Modaraba, of any change in their addresses.
3. CDC certificate holders desiring to attend the meeting are requested to bring their original CNIC, Account, and Participant's ID number, for identification purposes.

اطلاع برائے سالانہ جائزہ اجلاس اور کیش ڈیویڈنڈ کا اعلان

بزرگ بھائی اطلاع دی جاتی ہے کہ رجسٹرار مضاربہ کمپنیز اور مضاربہ کی جانب سے سرکل نمبر ۲۰۰۳/۳ اور پروڈینشل ریگولیشن کے تحت ۲۰ کی شرائط کے تحت ۳۰، جون ۲۰۲۳ء کو ختم ہونے والے سال کیلئے مضاربہ کی کارگزاری کے جائزہ کیلئے سندھ مضاربہ کے سرٹیفکیٹ ہولڈرز کا نوٹ سالانہ جائزہ اجلاس ۲۶، اکتوبر ۲۰۲۳ء کو صبح ۱۰:۳۰ بجے کمر نمبر ۶۰۲، چھٹی منزل، پروگریسیو سینٹر، ۳۰-۱، بلاک نمبر ۶، شارع فیصل، کراچی میں منعقد ہوگا۔

مضاربہ کے بورڈ آف ڈائریکٹرز نے ۳۰، جون ۲۰۲۳ء کو ختم ہونے والے سال کیلئے ۱۲.۵۰٪ (فی سرٹیفکیٹ ۱.۲۵) کی شرح سے حتمی کیش ڈیویڈنڈ منظور کیا ہے۔

ڈیویڈنڈ وصول کرنے اور سالانہ جائزہ اجلاس میں شرکت کرنے کے حقدار سرٹیفکیٹ ہولڈرز کے ناموں کا تعین کرنے کیلئے مضاربہ سرٹیفکیٹ ٹرانسفر بکس ۱۹، اکتوبر ۲۰۲۳ء سے ۲۶، اکتوبر ۲۰۲۳ء تک (بشمول دونوں ایام) بند رہیں گی۔

ایجنڈا:

ایس ای سی پی اپنے SRO #2023(I) 389 مورخہ 21 مارچ 2023ء کے ذریعے تمام لسٹڈ کمپنیوں کو اجازت دے چکا ہے، کہ سالانہ جنرل/جائزہ میٹنگ میں شیئر/سرٹیفکیٹ ہولڈرز کی منظوری حاصل کرنے کے بعد، سالانہ بیننس شیٹ، منافع اور نقصان کے اکاؤنٹ، آڈیٹر کی رپورٹ اور ڈائریکٹرز کی رپورٹ وغیرہ ("سالانہ آڈٹ شدہ مالیاتی بیانات") اپنے اراکین کو QR فعال کوڈ اور Weblink کے ذریعے فراہم کر دیے جائیں۔

تاہم، سندھ مضاربہ سالانہ آڈٹ شدہ مالیاتی گوشواروں کو ای میل کے ذریعے فراہم کرے گا، اگر ممبر/شیئر ہولڈر کی طرف سے مطالبہ ہو اور ای میل پر یہ فراہم کیا گیا ہو۔ مزید برآں، اگر ممبر کی جانب سے کمپنی کی ویب سائٹ پر دیئے گئے فارم پر درخواست کی گئی ہو، تو سندھ مضاربہ اسے بارڈر کا پی پی میں بھی اپنے ممبران/شیئر ہولڈر کو ان کے رجسٹرڈ پتے پر ایک ہفتے کے اندر بھیجنے کا پابند ہوگا۔

لہذا، ممبران/شیئر/سرٹیفکیٹ ہولڈرز سے درخواست کی جاتی ہے کہ وہ QR-enabled کوڈ اور Weblink کے ذریعے سالانہ آڈٹ شدہ مالیاتی گوشواروں کی ترسیل کی منظوری دیں۔

کراچی
۱۵ اکتوبر ۲۰۲۳

محمد عدنان کلیل
کمپنی سیکریٹری

نوٹس:

- ۱۔ سرٹیفکیٹس ٹرانسفر بکس ۱۹، اکتوبر ۲۰۲۳ء سے ۲۶، اکتوبر ۲۰۲۳ء تک (بشمول دونوں ایام) بند رہیں گی تاکہ اجلاس میں شرکت اور ڈیویڈنڈ کے حقدار کا تعین ہو سکے۔ سرٹیفکیٹ منتقلی کے لیے ۱۸، اکتوبر ۲۰۲۳ء کو کاروباری اوقات ختم ہونے سے پہلے تک سندھ مضاربہ کے رجسٹرار آفس میں موصول ہونے والی تمام درخواست سالانہ جائزہ اجلاس میں شرکت اور ڈیویڈنڈ کی تقسیم کیلئے بروقت تصوری جائیں گی۔
- ۲۔ سرٹیفکیٹ ہولڈرز سے درخواست ہے کہ اگر ان کے ایڈریس میں کوئی تبدیلی ہو تو رجسٹرار کو آگاہ کریں۔
- ۳۔ سی ڈی سی سرٹیفکیٹ ہولڈرز جو اجلاس میں شرکت کرنا چاہتے ہیں، اپنے ساتھ اصل شناختی کارڈ، اکاؤنٹ نمبر (آئی بی اے این) اور پارٹنرسپنٹ آئی ڈی نمبر لازمی لائیں۔

Islamic Financing Products Offered by Sindh Modaraba

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

SINDH MODARABA

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