



IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



SINDH MODARABA

**QUARTERLY REPORT
MARCH 2023**

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Vision & Mission Statements

Vision

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

Mission

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

Corporate Information

Board of Directors

Mr. Waseem Mehdi Syed	-Chairman	-Independent Director
Mr. Sajid Jamal Abro		-Non-Executive Director
Mr. Sami ul Haq Khilji		-Non-Executive Director
Mr. Kamal Ahmed		-Non-Executive Director
Mr. Rehan Anjum		-Non-Executive Director
Ms. Rukhsana Narejo		-Non-Executive Director
Mr. Ishfaqe Ahmed		-Chief Executive Officer

CFO & Company Secretary

Muhammad Adnan Shakeel

Audit Committee

Mr. Rehan Anjum	-Chairman
Ms. Rukhsana Narejo	-Member

Shariah Advisor

Mufti Zeeshan Abdul Aziz

Human Resource Committee

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

Legal Advisor

Mohsin Tayebaly & Co.

Nomination Committee

Mr. Sajid Jamal Abro	-Chairman
Mr. Waseem Mehdi Syed	-Member
Mr. Kamal Ahmed	-Member

Share Registrar

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

Procurement Committee

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

Risk Management Committee

Mr. Waseem Mehdi Syed	-Chairman
Mr. Rehan Anjum	-Member
Ms. Rukhsana Narejo	-Member

Registered/Head Office

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

Bankers

Sindh Bank Limited –Islamic Banking (Sa’adat)
Meezan Bank Limited (Islamic Banking)
NRSP Microfinance Bank Limited (Islamic Division)
Bank Al-Habib Limited (Islamic Banking)
Habib Metropolitan Bank Limited (Islamic Banking)

Lahore Branch

30-30A, Commercial Building
The Mall
Lahore

Auditors

Baker Tilly Mehmood Idrees Qamar
Chartered Accountants

Directors' Review

The Board of Directors of Sindh Modaraba Management Limited, a Management Company of Sindh Modaraba, is pleased to present the un-audited Financial Statements of Sindh Modaraba for the nine months' period ended on March 31, 2023.

Operating Results

During the nine months' period under review, the Modaraba earned a profit before tax of Rs. 134.89 million compared to merely Rs. 75.17 million during the same period last year. The profit before tax increased by Rs. 59.72 million due to an increase in the financing portfolio, monetary policy rate and weighted average rate of return. The Weighted average financing portfolio of the Modaraba has increased by Rs. 90 million to Rs. 799 million. However, the total revenue has increased from Rs. 115.68 million to Rs.199.91 million due to increase in weighted average rate of return from 12.25% to 13.91%. The operating expenses increased to Rs. 50.44 million as compared to Rs. 30.18 million in same period of last year mainly due to donations of about Rs. 10 million to flood victims as Corporate Social Responsibility and inflationary effect in a recessional economic condition.

Future Prospects

It is believed that the latest round of monetary tightening has fulfilled the IMF's prior condition from SBP. In contrast, only monetary tightening measures will not be sufficient to control the inflationary pressure which has been rising despite rate hikes. The second round impact from currency devaluation and supply-side risks will be challenging to contain inflation sequentially. We believe external financing commitments from key countries remain a major focused area that will pave the way for IMF program resumption and stability in the currency market. However, a 21% policy rate will worsen economic activities along with further swelling of government debt servicing expense (over PKR 7.0 TRN in next 12 months at current rates).

The government is nearing the IMF program SLA agreement but SBP cannot give a timeline for that as there is one pending issue of external financing arrangement. Upon resumption of the program, SBP's FX reserves will reach USD 10 BN by Jun-23. The governor mentioned that SBP had taken all prior measures that were needed to complete the 9th review of the IMF.

The management is trying to focus on the steady growth in the financing portfolio through increasing exposure in the sectors, which are least exposed to volatile economic conditions of the Country. Meanwhile, the timely recovery from the customers against the existing facilities remains the key area of focus. The management is making efforts to keep the infected portfolio at a minimum through cautious financing efforts and keeping the operating costs at low.

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



Ishfaq Ahmed
Chief Executive Officer

Karachi:
April 28, 2023

ڈائریکٹرز کا جائزہ

ہم سندھ مضاربہ مینجمنٹ کمپنیز کے بورڈ آف ڈائریکٹرز کی جانب سے 31 مارچ 2023 کو مکمل ہونے والے نو ماہ کے سندھ مضاربہ کے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے سمرٹ محسوس کر رہے ہیں۔

آپریٹنگ نتائج

مضاربہ نے 31 مارچ 2022 کو مکمل ہونے والی نو ماہ کی مدت میں Rs.75.17 ملین منافع کے مقابلے میں زیر غور نو ماہ کی مدت میں Rs.134.89 ملین کا منافع کمایا۔ ٹیکس سے قبل منافع میں Rs.59.72 ملین روپے کا اضافہ ہوا۔ جو کہ فنانسنگ پورٹ فولیو، مانیٹری پالیسی کی شرح اور منافع کی اوسط شرح میں اضافے کی وجہ سے ہوا۔ مضاربہ کے اوسط فنانسنگ پورٹ فولیو میں Rs.90 ملین سے اضافہ ہوا جو کہ Rs.799 ملین کی سطح پر آ گیا۔ تاہم کل آمدنی Rs.115.68 ملین روپے سے بڑھ گئی اور Rs.199.91 ملین روپے کی سطح پر آ گئی جو کہ 12.25% سے 13.91% تک منافع کی اوسط شرح میں اضافہ کی وجہ سے ہوئی۔ آپریٹنگ اخراجات اسی مدت کے موازنہ میں Rs.30.18 ملین سے بڑھ کر Rs.50.44 ملین روپے ہو گئے۔ اخراجات بڑھنے کی خاص وجہ مہنگائی اور کارپوریٹ سماجی ذمہ داری کے تحت Rs.10 ملین کا عطیہ بنی جو سیلاب زدگان کے لیے ادا کیے گئے۔

امکانات مستقبل

خیال کیا جاتا ہے کہ مالیاتی سختی کے تازہ ترین دور میں اسٹیٹ بینک نے آئی ایم ایف کی پیشگی شرائط پوری کر دی ہے۔ اس کے برعکس، صرف مالیاتی سختی کے اقدامات ہی مہنگائی کے دباؤ کو کنٹرول کرنے کے لیے کافی نہیں ہوں گے جو شرح میں اضافے کے باوجود بڑھ رہا ہے۔ کرنسی کی قدر میں کمی کے دوسرے دور کے اثرات اور سپلائی سائیکل کے خطرات مہنگائی کو کنٹرول کرنے کے لیے چیلنجنگ ہوں گے۔ ہمیں یقین ہے کہ کلیدی ممالک کی جانب سے بیرونی مالیاتی وعدے ایک اہم توجہ کا مرکز بنے ہوئے ہیں جو IMF پروگرام کی بحالی اور کرنسی مارکیٹ میں استحکام کی راہ ہموار کرے گا۔ تاہم، 21 فیصد پالیسی کی شرح حکومتی قرضوں کی فراہمی کے اخراجات میں مزید اضافے کے ساتھ معاشی سرگرمیاں مزید خراب کر دے گی۔ (موجودہ نرخوں پر اگلے 12 مہینوں میں PKR 7.0 TRN سے زیادہ)۔

حکومت آئی ایم ایف پروگرام SLA معاہدے کے قریب ہے لیکن اسٹیٹ بینک اس کے لیے کوئی ٹائم لائن نہیں دے سکتا کیونکہ بیرونی مالیاتی انتظامات کا ایک زیر التوا مسئلہ ہے۔

پروگرام کے دوبارہ شروع ہونے پر، SBP کے FX کے ذخائر جون-20 23 تک BN USD 10 تک پہنچ جائیں گے۔ گورنر نے ذکر کیا کہ اسٹیٹ بینک نے وہ تمام پیشگی اقدامات کیے ہیں جو آئی ایم ایف کے نوس جانزے کو مکمل کرنے کے لیے درکار تھے۔

انتظامیہ کی کوشش ہے کہ فنانسنگ پورٹ فولیو مسلسل ترقی پر توجہ مرکوز کرنے کے لیے ان شعبوں میں ایکسپوزر بڑھایا جائے، جو ملک کے غیر مستحکم اقتصادی حالات سے کم سے کم متاثر ہوتے ہیں۔ اس کے علاوہ موجودہ ہولیاہت کے خلاف صارفین سے بروقت وصولی توجہ کا اہم شعبہ ہے۔ انتظامیہ محتاط کوششوں کے ذریعے متاثرہ پورٹ فولیو اور آپریٹنگ اخراجات کو کم سے کم رکھنے کی کوششیں کر رہی ہے۔

اعتراف

بورڈ آف ڈائریکٹرز کی جانب سے، میں اسپانسرز، ریگولیٹرز اور ہمارے شرعی مشیر کا ان کی رہنمائی اور تعاون کے لیے شکریہ ادا کرتا ہوں۔ ہم اپنے کابینوں کی مسلسل سرپرستی کو بھی تسلیم کرتے ہیں اور بہتر نتائج دینے کے لیے مضاربہ کے ملازمین کی لگن اور محنت کو بھی سراہتے ہیں۔

بورڈ کی جانب سے



اشفاق احمد

چیف ایگزیکٹو آفیسر

کراچی

28 اپریل 2023

CONDENSED INTERIM BALANCE SHEET

AS AT MARCH 31, 2023

	March 31, 2023	June 30, 2022
	<u>Un-audited</u>	<u>Audited</u>
Note	----- Rupees -----	
ASSETS		
Current assets		
Cash and bank balances	4 99,798,316	494,176,101
Short term investments	5 710,000,000	320,000,000
Advances, prepayments and other receivables	6 43,335,860	20,933,411
Advance taxation -net	10 1,318,708	-
Current portion of Diminishing Musharaka	7 370,787,943	338,062,224
Current portion of long term loan	431,600	809,600
Total current assets	1,225,672,427	1,173,981,336
Non - current assets		
Diminishing Musharaka	7 499,044,330	505,645,798
Long term loan	1,330,763	2,378,966
Fixed assets - in own use	8 1,859,940	2,578,628
Total non - current assets	502,235,033	510,603,392
TOTAL ASSETS	<u>1,727,907,460</u>	<u>1,684,584,728</u>
LIABILITIES AND CERTIFICATE HOLDERS' EQUITY		
Current liabilities		
Creditors, accrued and other liabilities	9 39,218,543	33,269,664
Provision for taxation -net	10 -	4,578,170
Profit distribution payable	932,984	787,924
	40,151,527	38,635,758
Non - current liabilities		
	-	-
TOTAL LIABILITIES	40,151,527	38,635,758
CERTIFICATE HOLDERS' EQUITY		
Certificate capital		
Authorised certificate capital		
50,000,000 (June 2022: 50,000,000) certificates of Rs. 10 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued, subscribed, and paid-up certificate capital	450,000,000	450,000,000
Reserves	237,755,933	195,948,970
Long term loan	11 1,000,000,000	1,000,000,000
TOTAL CERTIFICATE HOLDERS' EQUITY	1,687,755,933	1,645,948,970
TOTAL LIABILITIES AND CERTIFICATE HOLDERS' EQUITY	<u>1,727,907,460</u>	<u>1,684,584,728</u>
CONTINGENCIES AND COMMITMENTS		
	12	

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

For Sindh Modaraba Management Limited (Management Company)



Chairman



Chief Executive



Director



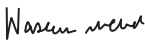
Chief Financial Officer

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2023

	Nine months ended		Quarter ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
Note ----- Rupees -----				
Income from:				
Diminishing Musharaka	117,706,391	66,736,050	45,286,340	21,163,236
Bank deposits	31,718,706	31,424,436	5,559,728	12,341,646
Term deposits receipts	50,483,273	17,517,821	22,314,792	6,881,110
	<u>199,908,370</u>	<u>115,678,307</u>	<u>73,160,860</u>	<u>40,385,992</u>
Administrative and operating expenses	13 (50,437,706)	(30,184,563)	(14,865,797)	(10,729,533)
Reversal/(Provision) in respect of Diminishing Musharaka	1,519,067	(1,076,303)	1,703,850	(1,274,454)
	<u>(48,918,639)</u>	<u>(31,260,866)</u>	<u>(13,161,947)</u>	<u>(12,003,987)</u>
	<u>150,989,731</u>	<u>84,417,441</u>	<u>59,998,913</u>	<u>28,382,005</u>
Other income	1,080,823	327,165	246,178	84,597
	<u>152,070,554</u>	<u>84,744,606</u>	<u>60,245,091</u>	<u>28,466,602</u>
Management Company's remuneration	(15,207,055)	(8,474,461)	(6,024,509)	(2,846,661)
Provision for services sales tax on the Management Company's remuneration	(1,976,917)	(1,101,680)	(783,186)	(370,066)
	<u>134,886,582</u>	<u>75,168,465</u>	<u>53,437,396</u>	<u>25,249,875</u>
Taxation	10 (39,079,619)	(21,798,855)	(15,496,845)	(7,322,464)
	<u>95,806,963</u>	<u>53,369,610</u>	<u>37,940,551</u>	<u>17,927,411</u>
Profit for the period				
	<u>95,806,963</u>	<u>53,369,610</u>	<u>37,940,551</u>	<u>17,927,411</u>
Earnings per certificate - basic and diluted	<u>2.13</u>	<u>1.19</u>	<u>0.84</u>	<u>0.40</u>

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

For Sindh Modaraba Management Limited (Management Company)



Chairman



Chief Executive



Director



Chief Financial Officer

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2023

	Nine months ended		Quarter ended	
	March 31, 2023	March 31, 2022	March 31, 2023	March 31, 2022
	-----Rupees-----			
Profit for the period	95,806,963	53,369,610	37,940,551	17,927,411
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	<u>95,806,963</u>	<u>53,369,610</u>	<u>37,940,551</u>	<u>17,927,411</u>

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

For Sindh Modaraba Management Limited (Management Company)



Chairman



Chief Executive



Director



Chief Financial Officer

CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2023

	Note	Nine Months Ended	
		March 31, 2023	March 31, 2022
		Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		134,886,582	75,168,465
Adjustments for non - cash and other items			
Depreciation - Fixed assets - in own use	9.1	942,097	1,055,122
Amortization on intangible assets	9.2	58,248	55,488
Gain on disposal of fixed assets -owned		(145,480)	-
Income on bank deposits		(31,718,706)	(31,424,436)
Income on term deposit receipts		(50,483,273)	(17,517,821)
(Reversal)/Provision in respect of Diminishing Musharaka		(1,519,067)	1,076,303
		<u>52,020,401</u>	<u>28,413,121</u>
Working capital changes			
Advances, prepayments and other receivables		(3,323,787)	17,816,510
Diminishing Musharaka		(24,605,184)	141,478,599
Long term loan		1,426,203	283,500
Creditors, accrued and other liabilities		5,948,879	1,125,830
Customers' security deposit		-	(5,000)
		<u>(20,553,889)</u>	<u>160,699,439</u>
Income received on term deposit receipts		28,986,288	19,708,456
Income received on bank deposits		34,137,029	30,312,002
Income tax paid		(44,976,497)	(18,326,644)
Net cash generated from operations		<u>49,613,332</u>	<u>220,806,374</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale proceed from disposal of Ijarah assets		-	5,000
Sale proceed from disposal of fixed assets -owned		145,500	-
Purchase of fixed assets - in own use	9.1	(281,677)	(381,795)
Purchase of intangible assets	9.2	-	(19,890)
Net cash used in investing activities		<u>(136,177)</u>	<u>(396,685)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(53,854,940)	(44,865,334)
Net cash used in financing activities		<u>(53,854,940)</u>	<u>(44,865,334)</u>
Net (decrease)/increase in cash and cash equivalents		<u>(4,377,785)</u>	<u>175,544,355</u>
Cash and cash equivalents at the beginning of the period		814,176,101	795,524,291
Cash and cash equivalents at the end of the period	17	<u><u>809,798,316</u></u>	<u><u>971,068,646</u></u>

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

For Sindh Modaraba Management Limited (Management Company)


Chairman


Chief Executive


Director


Chief Financial Officer

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2023

	Issued, subscribed, and paid-up certificate capital	Reserves			Long term loan	Total equity
		Statutory reserve	Unappropriated profit	Total		
Rupees						
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	-	-	53,369,610	53,369,610	-	53,369,610
Transaction with Certificate Holders						
Profit distribution @ Rs. 1.00 (10.00%) per certificate	-	-	(45,000,000)	(45,000,000)	-	(45,000,000)
Balance as at March 31, 2022	450,000,000	121,071,504	62,355,070	183,426,574	1,000,000,000	1,633,426,574
Balance as at July 01, 2022	450,000,000	134,334,148	61,614,822	195,948,970	1,000,000,000	1,645,948,970
Profit for the period	-	-	95,806,963	95,806,963	-	95,806,963
Transaction with Certificate Holders						
Profit distribution @ Rs. 1.20 (12.00%) per certificate	-	-	(54,000,000)	(54,000,000)	-	(54,000,000)
Balance as at March 31, 2023	450,000,000	134,334,148	103,421,785	237,755,933	1,000,000,000	1,687,755,933

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

For Sindh Modaraba Management Limited (Management Company)



Chairman



Chief Executive



Director



Chief Financial Officer

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2023

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Modaraba is a perpetual, multi-purpose and multi-dimensional Modaraba and is primarily engaged in providing Shariah compliant financing facilities to credit worthy customers. The Modaraba is listed on Pakistan Stock Exchange 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 nine-month ended March 31, 2023 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, 2022.

2.2 Basis of measurement

This 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.

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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2023

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, 2022.

	Note	March 31, 2023	June 30, 2022
		Un-audited	Audited
4. CASH AND BANK BALANCES		Rupees	
Cash in hand		20,000	-
Stamp paper in hand		62,800	72,700
Balances with banks in:			
- Deposit accounts	4.1	97,348,574	492,734,368
- Current accounts	4.2	2,366,942	1,369,033
		<u>99,798,316</u>	<u>494,176,101</u>

4.1 These carry profit at the rates ranging from 7.25% to 16.00% per annum. (June 30, 2022: Rs. 5.50% to 11.00% per annum). This includes balance of Rs. 83.22 million (June 30, 2022: Rs. 483.51 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

4.2 This includes balance of Rs. 2,348,603 (June 30, 2022: Rs. 1,294,517) held with Sindh Bank Limited - Islamic Banking Unit, related party.

	Note	March 31, 2023	June 30, 2022
		Un-audited	Audited
5. SHORT TERM INVESTMENTS		Rupees	
Term deposit receipts	5.1	<u>710,000,000</u>	<u>320,000,000</u>

5.1 This includes Rs.400 million in Sindh Bank Limited -Islamic Banking (related party) for a period of 6 months maturity at the profit rate of 14.50% per annum and Rs. 310 million in Meezan Bank Limited for a period of 3 months maturity at a profit rate of 17.75% per annum (June 2022: Rs.320 million in Meezan Bank Limited for a period of 6 months maturity at a profit rate of 12.25% per annum).

	Note	March 31, 2023	June 30, 2022
		Un-audited	Audited
6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		Rupees	
Advances	6.1	3,447,623	7,562,220
Prepayments		2,039,778	744,855
Accrued income from bank deposits	6.2	2,876,395	5,294,718
Accrued income from term deposit receipts	6.2	24,181,917	2,684,932
Accrued income from Diminishing Musharaka	6.3	10,750,147	4,638,686
Other receivables		40,000	8,000
		<u>43,335,860</u>	<u>20,933,411</u>

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

FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2023

- 6.1** This includes advance to vendors in respect of acquisition of assets under Diminishing Musharaka arrangement for onward delivery to customers amounting to Rs. 2.55 million (June 30, 2022: Rs. 1.55 million).
- 6.2** This represents accrued income of Rs. 0.95 million (June 30, 2022: Rs. 5.25 million) and Rs. 21.77 Million (June 30, 2022: Rs. Nil) in deposit account and term deposit receipts respectively, held with Sindh Bank Limited - Islamic Banking Unit, related party.

	March 31, 2023	June 30, 2022
	Un-audited	Audited
Note	----- Rupees -----	

6.3 Accrued income from Diminishing Musharaka

Receivable	27,963,478	21,766,615
Less: Income suspend	(17,213,331)	(17,127,929)
	<u>10,750,147</u>	<u>4,638,686</u>

7. DIMINISHING MUSHARAKA

Receivables - secured	7.1	926,533,882	901,928,698
Less: current portion		(370,787,943)	(338,062,224)
Less: provision	7.2	(56,701,609)	(58,220,676)
Long term portion		<u>499,044,330</u>	<u>505,645,798</u>

- 7.1** This represents the finance provided to Individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 3 to 20 years (June 2022: 3 to 20 years) which is secured against mortgage of property, lien on title documents and charge on assets.
- 7.2** This includes general provision of Rs. 4.12 million (June 2022: Rs. 3.96 million) made at the rate of 0.5% (June 2022: 0.5%) on diminishing musharaka receivables.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2023

8. FIXED ASSETS - in own use	Note	March 31,	June 30,
		2023	2022
		Un-audited	Audited
		----- Rupees -----	
Tangible assets	8.1	1,813,368	2,473,808
Intangible assets	8.2	46,572	104,820
		<u>1,859,940</u>	<u>2,578,628</u>

8.1 Tangible assets

Particulars	Cost			Depreciation			WDV as at March 31, 2023	Depreciation Rate
	As at July 01, 2022	Additions/ (Deletion)	As at March 31, 2023	As at July 01, 2022	Charge for the period / (Adjustment)	As at March 31, 2023		
	----- Rupees -----							
Furniture and fixtures	1,536,245	28,972	1,565,217	949,158	116,905	1,066,063	499,154	10%
Office equipment	3,292,536	130,440	2,953,640	2,948,229	171,862	2,650,763	302,877	20%
		(469,336)			(469,328)			
Vehicles	1,354,275	-	1,354,275	808,110	196,614	1,004,724	349,551	20%
Computer and accessories	3,803,925	122,265	2,715,195	2,807,676	456,716	2,053,409	661,786	33.33%
		(1,210,995)			(1,210,983)			
As at and for the period ended March 31, 2023	9,986,981	(1,398,654)	8,588,327	7,513,173	(738,214)	6,774,959	1,813,368	
As at and for the year ended June 30, 2022	9,316,880	670,101	9,986,981	6,081,292	1,431,881	7,513,173	2,473,808	

8.2 Intangible assets	Note	March 31,	June 30,
		2023	2022
		Un-audited	Audited
		----- Rupees -----	
Opening net book value		104,820	159,834
Addition during the period / year		-	19,890
Amortization for the period / year		(58,248)	(74,904)
Closing net book value		<u>46,572</u>	<u>104,820</u>
As at March 31, 2023 / June 30, 2022			
Cost		2,111,982	2,111,982
Accumulated amortization		(2,065,410)	(2,007,162)
Net book value		<u>46,572</u>	<u>104,820</u>
Annual rates of amortization		<u>33.33%</u>	<u>33.33%</u>

9. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors		6,441	6,441
Management remuneration payable - related party		15,207,055	11,352,217
Accrued expenses	9.1	12,284,415	8,270,117
Provision for Sindh sales tax on management remuneration		1,976,918	1,475,788
Payable to gratuity fund - related party		787,879	1,097,429
Other liabilities		8,955,835	11,067,672
		<u>39,218,543</u>	<u>33,269,664</u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2023

- 9.1 This includes Rs. 200,000 (June 30, 2022: Rs. 50,000) for branch rent payable to Sindh Bank Limited, related party and Rs. 810,000 (June 30, 2022: Rs. Nil) for sharing of expense payable to Sindh Insurance limited, related party.

	March 31, 2023	June 30, 2022
	Un-audited	Audited
Note	----- Rupees -----	
10. PROVISION FOR TAXATION -NET		
Opening balance - Provision for taxation	4,578,170	-
Paid/deducted/adjusted during the period / year	(44,976,497)	(29,802,772)
Provision for the period / year	39,117,109	34,380,942
Prior period adjustment	(37,490)	-
Total provision for the period	39,079,619	34,380,942
Closing balance - (Advance tax) / Provision for taxation	(1,318,708)	4,578,170

	March 31, 2023	June 30, 2022
	Un-audited	Audited
Note	----- Rupees -----	
11. LONG TERM LOAN - subordinated		
11.1	1,000,000,000	1,000,000,000

- 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

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

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2023

	Note	March 31,	March 31,
		2023	2022
		Un-audited	Un-audited
		Rupees	
13. ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries, allowances and other benefits	13.1	26,526,633	18,995,904
Legal and professional charges		992,074	987,644
Shariah advisor fee		324,000	324,000
Repair and maintenance		1,057,759	985,383
Utility services		1,048,005	857,857
Registration and subscription fee		879,780	846,319
Generator sharing and fuel charges	13.2	1,093,646	711,593
Entertainment		238,735	143,862
Advertisement and publications		75,312	122,800
Staff orientation and training		5,250	6,000
Rent, rates and taxes	13.3	600,012	600,002
Travelling and conveyance		4,430,055	2,770,941
Security services		450,000	450,000
Printing, stationery and photocopy		451,868	353,857
Postage, courier and telegraphs		135,546	154,889
Auditors' remuneration		235,094	228,312
Depreciation expense - tangible assets	9.1	942,097	1,055,122
Amortization expense - intangible assets	9.2	58,248	55,488
Takaful / insurance - owned assets		125,222	100,253
Takaful / insurance - Diminishing Musharaka		626,542	308,509
Donation		9,997,500	-
Miscellaneous		144,328	125,828
		50,437,706	30,184,563

13.1 This includes contribution of Rs. 806,324 (2022: Rs. 613,699) to provident fund and provision for gratuity of Rs. 787,879 (2022: Rs. 513,603), related party.

13.2 This includes amount of Rs. 810,000 (2022: Rs. 575,830) against sharing of expenses with Sindh Insurance Limited - related party.

13.3 This includes amount of Rs. 450,000 (2022: 450,000) branch rent to Sindh Bank Limited, related party.

14. 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2023

16. 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.

	Note	March 31, 2023	March 31, 2022
		Un-audited	Un-audited
----- Rupees -----			
17. CASH AND CASH EQUIVALENT			
Cash and bank balances	4	99,798,316	651,068,646
Short term investment	5	710,000,000	320,000,000
		<u>809,798,316</u>	<u>971,068,646</u>

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 March 31, 2023.

19. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on **April 28, 2023** by the Board of Directors of the Management Company.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE NINE-MONTHS PERIOD ENDED MARCH 31, 2023

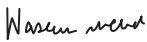
20. CORRESPONDING FIGURES

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)



Chairman



Chief Executive



Director



Chief Financial Officer

**Islamic Financing
Products Offered by
Sindh Modaraba**

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

SINDH MODARABA

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