

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

 **SINDH MODARABA**



**HALF YEARLY REPORT  
DECEMBER 2019**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

اِقْرَأْ وَرَبُّكَ الْأَكْرَمُ ۝

Recite, for your Lord is the  
Most Generous

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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
Syed Hassan Naqvi		-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  
Bank Al-Habib Limited

### Auditors

Baker Tilly Mehmood Idrees Qamar  
Chartered Accountants

### Shariah Advisor

Mufti Zeeshan Abdul Aziz

### Legal Advisor

MohsinTayebaly & Co.

### Share Registrar

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

### Registered/Head Office

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

### Lahore Branch

Escort House No. 28  
Davis Road  
Lahore  
Tel: (92-42) 36300304

## 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 the six months period ended December 31, 2019.

## Operating Results

During the period under review, the Modaraba earned a profit of Rs. 58.31 million as compared to Rs. 32.44 million earned during the corresponding period ended December 31, 2018. The management company of the Modaraba provided a further interest free loan of Rs. 500 million in the form of additional equity to support the future expansion of Modaraba's business, resulting in higher income from the bank deposits. The operating expenses increased by 6.56% while the revenue increased by 49% as compared to corresponding period last year. The net profit during the period under review increased by approx. 80% as compared to the six months period ended Dec-2018.

## Future Prospects

With the increase in the equity base, due to fresh support from Management Company, the Modaraba is in a better position to capitalize on the opportunities available for Sharia compliant financing. The Central Bank (SBP) is pushing for the growth in SMEs and is considering certain incentives for advancing money to the sector. While our company does not fall under the regulatory role of SBP, we have executed an agreement with Sindh Enterprise Development Fund (SEDF), an entity responsible to Government of Sindh, to facilitate our clients which are eligible under the scheme agreed by them with other commercial bank. This would have a two-pronged effect, while it would help Modaraba in its growth it would also help in industrial/agriculture development of the province of Sindh. Continuing with a cautious lending approach, the management is hopeful of a healthy growth in financing portfolio from the emerging opportunities in the remaining part of current financial year. Meanwhile, timely recovery from the customers against the existing facilities remains the main concern of the management due to the slowdown of the economy. The management will make all efforts to keep the infected portfolio at a minimum and operating costs low. We are optimistic of achieving even better results in remaining half of current financial year.

## 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 in turning in better results.

On Behalf of the Board



Karachi  
January 29, 2020

**Muhammad Naimuddin Farooqui**  
Chief Executive Officer

## ڈائریکٹرز کا جائزہ

سندھ مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز، 31 دسمبر 2019ء کو مکمل ہونے والی ششماہی کے سندھ مضاربہ کے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

## آپریٹنگ نتائج

مضاربہ نے 31 دسمبر 2018ء کو ختم ہونے والی ششماہی میں Rs. 32.44 ملین منافع کے مقابلے میں زیر غور ششماہی میں Rs. 58.31 ملین کا منافع کمایا۔ مضاربہ کے کاروبار کی مستقبل میں توسیع کے لیے مینجمنٹ کمپنی نے اضافی ایکویٹی کی شکل میں Rs. 500 ملین کا مزید سود سے پاک قرضہ فراہم کیا، جس کے نتیجے میں بینک ڈپازٹ سے زیادہ آمدنی ہوئی۔ معمول کے اخراجات میں پچھلی سہ ماہی کے مقابلے میں 6.56% کا اضافہ ہوا، جبکہ آمدنی میں 49% اضافہ ہوا۔ پچھلی سہ ماہی کے مقابلے میں زیر جائزہ سہ ماہی کے دوران منافع میں 80% اضافہ ہوا۔

## امکانات مستقبل

مینجمنٹ کمپنی کی اضافی اعانت کی وجہ سے ایکویٹی میں اضافے کے ساتھ، اب مضاربہ، شرعی مالی سہولیات کے مواقع سے فائدہ اٹھانے کے لئے بہتر پوزیشن میں ہے۔ سنٹرل بینک (ایس بی پی) ایس ایم ای میں اضافے کے لئے زور دے رہا ہے اور اس شعبے میں مالی سہولیات فراہم کرنے کے لئے کچھ مراعات پر غور کر رہا ہے۔ اگرچہ ہماری کمپنی اسٹیٹ بینک کے ریگولیٹری کردار میں نہیں آتی، ہم نے حکومت سندھ کے ایک ادارے، سندھ انٹر پرائز ڈیولپمنٹ فنڈ (ایس ای ڈی ایف) کے ساتھ ایک معاہدہ کیا ہے، جس کے تحت ہم گاہکوں کو سہولت فراہم کر سکیں جو اس اسکیم میں اہل قرار پائیں۔ اس سے دو طرفہ اثر پڑے گا، ایک مضاربہ کو ترقی میں مدد ملے گی اور اس سے صوبہ سندھ کی صنعت/زراعت کو ترقی ملنے کی توقع ہے۔ قرض دینے کے محتاط انداز کو جاری رکھتے ہوئے، انتظامیہ موجودہ مالی سال کے باقی حصے میں ابھرتے ہوئے مواقع سے پورٹ فولیو میں صحت مندانہ اضافے کے لئے پرامید ہے۔ اسی دوران، معیشت کی سست روی کی وجہ سے موجودہ سہولیات کے خلاف صارفین سے بروقت ادائیگی، انتظامیہ کی بنیادی پریشانی بنی ہوئی ہے۔ انتظامیہ متاثرہ پورٹ فولیو اور معمول کے اخراجات کو کم سے کم رکھنے کی پوری کوشش کرے گی۔ ہم موجودہ مالی سال کے اگلے نصف حصے میں اس سے بھی بہتر نتائج حاصل کرنے کے لئے پرامید ہیں۔

## اعتراف

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



محمد نعیم الدین فاروقی  
چیف ایگزیکٹو آفیسر

کراچی

29 جنوری 2020

## AUDITORS' REPORT TO THE CERTIFICATE HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION

### Introduction

We have reviewed the accompanying condensed interim balance sheet of SindhModaraba (the Modaraba) as at December 31, 2019 and the related condensed interim profit or loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). The Modaraba Management Company [Sindh Modaraba Management Limited] is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit or loss account and condensed interim statement of comprehensive income for the quarters ended December 31, 2019 and December 31, 2018 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2019.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as at December 31, 2019 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

### Other Matter

The condensed interim financial information of the Modaraba for the half year ended December 31, 2018 and financial statements for the year ended June 30, 2019 were respectively reviewed and audited by another firm of Chartered Accountants who had expressed unqualified conclusion and opinion respectively

**Baker Tilly Mehmoood Idress Qamar**  
Chartered Accountants

Karachi  
January 29, 2020

**Mehmood A. Razzak**  
Engagement Partner

**CONDENSED INTERIM BALANCE SHEET**

AS AT DECEMBER 31, 2019

		December 2019	June 2019
		Un-audited	Audited
Note		Rupees	
<b>ASSETS</b>			
<b>Current assets</b>			
	4	1,010,276,011	788,633,188
	5	-	160,000,000
		-	12,510
	6	87,381,661	20,438,915
	7	254,531,999	249,110,292
		54,000	216,000
<b>Total current assets</b>		<b>1,352,243,671</b>	<b>1,218,410,905</b>
<b>Non - current assets</b>			
	7	301,041,003	407,078,048
	8	8,775,819	10,529,484
	9	4,084,261	3,254,394
<b>Total non - current assets</b>		<b>313,901,083</b>	<b>420,861,926</b>
<b>TOTAL ASSETS</b>		<b>1,666,144,754</b>	<b>1,639,272,831</b>
<b>LIABILITIES AND CERTIFICATE HOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
	10	99,945,946	570,650,304
		5,000,000	5,272,370
		584,336	295,395
		105,530,282	576,218,069
<b>Non - current liabilities</b>			
		8,000	8,000
<b>TOTAL LIABILITIES</b>		<b>105,538,282</b>	<b>576,226,069</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>			
<b>Certificate capital</b>			
<b>Authorised certificate capital</b>			
		500,000,000	500,000,000
50,000,000 (June 2019: 50,000,000) certificates of Rs. 10 each			
		450,000,000	450,000,000
		110,606,472	113,046,762
	11	1,000,000,000	500,000,000
<b>TOTAL CERTIFICATE HOLDERS' EQUITY</b>		<b>1,560,606,472</b>	<b>1,063,046,762</b>
<b>TOTAL LIABILITIES AND CERTIFICATE HOLDERS' EQUITY</b>		<b>1,666,144,754</b>	<b>1,639,272,831</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		

The annexed notes 1 to 21 form an integral part of these condensed interim financial information.

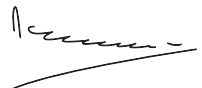
For Sindh Modaraba Management Limited (Management Company)



Chief Executive Officer



Director



Director

## CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)

FOR THE SIX-MONTHS ENDED DECEMBER 31, 2019

	Half year ended		Quarter ended	
	December 2019	December 2018	December 2019	December 2018
Note -----Rupees-----				
<b>Income from:</b>				
Diminishing Musharaka	44,887,052	40,940,750	22,427,143	24,362,129
Ijarah	439,248	3,468,279	284,155	1,533,606
Bank deposits	36,782,962	6,560,327	24,993,485	3,732,620
Term deposits receipts	2,079,672	5,523,153	-	2,898,920
	84,188,934	56,492,509	47,704,783	32,527,275
Administrative and operating expenses	13 (17,807,639)	(16,711,077)	(9,495,940)	(9,389,612)
Income suspended/provision in respect of Murabaha finance	-	(2,446,845)	-	(1,945,739)
Reversal / (Provision) in respect of Ijarah rental receivable	63	(10,992)	1,562	(10,201)
Reversal / (Provision) in respect of Diminishing Musharaka	505,605	(420,390)	252,513	(503,715)
	(17,301,971)	(19,589,304)	(9,241,865)	(11,849,267)
	66,886,963	36,903,205	38,462,918	20,678,008
Other income	192,750	415,295	209,249	170,595
	67,079,713	37,318,500	38,672,167	20,848,603
Management Company's remuneration	(6,707,971)	(3,731,850)	(3,867,201)	(2,084,860)
Provision for services sales tax on the Management Company's remuneration	(872,037)	(485,141)	(502,736)	(271,032)
Workers' welfare fund	(1,189,995)	(662,031)	(686,042)	(369,854)
<b>Profit before taxation</b>	<b>58,309,710</b>	<b>32,439,478</b>	<b>33,616,188</b>	<b>18,122,857</b>
Taxation	14 -	-	-	-
<b>Profit for the period</b>	<b>58,309,710</b>	<b>32,439,478</b>	<b>33,616,188</b>	<b>18,122,857</b>
<b>Earnings per certificate - basic and diluted</b>	<b>1.30</b>	<b>0.72</b>	<b>0.75</b>	<b>0.40</b>

The annexed notes 1 to 21 form an integral part of these condensed interim financial information.

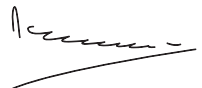
For Sindh Modaraba Management Limited (Management Company)



Chief Executive Officer



Director



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2019

	Half year ended		Quarter ended	
	December 2019	December 2018	December 2019	December 2018
-----Rupees-----				
<b>Profit for the period</b>	<b>58,309,710</b>	<b>32,439,478</b>	<b>33,616,188</b>	<b>18,122,857</b>
<b>Other comprehensive income for the period</b>				
Items that may be reclassified to profit and loss account	-	-	-	-
Items that will not be reclassified to profit and loss account subsequently	-	-	-	-
<b>Total comprehensive income for the period</b>	<b><u>58,309,710</u></b>	<b><u>32,439,478</u></b>	<b><u>33,616,188</u></b>	<b><u>18,122,857</u></b>

*The annexed notes 1 to 21 form an integral part of these condensed interim financial information.*

For Sindh Modaraba Management Limited (Management Company)



Chief Executive Officer



Director



Director

## CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)

FOR THE SIX-MONTHS ENDED DECEMBER 31, 2019

		Six Months Period Ended	
		December 2019	December 2018
	Note	Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		58,309,710	32,439,478
<b>Adjustments for non - cash and other items</b>			
Depreciation - Ijarah assets	8	1,481,295	20,372,960
Depreciation - Fixed assets - in own use	9.1 & 9.2	736,899	839,853
Income on bank deposits		(36,782,962)	(6,560,327)
Income on term deposit receipts		(2,079,672)	(5,523,153)
Gain on disposal of Ijarah assets		-	(56,595)
(Reversal)/Provision in respect of Diminishing Musharaka		(505,605)	420,390
(Reversal)/Provision for Ijarah rental receivable		(63)	10,992
Loss on disposal of fixed assets		40,499	-
Income suspended/provision in respect of Murabaha finance		-	2,446,845
		21,200,101	44,390,443
<b>Working capital changes</b>			
Advances, prepayments and other receivables		(65,956,029)	39,023,084
Ijarah rental receivables		12,573	(2,198,460)
Diminishing Musharaka		101,120,943	(84,078,007)
Long term loan		162,000	162,000
Creditors, accrued and other liabilities		(470,704,358)	16,871,899
Customers' security deposit		(272,370)	(22,746,575)
		(435,637,241)	(52,966,059)
Income received on term deposit receipts		4,229,809	1,962,466
Income received on bank deposits		33,646,108	4,905,746
<b>Net cash used in operations</b>		(376,561,223)	(1,707,404)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale proceed from disposal of Ijarah assets		272,370	23,047,157
Sale proceed from disposal of fixed assets		30,000	-
Redemption of short term investments		160,000,000	130,000,000
Purchase of short term investments		-	(110,000,000)
Purchase of fixed assets - in own use	9.1	(1,637,265)	(208,097)
<b>Net cash generated from investing activities</b>		158,665,105	42,839,060
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan from Management Company		500,000,000	-
Dividend paid		(60,461,059)	(33,468,232)
<b>Net cash generated from/(used in) financing activities</b>		439,538,941	(33,468,232)
<b>Net increase in cash and cash equivalents</b>		221,642,823	7,663,424
Cash and cash equivalents at the beginning of the period		788,633,188	670,732,532
<b>Cash and cash equivalents at the end of the period</b>		1,010,276,011	678,395,956

The annexed notes 1 to 21 form an integral part of these condensed interim financial information.

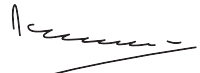
For Sindh Modaraba Management Limited (Management Company)



Chief Executive Officer



Director



Director



## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)

FOR THE SIX-MONTHS ENDED DECEMBER 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, 2018	450,000,000	27,033,701	38,752,513	65,786,214	500,000,000	1,015,786,214
Profit for the period	-	-	32,439,478	32,439,478	-	32,439,478
<b>Transaction with Certificate Holders</b>						
Profit distribution @ Re. 0.75 (7.5%) per certificate	-	-	(33,750,000)	(33,750,000)	-	(33,750,000)
<b>Balance as at December 31, 2018</b>	<u>450,000,000</u>	<u>27,033,701</u>	<u>37,441,991</u>	<u>64,475,692</u>	<u>500,000,000</u>	<u>1,014,475,692</u>
<b>Balance as at July 01, 2019</b>	<b>450,000,000</b>	<b>51,379,782</b>	<b>61,666,980</b>	<b>113,046,762</b>	<b>500,000,000</b>	<b>1,063,046,762</b>
Profit for the period	-	-	58,309,710	58,309,710	-	58,309,710
Loan from Management Company					500,000,000	500,000,000
<b>Transaction with Certificate Holders</b>						
Profit distribution @ Re. 1.35 (13.5%) per certificate	-	-	(60,750,000)	(60,750,000)	-	(60,750,000)
<b>Balance as at December 31, 2019</b>	<u>450,000,000</u>	<u>51,379,782</u>	<u>59,226,690</u>	<u>110,606,472</u>	<u>1,000,000,000</u>	<u>1,560,606,472</u>

The annexed notes 1 to 21 form an integral part of these condensed interim financial information.

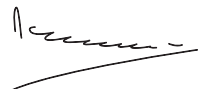
**For Sindh Modaraba Management Limited (Management Company)**



Chief Executive Officer



Director



Director

## **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)**

FOR THE SIX-MONTHS ENDED DECEMBER 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 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 six-month ended December 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, Prudential regulation 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 & 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, Prudential Regulations for Modaraba and the Islamic Financial Accounting Standards (IFASs) has been followed.

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, 2019.

These condensed interim financial information comprise of the balance sheet as at December 31, 2019 and profit or loss account, statement of comprehensive income, the cash flow statement and statement of changes in equity for the half year ended December 31, 2019 which have been subjected to a review but not audited.

#### **2.2 Basis of measurement**

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

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)

FOR THE SIX-MONTHS ENDED DECEMBER 31, 2019

### 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.

### 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, 2019.

	Note	December 2019	June 2019
		Un-audited	Audited
		Rupees	
<b>4. CASH AND BANK BALANCES</b>			
Cash in hand		20,000	-
Stamp paper in hand		124,650	69,900
Balances with banks in:			
- Deposit accounts	4.1	1,009,524,292	788,011,847
- Current accounts	4.2	607,069	551,441
		<u>1,010,276,011</u>	<u>788,633,188</u>

**4.1** These carry profit at the rates ranging from 7.22% to 11.50% per annum. (June 30, 2019: 6.51% to 10.50% per annum). This includes balance of Rs. 1,009 million (June 30, 2019: 726.12 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

**4.2** This includes balance of Rs. 593,164 (June 30, 2019: Rs. 535,105) held with Sindh Bank Limited - Islamic Banking Unit, related party.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2019

		December 2019	June 2019
		Un-audited	Audited
		Rupees	
<b>5. SHORT TERM INVESTMENTS</b>			
	<b>Note</b>		
Term deposit receipts	<b>5.1</b>	-	160,000,000
<b>5.1</b> This includes investment of Rs. Nil (June 30, 2019: 60 million) made in Sindh Bank Limited (a related party) for the period of three months. This investment carries markup at the rate Nil per annum (June 30, 2019: from 10% to 10.56%).			
		December 2019	June 2019
		Un-audited	Audited
		Rupees	
<b>6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
	<b>Note</b>		
Advances	<b>6.1</b>	69,392,124	2,745,964
Prepayments		1,075,480	1,082,632
Accrued income from bank deposits	<b>6.2</b>	9,696,467	6,559,613
Accrued income from term deposit receipts	<b>6.2</b>	-	2,150,137
Accrued income from Diminishing Musharaka		7,213,590	7,896,569
Other receivables		4,000	4,000
		87,381,661	20,438,915
<b>6.1</b> This includes advance to vendors in respect of acquisition of assets under Diminishing Musharaka arrangement for onward delivery to customers amounting to Rs. 67.49 million (June 30, 2019: Rs. 1.84 million).			
<b>6.2</b> This includes accrued income of Rs. 9.69 million (June 30, 2019: Rs. 6.049 million) and Rs. Nil (June 30, 2019: Rs. 641,096) in deposit account and term deposit receipts respectively, held with Sindh Bank Limited - Islamic Banking Unit, related party.			
		December 2019	June 2019
		Un-audited	Audited
		Rupees	
<b>7. DIMINISHING MUSHARAKA</b>			
	<b>Note</b>		
Receivables - secured	<b>7.1</b>	558,364,826	659,485,769
Less: current portion		(254,531,999)	(249,110,292)
Less: provision	<b>7.2</b>	(2,791,824)	(3,297,429)
Long term portion		301,041,003	407,078,048
<b>7.1</b> This represents the finance provided to Individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 3 to 20 years (June 30, 2019: 3 to 20 years) which is secured against mortgage of property, lien on title documents and charge on assets.			
<b>7.2</b> This represents general provision made at the rate of 0.5% (June 30, 2019: 0.5%) on Diminishing Musharaka receivables.			

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)

### FOR THE SIX-MONTHS ENDED DECEMBER 31, 2019

#### 8. IJARAH ASSETS

Particulars	Cost			Depreciation			WDV as at December 31, 2019	Depreciation Rate	
	As at July 01, 2019	(Deletion)	As at December 31, 2019	As at July 01, 2019	Charge for the period/ Adjustment	As at December 31, 2019			
	Rupees -								
Plant and machinery	81,250,000	(1,250,000)	80,000,000	76,124,988	-	74,999,988	5,000,012	33.33%	
Vehicles	15,934,200	(1,473,700)	14,460,500	10,529,728	(1,125,000)	1,481,295	10,684,693	3,775,807	20%
As at and for the Period ended December 31, 2019	97,184,200	(2,723,700)	94,460,500	86,654,716	(1,326,330)	1,481,295	85,684,681	8,775,819	
As at and for the year ended June 30, 2019	219,579,325	(122,395,125)	97,184,200	158,277,129	(26,911,005)	86,654,716	10,529,484		

#### 9. FIXED ASSETS - in own use

	Note	December 2019 Un-audited	June 2019 Audited
		Rupees	
Tangible assets	9.1	3,686,184	2,653,296
Intangible assets	9.2	398,077	601,098
		<u>4,084,261</u>	<u>3,254,394</u>

##### 9.1 Tangible assets

Particulars	Cost			Depreciation			WDV as at December 31, 2019	Depreciation Rate
	As at July 01, 2019	Additions/ (Deletion)	As at December 31, 2019	As at July 01, 2019	Charge for the period/ (adjustment)	As at December 31, 2019		
	Rupees							
Furniture and fixtures	1,389,845	26,400	1,416,245	506,386	69,712	576,098	840,147	10%
Office equipment	3,404,053	- (384,491)	3,019,562	1,651,451	302,280 (313,992)	1,639,739	1,379,823	20%
Vehicles	43,500	1,310,775	1,354,275	38,425	113,580	152,005	1,202,270	20%
Computer and accessories	1,740,691	300,090	2,040,781	1,728,531	48,306	1,776,837	263,944	33.33%
As at and for the period ended December 31, 2019	6,578,089	1,637,265 (384,491)	7,830,863	3,924,793	533,878 (313,992)	4,144,679	3,686,184	
As at and for the year ended June 30, 2019	6,152,619	425,470	6,578,089	2,899,075	1,025,718	3,924,793	2,653,296	

##### 9.2 Intangible assets

	December 2019 Un-audited	June 2019 Audited
	Rupees	
Opening net book value	601,098	325,319
Additions during the period	-	800,000
Amortization for the period	(203,021)	(524,221)
Closing net book value	<u>398,077</u>	<u>601,098</u>
As at December 31, 2019 / June 30, 2019		
Cost	1,878,982	1,878,982
Accumulated amortization	(1,480,905)	(1,277,884)
Net book value	<u>398,077</u>	<u>601,098</u>
Annual rates of amortization	<u>33.33%</u>	<u>33.33%</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2019

		December 2019	June 2019
		Un-audited	Audited
<b>10. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
	<b>Note</b>	<b>Rupees</b>	
Management remuneration payable - related party		6,707,971	9,335,941
Provision for sindh sales tax on management remuneration		872,037	1,213,673
Government of Sindh Funds	<b>10.1</b>	-	500,000,000
Creditors		65,238	145,238
Other liabilities		79,920,575	49,513,327
Workers' Welfare Fund		5,070,401	3,880,406
Payable to gratuity fund		344,496	746,903
Accrued expenses	<b>10.2</b>	6,965,228	5,814,816
		<u>99,945,946</u>	<u>570,650,304</u>

**10.1** The Modaraba had entered into agreements with Government of Sindh 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 Musharaka Arrangement. Initially Rs. 500 million (Rs. 250 million for each scheme) were placed with the Modaraba. During the period ended, the referred agreements were cancelled without any obligation on either parties.

**10.2** These includes Rs. 300,000 ( June 30, 2019: Rs. Nil) for branch rent payable to Sindh Bank Limited, related party.

		December 2019	June 2019
		Un-audited	Audited
	<b>Note</b>	<b>Rupees</b>	
<b>11. LONG TERM LOAN - subordinated</b>	<b>11.1</b>	<u>1,000,000,000</u>	<u>500,000,000</u>

**11.1** 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.

**12. CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments at the balance sheet date (June 30, 2019: Nil).

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2019

		December 2019	December 2018
		Un-audited	Un-audited
<b>13. ADMINISTRATIVE AND OPERATING EXPENSES</b>	<b>Note</b>	<b>Rupees</b>	
Salaries, allowances and other benefits	<b>13.1</b>	<b>11,260,164</b>	9,489,776
Legal and professional charges		<b>792,434</b>	1,809,878
Shariah advisor fee		<b>216,000</b>	180,000
Repair and maintenance		<b>576,168</b>	469,246
Utility services		<b>570,221</b>	522,404
Registration and subscription fee		<b>518,330</b>	510,486
Generator Sharing and fuel charges	<b>13.2</b>	<b>231,796</b>	229,665
Entertainment		<b>103,300</b>	76,516
Advertisement and Publications		<b>87,640</b>	41,030
Staff Orientation and Training		<b>10,000</b>	23,500
Rent, Rates and Taxes	<b>13.3</b>	<b>399,996</b>	399,996
Travelling and conveyance		<b>924,541</b>	651,713
Security services		<b>254,610</b>	254,610
Printing, stationery and photocopy		<b>308,510</b>	258,265
Postage, Courier and Telegraphs		<b>71,807</b>	52,635
Auditors' remuneration		<b>135,216</b>	130,550
Depreciation expense - tangible assets	<b>9.1</b>	<b>533,878</b>	541,242
Amortization expense - Intangible assets	<b>9.2</b>	<b>203,021</b>	298,611
Insurance - owned assets		<b>75,211</b>	25,883
Insurance - Ijarah and Diminishing Musharaka		<b>405,190</b>	619,119
Donation		-	17,455
Miscellaneous		<b>129,606</b>	108,497
		<b>17,807,639</b>	<b>16,711,077</b>

**13.1** This includes contribution of Rs. 390,614 (2018: Rs. 292,116) to provident fund and provision for gratuity of Rs. 344,496 (2018: Rs. 241,605), related party.

**13.2** This includes amount of Rs. 218,430 (2018: Rs. 218,430) against sharing of expenses with Sindh Insurance Limited - related party.

**13.3** This includes amount of Rs. 300,000 (2018: 300,000) branch rent to Sindh Bank Limited, related party.

**14. TAXATION**

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of 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, 2020. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)

FOR THE SIX-MONTHS ENDED DECEMBER 31, 2019

### 15. SEGMENT INFORMATION

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

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

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

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

### 16. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

	December 2019 Un-audited	June 2019 Audited
<b>Balances as at period end</b>	<b>Rupees</b>	
<b>Sindh Insurance Limited - associated company</b>		
Sharing of expenses payable	218,430	218,430
<b>Key Management Personnel</b>		
Long term loan	54,000	216,000
<b>Transactions for the period</b>	<b>December 2019 Un-audited</b>	<b>December 2018 Un-audited</b>
	<b>Rupees</b>	
<b>Sindh Bank Limited - associated company</b>		
Income on bank deposits	35,488,558	6,461,958
Income on term deposit receipt	871,233	-
	36,359,791	6,461,958
<b>Sindh Modaraba Management Limited - management company</b>		
Dividend paid	57,322,350	31,845,750
Long term loan received	500,000,000	-
Management Company's remuneration accrued	6,707,971	3,731,850
Management Company's remuneration paid	9,335,941	6,024,041
	573,366,262	41,601,641



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2019

	December 2019 Un-audited	December 2018 Un-audited
	----- Rupees -----	
<b>Sindh Insurance Limited - associated company</b>		
Insurance premium/Takaful contribution paid	697,751	394,265
Sharing of expenses paid	218,430	218,430
	<u>916,181</u>	<u>612,695</u>
<b>Key Management Personnel</b>		
Salaries, allowances and benefits paid	4,571,453	4,025,671
	<u>4,571,453</u>	<u>4,025,671</u>
<b>Sindh Modaraba Employees Provident Fund - employee fund</b>		
Contribution paid (both employer's and employee's contribution)	781,228	584,232
	<u>781,228</u>	<u>584,232</u>
<b>Sindh Modaraba Employees Gratuity Fund</b>		
Contribution paid	746,903	834,400
	<u>746,903</u>	<u>834,400</u>

**17. 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.

**18. 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 period ended December 31, 2019.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2019

**19. DATE OF AUTHORISATION**

This condensed interim financial information was authorised for issue on January 29, 2020 by the Board of Directors of the Management Company.

**20. CORRESPONDING FIGURES**

Corresponding figures have been re-classified, wherever necessary for the purposes of comparison.

**21. GENERAL**

Figures have been rounded off to the nearest rupee.

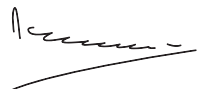
For Sindh Modaraba Management Limited (Management Company)



Chief Executive Officer



Director



Director

**Islamic Financing  
Products Offered by  
Sindh Modaraba**

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

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