



IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

  
SINDH MODARABA

**HALF YEARLY REPORT  
DECEMBER 2022**

## Contents

Vision & Mission Statements	02
Corporate Information	03
Directors' Review	04
Directors' Review (Urdu)	05
Auditors' Review Report to the Certificate Holders	06
Condensed Interim Balance Sheet	07
Condensed Interim Profit and Loss Account	08
Condensed Interim Statement of Comprehensive Income	09
Condensed Interim Cash Flow Statement	10
Condensed Interim Statement of Changes in Equity	11
Notes to the Condensed Interim Financial Information	12

## 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

1<sup>st</sup> 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, Management Company of Sindh Modaraba, is pleased to present the un-audited Financial Statements of Sindh Modaraba for the half year ended December 31, 2022.

## Operating Results

During the six months' period under review, the Modaraba earned a profit before tax of Rs. 81.45 Million as compared to Rs. 49.92 Million in same period of last year. The profit before tax increased by Rs. 31.53 million due to increase in financing portfolio, monetary policy rate and weighted average rate of return. The revenue has increased from Rs. 75.29 million to Rs. 126.75 million. Modaraba's financing portfolio has increased to Rs. 961.02 Million in Dec-22 as compared to Rs. 754.65 Million in Dec-21. The expenses increased to Rs. 35.57 million as compared to Rs. 19.45 million in same period of last year mainly due to donations of about Rs. 10 million to flood victim as Corporate Social Responsibility. However other expenses kept in strict control in a highly inflated situation.

## Future Prospects

Financial services companies are facing multiple risk management challenges in the current economic and political uncertainty, while the risk of asset bubbles and inflation is rising in different parts of the world. Economic headwinds will remain a major concern in 2023.

The government's inability to continue the IMF program and shifting the focus on external agencies and friendly countries will not solve underlying issues. Failure to resume the IMF program and fulfil its conditions on political grounds, will only prolong the deteriorating external account situation.

External debt repayments will be elevated in FY23/24 (12 months forward USD 24 BN from Dec-22 to Nov-23) and onwards, which require the country to consider external debt restructuring, especially of short term deposits from China/Saudia Arabia and some commercial loans. The issue will be recurring which may keep pressure on Foreign Exchange reserves.

The import restriction to curtail Current Account Deficit is severely damaging economic activities which will be revived with the IMF program (restricts trade barriers). Inflation is estimated at 25.4% / 12.4% for FY23/24 and will start reducing the pace from 1HFY24. We expect an additional 100bps rate hike in Jan-23 MPC to 17.0% and easing is likely to start from 2QFY24.

Economic and political issues to restrict equity market upside in 1HCY23. The risk of external debt default and overall macros instability will keep KSE-100 under pressure. However, entering the IMF and any meaningful economic measures will be cheered by investors. In 2HCY23, elections and declining inflation/monetary cycle will bode well for the market.

Continuing with a cautious lending approach due to uncertain economic conditions, the management is focusing 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.

On Behalf of the Board



Ishfaq Ahmed  
Chief Executive Officer

Karachi  
January 27, 2023

## ڈائریکٹرز کا اجازہ

ہم سیدہ مضاربہ منجھٹ کے بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2022ء کو مکمل ہونے والی ششماہی کے سیدہ مضاربہ کے فیورڈ شدہ اکاؤنٹس پیش کرتے ہوئے سہرت مہمیں کر رہے ہیں۔

## آپریٹنگ نتائج

مضاربہ نے 31 دسمبر 2022ء کو فخر ہونے والی ششماہی میں قفل محصولات Rs. 49.92 ملین منافع کے مقابلے میں زیر فوری ششماہی میں Rs. 81.45 ملین کا منافع کمایا۔ ٹیکس سے قفل منافع میں Rs. 31.53 ملین کا اضافہ ہوا، جس کی بنیادی وجوہات ٹرانسنگ پورٹ فولیو میں اضافہ، مائیٹری پالیسی کی شرح اور منافع کی اوسط شرح میں اضافہ ہیں۔ آمدنی Rs. 75.29 ملین سے بڑھ کر Rs. 126.75 ملین کی سطح پر آگئی۔ مضاربہ کا ٹرانسنگ پورٹ فولیو دسمبر 2022ء کو بڑھ کر Rs. 961.02 ملین ہو گیا، جبکہ دسمبر 2021ء کو پورٹ فولیو Rs. 754.65 ملین کی سطح پر تھا۔ اخراجات بڑھ کر Rs. 35.57 ملین ہو گئے جبکہ پچھلے سال کی اسی مدت میں Rs. 19.45 ملین کے اخراجات تھے، اخراجات بڑھنے کی بنیادی وجہ سیلاب زدگان کے لیے Rs. 10 ملین کا عطیہ بنی جو کارپوریٹ سماجی ذمہ داری کے طور پر ادا کی گئی۔ تاہم دیگر اخراجات کو انتہائی مزگانگی کے دوران سخت کنٹرول میں رکھا جا رہا ہے۔

## امکانات مستقبل

مالیاتی خدمات کی کمپنیوں کو موجودہ معاشی اور سیاسی غیر یقینی صورتحال میں متعدد رسک منجمنٹ چیلنجز کا سامنا ہے، جبکہ دنیا کے مختلف حصوں میں اپنا ٹول کی قیمتوں میں معمولی اضافہ اور افراط زر کا خطرہ بڑھ رہا ہے۔ 2023 میں اقتصادی حالات بڑی نشوونما کا شکار رہیں گے۔

آئی ایم ایف پروگرام کو جاری رکھنے میں حکومت کی نااہلی اور بیرونی ایجنسیوں اور دوست ممالک پر توہم جو مرکز کرنے سے بنیادی مسائل حل نہیں ہوں گے۔ آئی ایم ایف کے پروگرام کو دور و مدتی طور پر شروع کرنے اور سیاسی بنیادوں پر اس کی شرائط کو پوری کرنے میں ناکامی صرف بیرونی کھاتوں کی بھاری ٹوٹی صورتحال کو حل کرنے کے لیے ضروری قرضوں کی ادائیگی مالی سال 24/23 میں (12 ماہ آگے USD 24 BN دسمبر 2022ء تا نومبر 2023ء) اور اس کے بعد بڑھے گی، جس کے لیے ملک کو بیرونی قرضوں کی تنظیم نو پر غور کرنے کی ضرورت ہے، خاص طور پر مختصر مدت والے قرضہ چین (اسعودی عرب یا کچھ تجارتی طور پر لے گئے ہیں۔ ورنہ یہ مسئلہ بار بار ہوتا رہے گا جس سے زرمبادلہ کے ذخائر پر دباؤ برقرار رہ سکتا ہے۔

کرنٹ اکاؤنٹ خسارے کو کم کرنے کے لیے درآمدی پابندی اقتصادی سرگرمیوں کو شدید نقصان پہنچا رہی ہے جسے آئی ایم ایف پروگرام کے ساتھ بحال کیا جائے گا (تجارتی رکاوٹوں پر پابندی)۔ FY 23/24 کے لیے افراط زر کا تخمینہ %12.4 / %25.4 ہے اور یہ رفتار 24HFY24 سے کم ہونا شروع ہو جائے گی۔ ہم جنوری MPC-23 میں اضافی 100bps شرح میں 17.0 فیصد مٹانے کی توقع کرتے ہیں اور 24QFY24 سے نری شروع ہونے کا امکان ہے۔ اقتصادی اور سیاسی مسائل 23H1CY24 میں ایکویٹی مارکیٹ کی بہتری کو محدود کریں گے۔ بیرونی قرضوں کے ذیلیات اور مجموعی طور پر منکرو عدم استحکام کا خطرہ KSE-100 کو بڑھائے گا۔ تاہم، آئی ایم ایف میں داخل ہونے اور کبھی باہمی معاشی اقدامات سے سرمایہ کار خوش ہوں گے۔ 23H2CY24 میں، انتخابات اور گرتی ہوئی افراط زر مالی چکر کا نتیجہ مارکیٹ کے لیے اچھا ہوگا۔

غیر یقینی معاشی حالات کی وجہ سے قرض دینے کے متناہز انداز کو جاری رکھتے ہوئے، انتظامیہ ان شعبوں میں بڑھتے ہوئے ایکسیڈر کے ذریعے ٹرانسنگ پورٹ فولیو میں مستحکم نمو پر توجہ مرکوز کر رہی ہے، جو ملک کے غیر مستحکم اقتصادی حالات سے کم سے کم متاثر ہوتے ہیں۔ دریں اثنا، موجودہ سہولیات کے خلاف صارفین سے بروقت وصولی اہم مقصد ہے۔ انتظامیہ جتنا ملتا ہے توجہ مرکوز پورٹ فولیو کو کم رکھنے کے لئے کوشاں ہے اور آپریٹنگ اخراجات کو بھی کنٹرول کر رکھا 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۔ ہمارے گاہکوں کی مسلسل حمایت کے مترادف ہیں اور مضاربہ کے ملازمین کے خلوص اور سخت محنت کو بھی سراہتے ہیں۔

بورڈ کی جانب سے



اشفاق احمد  
ایگزیکٹو چیف ایگزیکٹو آفیسر

کراچی

27 جنوری 2023

## 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, 2022 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, 2022 and December 31, 2021 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2022.

### 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, 2022 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  
February 01, 2023

UDIN: RR202210151QIDtBK480

**Mehmood A. Razzak**  
Engagement Partner

## CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2022

		December 31, 2022	June 30, 2022
		Un-audited	Audited
Note	-----	Rupees	-----
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	4	47,998,679	494,176,101
Short term investments	5	700,000,000	320,000,000
Advances, prepayments and other receivables	6	24,373,337	20,933,411
Current portion of Diminishing Musharaka	7	350,177,174	338,062,224
Current portion of long term loan		431,600	809,600
<b>Total current assets</b>		<b>1,122,980,790</b>	<b>1,173,981,336</b>
<b>Non - current assets</b>			
Diminishing Musharaka	7	552,436,337	505,645,798
Long term loan		1,438,664	2,378,966
Fixed assets - in own use	8	2,029,418	2,578,628
<b>Total non - current assets</b>		<b>555,904,419</b>	<b>510,603,392</b>
<b>TOTAL ASSETS</b>		<b>1,678,885,209</b>	<b>1,684,584,728</b>
<b>LIABILITIES AND CERTIFICATE HOLDERS' EQUITY</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	9	28,116,394	33,269,664
Provision for taxation -net	10	19,183	4,578,170
Profit distribution payable		934,250	787,924
<b>TOTAL LIABILITIES</b>		<b>29,069,827</b>	<b>38,635,758</b>
<b>CERTIFICATE HOLDERS' EQUITY</b>			
<b>Certificate capital</b>			
<b>Authorised certificate capital</b>			
50,000,000 (June 2022: 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	199,815,382	195,948,970
<b>TOTAL CERTIFICATE HOLDERS' EQUITY</b>		<b>1,649,815,382</b>	<b>1,645,948,970</b>
<b>TOTAL LIABILITIES AND CERTIFICATE HOLDERS' EQUITY</b>		<b>1,678,885,209</b>	<b>1,684,584,728</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)



Chairman



Chief Executive



Director



Chief Financial Officer




**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2022


	Half year ended		Quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
<b>Note ----- Rupees -----</b>				
<b>Income from:</b>				
Diminishing Musharaka	72,420,051	45,572,814	37,574,408	21,917,835
Bank deposits	26,158,978	19,082,790	11,277,703	10,537,192
Term deposits receipts	28,168,481	10,636,711	16,645,205	4,990,684
	<b>126,747,510</b>	<b>75,292,315</b>	<b>65,497,316</b>	<b>37,445,711</b>
Administrative and operating expenses	13 (35,571,909)	(19,455,030)	(22,871,947)	(10,719,714)
Provision / (reversal) in respect of Diminishing Musharaka	(184,783)	198,151	(585,744)	(240,799)
	<b>(35,756,692)</b>	<b>(19,256,879)</b>	<b>(23,457,691)</b>	<b>(10,960,513)</b>
	<b>90,990,818</b>	<b>56,035,436</b>	<b>42,039,625</b>	<b>26,485,198</b>
Other income	834,645	242,568	215,940	33,780
	<b>91,825,463</b>	<b>56,278,004</b>	<b>42,255,565</b>	<b>26,518,978</b>
Management Company's remuneration	(9,182,546)	(5,627,800)	(4,225,556)	(2,651,897)
Provision for services sales tax on the Management Company's remuneration	(1,193,731)	(731,614)	(549,322)	(344,746)
	<b>81,449,186</b>	<b>49,918,590</b>	<b>37,480,687</b>	<b>23,522,335</b>
Profit before taxation				
Taxation	10 (23,582,774)	(14,476,391)	(10,831,909)	(6,821,477)
	<b>57,866,412</b>	<b>35,442,199</b>	<b>26,648,778</b>	<b>16,700,858</b>
Profit for the period				
Earnings per certificate - basic and diluted	1.29	0.79	0.59	0.37

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 SIX-MONTHS ENDED DECEMBER 31, 2022**

	Half year ended		Quarter ended	
	December 31, 2022	December 31, 2021	December 31, 2022	December 31, 2021
	-----Rupees-----			
<b>Profit for the period</b>	<b>57,866,412</b>	<b>35,442,199</b>	<b>26,648,778</b>	<b>16,700,858</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>57,866,412</b>	<b>35,442,199</b>	<b>26,648,778</b>	<b>16,700,858</b>

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

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



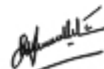
Chairman



Chief Executive



Director



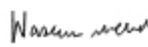
Chief Financial Officer

**CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2022


	Note	Six Months Period Ended	
		December 31, 2022	December 31, 2021
		Rupees	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		81,449,186	49,918,590
<b>Adjustments for non - cash and other items</b>			
Depreciation - Fixed assets - in own use	8.1	661,603	687,476
Amortization on intangible assets	8.2	38,832	36,072
Gain on disposal of fixed assets - in own use		(25,488)	-
Income on bank deposits		(26,158,978)	(19,082,790)
Income on term deposit receipts		(28,168,481)	(10,636,711)
Provision / (reversal) in respect of Diminishing Musharaka		184,783	(198,151)
		<u>27,981,457</u>	<u>20,724,486</u>
<b>Working capital changes</b>			
Advances, prepayments and other receivables		2,623,368	(14,794,035)
Diminishing Musharaka		(59,090,272)	104,924,029
Long term loan		1,318,302	189,000
Creditors, accrued and other liabilities		(5,153,270)	6,114,485
Customers' security deposit		-	(5,000)
		<u>(60,301,872)</u>	<u>96,428,479</u>
Income received on term deposit receipts		18,021,906	11,230,684
Income received on bank deposits		30,242,259	18,456,085
Income tax paid/adjusted		(28,141,781)	(12,354,115)
<b>Net cash (used in) / generated from operations</b>		<u>(12,198,011)</u>	<u>134,485,619</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Sale proceed from disposal of Ijarah assets		-	5,000
Sale proceed from disposal of fixed assets - in own use		25,500	-
Purchase of fixed assets - in own use	8.1	(151,237)	(299,895)
Purchase of intangible assets	8.2	-	(19,890)
<b>Net cash used in investing activities</b>		<u>(125,737)</u>	<u>(314,785)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(53,853,674)	(44,677,110)
<b>Net cash used in financing activities</b>		<u>(53,853,674)</u>	<u>(44,677,110)</u>
<b>Net (decrease) / Increase in cash and cash equivalents</b>		<u>(66,177,422)</u>	<u>89,493,724</u>
Cash and cash equivalents at the beginning of the period		814,176,101	795,524,291
<b>Cash and cash equivalents at the end of the period</b>	17	<u>747,998,679</u>	<u>885,018,015</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

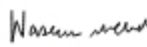
  
Chief Financial Officer

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited) FOR THE SIX-MONTHS ENDED DECEMBER 31, 2022

	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	1,825,056,964
Profit for the period	-	-	35,442,199	35,442,199	-	35,442,199
<b>Transaction with Certificate Holders</b>						
Profit distribution @ Rs. 1.00 (10.00%) per certificate	-	-	(45,000,000)	(45,000,000)	-	(45,000,000)
<b>Balance as at December 31, 2021</b>	<b>450,000,000</b>	<b>121,071,504</b>	<b>44,427,659</b>	<b>165,499,163</b>	<b>1,000,000,000</b>	<b>1,815,499,163</b>
Balance as at July 01, 2022	450,000,000	134,334,148	61,614,822	195,948,970	1,000,000,000	1,845,948,970
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>	<b>450,000,000</b>	<b>134,334,148</b>	<b>65,481,234</b>	<b>196,815,382</b>	<b>1,000,000,000</b>	<b>1,849,615,382</b>

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 SIX-MONTHS ENDED DECEMBER 31, 2022

### 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, 2022 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.

These condensed interim financial information comprise of the balance sheet as at December 31, 2022 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, 2022 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, 2022

### 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, 2022.

	December 31, 2022	June 30, 2022	
			Un-audited
<b>4. CASH AND BANK BALANCES</b>	<b>Note</b>	<b>Rupees</b>	
Cash in hand	20,000	-	
Stamp paper in hand	61,700	72,700	
Balances with banks in:			
- Deposit accounts	4.1	45,548,772	492,734,368
- Current accounts	4.2	2,368,207	1,369,033
		<u>47,998,679</u>	<u>494,176,101</u>

4.1 These carry profit at the rates ranging from 7% to 12.50% per annum. (June 30, 2022: Rs. 5.50% to 11.00% per annum). This includes balance of Rs. 45.50 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. 2,349,868 (June 30, 2022: Rs. 1,294,517) 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, 2022

5. SHORT TERM INVESTMENTS	Note	December 31,	June 30,
		2022	2022
		Un-audited	Audited
		Rupees	
Term deposit receipts	5.1	700,000,000	320,000,000
		<u>700,000,000</u>	<u>320,000,000</u>

5.1 This investment includes Rs. 400 million in Sindh Bank Limited - Islamic Banking (related party) on six months maturity and Rs. 300 million in Habib Metropolitan Bank Limited on three months maturity (June 30, 2022: Rs. 320 million in Meezan Bank Limited on six months maturity). These investments carry profit at the rate of 14.50% per annum (June 30, 2022: 12.25% p.a.).

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

Advances	6.1	2,448,923	7,562,220
Prepayments		2,304,234	744,855
Accrued income from bank deposits	6.2	1,211,437	5,294,718
Accrued income from term deposit receipts	6.2	12,831,507	2,684,932
Accrued income from Diminishing Musharaka	6.3	5,567,236	4,638,686
Other receivables		10,000	8,000
		<u>24,373,337</u>	<u>20,933,411</u>

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, 2022: Rs. 1.55 million).

6.2 This represents accrued income Rs. 1.21 million (June 30, 2022: Rs. 5.25 million) and Rs. 7.47 million (June 30, 2022: Rs. Nil) in deposit account and term deposit receipts respectively, held with Sindh Bank Limited - Islamic Banking (related party).

**6.3 Accrued income from Diminishing Musharaka**

Receivable	24,841,182	21,766,615
Less: Income suspend	(19,273,946)	(17,127,929)
	<u>5,567,236</u>	<u>4,638,686</u>

**7. DIMINISHING MUSHARAKA**

Receivables - secured	7.1	961,018,970	901,928,698
Less: Current portion		(350,177,174)	(338,062,224)
Less: Provision	7.2	(58,405,459)	(58,220,676)
Long term portion		<u>552,436,337</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 etc.

7.2 This includes general provision of Rs. 4.14 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 SIX-MONTHS ENDED DECEMBER 31, 2022**

8. FIXED ASSETS - in own use	Note	December 31,	June 30,
		2022	2022
		Un-audited	Audited
		----- Rupees -----	
Tangible assets	8.1	1,963,430	2,473,808
Intangible assets	8.2	65,988	104,820
		<u>2,029,418</u>	<u>2,578,628</u>

**8.1 Tangible assets**

Particulars	Cost			Depreciation			WDV as at December 31, 2022	Depreciation Rate
	As at July 01, 2022	Additions/ (Deletion)	As at December 31, 2022	As at July 01, 2022	Change [adj.] for the period	As at December 31, 2022		
	----- Rupees -----							
Furniture and fixtures	1,536,245	28,972	1,565,217	949,158	77,776	1,026,934	538,283	10%
Office equipment	3,292,536	-	3,292,536	2,946,229	130,079	3,078,308	214,228	20%
Vehicles	1,354,275	-	1,354,275	886,110	131,076	939,186	415,669	20%
Computer and accessories	3,803,925	122,265 (1,210,995)	2,715,195	2,897,676	322,672 (1,210,983)	1,919,365	795,850	33.33%
As at and for the period ended December 31, 2022	<u>9,986,981</u>	<u>151,237</u> <u>(1,210,995)</u>	<u>8,927,223</u>	<u>7,513,173</u>	<u>661,603</u> <u>(1,210,983)</u>	<u>6,963,793</u>	<u>1,963,430</u>	
As at and for the year ended June 30, 2022	<u>9,318,880</u>	<u>670,101</u>	<u>9,988,981</u>	<u>6,081,292</u>	<u>1,431,881</u>	<u>7,513,173</u>	<u>2,473,808</u>	

**8.2 Intangible assets**

8.2 Intangible assets	December 31,	June 30,
	2022	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	(38,832)	(74,904)
Closing net book value	<u>65,988</u>	<u>104,820</u>
As at December 31, 2022 / June 30, 2022		
Cost	2,111,982	2,111,982
Accumulated amortization	(2,045,994)	(2,007,162)
Net book value	<u>65,988</u>	<u>104,820</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, 2022

9. CREDITORS, ACCRUED AND OTHER LIABILITIES	Note	December 31,	June 30,
		2022	2022
		Un-audited	Audited
		----- Rupees -----	
Creditors		6,441	6,441
Management remuneration payable - related party		9,182,546	11,352,217
Accrued expenses	9.1	8,924,397	8,270,117
Provision for Sindh sales tax on management remuneration		1,193,731	1,475,788
Payable to gratuity fund - related party		525,253	1,097,429
Other liabilities		8,284,026	11,067,672
		<b>28,116,394</b>	<b>33,269,664</b>

9.1 These includes Rs. 50,000 (June 30, 2022: Rs. 50,000) per month for branch rent payable to Sindh Bank Limited, related party.

10. PROVISION FOR TAXATION - NET	Note	December 31,	June 30,
		2022	2022
		Un-audited	Audited
		----- Rupees -----	
Opening balance - Provision for taxation		4,578,170	-
Tax deducted / collected during the period / year		(7,247,406)	(10,376,164)
Tax paid / adjusted during the period / year		(20,894,355)	(19,426,608)
Provision for the period / year		23,620,264	34,380,942
- prior year		(37,490)	-
Total provision for the period/year		23,582,774	34,380,942
Provision for taxation		19,183	4,578,170

11. LONG TERM LOAN - subordinated	11.1	1,000,000,000	1,000,000,000
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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 Honourable High Court of Sindh challenging levy of Services Sales Tax on Ijarah / lease financing transactions. The Honourable 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, 2022

13. ADMINISTRATIVE AND OPERATING EXPENSES	Note	December 31, 2022	December 31, 2021
		Un-audited	Un-audited
		Rupees	
Salaries, allowances and other benefits	13.1	16,496,810	11,937,221
Legal and professional charges		673,997	716,240
Shariah advisor fee		216,000	216,000
Repair and maintenance		670,308	653,093
Utility services		752,757	645,021
Registration and subscription fee		595,910	569,450
Generator sharing and fuel charges	13.2	539,560	424,006
Entertainment		162,138	85,045
Advertisement and publications		75,312	122,800
Rent, rates and taxes	13.3	400,008	400,001
Travelling and conveyance		2,878,286	1,754,360
Security services		300,000	300,000
Printing, stationery and photocopy		259,084	231,692
Postage, courier and telegraphs		128,640	137,097
Staff orientation and training		5,250	-
Auditors' remuneration		156,836	152,208
Depreciation expense - tangible assets	8.1	661,603	687,476
Amortization expense - intangible assets	8.2	38,832	36,072
Takaful / insurance - owned assets		106,912	64,645
Takaful / insurance - Ijarah and Diminishing Musharaka		346,120	211,602
Donation		9,997,500	-
Miscellaneous		110,046	111,001
		<u>35,571,909</u>	<u>19,455,030</u>

13.1 This includes contribution of Rs. 539,894 (2021: Rs. 376,442) charged / paid to provident fund and provision for gratuity of Rs. 525,253 (2021: Rs. 342,402), related party.

13.2 This includes amount of Rs. 360,000 (2021: Rs. 360,000) against sharing of expenses with Sindh Insurance Limited - related party.

13.3 This includes amount of Rs. 300,000 (2021: 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 (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2022

**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:

	December 31, 2022	June 30, 2022
	Un-audited	Audited
	----- Rupees -----	
<b>Balances as at period end</b>		
<b>Sindh Insurance Limited - associated company</b>		
Sharing of expenses payable	360,000	-
<b>Key Management Personnel</b>		
Long term loan (including current portion)	1,870,264	3,188,566
<b>Transactions for the period</b>		
	December 31, 2022	December 31, 2021
	Un-audited	Un-audited
	----- Rupees -----	
<b>Sindh Bank Limited - associated company</b>		
Income on bank deposits	26,067,472	19,082,271
Income on term deposit receipt	18,432,875	10,636,711
	<u>44,500,347</u>	<u>29,718,982</u>
<b>Sindh Modaraba Management Limited - Management company</b>		
Dividend paid	50,935,200	42,446,000
Management Company's remuneration accrued	9,182,546	5,627,800
Management Company's remuneration paid	11,352,217	7,862,480
	<u>71,469,963</u>	<u>55,936,280</u>
<b>Sindh Insurance Limited - associated company</b>		
Insurance premium / Takaful contribution paid	1,285,807	883,492
Sharing of expenses paid	27,425	218,430
	<u>1,313,232</u>	<u>1,101,922</u>
<b>Key Management Personnel</b>		
Salaries, allowances and benefits paid	8,046,935	5,454,267
<b>Sindh Modaraba Employees Provident Fund - employee fund</b>		
Contribution paid (employer and employees contribution)	1,067,516	752,884
<b>Sindh Modaraba Employees Gratuity Fund</b>		
Contribution paid	1,097,429	1,070,048

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE SIX-MONTHS ENDED DECEMBER 31, 2022

### 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	December 31, 2022	December 31, 2021
		Un-audited	Un-audited
		Rupees	
<b>17. CASH AND CASH EQUIVALENT</b>			
Cash and bank balances	4	47,998,679	565,018,015
Short term investment	5	700,000,000	320,000,000
		<u>747,998,679</u>	<u>885,018,015</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, 2022.

### 19. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on **January 27, 2023** by the Board of Directors of the Management Company.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)**  
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2022**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)



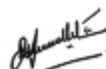
Chairman



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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