

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO



# SINDH MODARABA



**HALF YEARLY REPORT  
DECEMBER 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. Ejaz Akhtar Ansari		-Independent Director
Mr. Kazim Hussain Jatoi	-Secretary Finance (Govt. of Sindh)	-Non-Executive Director
Mr. Sami ul Haq Khilji		-Non-Executive Director
Mr. Kamal Ahmed		-Non-Executive Director
Mr. Abdul Rauf Chandio		-Non-Executive Director
Ms. Naila Asad Shaikh		-Non-Executive Director
Mr. Ishfaque Ahmed		-Chief Executive Officer

### CFO & Company Secretary

Muhammad Adnan Shakeel

### Audit Committee

Mr. Ejaz Akhtar Ansari	-Chairman
Mr. Sami ul Haq Khilji	-Member
Mr. Abdul Rauf Chandio	-Member

### Shariah Advisor

Mufti Zeeshan Abdul Aziz

### Human Resource Committee

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

### Legal Advisor

Mohsin Tayebaly & Co.

### Nomination Committee

Mr. Waseem Mehdi Syed	-Chairman
Mr. Kamal Ahmed	-Member
Mr. Kazim Hussain Jatoi	-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. Kazim Hussain Jatoi	-Chairman
Mr. Ejaz Akhtar Ansari	-Member
Ms. Naila Asad Shaikh	-Member

### Risk Management Committee

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

### Registered/Head Office

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

### Bankers

Sindh Bank Limited (Islamic Banking)  
Meezan Bank Limited  
NRSP Microfinance Bank Limited  
Soneri Bank Limited (Islamic Banking)  
AL-Baraka Bank Pakistan Limited  
Habib Metropolitan Bank (Islamic Banking)  
MCB Islamic Bank Limited

### 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, Management Company of Sindh Modaraba, is pleased to present the un-audited Financial Statements of Sindh Modaraba for the half year ended December 31, 2023.

### Operating Results

During the six months' period under review, the Modaraba earned a profit before tax of Rs. 157.94 Million as compared to Rs. 81.45 Million in same period of last year. The profit before tax increased by Rs. 76.48 million due to increase in financing income, proper treasury management, better weighted average rate of return and recovery of NPLs.

The revenue has increased from Rs. 126.75 million to Rs. 202.62 million. The financing portfolio has increased from Rs. 919.46 million to Rs. 961.34 million. Murabaha Financing has been added as product diversification in current period as compared to same period in last year. Expenses kept in control in a highly inflated situation.

### Future Prospects

Despite a declining trend in fuel prices for the past three months, inflation has had a higher impact on core inflation. Further, while new risks continue to emerge, energy prices and the PKR/USD rate will remain pivotal factors influencing inflation. The Monetary Policy Committee (MPC) decided to maintain the policy rate at 22 percent during its meeting on 12th December 2023. The MPC assessed that the real interest rate remains positive on a 12-month forward-looking basis. Therefore, it can be assessed that despite multi challenges it is expected that inflation may start to slow down in near future. The economic recovery process also continues at a steady pace, bolstering business confidence and market sentiment. In November 2023, the Pakistan Stock Exchange (PSX) showcased outstanding performance. The sustained rise in the PSX index over the past five months indicates an improvement in the overall health of the economy and signals a positive economic outlook for the ongoing fiscal year.

The optimistic economic outlook is also evident by the 2.13 percent growth achieved in the first quarter of FY2024, largely contributed by agriculture and industry. Further, the twin deficit is on a downward trajectory signifying better economic management to reduce the macroeconomic imbalances. This lays the foundation for progressing towards higher and sustainable economic growth. It is therefore expected that this positive momentum will further strengthen in the upcoming months.

In light of the above the management will continue its strategy for cautious lending in uncertain economic conditions, the management is focusing on the steady growth in the financing portfolio through concentration in low risk sectors and vigorous expansion of business to earn more profit within the umbrella of Regulatory requirement. Moreover, timely recovery from the customers against the existing facilities remains the key area of focus to maintain the returns yield 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.

On Behalf of the Board



**Ishfaque Ahmed**  
Chief Executive Officer

Karachi  
January 31, 2024

## ڈائریکٹرز کا جائزہ

ہم سندھ مضاربہ سٹیٹمنٹس لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے 13 دسمبر 2023ء 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 13 دسمبر 2023ء کو ختم ہونے والی ششماہی میں قبل محصولات Rs.81.45 ملین منافع کے مقابلے میں زیر غور ششماہی میں Rs.157.94 ملین کا منافع کمایا۔ ٹیکس سے قبل منافع میں Rs.76.48 ملین روپے کا اضافہ ہوا، جس کی بنیادی وجوہات مالیاتی آمدنی میں اضافہ، ٹریڈری کا مناسب انتظام، بہتر وزنی اوسط شرح منافع اور NPLs کی ریکوری کی وجہ سے ہوا۔

آمدنی Rs.126.75 ملین سے بڑھ کر Rs.202.62 ملین کی سطح پر آگئی۔ مضاربہ کا فنانسنگ پورٹ فولیو دسمبر 2023 کو بڑھ کر Rs.961.34 ملین روپے ہو گیا، جبکہ دسمبر 2022 کو پورٹ فولیو Rs.919.46 ملین روپے کی سطح پر تھا۔ مراعات فنانسنگ کو گزشتہ سال کی اسی مدت کے مقابلے میں موجودہ مدت میں مصنوعات کو وسیع کرنے کے لیے شامل کیا گیا ہے۔ انتہائی مہنگائی والی صورتحال میں بھی اخراجات کو قابو میں رکھا گیا ہے۔

## امکانات مستقبل

گزشتہ تین ماہ سے ایندھن کی قیمتوں میں کمی کے رجحان کے باوجود، بنیادی مہنگائی میں اضافہ ہوا ہے۔ مزید یہ کہ نئے خطرات ابھرنے کے ساتھ، توانائی کی قیمتیں اور PKR/USD کی شرح، مہنگائی کو متاثر کرنے والے اہم عوامل رہیں گے۔ مانیٹری پالیسی کمیٹی (MPC) نے 12 دسمبر 2023 کو اپنی میٹنگ کے دوران پالیسی ریٹ کو 22 فیصد پر برقرار رکھنے کا فیصلہ کیا۔ MPC نے اندازہ لگایا کہ حقیقی سود کی شرح 12 ماہ کی مستقبل کی بنیاد پر مثبت رہتی ہے، اس لیے اس بات کا اندازہ لگایا جاسکتا ہے کہ کثیر چیلنجوں کے باوجود یہ توقع کی جاسکتی ہے کہ مستقبل قریب میں افراط زر کی شرح میں کمی آنا شروع ہو سکتی ہے۔ معاشی بحالی کا عمل بھی مستحکم رفتار سے جاری ہے، جس سے کاروباری اعتماد اور مارکیٹ کے جذبات کو تقویت ملتی ہے۔ نومبر 2023 میں، پاکستان اسٹاک ایکسچینج (PSX) نے شاندار کارکردگی کا مظاہرہ کیا۔ گزشتہ پانچ ماہ کے دوران PSX انڈیکس میں مسلسل اضافہ معیشت کی مجموعی صحت میں بہتری کی نشاندہی کرتا ہے اور جاری مالی سال کے لیے ایک مثبت اقتصادی نقطہ نظر کی نشاندہی کرتا ہے۔

پرامیدار اقتصادی نقطہ نظر مالی سال 2024 کی پہلی سہ ماہی میں حاصل کی گئی 2.13 فیصد نمو سے بھی ظاہر ہوتا ہے، جس میں زیادہ تر زراعت اور صنعت کا حصہ ہے۔ مزید یہ کہ، جڑواں خسارہ نیچے کی طرف ہے جو میکرو اکنامک عدم توازن کو کم کرنے کے لیے بہتر معاشی انتظام کی نشاندہی کرتا ہے۔ یہ اعلیٰ اور پائیدار اقتصادی ترقی کی طرف بڑھنے کی بنیاد رکھتا ہے۔ اس لیے توقع ہے کہ آنے والے مہینوں میں یہ مثبت رفتار مزید مضبوط ہوگی۔ مذکورہ بالا کی روشنی میں انتظامیہ غیر یقینی معاشی حالات میں محتاط قرضہ دینے کے لیے اپنی حکمت عملی جاری رکھے گی، انتظامیہ کم خطرے والے شعبوں میں شرکت کے ذریعے فنانسنگ پورٹ فولیو میں مسلسل ترقی پر توجہ مرکوز کر رہی ہے اور ریگولیٹری فریم ورک کے اندر زیادہ منافع کمانے کے لیے کاروبار کی بھر پور توسیع کے لیے کوشاں ہے۔ مزید برآں، موجودہ سہولیات کے خلاف صارفین سے بروقت وصولی پورٹ فولیو کی واپسی کی پیداوار کو برقرار رکھنے کے لیے مرکزی توجہ کا مرکز بنی ہوئی ہے۔

## 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



اشفاق احمد

چیف ایگزیکٹو آفیسر

کراچی

31 جنوری 2024

## 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, 2023 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, 2023 and December 31, 2022 have not been reviewed, as we are required to review only the cumulative figures for the six-months period ended December 31, 2023.

### 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, 2023 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.

Date: February 01, 2024

UDIN: RR202310151|ARHaFfyB

**Baker Tilly Mehmood Idrees Qamar**  
Chartered Accountants

**Mehmood A. Razzak.**  
Engagement Partner

**CONDENSED INTERIM BALANCE SHEET**  
AS AT DECEMBER 31, 2023

		December 2023	June 2023
		<u>Un-audited</u>	<u>Audited</u>
	Note	----- Rupess -----	
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	4	119,175,787	182,076,260
Short term investments	5	744,000,000	700,000,000
Advances, prepayments and other receivables	6	60,165,362	28,738,060
Morabaha Finance		80,000,000	-
Current portion of Diminishing Musharaka	7	375,271,285	369,562,127
Current portion of long term loan		587,000	431,600
<b>Total current assets</b>		<b>1,379,199,434</b>	<b>1,280,808,047</b>
<b>Non - current assets</b>			
Diminishing Musharaka	7	456,797,312	494,229,740
Long term loan		2,250,166	1,222,862
Fixed assets - in own use	8	1,574,909	1,972,843
<b>Total non - current assets</b>		<b>460,622,387</b>	<b>497,425,445</b>
<b>TOTAL ASSETS</b>		<b>1,839,821,821</b>	<b>1,778,233,492</b>
<b>LIABILITIES AND CERTIFICATE HOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	9	59,785,025	44,381,187
Provision for taxation -net	10	165,931	10,555,612
Profit distribution payable		1,197,605	929,481
		<b>61,148,561</b>	<b>55,866,280</b>
<b>Non - current liabilities</b>			
		-	-
<b>TOTAL LIABILITIES</b>		<b>61,148,561</b>	<b>55,866,280</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>			
<b>Certificate capital</b>			
<b>Authorised certificate capital</b>			
50,000,000 (June 2023: 50,000,000) certificates of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed, and paid-up certificate capital		450,000,000	450,000,000
Reserves		328,673,260	272,367,212
Long term loan	11	1,000,000,000	1,000,000,000
<b>TOTAL CERTIFICATE HOLDERS' EQUITY</b>		<b>1,778,673,260</b>	<b>1,722,367,212</b>
<b>TOTAL LIABILITIES AND CERTIFICATE HOLDERS' EQUITY</b>		<b>1,839,821,821</b>	<b>1,778,233,492</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 - Owned by Government of Sindh)

  
Chairman

  
Chief Executive Officer

  
Director

  
Chief Financial Officer



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)**  
FOR THE SIX-MONTHS PERIOD ENDED DECEMBER 31, 2023

	Six-months period ended		Quarter ended	
	December 2023	December 2022	December 2023	December 2022
	Note ----- Rupess -----			
<b>Income from:</b>				
Diminishing Musharaka	106,790,957	72,420,051	52,089,651	37,574,408
Morabaha	1,984,745	-	1,984,745	-
Bank deposits	20,283,067	26,158,978	9,120,359	11,277,703
Term deposits receipts	73,560,810	28,168,481	39,933,238	16,645,205
	<b>202,619,579</b>	<b>126,747,510</b>	<b>103,127,993</b>	<b>65,497,316</b>
Administrative and operating expenses (Provision)/Reversal in respect of Diminishing Musharaka	13 (31,210,475) 6,407,179	(35,571,909) (184,783)	(15,906,807) 5,277,979	(22,871,947) (585,744)
	<b>(24,803,296)</b>	<b>(35,756,692)</b>	<b>(10,628,828)</b>	<b>(23,457,691)</b>
	<b>177,816,283</b>	<b>90,990,818</b>	<b>92,499,165</b>	<b>42,039,625</b>
Other income	241,900	834,645	150,000	215,940
	<b>178,058,183</b>	<b>91,825,463</b>	<b>92,649,165</b>	<b>42,255,565</b>
Management Company's remuneration	(17,805,818)	(9,182,546)	(9,264,916)	(4,225,556)
Provision for services sales tax on the Management Company's remuneration	(2,314,756)	(1,193,731)	(1,204,439)	(549,322)
Workers' welfare fund	-	-	-	-
<b>Profit before taxation</b>	<b>157,937,609</b>	<b>81,449,186</b>	<b>82,179,810</b>	<b>37,480,687</b>
Taxation	10 (45,381,561)	(23,582,774)	(23,411,799)	(10,831,909)
<b>Profit for the period</b>	<b>112,556,048</b>	<b>57,866,412</b>	<b>58,768,011</b>	<b>26,648,778</b>
<b>Earnings per certificate - basic and diluted</b>	<b>2.50</b>	<b>1.29</b>	<b>1.31</b>	<b>0.59</b>

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

For Sindh Modaraba Management Limited (Management Company - Owned by Government of Sindh)

  
Chairman

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)**  
FOR THE SIX-MONTHS PERIOD ENDED DECEMBER 31, 2023


	Six-months period ended		Quarter ended	
	December 2023	December 2022	December 2023	December 2022
	----- Rupess -----			
<b>Profit for the period</b>	<b>112,556,048</b>	<b>57,866,412</b>	<b>58,768,011</b>	<b>26,648,778</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>112,556,048</b>	<b>57,866,412</b>	<b>58,768,011</b>	<b>26,648,778</b>

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

**For Sindh Modaraba Management Limited (Management Company - Owned by Government of Sindh)**

  
Chairman

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)**  
FOR THE SIX-MONTHS PERIOD ENDED DECEMBER 31, 2023


	Note	Six-Months Period Ended	
		December 2023	December 2022
		----- Rupess -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		157,937,609	81,449,186
<b>Adjustments for non - cash and other items</b>			
Depreciation - Fixed assets - in own use	9.1	561,032	661,603
Amortization on intangible assets	9.2	21,062	38,832
Gain on disposal of fixed assets - in own use			(25,488)
Income on bank deposits		(20,283,067)	(26,158,978)
Income on term deposit receipts		(73,560,810)	(28,168,481)
Provision/(Reversal) in respect of Diminishing Musharaka		(6,407,179)	184,783
		<u>58,268,647</u>	<u>27,981,457</u>
<b>Working capital changes</b>			
Advances, prepayments and other receivables		(16,233,370)	2,623,368
Diminishing Musharaka		38,130,451	(59,090,272)
Morabaha		(80,000,000)	-
Long term loan		(1,182,704)	1,318,302
Creditors, accrued and other liabilities		15,403,838	(5,153,270)
Customers' security deposit		-	-
		<u>(43,881,785)</u>	<u>(60,301,872)</u>
Income received on term deposit receipts		52,759,057	18,021,906
Income received on bank deposits		25,890,888	30,242,259
Income tax paid/adjusted		(55,771,244)	(28,141,761)
<b>Net cash generated from / (used in) operations</b>		<u>37,265,563</u>	<u>(12,198,011)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale proceed from disposal of Ijarah assets		-	-
Sale proceed from disposal of fixed assets - in own use		-	25,500
Purchase of fixed assets - in own use	9.1	(184,160)	(151,237)
Purchase of intangible assets	9.2	-	-
<b>Net cash used in investing activities</b>		<u>(184,160)</u>	<u>(125,737)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(55,981,876)	(53,853,674)
<b>Net cash used in financing activities</b>		<u>(55,981,876)</u>	<u>(53,853,674)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(18,900,473)</u>	<u>(66,177,422)</u>
Cash and cash equivalents at the beginning of the period		882,076,260	814,176,101
<b>Cash and cash equivalents at the end of the period</b>	17	<u>863,175,787</u>	<u>747,998,679</u>

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

For Sindh Modaraba Management Limited (Management Company - Owned by Government of Sindh)

  
Chairman

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

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

	Issued, subscribed, and paid - up certificate capital	Reserves			Long term loan	Total equity
		Statutory reserve	Unappropriated profit	Total		
----- Rupess -----						
Un-audited						
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	-	-	57,866,412	57,866,412	-	57,866,412
<b>Transaction with Certificate Holders</b>						
Profit distribution @ Rs. 1.20 (12.00%) per certificate	-	-	(54,000,000)	(54,000,000)	-	(54,000,000)
<b>Balance as at December 31, 2022</b>	<u>450,000,000</u>	<u>134,334,148</u>	<u>65,481,234</u>	<u>199,815,382</u>	<u>1,000,000,000</u>	<u>1,649,815,382</u>
Un-audited						
Balance as at July 01, 2023	450,000,000	160,416,320	111,950,892	272,367,212	1,000,000,000	1,722,367,212
Profit for the period	-	-	112,556,048	112,556,048	-	112,556,048
<b>Transaction with Certificate Holders</b>						
Profit distribution @ Rs. 1.25 (12.50%) per certificate	-	-	(56,250,000)	(56,250,000)	-	(56,250,000)
<b>Balance as at December 31, 2023</b>	<u>450,000,000</u>	<u>160,416,320</u>	<u>168,256,940</u>	<u>328,673,260</u>	<u>1,000,000,000</u>	<u>1,778,673,260</u>

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

**For Sindh Modaraba Management Limited (Management Company - Owned by Government of Sindh)**

  
Chairman

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION FOR THE SIX-MONTHS PERIOD ENDED DECEMBER 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 six-month ended December 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, 2023.

These condensed interim financial information comprise of the balance sheet as at December 31, 2023 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, 2023 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  
FOR THE SIX-MONTHS PERIOD ENDED DECEMBER 31, 2023**

**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 an 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, 2023.

**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.

		<b>December 2023</b>	June 2023
		<u>Un-audited</u>	<u>Audited</u>
	<b>Note</b>	<b>Rupess</b>	
<b>4. CASH AND BANK BALANCES</b>			
Cash in hand		<b>20,000</b>	-
Stamp paper in hand		<b>72,700</b>	62,600
Balances with banks on:			
- Deposit accounts	<b>4.1</b>	<b>114,854,613</b>	178,235,009
- Current accounts	<b>4.2</b>	<b>4,228,474</b>	3,778,651
		<u><b>119,175,787</b></u>	<u>182,076,260</u>

**4.1** These carry profit at the rates ranging from 6.75% to 20.25% per annum. (June 30, 2023: Rs. 4.25% to 18.50% per annum). This includes balance of Rs. 1.49 million (June 30, 2023: Rs. 9.66 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

**4.2** This includes balance of Rs. 4.19 million (June 30, 2023: Rs. 3.76 million) held with Sindh Bank Limited - Islamic Banking Unit, related party.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
FOR THE SIX-MONTHS PERIOD ENDED DECEMBER 31, 2023

		December 2023 <u>Un-audited</u>	June 2023 <u>Audited</u>
	Note	----- Rupess -----	
<b>5. SHORT TERM INVESTMENTS</b>			
Term deposit receipts	5.1	<u>744,000,000</u>	<u>700,000,000</u>
<p>5.1 This investment includes Rs. 400 million in Soneri Bank Limited -Islamic Banking on six months maturity at a profit rate of 21.40% and Rs. 344 million in MCB Islamic Bank Limited on three months maturity at a profit rate of 21.50% (June 30, 2023: Rs. 700 million in Soneri Bank Limited on three months maturity at a profit rate of 19.50% p.a.)</p>			
<b>6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances	6.1	5,943,000	8,461,900
Prepayments		2,404,728	1,241,275
Accrued income from bank deposits	6.2	2,146,110	7,753,931
Accrued income from term deposit receipts	6.2	23,793,534	2,991,781
Accrued income from Diminishing Musharaka	6.3	16,476,565	8,289,173
Profit receivable on Morabaha Finance		9,401,425	-
Other receivables		-	-
		<u>60,165,362</u>	<u>28,738,060</u>
<p>6.1 This includes advance to vendors in respect of acquisition of assets under Diminishing Musharaka arrangement for onward delivery to lessee (customer) amounting to Rs. 1.55 million (June 30, 2023: Rs. 1.55 million).</p>			
<p>6.2 This includes accrued income of Rs. 66,809 (June 30, 2023: Rs. 813,626) held with Sindh Bank Limited - Islamic Banking (related party).</p>			
<p><b>6.3 Accrued income from Diminishing Musharaka</b></p>			
Receivable		31,908,627	28,175,443
Less: Income suspend		(15,432,062)	(19,886,270)
		<u>16,476,565</u>	<u>8,289,173</u>
<b>DIMINISHING MUSHARAKA</b>			
<b>7.</b>			
Receivables - secured	7.1	881,334,691	919,465,142
Less: current portion		(375,271,285)	(369,562,127)
Less: provision	7.2	(49,266,094)	(55,673,275)
Long term portion		<u>456,797,312</u>	<u>494,229,740</u>
<p>7.1 This represents the finance provided to Individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 3 to 20 years (June 2023: 3 to 20 years) which is secured against mortgage of property, lien on title documents and charge on assets etc.</p>			
<p>7.2 This includes general provision of Rs. 3.83 million (June 2023: Rs. 2.93 million) made at the rate of 0.5% (June 2023: 0.5%) on diminishing musharaka receivables.</p>			

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE SIX-MONTHS PERIOD ENDED DECEMBER 31, 2023**

		<b>December 2023</b>	<b>June 2023</b>
		<b>Un-audited</b>	<b>Audited</b>
<b>8. FIXED ASSETS - in own use</b>	<b>Note</b>	<b>-----</b>	<b>-----</b>
		<b>Rupess</b>	
Tangible assets	<b>8.1</b>	<b>1,568,815</b>	1,945,687
Intangible assets	<b>8.2</b>	<b>6,094</b>	27,156
		<b><u>1,574,909</u></b>	<b><u>1,972,843</u></b>

**8.1 Tangible assets**

Particulars	Cost			Depreciation			WDV as at December 31, 2023	Depreciation rate
	As at July 01, 2023	Addition/ (Deletion)	As at December 31, 2023	As at July 01, 2023	*Charge for the period / (Adjustment)*	As at December 31, 2023		
Furniture and fixtures	1,565,217	-	1,565,217	1,105,192	78,258	1,183,450	381,767	10%
Office equipment	2,973,240	184,160	3,157,400	2,578,385	98,358	2,676,743	480,657	20%
Vehicles	1,354,275	-	1,354,275	1,070,262	131,076	1,201,338	152,937	20%
Computer and accessories	3,014,796	-	3,014,796	2,208,002	253,340	2,461,342	553,454	33.33%
<b>As at and for the period ended December 31, 2023</b>	<b>8,907,528</b>	<b>184,160</b>	<b>9,091,688</b>	<b>6,961,841</b>	<b>561,032</b>	<b>7,522,873</b>	<b>1,568,815</b>	
<b>As at and for the year ended June 30, 2023</b>	<b>9,986,981</b>	<b>722,878</b> <b>(1,802,331)</b>	<b>8,907,528</b>	<b>7,513,173</b>	<b>1,248,965</b> <b>(1,800,297)</b>	<b>6,961,841</b>	<b>1,945,687</b>	

		<b>December 2023</b>	<b>June 2023</b>
		<b>Un-audited</b>	<b>Audited</b>
<b>8.2 Intangible assets</b>	<b>Note</b>	<b>-----</b>	<b>-----</b>
		<b>Rupess</b>	
Opening net book value		<b>27,156</b>	104,820
Addition during the period / year		<b>-</b>	-
Amortization for the period / year		<b>(21,062)</b>	(77,664)
Closing net book value		<b><u>6,094</u></b>	<b><u>27,156</u></b>
<b>As at December 31, 2023 / June 30, 2023</b>			
Cost		<b>2,111,982</b>	2,111,982
Accumulated amortization		<b>(2,105,888)</b>	(2,084,826)
Net book value		<b><u>6,094</u></b>	<b><u>27,156</u></b>
Annual rates of amortization		<b><u>33.33%</u></b>	<b><u>33.33%</u></b>

**9. CREDITORS, ACCRUED AND OTHER LIABILITIES**

Creditors		<b>6,441</b>	6,441
Management remuneration payable - related party		<b>17,805,818</b>	21,936,310
Accrued expenses	<b>9.1</b>	<b>11,123,593</b>	9,616,653
Provision for Sindh sales tax on management remuneration		<b>2,314,756</b>	2,851,720
Payable to gratuity fund - related party		<b>623,976</b>	1,041,276
Deferred Morabaha Income		<b>7,416,680</b>	-
Other liabilities		<b>20,493,761</b>	8,928,787
		<b><u>59,785,025</u></b>	<b><u>44,381,187</u></b>

**9.1** This includes Rs. 204,000 (June 30, 2023: Rs. 50,000) per month for branch rent payable to Sindh Bank Limited, related party.



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE SIX-MONTHS PERIOD ENDED DECEMBER 31, 2023**

		December 2023 <u>Un-audited</u>	June 2023 <u>Audited</u>
Note		-----	-----
		Rupees	Rupees
<b>10. PROVISION FOR TAXATION -NET</b>			
Opening balance - Provision for taxation		10,555,612	4,578,170
Tax paid/deducted/collected/adjusted during the period / year		(55,771,242)	(58,186,765)
Provision for the period / year		45,801,907	64,201,697
- prior year		(420,346)	(37,490)
Total provision for the period/year		45,381,561	64,164,207
Provision for taxation		<u>165,931</u>	<u>10,555,612</u>

		December 2023 <u>Un-audited</u>	June 2023 <u>Audited</u>
Note		-----	-----
		Rupees	Rupees
<b>11. LONG TERM LOAN - subordinated</b>	<b>11.1</b>	<u>1,000,000,000</u>	<u>1,000,000,000</u>

This represents interest free loan provided by the Management Company Owned by Government of Sindh (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 Modarabas' 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 SIX-MONTHS PERIOD ENDED DECEMBER 31, 2023**

		December 2023	December 2022
		Un-audited	
Note		Rupess	
<b>13. ADMINISTRATIVE AND OPERATING EXPENSES</b>			
		20,962,915	16,496,810
		759,368	673,997
		216,000	216,000
		635,960	670,308
		949,263	752,757
		599,020	595,910
	13.2	580,936	539,560
		261,133	162,138
		87,480	75,312
	13.3	404,008	400,008
		3,634,311	2,878,286
		300,000	300,000
		332,549	259,084
		128,560	128,640
		17,700	5,250
		147,490	156,836
	9.1	561,032	661,603
	9.2	21,062	38,832
	0	86,302	106,912
		409,624	346,120
		-	9,997,500
		115,762	110,046
		<b>31,210,475</b>	<b>35,571,909</b>

**13.1** This includes contribution of Rs. 724,230 (2022: Rs. 539,894) charged/paid to provident fund and provision for gratuity of Rs. 623,976 (2022: Rs. 525,253), related party.

**13.2** This includes amount of Rs. 540,000 (2022: Rs. 360,000) against sharing of expenses with Sindh Insurance Limited - related party.

**13.3** This includes amount of Rs. 304,000 (2022: 300,000) 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  
FOR THE SIX-MONTHS PERIOD ENDED DECEMBER 31, 2023**

**15. 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:

	<b>December 2023</b>	June 2023
	<b>Un-audited</b>	Audited
	----- Rupess -----	
<b>Balances as at period end</b>		
<b>Key Management Personnel</b>		
Long term loan - Chief Financial Officer	-	1,654,462
<b>Sindh Modaraba Employees Gratuity Fund -employee fund</b>		
Contribution payable	-	1,041,276
	<b>December 2023</b>	December 2022
	<b>Un-audited</b>	Un-audited
	----- Rupess -----	
<b>Transactions for the period</b>		
<b>Sindh Bank Limited - associated company</b>		
Income on bank deposits	351,751	26,067,472
Income on term deposit receipt	-	18,432,875
	<b>351,751</b>	<b>44,500,347</b>
<b>For Sindh Modaraba Management Limited (Management Company - Owned by Government of Sindh)</b>		
Dividend paid	53,057,500	50,935,200
Management Company's remuneration accrued	17,805,818	9,182,546
Management Company's remuneration paid	21,936,310	11,352,217
	<b>92,799,628</b>	<b>71,469,963</b>
<b>Sindh Insurance Limited - associated company</b>		
Insurance premium / Takaful contribution paid	1,850,281	1,285,807
Sharing of expenses paid	540,000	27,425
	<b>2,390,281</b>	<b>1,313,232</b>
<b>Key Management Personnel</b>		
Salaries, allowances and benefits paid	8,811,041	8,046,935
<b>Sindh Modaraba Employees Provident Fund - employee fund</b>		
Contribution paid (employer and employees contribution)	1,448,460	1,067,516
<b>Sindh Modaraba Employees Gratuity Fund - employee fund</b>		
Contribution paid	1,041,276	1,097,429

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE SIX-MONTHS PERIOD ENDED DECEMBER 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.

		December 2023	December 2022
		<u>Un-audited</u>	
		----- Rupees -----	
<b>17. CASH AND CASH EQUIVALENT</b>	<b>Note</b>		
Cash and bank balances	4	119,175,787	47,998,679
Short term investment	5	744,000,000	700,000,000
		<u>863,175,787</u>	<u>747,998,679</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 December 31, 2023.

**19. DATE OF AUTHORISATION**

This condensed interim financial information was authorised for issue on January 31, 2024 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 - Owned by Government of Sindh)**

  
Chairman

  
Chief Executive Officer

  
Director

  
Chief Financial Officer

**Islamic Financing  
Products Offered by  
Sindh Modaraba**

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

*Designed & Printed By: UUPL (info@urbanupsurge.com)*

**SINDH MODARABA**

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