

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

  
**SINDH MODARABA**



**HALF YEARLY REPORT**

**DECEMBER 2021**

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

إِهْدِنَا الصِّرَاطَ الْمُسْتَقِيمَ ۝

*"Guide us to The Straight Path"*

*(Surah: 01 / Verse: 05)*

## Contents

Vision & Mission Statements	03
Corporate Information	04
Directors' Review	05
Directors' Review (Urdu)	06
Auditors' Review Report to the Certificate Holders	07
Condensed Interim Balance Sheet	08
Condensed Interim Profit and Loss Account	09
Condensed Interim Statement of Comprehensive Income	10
Condensed Interim Cash Flow Statement	11
Condensed Interim Statement of Changes in Equity	12
Notes to the Condensed Interim Financial Information	13

## 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. Rehan Anjum		-Non-Executive Director
Ms. Rukhsana Narejo		-Non-Executive Director
Mr. Asif Jahangir		-Non-Executive Director
Mr. Kamal Ahmed	Acting Chief Executive	-Non-Executive Director

### Acting CFO & Company Secretary

Mr. Muhammad Adnan Shakeel

### 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

Mohsin Tayebaly & 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

30-30A, Commercial Building,  
The Mall, Lahore,  
Pakistan

## 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 half year ended December 31, 2021.

## Operating Results

During the 6 months' period under review, the Modaraba earned a profit before tax of Rs. 49.92 Million compared to Rs. 42.78 Million in same period last year. Even though profit before tax increased, the profit after tax of the Modaraba decreased by Rs. 7.34 million to Rs. 35.44 Million due to implication of income tax ordinance on profit earned by Modaraba, which has become effective from 1st July 2021.

Though the weighted average financing portfolio of the Modaraba has decreased by Rs. 17 Million to Rs 742 Million, the revenue has increased from Rs. 72.72 million to Rs. 75.29 million due to recovery of few NPLs, however weighted average rate of return remained same. The operating expenses decreased to Rs. 19.37 million as compared to Rs. 23.76 million in same period last year due to strict control over expenses of the Modaraba.

## Future Prospects

Economic landscape of the country does not show a stable picture due to rising inflationary pressures and deteriorating Current Account Deficit. Current Account Deficit has shown significant weakening since last few months and 1st half of FY-2022 number now stands at US\$9.1bn against a surplus of US\$1.3bn during same period last year. The critical position of current account deficit has put pressure on PKR/USD parity, which has lost 12.85% in value since 1st July, 2021. Besides critical position of current account deficit, inflation has also become cause of grave concern as the number increased to 9.80% for 1st half of FY-2022 vs 8.60% same period last year. The deterioration of external account as well as rising inflation has been caused by rising oil and food prices as well as increased consumption pressures on the economies due to resumption of activity all around the world. In order to control deterioration of Current Account Deficit, stop bleeding of PKR value and arrest rising inflation number, SBP increased the Policy Rate by 2.75% to 9.75%. However, the increase in Policy Rate has not been able to either control inflation or Current Account Deficit. SBP is expected to increase policy rate further by 1.00% during next few Monetary Policy Statement, which bodes very well for the profitability of Modaraba. However, the tax implication as mentioned above will create significant impact on the Modaraba's net profit.

The management is reviewing the current economic situation very cautiously and sights current rising interest rate as positive for the profitability. However, the rising interest rates may increase non-performing loan as well as lead to decline of economic activity within the country. Management of the Modaraba continues to make cautious effort of deployment of available funds in the financing business without compromising on the quality of the portfolio.

## 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.

Especially, Board of Directors showed their gratitude to Mr. Zulfiqar Ali (Late) for his dedication and commitments towards his contribution for the Modaraba.

On Behalf of the Board

Karachi  
January 31, 2022



**Kamal Ahmed**  
Acting Chief Executive Officer

## ڈائریکٹرز کا جائزہ

ہم سندھ مضاربہ منجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2021ء کو مکمل ہونے والی FY-2022 کی ششماہی کے سندھ مضاربہ کے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

## آپریٹنگ نتائج

مضاربہ نے 31 دسمبر 2021ء کو ختم ہونے والی ششماہی میں قبل محصولات Rs. 42.78 ملین منافع کے مقابلے میں زیر غور ششماہی میں Rs. 49.92 ملین کا منافع کمایا۔ اگرچہ نفع قبل محصولات میں اضافہ ہوا، اس کے باوجود منافع بعد محصولات Rs. 7.34 ملین کی کمی کے ساتھ Rs. 35.44 ملین کی سطح پر آ گیا۔ جس کی بنیادی وجہ آئٹمز گیس آرڈیننس میں ترامیم ہیں جو کہ پہلی جولائی سے نافذ ہوئیں۔

بادود اس کے کہ اوسطاً پورٹ فولیو Rs. 17 ملین کی کمی کے ساتھ Rs. 742 ملین کی سطح پر ہے، پھر بھی آمدنی Rs. 72.72 ملین سے بڑھ کر Rs. 75.29 ملین کی سطح پر آئی، جس کی بنیادی وجہ غیر فعال قرضوں کی وصولی اور مستحکم شرح برائے معاوضہ رتی۔ معمول کے اخراجات کو کنٹرول کرنے کی وجہ سے پیچھلی ششماہی کے اخراجات Rs. 23.76 ملین کے مقابلے میں اس ششماہی کے اخراجات Rs. 19.37 ملین رہے۔

## امکانات مستقبل

ملک کے معاشی حالات بڑھتی ہوئی مہنگائی اور کرنٹ اکاؤنٹ خسارہ کی وجہ سے غیر مستحکم نظر آتے ہیں۔ کرنٹ اکاؤنٹ خسارہ پیچھے لگی مہینوں سے خاصی خرابی کا شکار ہے اور 31 دسمبر 2021ء کو ختم ہونے والے ششماہی میں خسارہ کے ساتھ US\$9.1 bn کی سطح پر پہنچ گیا ہے، جبکہ پیچھے سال اسی مدت میں کرنٹ اکاؤنٹ منافع کے ساتھ US\$1.3 bn کی سطح پر تھا۔ کرنٹ اکاؤنٹ کی نازک صورتحال کی وجہ سے 1 جولائی 2021ء سے لے کر اب تک روپے نے ڈالر کے مقابلے میں 12.85% قدر کھودی ہے۔ اس کے علاوہ مہنگائی بھی نشوونما کا نقصان ہے دو چار ہے اور نصف سال کے اختتام پر 9.80% ہے جبکہ پیچھے سال اس ہی مدت کے اختتام پر مہنگائی 8.60% تھی۔ مہنگائی اور خسارہ کی بنیادی وجہ تیل اور اشیاء خورد و نوش کی قیمتوں میں اضافہ ہے اور اس کے علاوہ دنیا کی معاشی سرگرمیوں کی بہالی سے پیدا ہونے والی کھپت کا دباؤ بھی مہنگائی میں اضافہ کر رہا ہے۔ گزرتے ہوئے کرنٹ اکاؤنٹ، گرتی ہوئی روپے کی قدر اور بڑھتی ہوئی مہنگائی کو سنبھالنے کے لئے اسٹیٹ بینک نے پالیسی ریٹ کو 2.75% سے بڑھا کر 9.75% کر دیا ہے۔ حالانکہ پالیسی ریٹ کے بڑھنے سے نہی مہنگائی پر فرق پڑا اور نہ ہی کرنٹ اکاؤنٹ خسارہ میں بہتری آئی ہے۔ اس لئے متوقع ہے کہ اسٹیٹ بینک آئندہ آنے والی مانیٹری پالیسیوں میں پالیسی ریٹ کو مزید 1% سے بڑھائے، جو کہ ممکنہ طور پر مضاربہ کے لئے خوش آئند ہے۔ تاہم، ٹیکس کا اطلاق جیسا کہ اوپر ذکر کیا گیا ہے، مضاربہ کے خالص منافع پر نمایاں اثر ڈالے گا۔

## 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۔

خاص طور پر بورڈ آف ڈائریکٹرز جناب ذوالفقار علی (مرحوم) کی مضاربہ کے لیے لگن اور ان کے تعاون کے لیے ان کا شکریہ ادا کرتے ہیں۔



کمال احمد

ایگزیکٹو چیف ایگزیکٹو آفیسر

کراچی

31 جنوری 2022

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

### Introduction

We have reviewed the accompanying condensed interim balance sheet of Sindh Modaraba (the Modaraba) as at December 31, 2021 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, 2021 and December 31, 2020 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2021.

### 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, 2021 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is **Mehmood A. Razzak**.

Karachi  
January 31, 2022

**Baker Tilly Mehmood Idress Qamar**  
Chartered Accountants

**CONDENSED INTERIM BALANCE SHEET**

AS AT DECEMBER 31, 2021

		December 31, 2021 <u>Un-audited</u>	June 30, 2021 <u>Audited</u>
Note		Rupees	
<b>ASSETS</b>			
<b>Current assets</b>			
	4	565,018,015	475,524,291
Cash and bank balances			
Short term investments	5	320,000,000	320,000,000
Advances, prepayments and other receivables	6	50,813,100	35,986,333
Advance taxation -net	11	-	1,149,683
Current portion of Diminishing Musharaka	7	362,183,887	367,318,842
Current portion of long term loan		378,000	378,000
<b>Total current assets</b>		<b>1,298,393,002</b>	<b>1,200,357,149</b>
<b>Non - current assets</b>			
Diminishing Musharaka	7	347,702,746	447,293,669
Ijarah assets	8	5,000,000	5,005,000
Long term loan		913,500	1,102,500
Fixed assets - in own use	9	2,991,659	3,395,422
<b>Total non - current assets</b>		<b>356,607,905</b>	<b>456,796,591</b>
<b>TOTAL ASSETS</b>		<b>1,655,000,907</b>	<b>1,657,153,740</b>
<b>LIABILITIES AND CERTIFICATE HOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	10	32,553,003	26,438,518
Current portion of customers' security deposit		5,000,000	5,005,000
Taxation -net	11	972,593	-
Profit distribution payable		976,148	653,258
		<b>39,501,744</b>	<b>32,096,776</b>
<b>Non - current liabilities</b>			
		-	-
<b>TOTAL LIABILITIES</b>		<b>39,501,744</b>	<b>32,096,776</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>			
<b>Certificate capital</b>			
<b>Authorised certificate capital</b>		<b>500,000,000</b>	<b>500,000,000</b>
50,000,000 (June 2021: 50,000,000) certificates of Rs. 10 each			
Issued, subscribed, and paid-up certificate capital		450,000,000	450,000,000
Reserves		165,499,163	175,056,964
Long term loan	12	1,000,000,000	1,000,000,000
<b>TOTAL CERTIFICATE HOLDERS' EQUITY</b>		<b>1,615,499,163</b>	<b>1,625,056,964</b>
<b>TOTAL LIABILITIES AND CERTIFICATE HOLDERS' EQUITY</b>		<b>1,655,000,907</b>	<b>1,657,153,740</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	13		

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

For Sindh Modaraba Management Limited (Management Company)

  
 Chairman

  
 Acting CEO

  
 Director

  
 Acting CFO

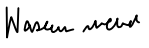
**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)**


FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

	Note	Half year ended		Quarter ended	
		December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
		-----Rupees-----			
<b>Income from:</b>					
Diminishing Musharaka		45,572,814	42,994,637	21,917,835	19,678,011
Ijarah		-	348,827	-	174,077
Bank deposits		19,082,790	28,018,207	10,537,192	12,391,188
Term deposits receipts		10,636,711	1,361,644	4,990,684	1,361,644
		75,292,315	72,723,315	37,445,711	33,604,920
Administrative and operating expenses	14	(19,455,030)	(23,759,932)	(10,719,714)	(11,237,963)
Reversal / (Provision) in respect of Diminishing Musharaka		198,151	162,601	(240,799)	152,472
		(19,256,879)	(23,597,331)	(10,960,513)	(11,085,491)
		56,035,436	49,125,984	26,485,198	22,519,429
Other income		242,568	91,550	33,780	39,550
		56,278,004	49,217,534	26,518,978	22,558,979
Management Company's remuneration		(5,627,800)	(4,921,753)	(2,651,897)	(2,255,897)
Provision for services sales tax on the Management Company's remuneration		(731,614)	(639,828)	(344,746)	(293,266)
Workers' welfare fund		-	(873,120)	-	(400,197)
<b>Profit before taxation</b>		49,918,590	42,782,833	23,522,335	19,609,619
Taxation	11	(14,476,391)	-	(6,821,477)	-
<b>Profit for the period</b>		35,442,199	42,782,833	16,700,858	19,609,619
<b>Earnings per certificate - basic and diluted</b>		0.79	0.95	0.37	0.44

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

For Sindh Modaraba Management Limited (Management Company)

  
 Chairman

  
 Acting CEO

  
 Director

  
 Acting CFO

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

	Half year ended		Quarter ended	
	December 31, 2021	December 31, 2020	December 31, 2021	December 31, 2020
	-----Rupees-----			
<b>Profit for the period</b>	<b>35,442,199</b>	<b>42,782,833</b>	<b>16,700,858</b>	<b>19,609,619</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>35,442,199</u></b>	<b><u>42,782,833</u></b>	<b><u>16,700,858</u></b>	<b><u>19,609,619</u></b>

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

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



Chairman



Acting CEO



Director



Acting CFO

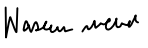
**CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)**

FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

		December 31, 2021	December 31, 2020
		----- Rupees -----	
	Note		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		49,918,590	42,782,833
<b>Adjustments for non - cash and other items</b>			
Depreciation - Ijarah assets	8	-	1,310,652
Depreciation - Fixed assets - in own use	9.1	687,476	666,851
Amortization on intangible assets	9.2	36,072	151,092
Income on bank deposits		(19,082,790)	(28,018,207)
Income on term deposit receipts		(10,636,711)	(1,361,644)
Reversal in respect of Diminishing Musharaka		(198,151)	(162,601)
		<u>20,724,486</u>	<u>15,368,976</u>
<b>Working capital changes</b>			
Advances, prepayments and other receivables		(14,794,035)	(11,866,529)
Diminishing Musharaka		104,924,029	32,518,516
Long term loan		189,000	462,498
Creditors, accrued and other liabilities		6,114,485	(57,136,939)
Customers' security deposit		(5,000)	-
		<u>96,428,479</u>	<u>(36,022,454)</u>
Income received on term deposit receipts		11,230,684	-
Income received on bank deposits		18,456,085	30,207,304
Income tax paid		(12,354,115)	-
<b>Net cash generated from operations</b>		<u>134,485,619</u>	<u>9,553,826</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale proceed from disposal of Ijarah assets		5,000	-
Purchase of fixed assets - in own use	9.1	(299,895)	(638,500)
Purchase of intangible assets	9.2	(19,890)	(213,110)
<b>Net cash used in investing activities</b>		<u>(314,785)</u>	<u>(851,610)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(44,677,110)	(60,522,915)
<b>Net cash used in financing activities</b>		<u>(44,677,110)</u>	<u>(60,522,915)</u>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<u>89,493,724</u>	<u>(51,820,699)</u>
Cash and cash equivalents at the beginning of the period		795,524,291	883,707,855
<b>Cash and cash equivalents at the end of the period</b>	18	<u><u>885,018,015</u></u>	<u><u>831,887,156</u></u>

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

For Sindh Modaraba Management Limited (Management Company)

  
 Chairman

  
 Acting CEO

  
 Director

  
 Acting CFO

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

	Issued, subscribed, and paid-up certificate capital	Reserves			Long term loan	Total equity
		Statutory reserve	Unappropriated profit	Total		
Rupees						
Balance as at July 01, 2020	450,000,000	94,533,686	65,440,734	159,974,420	1,000,000,000	1,609,974,420
Profit for the period	-	-	42,782,833	42,782,833	-	42,782,833
<b>Transaction with Certificate Holders</b>						
Profit distribution @ Rs. 1.35 (13.50%) per certificate	-	-	(60,750,000)	(60,750,000)	-	(60,750,000)
<b>Balance as at December 31, 2020</b>	<b>450,000,000</b>	<b>94,533,686</b>	<b>47,473,567</b>	<b>142,007,253</b>	<b>1,000,000,000</b>	<b>1,592,007,253</b>
Balance as at July 01, 2021	450,000,000	121,071,504	53,985,460	175,056,964	1,000,000,000	1,625,056,964
Profit for the period	-	-	35,442,199	35,442,199	-	35,442,199
<b>Transaction with Certificate Holders</b>						
Profit distribution @ Rs. 1.00 (10.00%) per certificate	-	-	(45,000,000)	(45,000,000)	-	(45,000,000)
<b>Balance as at December 31, 2021</b>	<b>450,000,000</b>	<b>121,071,504</b>	<b>44,427,659</b>	<b>165,499,163</b>	<b>1,000,000,000</b>	<b>1,615,499,163</b>

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

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



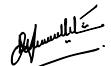
Chairman



Acting CEO



Director



Acting CFO

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

### **FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021**

#### **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, 2021 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, 2021.

These condensed interim financial information comprise of the balance sheet as at December 31, 2021 and profit and loss account. statement of comprehensive income, the cash flow statement and statement of changes in equity for the half year ended December 31, 2021 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, 2021

#### 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, 2021 except tax policy.

#### 3.1 Taxation

##### Current

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

### 4. CASH AND BANK BALANCES

		December 31, 2021	June 30, 2021
		Un-audited	Audited
Note		Rupees	Rupees
Cash in hand		20,000	-
Stamp paper in hand		55,200	92,500
Balances with banks in:			
- Deposit accounts	4.1	563,513,972	474,747,249
- Current accounts	4.2	1,428,843	684,542
		<u>565,018,015</u>	<u>475,524,291</u>

**4.1** These carry profit at the rates ranging from 3.40% to 8.00% per annum. (June 30, 2021: Rs. 3.52% to 6.64% per annum). This includes balance of Rs. 563.48 million (June 30, 2021: Rs. 474.72 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

**4.2** This includes balance of Rs. 1,415,453 (June 30, 2021: Rs. 662,938) 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, 2021

			December 31, 2021	June 30, 2021
			Un-audited	Audited
<b>5. SHORT TERM INVESTMENTS</b>	<b>Note</b>	<b>Rupees</b>		
Term deposit receipts	<b>5.1</b>		<b>320,000,000</b>	<b>320,000,000</b>
<p><b>5.1</b> This represents investment made of Rs. 320 million (June 30, 2021: Rs. 320 million) in Sindh Bank Limited - Islamic Banking Unit (a related party) for the period of three months. This investment carries markup at the rate 7.25% per annum (June 30, 2021: 7.00%).</p>				
<b>6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>	<b>Note</b>	<b>Rupees</b>		
Advances	<b>6.1</b>		<b>37,747,628</b>	24,391,000
Prepayments			<b>1,605,322</b>	668,173
Accrued income from bank deposits	<b>6.2</b>		<b>3,857,761</b>	3,231,056
Accrued income from term deposit receipts	<b>6.2</b>		<b>4,131,507</b>	4,725,480
Accrued income from Diminishing Musharaka	<b>6.3</b>		<b>3,464,882</b>	2,964,624
Other receivables			<b>6,000</b>	6,000
			<b>50,813,100</b>	<b>35,986,333</b>
<p><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. 34.97 million (June 30, 2021: Rs. 24.385 million).</p> <p><b>6.2</b> This represents accrued income of Rs. 3.86 million (June 30, 2021: Rs. 3.23 million) and Rs. 4.13 million (June 30, 2021: Rs. 4.72 million) in deposit account and term deposit receipts respectively, held with Sindh Bank Limited - Islamic Banking Unit, related party.</p>				
<b>6.3 Accrued income from Diminishing Musharaka</b>	<b>Note</b>	<b>Rupees</b>		
Receivable			<b>18,165,563</b>	16,803,041
Less: Income suspend			<b>(14,700,681)</b>	(13,838,417)
			<b>3,464,882</b>	<b>2,964,624</b>
<b>7. DIMINISHING MUSHARAKA</b>				
Receivables - secured	<b>7.1</b>		<b>754,650,143</b>	859,574,172
Less: current portion			<b>(362,183,887)</b>	(367,318,842)
Less: provision	<b>7.2</b>		<b>(44,763,510)</b>	(44,961,661)
Long term portion			<b>347,702,746</b>	<b>447,293,669</b>
<p><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 2021: 3 to 20 years) which is secured against mortgage of property, lien on title documents and charge on assets.</p> <p><b>7.2</b> This includes general provision of Rs. 3.22 million (June 2021: Rs. 3.69 million) made at the rate of 0.5% (June 2021: 0.5%) on diminishing musharaka receivables.</p>				

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

FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

### 8. IJARAH ASSETS

Particulars	Cost			Depreciation			WDV as at December 31, 2021	Depreciation Rate
	As at July 01, 2021	(Deletion)	As at December 31, 2021	As at July 01, 2021	Charge for the period / (Adjustment)	As at December 31, 2021		
	Rupees							
Plant and machinery	80,000,000	-	80,000,000	75,000,000	-	75,000,000	5,000,000	33.33%
Vehicles	10,571,500	(10,571,500)	-	10,566,500	(10,566,500)	-	-	20%
As at and for the Period ended December 31, 2021	90,571,500	(10,571,500)	80,000,000	85,566,500	(10,566,500)	75,000,000	5,000,000	
As at and for the year ended June 30, 2021	93,113,500	(2,542,000)	90,571,500	85,963,408	2,143,092 (2,540,000)	85,566,500	5,005,000	

### 9. FIXED ASSETS - in own use

Note	December 31, 2021	June 30, 2021
	Un-audited	Audited
	Rupees	
Tangible assets	2,848,007	3,235,588
Intangible assets	143,652	159,834
	<u>2,991,659</u>	<u>3,395,422</u>

#### 9.1 Tangible assets

Particulars	Cost			Depreciation			WDV as at December 31, 2021	Depreciation Rate
	As at July 01, 2021	Additions/ (Deletion)	As at December 31, 2021	As at July 01, 2021	Charge for the period / (Adjustment)	As at December 31, 2021		
	Rupees							
Furniture and fixtures	1,536,245		1,536,245	795,534	76,812	872,346	663,899	10%
Office equipment	3,272,641	19,895	3,292,536	2,481,057	234,258	2,715,315	577,221	20%
Vehicles	1,354,275	-	1,354,275	545,958	131,076	677,034	677,241	20%
Computer and accessories	3,153,719	280,000	3,433,719	2,258,743	245,330	2,504,073	929,646	33.33%
As at and for the period ended December 31, 2021	9,316,880	299,895	9,616,775	6,081,292	687,476	6,768,768	2,848,007	
As at and for the year ended June 30, 2021	8,497,420	819,460	9,316,880	4,748,684	1,332,608	6,081,292	3,235,588	

#### 9.2 Intangible assets

Note	December 31, 2021	June 30, 2021
	Un-audited	Audited
	Rupees	
Opening net book value	159,834	266,675
Addition during the period / year	19,890	213,110
Amortization for the period / year	(36,072)	(319,951)
Closing net book value	<u>143,652</u>	<u>159,834</u>

#### As at December 31, 2021 / June 30, 2021

Cost	2,111,982	2,092,092
Accumulated amortization	(1,968,330)	(1,932,258)
Net book value	<u>143,652</u>	<u>159,834</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, 2021

		December 31, 2021	June 30, 2021
		Un-audited	Audited
10. CREDITORS, ACCRUED AND OTHER LIABILITIES	Note	----- Rupees -----	
Creditors		6,441	6,441
Management remuneration payable - related party		5,627,800	7,862,480
Accrued expenses	10.1	7,929,787	7,241,964
Provision for Sindh sales tax on management remuneration		731,614	1,022,123
Payable to gratuity fund - related party		342,402	1,070,048
Other liabilities		17,914,959	9,235,462
		<u>32,553,003</u>	<u>26,438,518</u>

**10.1** These includes Rs. 50,000 (June 30, 2021: Rs. 300,000) for branch rent payable to Sindh Bank Limited, related party.

		December 31, 2021	June 30, 2021
		Un-audited	Audited
	Note	Rupees -----	
11. TAXATION -NET			
Opening balance - Advance income tax		(1,149,683)	(1,040,397)
Payments / adjustments during the period / year		(12,354,115)	(109,286)
Provision for the period / year	11.1	14,476,391	-
Provision for taxation/(Advance income tax) - Net		972,593	(1,149,683)

**11.1** The provision for current tax had not been made due to exemption available at comparative period under applicable provisions of Income Tax Ordinance, 2001. The Modaraba had been distributing more than 90% of its profit after tax to its certificate holders.

		December 31, 2021	June 30, 2021
		Un-audited	Audited
	Note	Rupees -----	
12. LONG TERM LOAN - subordinated	12.1	1,000,000,000	1,000,000,000

**12.1** 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

**13. CONTINGENCIES AND COMMITMENTS**

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' favour. Accordingly, no liability in respect of the above has been recognized in these financial statements.

		December 31, 2021	December 31, 2020
	Note	----- Rupees -----	
<b>14. ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Salaries, allowances and other benefits	<b>14.1</b>	<b>11,937,221</b>	16,672,400
Legal and professional charges		<b>716,240</b>	719,071
Shariah advisor fee		<b>216,000</b>	216,000
Repair and maintenance		<b>653,093</b>	602,753
Utility services		<b>645,021</b>	587,864
Registration and subscription fee		<b>569,450</b>	590,634
Generator sharing and fuel charges	<b>14.2</b>	<b>424,006</b>	287,321
Entertainment		<b>85,045</b>	85,707
Advertisement and publications		<b>122,800</b>	114,122
Rent, rates and taxes	<b>14.3</b>	<b>400,001</b>	400,008
Travelling and conveyance		<b>1,754,360</b>	1,502,446
Security services		<b>300,000</b>	300,000
Printing, stationery and photocopy		<b>231,692</b>	253,096
Postage, courier and telegraphs		<b>137,097</b>	73,446
Auditors' remuneration		<b>152,208</b>	170,078
Depreciation expense - tangible assets	<b>9.1</b>	<b>687,476</b>	666,851
Amortization expense - intangible assets	<b>9.2</b>	<b>36,072</b>	151,092
Takaful / insurance - owned assets		<b>64,645</b>	89,234
Takaful / insurance - Ijarah and Diminishing Musharaka		<b>211,602</b>	161,361
Miscellaneous		<b>111,001</b>	116,448
		<b>19,455,030</b>	<b>23,759,932</b>

**14.1** This includes contribution of Rs. 376,442 (2020: Rs. 582,198) to provident fund and provision for gratuity of Rs. 342,402 (2020: Rs. 489,234), related party.

**14.2** This includes amount of Rs. 360,000 (2020: Rs. 218,430) against sharing of expenses with Sindh Insurance Limited - related party.

**14.3** This includes amount of Rs. 300,000 (2020: 300,000) branch rent to Sindh Bank Limited, related party.

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

FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

### 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 31, 2021 Un-audited	June 30, 2021 Audited
	----- Rupees -----	
<b>Balances as at period end</b>		
<b>Sindh Insurance Limited - associated company</b>		
Sharing of expenses payable	360,000	218,430
<b>Key Management Personnel</b>		
Long term loan (including current portion)	1,291,500	1,480,500
<b>Transactions for the period</b>		
	December 31, 2021	December 31, 2020
	----- Rupees -----	
<b>Sindh Bank Limited - associated company</b>		
Income on bank deposits	19,082,271	27,999,828
Income on term deposit receipt	10,636,711	1,361,644
	29,718,982	29,361,472
<b>Sindh Modaraba Management Limited - Management company</b>		
Dividend paid	42,446,000	57,302,100
Management Company's remuneration accrued	5,627,800	4,921,753
Management Company's remuneration paid	7,862,480	12,411,104
	55,936,280	74,634,957

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

		December 31, 2021	December 31, 2020
	Note	----- Rupees -----	
<b>Sindh Insurance Limited - associated company</b>			
Insurance premium / Takaful contribution paid		883,492	843,522
Sharing of expenses paid		218,430	218,430
		<u>1,101,922</u>	<u>1,061,952</u>
<b>Key Management Personnel</b>			
Salaries, allowances and benefits paid		<u>5,454,267</u>	<u>10,267,816</u>
<b>Sindh Modaraba Employees Provident Fund - employee fund</b>			
Contribution paid (both employer's and employee's contribution)		<u>752,884</u>	<u>1,164,396</u>
<b>Sindh Modaraba Employees Gratuity Fund - employee fund</b>			
Contribution paid		<u>1,070,048</u>	<u>902,323</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.

		December 31, 2021	December 31, 2020
	Note	----- Rupees -----	
<b>18. CASH AND CASH EQUIVALENT</b>			
Cash and bank balances	4	565,018,015	331,887,156
Short term investment	5	320,000,000	500,000,000
		<u>885,018,015</u>	<u>831,887,156</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

**19. 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, 2021.

**20. DATE OF AUTHORISATION**

This condensed interim financial information was authorised for issue on January 31, 2022 by the Board of Directors of the Management Company.

**21. CORRESPONDING FIGURES**

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

**22. GENERAL**

Figures have been rounded off to the nearest rupee.

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



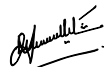
Chairman



Acting CEO



Director



Acting CFO



**Islamic Financing  
Products Offered by  
Sindh Modaraba**

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

*Designed & Printed By: BBS (info@binarysolutions.com.pk)*

**SINDH MODARABA**

1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi  
Tel : (92-21) 35640708-9 web: [www.sindhmodarabaltd.com](http://www.sindhmodarabaltd.com)