

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

SINDH MODARABA



QUARTERLY REPORT
MARCH 2019

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

تَبَارَكَ الَّذِي بِيَدِهِ الْمُلْكُ وَهُوَ
عَلَى كُلِّ شَيْءٍ قَدِيرٌ ۝

Blessed is He in Whose Hand is the dominion,
and He is Able to do all things

بس ایک وہی برکت والا ثابت ہوا جس کے قبضہ قدرت میں تمام بادشاہت ہے
اور وہ ہر چیز پر جسے وہ چاہے دائمی قدرت رکھتا ہے۔

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Vision & Mission Statements

Vision

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

Mission

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

Corporate Information

Board of Directors

Mr. Muhammad Bilal Sheikh	-Chairman	-Non-Executive Director
Mr. Najam Ahmed Shah		-Non-Executive Director
Mr. Muhammad Shahid Murtaza		-Non-Executive Director
Mr. Asif Haider Mirza		-Non-Executive Director
Mr. Kamal Ahmed		-Independent Director
Ms. Yasmin Zafar		-Independent Director
Mr. Muhammad Naimuddin Farooqui		-Chief Executive

CFO & Company Secretary

Zulfiqar Ali

Audit Committee

Mr. Kamal Ahmed	-Chairman
Mr. Muhammad Shahid Murtaza	-Member
Ms. Yasmin Zafar	-Member

Bankers

Sindh Bank Limited-Islamic Banking (Saadat)
NRSP Microfinance Bank Limited (IMD)

Auditors

Grant Thornton Anjum Rahman
Chartered Accountants

Shariah Advisor

Mufti Zeeshan Abdul Aziz

Legal Advisor

Mohsin Tayebaly & Co.

Share Registrar

F.D. Registrar Services (SMC-Pvt.) Ltd.
Office # 1705, 17th Floor, Saima Trade Tower-A
I.I. Chundrigarh Road, Karachi
Tel: (92-21) 35478192-93/32271906

Registered/Head Office

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

Lahore Branch

Escort House No. 28
Davis Road
Lahore

Directors' Review

The Board of Directors of Sindh Modaraba Management Limited, Management Company of Sindh Modaraba is pleased to present the un-audited Financial Statements of Sindh Modaraba for nine-months period of FY-2019 ended March 31, 2019.

Operating Results

By the grace of Almighty, the Modaraba has crossed the profitability level of last full year during the nine months period ended 31st March 2019. The management continued its cautious lending approach during the period under review. Continuous increase in interest rates by the SBP contributed to the enhanced profitability of Modaraba. Administrative expenses increased by 13% against approx 35% increase in revenue, net of ljarah depreciation. The net profit for the period under review is reported at Rs. 53.372 million as compared to Rs. 37.881 million earned during the corresponding period ended March 31, 2018.

Future Prospects

The Federal Government has launched an economic stability programme to improve economic growth and to generate employment opportunities for the young and unemployed. There are several initiatives that the Government has taken which includes shoring up of foreign exchange reserves to stabilize rupee, raising interest rates to curb inflation and making structural adjustments in the economy to reap long-term benefits. Simultaneously it has proposed a supplementary budget incentivizing the corporate sector and individuals such as tax concessions. If implemented as proposed, country's economy stands a good chance of recovery, notwithstanding the recent reports of Asian Development Bank and the World Bank projecting dampened economic growth.

The Government has reduced its borrowings from the Commercial Banks and is instead relying on raising money by issuing Sukuks/Bonds for its development projects. This will free up liquidity in the Banks for private sector credit which remained at very low levels in the past. The Government's plan to build 5 million homes and establishing a Housing Finance Company to dispense State Bank's credit lines would benefit at least 28 downstream industry in the construction sector. This augurs well for financial institutions for lending to the corporate sector and could result in an increased off take by companies supporting the construction industry.

The Government of Sindh too has certain schemes under consideration, which when approved and launched will benefit the Modaraba. The Management is hopeful to turn in another profitable year having a sound portfolio with little or no infected loans/advances.

Acknowledgment

On behalf of the Board of Directors, I would like to thank the Sponsors, the Regulators and our Shariah Advisor for their guidance and support. We would also like to acknowledge the continued patronage of our clients and put on record the dedication and hard work of employees of the Modaraba.

On behalf of Board

Karachi
April 25, 2019

Muhammad Naimuddin Farooqui
Chief Executive Officer

ڈائریکٹر زکا جائزہ

ہم سندھ مضاربہ مینجمنٹ لیمنڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، 31 مارچ 2019 کو مکمل ہونے والے FY-2019 کے نو ماہ کے سندھ مضاربہ کے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

آپریٹنگ نتائج

اللہ تعالیٰ کے فضل سے مضاربہ نے 31 مارچ 2019 کو مکمل ہونے والی نو ماہ کی مدت کے دوران گزشتہ پورے سال کے منافع سے زائد منافع حاصل کر لیا ہے۔ زیر غور مدت کے دوران انتظامیہ نے قرضہ فراہم کرنے کی اپنی محتاط پالیسی کو جاری رکھا۔ ایس بی پی کی طرف سے مسلسل بڑھتی ہوئی شرح سود کی وجہ سے مضاربہ کے منافع میں مزید اضافہ ہوا۔ انتظامی اخراجات میں 13 فیصد اضافہ کے مقابلے میں آمدنی (خالص اجارہ اثاثہ کی فرسودگی) میں تقریباً 35 فیصد اضافہ ہوا۔ مضاربہ نے 31 مارچ 2018 کو ختم ہونے والے نو ماہ میں Rs. 37.881 ملین منافع کے مقابلے میں زیر غور نو ماہ میں Rs. 53.372 ملین کا منافع کمایا۔

امکانات مستقبل

وفاقی حکومت نے اقتصادی ترقی کو بہتر بنانے اور نوجوانوں کو روزگار فراہمی کے لئے اقتصادی استحکام کا پروگرام شروع کیا ہے۔ اس ضمن میں حکومت نے کئی اقدامات اٹھائے ہیں جن میں روپے کے استحکام کے لیے زر مبادلہ کو سہارا دینا، افراط زر کو روکنے کے لئے سود کی شرح میں اضافہ اور طویل المدت فائدے اٹھانے کیلئے معیشت کے ڈھانچے میں تبدیلی شامل ہیں۔ اس کے ساتھ ہی حکومت نے کارپوریٹ شعبہ اور افراد کی ٹیکس میں رعایت کے ذریعے ترغیب کیلئے ایک ضمنی بجٹ بھی تجویز کیا ہے۔ اگر یہ اسی طرح لاگو ہوتا ہے تو ایٹھائی ترقیاتی بینک اور ورلڈ بینک کی محدود معاشی ترقی کی حالیہ رپورٹوں کے باوجود ملکی معیشت کی بحالی کے روشن امکانات ہیں۔

حکومت نے تجارتی بینکوں سے اپنے قرضوں کو کم کر دیا ہے اور اس کے بجائے حکومت ترقیاتی منصوبوں کی رقم کی فراہمی کیلئے سکوٹ / بانڈ جاری کرنے پر انحصار کر رہی ہے۔ اس سے ماضی میں بہت کم سٹاک پر رہنے والے نجی شعبہ کو قرضہ کی فراہمی کیلئے بینک کی مانعیت میں اضافہ ہو گا۔ حکومت کے 50 لاکھ گھر بنانے کے منصوبے اور اسٹیٹ بینک کی کریڈٹ لائنز کو فروغ دینے کے لئے ہاؤسنگ فنانس کمپنی قائم کرنے سے تعمیراتی شعبے سے متعلق کم از کم 28 صنعتوں کو فائدہ ہو گا۔ یہ مالیاتی اداروں کے کارپوریٹ شعبہ کو قرض دینے کے لئے اچھا ثابت ہو گا اور تعمیراتی صنعت سے متعلق کمپنیوں کی طرف سے قرضے لینے میں اضافہ ہو سکتا ہے۔

سندھ حکومت کے پاس بھی کچھ منصوبے زیر غور ہیں، جس کی منظوری اور نافذ ہونے سے مضاربہ کو فائدہ ہو گا۔ انتظامیہ پھر سے ہنسی متاثرہ قرضے کے ایک اور منافع بخش سال کیلئے پُر امید ہے۔

اعتراض

ہم بورڈ آف ڈائریکٹرز کی طرف سے اسپانسرز، ریگولیٹرز اور ہمارے شرعی مشیر کی رہنمائی اور حمایت کے لئے، ان کا شکریہ ادا کرنا چاہتے ہیں۔ ہم اپنے گاہکوں کی مسلسل حمایت کے معترف ہیں اور مضاربہ کے ملازمین کے خلوص اور سخت محنت کو بھی سراہتے ہیں۔

بورڈ کی جانب سے

کراچی

25 اپریل 2019

محمد نعیم الدین فاروقی

چیف ایگزیکٹو آفیسر

Condensed Interim Balance Sheet

As At March 31, 2019

AS At March 31, 2019

		March 31, 2019	June 30, 2018
		Un-audited	Audited
Note		-----Rupees-----	
ASSETS			
Current assets			
	4	685,551,719	670,732,532
	5	170,000,000	130,000,000
	6	8,320,144	6,843,967
	7	18,265,980	69,975,934
	8	7,192,800	10,439,645
	9	277,680,908	208,379,336
		297,000	324,000
		1,167,308,551	1,096,695,414
Non - current assets			
	9	414,449,667	407,036,245
	10	11,521,264	61,302,196
		-	216,000
	11	3,374,321	4,178,863
		429,345,252	472,733,304
		1,596,653,803	1,569,428,718
LIABILITIES AND EQUITY			
Current liabilities			
	12	555,562,258	524,638,794
	13	5,343,370	28,722,445
		331,878	105,615
		561,237,506	553,466,854
Non - current liabilities			
	13	8,000	175,650
		561,245,506	553,642,504
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
50,000,000 certificates of Rs. 10 each			
(June 2018: 50,000,000 certificates of Rs. 10 each)			
		500,000,000	500,000,000
		450,000,000	450,000,000
		85,408,297	65,786,214
	14	500,000,000	500,000,000
		1,035,408,297	1,015,786,214
		1,596,653,803	1,569,428,718
CONTINGENCIES AND COMMITMENTS			
	15		

The annexed notes 1 to 22 form an integral part of these condensed interim financial information.

For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

Condensed Interim Profit And Loss Account

For The Nine-Months Period Ended March 31, 2019

		Nine-months ended		Quarter ended	
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
		Un-audited			
		Rupees			
Note					
Income from:					
	- Diminishing Musharaka	66,035,658	38,504,119	25,094,908	13,412,561
	- Ijarah	29,157,794	58,448,012	5,316,555	18,190,706
	- Murabaha Finance	-	460,822	-	277,543
	- Bank deposits	10,352,058	12,031,583	3,791,731	3,101,303
	- Term deposits receipts	8,668,840	5,976,803	3,145,687	2,819,192
		114,214,350	115,421,339	37,348,881	37,801,305
Administrative and operating expenses	16	(24,725,768)	(21,864,045)	(8,014,691)	(7,910,696)
Depreciation - Ijarah assets	10	(25,990,223)	(50,224,157)	(5,617,263)	(15,597,183)
(Provision)/ reversal on Ijarah rental receivable	6	(13,859)	(10,359)	(2,867)	(13,667)
Income suspended/provision in respect of murabaha finance		(2,246,845)	(52,461)	200,000	(12,383)
(Provision)/ reversal in respect of diminishing musharaka		(385,502)	(454,178)	34,888	(280,342)
		(53,362,197)	(72,605,200)	(13,399,933)	(23,814,271)
		60,852,153	42,816,139	23,948,948	13,987,034
Other income		547,295	762,462	132,000	323,995
		61,399,448	43,578,601	24,080,948	14,311,029
Management Company's remuneration		(6,139,945)	(4,357,860)	(2,408,095)	(1,431,103)
Provision for services sales tax on the Management Company's remuneration		(798,193)	(566,522)	(313,052)	(186,043)
Workers' welfare fund		(1,089,227)	(773,085)	(427,196)	(253,878)
Profit for the period before taxation		53,372,083	37,881,134	20,932,605	12,440,005
Taxation	17	-	-	-	-
Profit for the period		53,372,083	37,881,134	20,932,605	12,440,005
Earnings per certificate - basic and diluted		1.19	0.84	0.47	0.28

The annexed notes 1 to 22 form an integral part of these condensed interim financial information.

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



Chairman



Chief Executive



Director

Condensed Interim Statement Of Comprehensive Income

For The Nine-Months Period Ended March 31, 2019

	Nine-months ended		Quarter ended	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
	Un-audited			
	Rupees			
Profit for the period	53,372,083	37,881,134	20,932,605	12,440,005
Other comprehensive income for the period				
- items that may be reclassified to profit and loss account	-	-	-	-
- items that will not be reclassified to profit and loss account subsequently	-	-	-	-
Total comprehensive income for the period	53,372,083	37,881,134	20,932,605	12,440,005

The annexed notes 1 to 22 form an integral part of these condensed interim financial information.

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



Chairman



Chief Executive



Director

Condensed Interim Cash Flow Statement

For The Nine-Months Period Ended March 31, 2019

		Nine-months ended	
		March 31, 2019	March 31, 2018
		Un-audited	
		Rupees	
Note			
CASH FLOWS FROM OPERATING ACTIVITIES			
	Profit for the period before taxation	53,372,083	37,881,134
	Adjustments for non - cash and other items		
	Depreciation - Ijarah assets 10	25,990,223	50,224,157
	Depreciation - Fixed assets - in own use 11.1 & 11.2	1,212,639	1,194,420
	Income on bank deposits	(10,352,058)	(12,031,583)
	Income on term deposit receipts	(8,668,840)	(5,976,803)
	Gain on disposal of ijarah asset	(56,595)	(231,562)
	Provision in respect of Diminishing Musharaka	385,502	454,178
	Provision for ijarah rental receivable	13,859	10,359
	Income suspended/ provision in respect of murabaha finance 8	2,246,845	52,461
		10,771,575	33,695,627
	Working capital changes		
	Advances, prepayments and other receivables	54,621,842	(83,819,193)
	Murabaha Finance 8	(1,000,000)	(10,492,106)
	Ijarah rental receivables	(1,490,036)	(2,071,940)
	Diminishing Musharaka	(77,100,496)	(90,835,444)
	Long term loan	243,000	243,000
	Creditors, accrued and other liabilities	30,723,461	12,880,547
	Deferred murabaha income	-	40,284
	Customers' security deposit	(23,546,725)	(3,934,600)
		(17,548,954)	(177,989,452)
	Income received on term deposit receipts	7,525,498	4,011,996
	Income received on bank deposits	8,583,512	13,420,773
	Net cash generated from / (used in) operations	62,703,714	(88,979,922)
	CASH FLOWS FROM INVESTING ACTIVITIES		
	Sale proceed from disposal of ijarah asset	25,847,307	7,923,777
	Redemption of short term investments	130,000,000	130,000,000
	Purchase of short term investments	(170,000,000)	(130,000,000)
	Purchase of fixed assets 11.1	(208,097)	(1,594,979)
	Net cash (used in) / generated from investing activities	(14,360,790)	6,328,798
	CASH FLOWS FROM FINANCING ACTIVITIES		
	Dividend paid	(33,523,737)	(20,199,457)
	Net cash used in financing activities	(33,523,737)	(20,199,457)
	Net increase / (decrease) in cash and cash equivalents	14,819,187	(102,850,581)
	Cash and cash equivalents at the beginning of the period	670,732,532	370,776,004
	Cash and cash equivalents at the end of the period	685,551,719	267,925,423

The annexed notes 1 to 22 form an integral part of these condensed interim financial information.

For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

Condensed Interim Statement of Changes in Equity

For The Nine-Months Period Ended March 31, 2019

	Issued, subscribed, and paid - up certificate capital	Reserves			Long term loan	Total equity
		Statutory reserve	Unappropriated profit	Total		
-----Rupees-----						
Balance as at July 01, 2017 - audited	450,000,000	11,324,329	22,347,312	33,671,641	500,000,000	983,671,641
Profit for the period	-	-	37,881,134	37,881,134	-	37,881,134
Transaction with Certificate Holders						
Profit distribution @ Rs. 0.45 (4.5%) per certificate	-	-	(20,250,000)	(20,250,000)	-	(20,250,000)
Balance as at March 31, 2018 - unaudited	450,000,000	11,324,329	39,978,446	51,302,775	500,000,000	1,001,302,775
Balance as at July 01, 2018 - audited	450,000,000	27,033,701	38,752,513	65,786,214	500,000,000	1,015,786,214
Profit for the period	-	-	53,372,083	53,372,083	-	53,372,083
Transaction with Certificate Holders						
Profit distribution @ Rs. 0.75 (7.5%) per certificate	-	-	(33,750,000)	(33,750,000)	-	(33,750,000)
Balance as at March 31, 2019 - unaudited	450,000,000	27,033,701	58,374,596	85,408,297	500,000,000	1,035,408,297

The annexed notes 1 to 22 form an integral part of these condensed interim financial information.

For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

Notes to the Condensed Interim Financial Information

For The Nine-Months Period Ended March 31, 2019

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 Limited.

The VIS Credit Rating Company Limited (Formerly JCR-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

This condensed interim financial information of the Modaraba for the nine months period ended March 31, 2019 have been prepared by the management in accordance with the International Accounting Standard (IAS)-34 "Interim Financial Reporting" and 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, Modaraba Companies and Modaraba Rules, 1981 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case the requirements of the Ordinance and the Rules differ with the requirements of IFRS, the requirements of the Ordinance or the Rules shall prevail.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34; 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Modaraba for the year ended June 30, 2018.

2.2 Basis of measurement

These condensed interim financial information has been prepared under the historical cost convention.

2.3 Functional and presentation currency

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

Notes to the Condensed Interim Financial Information

For The Nine-Months Period Ended March 31, 2019

2.4 Use of significant estimates and judgments

The preparation of condensed interim financial information 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 on-going basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Modaraba for the year ended June 30, 2018.

		March 31, 2019	June 30, 2018
		Un-audited	Audited
4	CASH AND BANK BALANCES	Note -----Rupees-----	
	Cash in hand	20,000	3,197
	Stamp paper in hand	70,800	78,900
	Balances with banks on:		
	- deposit accounts	4.1 685,005,175	670,509,215
	- current accounts	4.2 455,744	141,220
		<u>685,551,719</u>	<u>670,732,532</u>

4.1 These carry profit at the rates ranging from 8.3% to 8.5% per annum. (June 30, 2018: 4.78% to 5.8% per annum). This includes balance of Rs. 684.96 million (June 30, 2018: 666.54 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

4.2 This includes balance of Rs. 435,393 (June 30, 2018: Rs. 119,988) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

		March 31, 2019	June 30, 2018
		Un-audited	Audited
5	SHORT TERM INVESTMENT	Note -----Rupees-----	
	Term deposit receipts	5.1 <u>170,000,000</u>	<u>130,000,000</u>

5.1 This represents investment made in Term Deposit Receipt in a Microfinance Bank - Islamic Division for the period of three months (June 30, 2018: six months). This investment carries markup at rate 8.78% per annum (June 30, 2018: from 6.96% to 8.57%).

Notes to the Condensed Interim Financial Information

For The Nine-Months Period Ended March 31, 2019

		March 31, 2019	June 30, 2018
		Un-audited	Audited
6	IJARAH RENTAL RECEIVABLES		
	Ijarah rental receivables - secured	9,650,153	6,878,359
	Less: Income suspended	(1,281,758)	-
	Less: provision for ijarah rental receivable	(48,251)	(34,392)
		<u>8,320,144</u>	<u>6,843,967</u>

Note

Rupees

- 6.1 This represents general provision made at the rate of 0.5% (June 30, 2018: 0.5%) against ijarah rental receivable.

		March 31, 2019	June 30, 2018
		Un-audited	Audited
7	ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
	Advances	2,529,318	61,889,720
	Prepayments	1,101,100	1,338,614
	Accrued income from bank deposits	4,878,468	3,109,922
	Accrued income from term deposit receipts	2,466,054	1,322,712
	Accrued income from Diminishing Musharaka	7,290,940	2,314,866
	Other receivables	100	100
		<u>18,265,980</u>	<u>69,975,934</u>

Note

Rupees

- 7.1 This includes advance to vendors in respect of acquisition of assets under Diminishing Musharaka arrangement for onward delivery to customer amounting to Rs. 1.091 million (June 30, 2018: Rs. 61.15 million).

		March 31, 2019	June 30, 2018
		Un-audited	Audited
8	MURABAHA FINANCE		
	Receivables - secured	9,492,106	10,492,106
	Less: income suspended	(501,106)	-
	Less: provision in respect of murabaha finance	(1,798,200)	(52,461)
		<u>7,192,800</u>	<u>10,439,645</u>

Note

Rupees

- 8.1 This represents the finance provided to a Corporate client under Murabaha finance for period of 6 months which is secured against mortgage of property and personal guarantee of a director. This includes Rs. 501,106 which represents profit receivable.

Notes to the Condensed Interim Financial Information

For The Nine-Months Period Ended March 31, 2019

		March 31, 2019	June 30, 2018
		Un-audited	Audited
Note		Rupees	
9	DIMINISHING MUSHARAKA		
	Receivables - secured	9.1 695,608,618	618,508,122
	Less: current portion	(277,680,908)	(208,379,336)
	Less: provision	9.2 (3,478,043)	(3,092,541)
	Non current portion	414,449,667	407,036,245

9.1 This represents the finance provided to Individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 2 to 20 years (June 30, 2018: 2 to 20 years) which are secured against mortgage of property, lien on title documents and charge on assets.

9.2 This represents general provision made at the rate of 0.5% (June 30, 2018: 0.5%) on Diminishing Musharaka receivables.

10 IJARAH ASSETS

Particulars	Cost			Depreciation			WDV as at March 31, 2019	Depreciation rate
	As at July 01, 2018	Disposal	As at March 31, 2019	As at July 01, 2018	Charge for the period/(Adjustment)	As at March 31, 2019		
	Rupees							
Plant and machinery	194,470,625	(113,220,625)	81,250,000	144,397,166	22,240,744 (90,576,500)	76,061,410	5,188,590	33.33%
Vehicles	25,108,700	(8,464,500)	16,644,200	13,879,963	3,749,479 (7,317,916)	10,311,526	6,332,674	20% - 33.33%
For the period ended March 31, 2019 - unaudited	219,579,325	(121,685,125)	97,894,200	158,277,129	25,990,223 (97,894,416)	86,372,936	11,521,264	
For the year ended June 30, 2018 - audited	263,233,325	(43,654,000)	219,579,325	126,852,817	31,424,312	158,277,129	61,302,196	

		March 31, 2019	June 30, 2018
		Un-audited	Audited
Note		Rupees	
11	FIXED ASSETS		
	Property and Equipment	11.1 2,660,407	3,253,544
	Intangible assets	11.2 713,914	325,319
	Capital Work In progress	11.3 -	600,000
		3,374,321	4,178,863

11.1 Property and Equipment

Particulars	Cost			Depreciation				Depreciation rate
	As at July 01, 2018	Additions	As at March 31, 2019	As at July 01, 2018	Charge for the period	As at March 31, 2019	WDV as at March 31, 2019	
Rupees								
Furniture and fixtures	1,371,935	17,910	1,389,845	367,839	103,791	471,630	918,215	10%
Office equipment	2,996,493	190,187	3,186,680	1,012,821	472,138	1,484,959	1,701,721	20%
Vehicles	43,500	-	43,500	29,725	6,525	36,250	7,250	20%
Computer and accessories	1,740,691	-	1,740,691	1,488,690	218,780	1,707,470	33,221	33.33%
For the period ended March 31, 2019 - unaudited	6,152,619	208,097	6,360,716	2,899,075	801,234	3,700,309	2,660,407	
For the year ended June 30, 2018 - audited	4,446,000	1,706,619	6,152,619	1,657,052	1,242,023	2,899,075	3,253,544	

Notes to the Condensed Interim Financial Information

For The Nine-Months Period Ended March 31, 2019

		March 31, 2019	June 30, 2018
		Un-audited	Audited
Note		Rupees	
11.2	Intangible assets		
	Opening net book value	325,319	684,964
	Transferred from capital work in progress	800,000	-
	Amortization for the period	(411,405)	(359,645)
	Closing net book value	713,914	325,319
	As at March 31, 2019 / June 30, 2018		
	Cost	1,878,982	1,078,982
	Accumulated amortization	(1,165,068)	(753,663)
	Net book value	713,914	325,319
	Annual rates of amortization	33.33%	33.33%
11.3	Capital Work in Progress		
	Opening	600,000	-
	Addition	200,000	600,000
	Transferred to intangible asset	(800,000)	-
	Closing	-	600,000
11.3.1	This represents fee paid for development of modules of the software of the Modaraba namely "Almanac". Total cost amounts to Rs. 800,000 out of which 75% has been paid to the vendor.		
		March 31, 2019	June 30, 2018
		Un-audited	Audited
Note		Rupees	
12	CREDITORS, ACCRUED AND OTHER LIABILITIES		
	Management remuneration payable - related party	6,139,945	6,024,041
	Provision for services sales tax on the management company's remuneration	798,193	783,126
	Government of Sindh Funds	500,000,000	500,000,000
	Creditors	145,238	145,238
	Other liabilities	37,828,437	10,481,446
	Workers' Welfare Fund	3,313,437	2,224,210
	Accrued expenses	7,337,008	4,980,733
		555,562,258	524,638,794
12.1	The Modaraba had entered into agreements with Government of Sindh (GoS), a related party, for providing financing to eligible transporters under the latter's Intra-City & Inter-City Transport Schemes on October 25, 2017. For adjustment of various subsidies and Credit Risk Guarantee under the Schemes, the GoS agreed to place Rs. 2,000 million, in tranches, for each scheme with the Modaraba under the Musharakat Arrangement. Initially Rs. 500 million (250 million for each scheme) were placed with the Modaraba.		

Notes to the Condensed Interim Financial Information

For The Nine-Months Period Ended March 31, 2019

- 12.2** This includes Rs. 150,000 (June 30, 2018: Rs. 100,000) for rent payable of branch to Sindh Bank Limited, a related party.

	March 31, 2019	June 30, 2018
	Un-audited	Audited
	Rupees	
13 CUSTOMERS' SECURITY DEPOSIT		
Security deposit against Ijarah finance	5,351,370	28,898,095
less: current portion	(5,343,370)	(28,722,445)
Non current portion	8,000	175,650
14 LONG TERM LOAN - subordinated	500,000,000	500,000,000

This represents interest free loan provided by the Management Company to the Modaraba. The loan is a sub-ordinated and is repayable at the discretion of Modaraba. The Modaraba has the option to issue equity certificates in future against this loan, subject to necessary regulatory approvals.

15 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments at the balance sheet date (June 30, 2018: Nil).

		Nine-months ended	
		March 31, 2019	March 31, 2018
		Un-audited	
Note		Rupees	
16 ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries, allowances and other benefits	16.1	14,602,343	12,496,283
Legal and professional charges		2,212,333	1,313,528
Shariah Advisor fee		270,000	270,000
Repair and maintenance		716,797	437,456
Utility services		697,646	699,535
Registration and subscription fee		745,963	623,962
Generator sharing and fuel charges		349,594	345,640
Entertainment		118,706	119,327
Advertisement and publications		91,030	159,520
Staff orientation and training		28,500	41,175
Rent, rates and taxes	16.2	599,994	1,299,994
Travelling and conveyance		971,619	659,192
Security services		381,915	397,507
Printing, stationery and photocopy		372,477	284,414
Postage, courier and telegraphs		87,721	97,167
Balance carried forward		22,246,638	19,244,700

Notes to the Condensed Interim Financial Information

For The Nine-Months Period Ended March 31, 2019

		Nine-months ended	
		March 31, 2019	March 31, 2018
		Un-audited	
Note		-----Rupees-----	
	<i>Balance brought forward</i>	22,246,638	19,244,700
	Auditors' remuneration	200,750	219,614
	Depreciation expense - fixed assets	801,234	924,689
	Amortization expense - Intangibles assets	411,405	269,731
	Insurance - owned assets	38,825	65,484
	Insurance - Ijarah and Diminishing Musharaka	880,675	947,139
	Donation	17,455	-
	Miscellaneous	128,786	192,688
		24,725,768	21,864,045

16.1 This includes contribution of Rs. 468,135 (2018: Rs. 377,739) to provident fund and provision for gratuity of Rs. 411,258 (2018: Rs.377,289).

16.2 This includes amount of Rs. 450,000 (2018: 1,150,000) branch rent to Sindh Bank Limited, a related party.

17 TAXATION

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a Modaraba, except from trading and manufacturing activities, is exempt from income tax provided that it distributes at least 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation to statutory reserves for the year ending June 30, 2019. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

18 SEGMENT INFORMATION

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

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

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

Notes to the Condensed Interim Financial Information

For The Nine-Months Period Ended March 31, 2019

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

Revenue from operations from ten major customers of the Modaraba constitutes 70.65% (June 2018: 69.82%) of the total revenue from operations during the period ended March 31, 2019.

19 RELATED PARTY BALANCES AND TRANSACTIONS

The Modaraba has related party relationship with the Management Company, its associated companies, staff retirement benefit funds and key management personnel.

The details of related party transactions and balances otherwise than disclosed else where in these condensed interim financial information are as follows:

	Note	March 31, 2019	June 30, 2018
		Un-audited	Audited
19.1 BALANCES		Rupees	
Sindh Bank Limited			
Accrued income from bank deposits		<u>4,870,447</u>	<u>3,086,719</u>
Sindh Insurance Limited			
Sharing of expenses payable		<u>327,645</u>	<u>218,430</u>
Key Management Personnel			
Long term loan		<u>297,000</u>	<u>540,000</u>
		Nine-months ended	
		March 31, 2019	March 31, 2018
		Un-audited	
		Rupees	
19.2 TRANSACTIONS FOR THE PERIOD			
Sindh Bank Limited			
Income from deposits		<u>10,207,967</u>	<u>11,521,547</u>
Sindh Modaraba Management Limited			
Dividend paid		<u>31,845,750</u>	<u>19,107,450</u>
Management Company remuneration paid		<u>6,024,041</u>	<u>3,024,062</u>
Management Company remuneration expense		<u>6,139,945</u>	<u>4,357,860</u>
		<u>44,009,736</u>	<u>26,489,372</u>
Sindh Insurance Limited			
Insurance premium / takaful contribution paid		<u>501,403</u>	<u>696,276</u>
Sharing of expenses paid		<u>218,430</u>	<u>436,860</u>
		<u>719,833</u>	<u>1,133,136</u>
Key Management Personnel			
Salaries, allowances and benefits paid		<u>5,622,662</u>	<u>4,293,386</u>
Sindh Modaraba Employees Provident Fund			
Contribution paid (both employer's & employees' contribution)		<u>895,680</u>	<u>755,478</u>
Sindh Modaraba Employees Gratuity Fund			
Contribution paid		<u>834,400</u>	<u>-</u>

Notes to the Condensed Interim Financial Information

For The Nine-Months Period Ended March 31, 2019

20 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) 7, 'Financial Instruments: Disclosures' 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 the balance sheet date, there were no financial instruments which were measured at fair values in the financial statements.

21 SUBSEQUENT EVENT

No subsequent events have occurred till the reporting date that may require adjustment of or disclosure in the condensed interim financial information for the nine months period ended March 31, 2019.

22 DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on April 25, 2019 by the Board of Directors of the Management Company.

For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

**Islamic Financing
Products Offered by
Sindh Modaraba**

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

SINDH MODARABA

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