

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

SINDH MODARABA

**HALF-YEARLY REPORT  
DECEMBER 2020**



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

وَمَا أَرْسَلْنَاكَ إِلَّا رَحْمَةً لِّلْعَالَمِينَ

*“And We Have Not Send You  
But A Mercy For All the Worlds”*

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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	- Independent Director
Mr. Habibullah Khilji	- Independent Director
Mr. Kamal Ahmed	- Non-Executive Director
Mr. Rehan Anjum	- Non-Executive Director
Ms. Rukhsana Narejo	- Non-Executive Director

### CFO & Company Secretary

Zulfiqar Ali

### Audit Committee

Mr. Waseem Mehdi Syed	- Chairman
Mr. Kamal Ahmed	- Member
Mr. Habibullah Khilji	- Member

### Bankers

Sindh Bank Limited-IslamicBanking (Saadat)  
NRSP Microfinance Bank Limited  
Bank Al-Habib Limited

### Auditors

Baker Tilly Mahmood 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, 2020.

## Operating Results

During the period under review, the Modaraba earned a profit of Rs. 43.02 million as compared to Rs. 58.31 million of corresponding period ended December 31, 2019. Due to substantial reduction in policy rate by SBP as compared to corresponding period of last year, the average rate of return on financing and bank deposits reduced considerably resulting in 14% decline in revenue. The operating expenses increased to Rs. 23.76 million as compared to Rs. 17.81 million in the same period last year mainly on account of hiring key executives and inflationary adjustments of other administrative expenses.

## Future Prospects

Pakistan economy is expected to rebound in 2021 as the impact of the pandemic fades and domestic demand recovers. The increasing demand will result in better credit off take by the private sector creating opportunities for healthy growth in Modaraba's financing portfolio. The management intends to focus on timely recovery of its dues from the existing customers and will continue its policy of prudently increasing its portfolio. We are optimistic of achieving fairly better results in the second half of the current financial year.

## Acknowledgment

On behalf of the Board of Directors, we 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 customers and place on record the dedication and hard work of employees.

On Behalf of the Board

Karachi  
January 29, 2021

  
Waseem Mehdi Syed  
Director

## ڈائریکٹرز کا جائزہ

سندھ مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز، 31 دسمبر 2020 کو مکمل ہونے والی ششماہی کے سندھ مضاربہ کے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

## آپریٹنگ نتائج

مضاربہ نے 31 دسمبر 2019ء کو ختم ہونے والی ششماہی میں Rs. 58.31 ملین منافع کے مقابلے میں زیرِ غور ششماہی میں Rs. 43.02 ملین کا منافع کمایا۔ گزشتہ سال کی اسی مدت کے مقابلے میں اسٹیٹ بینک نے پالیسی ریٹ میں خاطر خواہ کمی کی، جس کے سبب فنانشنگ اور بینک ڈپازٹ پر شرح منافع نمایاں طور پر کم ہوا جس کے نتیجے میں آمدنی میں 14 فیصد کمی واقع ہوئی۔ معمول کے اخراجات پچھلے سال کی اسی مدت میں Rs. 17.81 ملین سے بڑھ کر Rs. 23.76 ملین روپے ہوئے، جس کی بنیادی وجہ ہم عہدیداروں کی تقرری اور دیگر انتظامی اخراجات میں افراط زر کی وجہ سے ہونے والا اضافہ ہے۔

## امکانات مستقبل

توقع ہے کہ 2021ء میں وبائی مرض کے گھٹاؤ کے بعد، اندرون ملک ڈیمانڈ کی بحالی کے نتیجے میں پاکستان کی معیشت میں تیزی آئے گی۔ بڑھتی ہوئی ڈیمانڈ کے نتیجے میں نجی شعبے کے قرض لینے میں بہتری آئے گی، جس سے مضاربہ کے فنانشنگ پورٹ فولیو میں بہتر نشوونما کے مواقع پیدا ہوں گے۔ انتظامیہ موجودہ صارفین سے اپنے واجبات کی بروقت ادائیگی پر توجہ دینے کا ارادہ رکھتی ہے اور اپنے پورٹ فولیو میں سمجھداری سے اضافہ کرنے کی اپنی پالیسی جاری رکھنا چاہتی ہے۔ ہم رواں مالی سال کے دوسرے نصف حصے میں بہتر نتائج حاصل کرنے کے لئے پرامید ہیں۔

## اعتراف

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

## بورڈ کی جانب سے

Wasim Memon

ویم مہدی سید  
ڈائریکٹر

کراچی

29 جنوری 2021

## 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, 2020 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, 2020 and December 31, 2019 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2020.

### 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, 2020 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**.

**Baker Tilly Mehmood Idress Qamar**  
Chartered Accountants

Karachi  
January 29, 2021

**Mehmood A. Razzak**  
Engagement Partner

## CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2020


	Note	December 31,	June 30,
		2020	2020
		Un-audited	Audited
		Rupees	
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	4	331,887,156	883,707,855
Short term investments	5	500,000,000	-
Advances, prepayments and other receivables	6	32,954,207	21,915,131
Current portion of Diminishing Musharaka	7	318,979,923	270,789,982
Current portion of long term loan		925,000	925,000
<b>Total current assets</b>		<b>1,184,746,286</b>	<b>1,177,337,968</b>
<b>Non - current assets</b>			
Diminishing Musharaka	7	433,452,825	513,998,681
Ijarah assets	8	5,839,440	7,150,092
Long term loan		3,206,002	3,668,500
Fixed assets - in own use	9	4,049,078	4,015,411
<b>Total non - current assets</b>		<b>446,547,345</b>	<b>528,832,684</b>
<b>TOTAL ASSETS</b>		<b>1,631,293,631</b>	<b>1,706,170,652</b>
<b>LIABILITIES AND CERTIFICATE HOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	10	33,477,242	90,614,181
Current portion of customers' security deposit		5,007,000	5,006,000
Profit distribution payable		802,136	575,051
		39,286,378	96,195,232
<b>Non - current liabilities</b>			
Customers' security deposit		-	1,000
<b>TOTAL LIABILITIES</b>		<b>39,286,378</b>	<b>96,196,232</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>			
<b>Certificate capital</b>			
<b>Authorised certificate capital</b>			
50,000,000 (June 2020: 50,000,000) certificates of Rs. 10 each		500,000,000	500,000,000
<b>Issued, subscribed, and paid-up certificate capital</b>			
Reserves		450,000,000	450,000,000
Long term loan	11	142,007,253	159,974,420
		1,000,000,000	1,000,000,000
<b>TOTAL CERTIFICATE HOLDERS' EQUITY</b>		<b>1,592,007,253</b>	<b>1,609,974,420</b>
<b>TOTAL LIABILITIES AND CERTIFICATE HOLDERS' EQUITY</b>		<b>1,631,293,631</b>	<b>1,706,170,652</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		

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

For Sindh Modaraba Management Limited (Management Company)



Chief Financial Officer



Director



Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2020

	Half year ended		Quarter ended	
	December 2020	December 2019	December 2020	December 2019
<b>Income from:</b>				
Diminishing Musharaka	42,994,637	44,887,052	19,678,011	22,427,143
Ijarah	348,827	439,248	174,077	284,155
Bank deposits	28,018,207	36,782,962	12,391,188	24,993,485
Term deposits receipts	1,361,644	2,079,672	1,361,644	-
	<b>72,723,315</b>	<b>84,188,934</b>	<b>33,604,920</b>	<b>47,704,783</b>
Administrative and operating expenses	13 (23,759,932)	(17,807,639)	(11,237,963)	(9,495,940)
Reversal in respect of Ijarah rental receivable	-	63	-	1,562
Reversal in respect of Diminishing Musharaka	162,601	505,605	152,472	252,513
	<b>(23,597,331)</b>	<b>(17,301,971)</b>	<b>(11,085,491)</b>	<b>(9,241,865)</b>
	<b>49,125,984</b>	<b>66,886,963</b>	<b>22,519,429</b>	<b>38,462,918</b>
Other income	91,550	192,750	39,550	209,249
	<b>49,217,534</b>	<b>67,079,713</b>	<b>22,558,979</b>	<b>38,672,167</b>
Management Company's remuneration	(4,921,753)	(6,707,971)	(2,255,897)	(3,867,201)
Provision for services sales tax on the management Company's remuneration	(639,828)	(872,037)	(293,266)	(502,736)
Workers' welfare fund	(873,120)	(1,189,995)	(400,197)	(686,042)
<b>Profit before taxation</b>	<b>42,782,833</b>	<b>58,309,710</b>	<b>19,609,619</b>	<b>33,616,188</b>
Taxation	14 -	-	-	-
<b>Profit for the period</b>	<b>42,782,833</b>	<b>58,309,710</b>	<b>19,609,619</b>	<b>33,616,188</b>
<b>Earnings per certificate - basic and diluted</b>	<b>0.95</b>	<b>1.30</b>	<b>0.44</b>	<b>0.75</b>

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

For Sindh Modaraba Management Limited (Management Company)



Chief Financial Officer



Director



Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2020

	Half year ended		Quarter ended	
	December 2020	December 2019	December 2020	December 2019
	-----Rupees-----			
<b>Profit for the period</b>	<b>42,782,833</b>	58,309,710	<b>19,609,619</b>	33,616,188
<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>42,782,833</u></b>	<u>58,309,710</u>	<b><u>19,609,619</u></b>	<u>33,616,188</u>

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

For Sindh Modaraba Management Limited (Management Company)



Chief Financial Officer



Director



Director

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

FOR THE SIX-MONTHS ENDED DECEMBER 31, 2020

	Note	Six Month Period Ended	
		December 2020	December 2019
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		42,782,833	58,309,710
<b>Adjustments for non - cash and other items</b>			
Depreciation - Ijarah assets	8	1,310,652	1,481,295
Depreciation - Fixed assets - in own use	9.1	666,851	533,878
Amortization on intangible assets	9.2	151,092	203,021
Income on bank deposits		(28,018,207)	(36,782,962)
Income on term deposit receipts		(1,361,644)	(2,079,672)
Reversal in respect of Diminishing Musharaka		(162,601)	(505,605)
Reversal for Ijarah rental receivable		-	(63)
Loss on disposal of fixed assets		-	40,499
		<u>15,368,976</u>	<u>21,200,101</u>
<b>Working capital changes</b>			
Advances, prepayments and other receivables		(11,866,529)	(65,956,029)
Ijarah rental receivables		-	12,573
Diminishing Musharaka		32,518,516	101,120,943
Long term loan		462,498	162,000
Creditors, accrued and other liabilities		(57,136,939)	(470,704,358)
Customers' security deposit		-	(272,370)
		<u>(36,022,454)</u>	<u>(435,637,241)</u>
Income received on term deposit receipts		-	4,229,809
Income received on bank deposits		<u>30,207,304</u>	<u>33,646,108</u>
<b>Net cash generated from / (used in) operations</b>		<u>9,553,826</u>	<u>(376,561,223)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale proceed from disposal of Ijarah assets		-	272,370
Sale proceed from disposal of fixed assets		-	30,000
Redemption of short term investments		-	160,000,000
Purchase of fixed assets - in own use	9.1	(638,500)	(1,637,265)
Purchase of intangible assets	9.2	(213,110)	-
<b>Net cash (used in) / generated from investing activities</b>		<u>(851,610)</u>	<u>158,665,105</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan from Management Company		-	500,000,000
Dividend paid		(60,522,915)	(60,461,059)
<b>Net cash (used in) / generated from financing activities</b>		<u>(60,522,915)</u>	<u>439,538,941</u>
<b>Net (decrease) / increase in cash and cash equivalents</b>		<u>(51,820,699)</u>	<u>221,642,823</u>
Cash and cash equivalents at the beginning of the period		883,707,855	788,633,188
<b>Cash and cash equivalents at the end of the period</b>	18	<u>831,887,156</u>	<u>1,010,276,011</u>

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

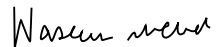
For Sindh Modaraba Management Limited (Management Company)



Chief Financial Officer



Director



Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2020

	Issued, subscribed, and paid-up certificate capital	Reserves			Long term loan	Total equity
		Statutory reserve	Unappropriated profit	Total		
Rupees						
Balance as at July 01, 2019	450,000,000	51,379,782	61,666,980	113,046,762	500,000,000	1,063,046,762
Profit for the period	-	-	58,309,710	58,309,710	-	58,309,710
Loan from Management Company	-	-	-	-	500,000,000	500,000,000
<b>Transaction with Certificate Holders</b>						
Profit distribution @ Re. 1.35 (13.5%) per certificate	-	-	(60,750,000)	(60,750,000)	-	(60,750,000)
<b>Balance as at December 31, 2019</b>	<b>450,000,000</b>	<b>51,379,782</b>	<b>59,226,690</b>	<b>110,606,472</b>	<b>1,000,000,000</b>	<b>1,560,606,472</b>
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 @ Re. 1.35 (13.5%) 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>

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


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



Chief Financial Officer



Director



Director

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE SIX-MONTHS ENDED DECEMBER 31, 2020

### 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, 2020 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, 2020.

These condensed interim financial information comprise of the balance sheet as at December 31, 2020 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, 2020 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, 2020

### 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, 2020.

	Note	December 2020	June 2020
		Un-audited	Audited
----- Rupees -----			
<b>4. CASH AND BANK BALANCES</b>			
Cash in hand		20,000	-
Stamp paper in hand		78,500	58,400
Balances with banks in:			
- Deposit accounts	4.1	330,931,019	883,062,409
- Current accounts	4.2	857,637	587,046
		<u>331,887,156</u>	<u>883,707,855</u>

**4.1** These carry profit at the rates ranging from 4.05% to 6.77% per annum. (June 30, 2020: Rs. 4.97% to 8.59% per annum). This includes balance of Rs. 330.365 million (June 30, 2020: Rs. 882.52 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

**4.2** This includes balance of Rs. 836,520 (June 30, 2020: Rs. 585,929) 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, 2020

	Note	December	June
		2020	2020
		Un-audited	Audited

**5. SHORT TERM INVESTMENTS**

Term deposit receipts

**5.1** 500,000,000 -

- 5.1** This represents investment (June 30, 2020: Nil) made in Sindh Bank Limited (a related party) for the period of three months. This investment carries markup at the rate 7.10% per annum (June 30, 2020: Nil).

	Note	December	June
		2020	2020
		Un-audited	Audited

**6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES**

Advances

**6.1** 23,103,299 2,599,217

Prepayments

1,186,437 547,949

Accrued income from bank deposits

**6.2** 3,253,111 5,442,208

Accrued income from term deposit receipts

**6.2** 1,361,644 -

Accrued income from Diminishing Musharaka

4,043,716 13,321,757

Other receivables

6,000 4,000

32,954,207 21,915,131

- 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. 20.91 million (June 30, 2020: Rs. 1.55 million).

- 6.2** This includes accrued income of Rs. 3.25 million (June 30, 2020: Rs. 5.44 million) and Rs. 1.36 million (June 30, 2020: Nil) in deposit account and term deposit receipts respectively, held with Sindh Bank Limited - Islamic Banking Unit, related party.

	Note	December	June
		2020	2020
		Un-audited	Audited

**7. DIMINISHING MUSHARAKA**

Receivables - secured

**7.1** 783,718,190 816,236,706

Less: current portion

(318,979,923) (270,789,982)

Less: provision

**7.2** (31,285,442) (31,448,043)

Long term portion

433,452,825 513,998,681

- 7.1** This represents the finance provided to Individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 3 to 20 years (June 30, 2020: 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. 3.36 million (June 2020: 3.80 million) made at the rate of 0.5% (June 2020: 0.5%) on diminishing musharaka receivables respectively.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE SIX-MONTHS ENDED DECEMBER 31, 2020

### 8. IJARAH ASSETS

Particulars	Cost			Depreciation			WDV as at December 31, 2020	Depreciation Rate
	As at July 01, 2020	(Deletion)	As at December 31, 2020	As at July 01, 2020	Charge for the period / (Adjustment)	As at December 31, 2020		
	Rupees							
Plant and machinery	80,000,000	-	80,000,000	74,999,988	-	74,999,988	5,000,012	33.33%
Vehicles	13,113,500	-	13,113,500	10,963,420	1,310,652	12,274,072	839,428	20%
<b>As at and for the Period ended December 31, 2020</b>	<b>93,113,500</b>	<b>-</b>	<b>93,113,500</b>	<b>85,963,408</b>	<b>1,310,652</b>	<b>87,274,060</b>	<b>5,839,440</b>	
As at and for the year ended June 30, 2020	97,184,200	(4,070,700)	93,113,500	86,654,716	2,836,813 (3,528,121)	85,963,408	7,150,092	

December 2020

June 2020

Un-audited

Audited

### 9. FIXED ASSETS - in own use

Note ----- Rupees -----

Tangible assets	9.1	3,720,385	3,748,736
Intangible assets	9.2	328,693	266,675
		<u>4,049,078</u>	<u>4,015,411</u>

#### 9.1 Tangible assets

Particulars	Cost			Depreciation			WDV as at December 31, 2020	Depreciation Rate
	As at July 01, 2020	Additions/ (Deletion)	As at December 31, 2020	As at July 01, 2020	Charge for the period / (Adjustment)	As at December 31, 2020		
	Rupees							
Furniture and fixtures	1,416,245	120,000	1,536,245	646,910	71,812	718,722	817,523	10%
Office equipment	3,272,641	-	3,272,641	1,946,377	300,668	2,247,045	1,025,596	20%
Vehicles	1,354,275	-	1,354,275	283,806	131,076	414,882	939,393	20%
Computer and accessories	2,454,259	518,500	2,972,759	1,871,591	163,295	2,034,886	937,873	33.33%
<b>As at and for the period ended December 31, 2020</b>	<b>8,497,420</b>	<b>638,500</b>	<b>9,135,920</b>	<b>4,748,684</b>	<b>666,851</b>	<b>5,415,535</b>	<b>3,720,385</b>	
As at and for the year ended June 30, 2020	6,578,089	2,316,172 (396,841)	8,497,420	3,924,793	1,148,516 (324,625)	4,748,684	3,748,736	

December 2020

June 2020

Un-audited

Audited

#### 9.2 Intangible assets

Note ----- Rupees -----

Opening net book value	266,675	601,098
Addition during the period / year	213,110	-
Amortization for the period / year	(151,092)	(334,423)
Closing net book value	<u>328,693</u>	<u>266,675</u>

#### As at December 31, 2020 / June 30, 2020

Cost	2,092,092	1,878,982
Accumulated amortization	(1,763,399)	(1,612,307)
Net book value	<u>328,693</u>	<u>266,675</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, 2020

		December 2020	June 2020
		Un-audited	Audited
<b>10. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
	<b>Note</b>	<b>Rupees</b>	
Management remuneration payable - related party		4,921,753	12,411,104
Provision for sindh sales tax on management remuneration		639,828	1,613,444
Government of Sindh Funds	10.1	-	-
Creditors		65,238	65,238
Other liabilities	10.1	12,632,483	61,533,002
Workers' Welfare Fund		6,955,256	6,082,136
Payable to gratuity fund		489,234	902,323
Accrued expenses	10.2	7,773,450	8,006,934
		<u>33,477,242</u>	<u>90,614,181</u>

**10.1** This includes Rs. Nil (June 30, 2020: Rs. 59.04 million) payable to Sindh Modaraba Management Limited, a related party, being share of profit under musharaka arrangements on the funds placed by GoS.

This also includes charity payable amounting to Rs. 24,707 (June 30, 2020: Rs. 8,212).

**10.2** These includes Rs. Nil ( June 30, 2020: Rs. 300,000) for branch rent payable to Sindh Bank Limited, related party.

		December 2020	June 2020
		Un-audited	Audited
<b>11. LONG TERM LOAN - subordinated</b>			
	<b>Note</b>	<b>Rupees</b>	
	11.1	<u>1,000,000,000</u>	<u>1,000,000,000</u>

**11.1** This represents interest free loan provided by the Management Company (related party) to the Modaraba. The loan is sub-ordinated to senior debt and is repayable at the discretion of Modaraba. The Modaraba has the option to issue modaraba certificates in future against this loan, subject to necessary regulatory approvals.

**12. CONTINGENCIES AND COMMITMENTS**

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 ENDED DECEMBER 31, 2020

	Note	December	December
		2020	2019
		Un-audited	Un-audited
----- Rupees -----			
<b>13. ADMINISTRATIVE AND OPERATING EXPENSES</b>			
Salaries, allowances and other benefits	13.1	16,672,400	11,260,164
Legal and professional charges		719,071	792,434
Shariah advisor fee		216,000	216,000
Repair and maintenance		602,753	586,570
Utility services		587,864	570,221
Registration and subscription fee		590,634	518,330
Generator sharing and fuel charges	13.2	287,321	231,796
Entertainment		85,707	103,300
Advertisement and publications		114,122	87,640
Staff orientation and training		-	10,000
Rent, rates and taxes	13.3	400,008	399,996
Travelling and conveyance		1,502,446	924,541
Security services		300,000	254,610
Printing, stationery and photocopy		253,096	308,510
Postage, courier and telegraphs		73,446	61,405
Auditors' remuneration		170,078	135,216
Depreciation expense - tangible assets	9.1	666,851	533,878
Amortization expense - intangible assets	9.2	151,092	203,021
Takaful / insurance - owned assets		89,234	75,211
Takaful / insurance - Ijarah and Diminishing Musharaka		161,361	405,190
Miscellaneous		116,448	129,606
		<u>23,759,932</u>	<u>17,807,639</u>

**13.1** This includes contribution of Rs. 582,198 (2019: Rs. 390,614) to provident fund and provision for gratuity of Rs. 489,234 (2019: Rs. 344,496), related party.

**13.2** This includes amount of Rs. 218,430 (2019: Rs. 218,430) against sharing of expenses with Sindh Insurance Limited - related party.

**13.3** This includes amount of Rs. 300,000 (2019: 300,000) branch rent to Sindh Bank Limited, related party.

**14. TAXATION**

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of modaraba, except from trading and manufacturing activities, is exempt from income tax provided that it distributes at least 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation to statutory reserves for the year ending June 30, 2021. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE SIX-MONTHS ENDED DECEMBER 31, 2020

### 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:

	<b>December 2020</b>	June 2020
	<b>Un-audited</b>	Audited
	----- Rupees -----	
<b>Balances as at period end</b>		
<b>Sindh Insurance Limited - associated company</b>		
Sharing of expenses payable	<u>218,430</u>	<u>218,430</u>
<b>Key Management Personnel</b>		
Long term loan (including current portion)	<u>4,131,002</u>	<u>4,593,500</u>
	<b>December 2020</b>	December 2019
	<b>Un-audited</b>	Un-audited
	----- Rupees -----	
<b>Transactions for the period</b>		
<b>Sindh Bank Limited - associated company</b>		
Income on bank deposits	27,999,828	35,488,558
Income on term deposit receipt	1,361,644	871,233
	<u>29,361,472</u>	<u>36,359,791</u>
<b>Sindh Modaraba Management Limited - Management company</b>		
Dividend paid	57,302,100	57,322,350
Long term loan received	-	500,000,000
Management Company's remuneration accrued	4,921,753	6,707,971
Management Company's remuneration paid	12,411,104	9,335,941
	<u>74,634,957</u>	<u>573,366,262</u>

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2020

**Sindh Insurance Limited - associated company**

Insurance premium / Takaful contribution paid	<b>843,522</b>	697,751
Sharing of expenses paid	<b>218,430</b>	218,430
	<u><b>1,061,952</b></u>	<u>916,181</u>

**Key Management Personnel**

Salaries, allowances and benefits paid	<u><b>10,267,816</b></u>	<u>4,571,453</u>
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**Sindh Modaraba Employees Provident Fund - employee fund**

Contribution paid (both employer's and employee's contribution)	<u><b>1,164,396</b></u>	<u>781,228</u>
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**Sindh Modaraba Employees Gratuity Fund**

Contribution paid	<u><b>902,323</b></u>	<u>746,903</u>
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**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 2020	December 2019
		Un-audited	Un-audited
<b>18. CASH AND CASH EQUIVALENT</b>	<b>Note</b>	----- Rupees -----	
Cash and bank balances	<b>4</b>	<b>331,887,156</b>	1,010,276,011
Short term investment	<b>5</b>	<b>500,000,000</b>	-
		<u><b>831,887,156</b></u>	<u>1,010,276,011</u>

**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, 2020.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2020

**20. DATE OF AUTHORISATION**

This condensed interim financial information was authorised for issue on January,29 2021 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)**



Chief Financial Officer



Director



Director



**Islamic Financing  
Products Offered by  
Sindh Modaraba**

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

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