

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

# SINDH MODARABA

QUARTERLY REPORT  
SEPTEMBER 2020



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

إِنَّ رَبِّي لَسَمِيعُ الدُّعَاءِ

*Indeed, My Lord is the  
Hearer of Supplication.*

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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. Muhammad Bilal Sheikh       | -Chairman | -Non-Executive Director |
| Syed Hassan Naqvi               |           | -Non-Executive Director |
| Mr. Muhammad Shahid Murtaza     |           | -Non-Executive Director |
| Mr. Asif Haider Mirza           |           | -Non-Executive Director |
| Mr. Kamal Ahmed                 |           | -Independent Director   |
| Ms. Yasmin Zafar                |           | -Independent Director   |
| Mr. Muhammad Naimuddin Farooqui |           | -Chief Executive        |

### CFO & Company Secretary

Zulfiqar Ali

### Audit Committee

|                             |           |
|-----------------------------|-----------|
| Mr. Kamal Ahmed             | -Chairman |
| Mr. Muhammad Shahid Murtaza | -Member   |
| Ms. Yasmin Zafar            | -Member   |

### Bankers

Sindh Bank Limited-Islamic Banking (Saadat)  
 NRSP Microfinance Bank Limited  
 Bank Al-Habib Limited

### Auditors

Baker Tilly Mehmood Idrees Qamar  
 Chartered Accountants

### Shariah Advisor

Mufti Zeeshan Abdul Aziz

### Legal Advisor

Mohsin Tayebaly & Co.

### Share Registrar

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

### Registered/Head Office

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

### Lahore Branch

Escort House No. 28  
 Davis Road  
 Lahore

### 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 first quarter of FY-2021 ended September 30, 2020.

### Operating Results

During the quarter under review September 30, 2020, the Modaraba earned a profit of Rs. 23.173 million as compared to Rs. 24.693 million during the corresponding quarter ended September 30, 2019. The revenue has increased from Rs. 36.48 million to Rs. 39.12 million due to increase in average financing portfolio by approximately Rs. 131 million, however the average rate of return decreased by approximately 6% which is mainly due to decrease in policy rate announced by the SBP to meet the challenges posed by COVID-19. The operating expenses increased to Rs. 12.52 million as compared Rs. 8.31 million in the same quarter 2019 due to hiring of key management in the last two quarters of FY-2020 and inflationary adjustments of routine expenses.

### Future Prospects

The GDP for FY-2020 (July 2019 to June 2020) contracted modestly due to lockdown measures enforced by the Government in early days of third quarter ending March 31, 2020. However, the economy seems to be recovering in the current quarter.

Cement sales has led the growth in the manufacturing sector which would benefit over 25 upstream and downstream companies associated with the construction industry which is already experiencing increased activity.

In addition, the foreign exchange inflows have taken a robust turn and has registered an increase of 31% to \$ 7.140 billion in the current quarter compared to the corresponding period last year amounting to \$ 5.452 billion.

While exports have declined due to global impact of COVID and more than average rainfall in the country disrupting production in certain manufacturing companies, imports too have reduced relieving pressure on Pak Rupee, which has increased in value by about Rs. 4.42 since June 2020.

All above considered the economy looks well poised for an economic upturn and augurs well for the Modaraba for a good year ahead.

### 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



Karachi  
October 22, 2020

**Muhammad Naimuddin Farooqui**  
Chief Executive Officer

## ڈائریکٹرز کا اجلاس

ہم سندھ مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2020 کو مکمل ہونے والی FY-2020 کی پہلی سہ ماہی کے سندھ مضاربہ کے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

## آپریٹنگ نتائج

مضاربہ نے 30 ستمبر 2019ء کو ختم ہونے والی سہ ماہی میں Rs. 24.693 ملین منافع کے مقابلے میں زیر غور سہ ماہی میں Rs. 23.173 ملین کا منافع کمایا۔ زیر غور سہ ماہی میں آمدنی Rs. 36.48 سے بڑھ کر Rs. 39.12 تک پہنچ گئی، جس کی بڑی وجہ اوسط قرضوں کی فراہمی کے بڑھنے سے ہوئی جو تقریباً Rs. 131 ملین سے بڑھی۔ اس کے برعکس واپسی کی اوسط شرح میں 6% کی کمی ہوئی جو اسٹیٹ بینک کے پالیسی ریٹ کی کمی کے باعث کم ہوا جو اسٹیٹ بینک نے COVID-19 سے پیدا ہونے والے مشکل حالات سے نمٹنے کے لئے کیا۔ اس کے علاوہ آپریٹنگ اخراجات اضافہ کے بعد Rs. 12.52 کے ہوئے جو کہ پچھلی سہ ماہی میں Rs. 8.31 ملین کے تھے۔ ان اخراجات کے بڑھنے کی واضح وجہ آخری دو سہ ماہی میں اہم شخصیات کو نوکری پر رکھنے کے ساتھ معمولی اخراجات میں مہنگائی کے ہیں۔

## امکانات مستقبل

پاکستان کے جی ڈی پی برائے مالی سال 2019-2020 میں معمولی کمی ہوئی چونکہ گورنمنٹ نے اس سال کے تیسرے سہ ماہی میں لاک ڈاون نافذ کر دیا تھا، البتہ معیشت اس سال کے پہلے سہ ماہی سے بہتر ہو رہی ہے۔ سیمنٹ کی فروخت نے مینوفیکچرنگ شعبے میں برتری دکھائی، جسکی وجہ سے تعمیراتی شعبے سے منسلک تقریباً پچاس قسم کے صنعتوں میں واضح سرگرمی رہی۔ اس کے علاوہ زیر غور سہ ماہی میں \$ 7.140 بلین کا غیر ملکی زرمبادلہ حاصل ہوا جو کہ پچھلے سہ ماہی کے \$ 5.452 بلین کے مقابلے میں 31% اضافی ہے۔ چونکہ برآمدات میں COVID-19 کی وجہ سے واضح کمی ہوئی اور غیر معمولی بارشوں کی وجہ سے مینوفیکچرنگ شعبے نے کافی مشکلات کا سامنا کیا۔ اس کے باوجود درآمدات کی کمی نے پاکستانی روپے کی قدر کو مستحکم کیا اور روپے کی قدر جون 2020 کے مقابلے میں Rs. 4.42 سے بہتر ہو گئی۔ ان تمام تر وجوہات کی وجہ سے معیشت کی بہتری کے امکانات مؤثر ہیں اور سندھ مضاربہ کے لیے ایک اچھے سال کا پیش خیمہ 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



کراچی

22 اکتوبر 2020

محمد نعیم الدین فاروقی  
چیف ایگزیکٹو آفیسر

**CONDENSED INTERIM BALANCE SHEET**

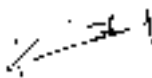
AS AT SEPTEMBER 30, 2020

|                                       |    | September 30,<br>2020 | June 30,<br>2020 |
|---------------------------------------|----|-----------------------|------------------|
|                                       |    | Un-audited            | Audited          |
| Note                                  |    | -----Rupees-----      |                  |
| <b>ASSETS</b>                         |    |                       |                  |
| <b>Current assets</b>                 |    |                       |                  |
|                                       | 4  | 924,946,417           | 883,707,855      |
|                                       | 5  | 18,896,028            | 21,915,131       |
|                                       | 6  | 306,903,031           | 270,789,982      |
|                                       |    | 925,000               | 925,000          |
|                                       |    | 1,251,670,476         | 1,177,337,968    |
| <b>Total current assets</b>           |    |                       |                  |
| <b>Non - current assets</b>           |    |                       |                  |
|                                       | 6  | 475,870,071           | 513,998,681      |
|                                       | 7  | 6,494,766             | 7,150,092        |
|                                       |    | 3,437,251             | 3,668,500        |
|                                       | 8  | 3,835,673             | 4,015,411        |
|                                       |    | 489,637,761           | 528,832,684      |
|                                       |    | 1,741,308,237         | 1,706,170,652    |
| <b>TOTAL ASSETS</b>                   |    |                       |                  |
| <b>LIABILITIES AND EQUITY</b>         |    |                       |                  |
| <b>Current liabilities</b>            |    |                       |                  |
|                                       | 9  | 102,582,326           | 90,614,181       |
|                                       |    | 5,006,000             | 5,006,000        |
|                                       |    | 61,321,277            | 575,051          |
|                                       |    | 168,909,603           | 96,195,232       |
| <b>Non - current liabilities</b>      |    |                       |                  |
|                                       |    | 1,000                 | 1,000            |
|                                       |    | 168,910,603           | 96,196,232       |
| <b>TOTAL LIABILITIES</b>              |    |                       |                  |
| <b>CERTIFICATE HOLDERS' EQUITY</b>    |    |                       |                  |
| <b>Certificate capital</b>            |    |                       |                  |
| <b>Authorised certificate capital</b> |    |                       |                  |
|                                       |    | 500,000,000           | 500,000,000      |
|                                       |    | 450,000,000           | 450,000,000      |
|                                       |    | 122,397,634           | 159,974,420      |
|                                       | 10 | 1,000,000,000         | 1,000,000,000    |
|                                       |    | 1,572,397,634         | 1,609,974,420    |
|                                       |    | 1,741,308,237         | 1,706,170,652    |
| <b>TOTAL EQUITY</b>                   |    |                       |                  |
| <b>TOTAL LIABILITIES AND EQUITY</b>   |    |                       |                  |
| <b>CONTINGENCIES AND COMMITMENTS</b>  |    |                       |                  |
|                                       | 11 |                       |                  |

The annexed notes 1 to 18 form an integral part of these condensed interim financial information.

For Sindh Modaraba Management Limited  
(Management Company)


Chief Executive Officer



Director



Director



**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT**

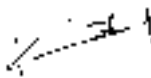
FOR THE QUARTER ENDED SEPTEMBER 30, 2020

|   |    | <b>For the quarter ended</b> |                      |
|---|----|------------------------------|----------------------|
|   |    | <b>September 30,</b>         | <b>September 30,</b> |
|   |    | <b>2020</b>                  | <b>2019</b>          |
|   |    | <b>Un-audited</b>            |                      |
|   |    | <b>-----Rupees-----</b>      |                      |
| <b>Income from:</b>   |    |                              |                      |
| - Diminishing Musharaka   |    | 23,316,626                   | 22,459,909           |
| - Ijarah  |    | 174,750                      | 155,093              |
| - Bank deposits   |    | 15,627,019                   | 11,789,477           |
| - Term deposits receipts  |    | -                            | 2,079,672            |
|   |    | <b>39,118,395</b>            | <b>36,484,151</b>    |
| Administrative and operating expenses                                     | 12 | (12,521,969)                 | (8,311,699)          |
| Provision in respect of ijarah rental receivable                          |    | -                            | (1,499)              |
| Reversal of provision in respect of diminishing musharaka                 |    | 10,129                       | 253,092              |
|   |    | <b>(12,511,840)</b>          | <b>(8,060,106)</b>   |
|   |    | <b>26,606,555</b>            | <b>28,424,045</b>    |
| Other income / (loss)   |    | 52,000                       | (16,499)             |
|   |    | <b>26,658,555</b>            | <b>28,407,546</b>    |
| Management Company's remuneration   |    | (2,665,856)                  | (2,840,770)          |
| Provision for services sales tax on the Management Company's remuneration |    | (346,562)                    | (369,301)            |
| Workers' welfare fund   |    | (472,923)                    | (503,953)            |
| <b>Profit for the quarter before taxation</b>                             |    | <b>23,173,214</b>            | <b>24,693,522</b>    |
| Taxation  | 17 | -                            | -                    |
| <b>Net Profit for the quarter</b>   |    | <b>23,173,214</b>            | <b>24,693,522</b>    |
| <b>Earnings per certificate - basic and diluted</b>                       |    | <b>0.51</b>                  | <b>0.55</b>          |

The annexed notes 1 to 18 form an integral part of these condensed interim financial information.

For Sindh Modaraba Management Limited  
(Management Company)


Chief Executive Officer



Director



Director

## CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

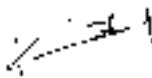
|   | For the quarter ended    |                          |
|---|--------------------------|--------------------------|
|   | September 30,<br>2020    | September 30,<br>2019    |
|   | <u>Un-audited</u>        |                          |
|   | <u>-----Rupees-----</u>  |                          |
| <b>Net Profit for the quarter</b>   | <b>23,173,214</b>        | <b>24,693,522</b>        |
| Other comprehensive income for the period                                     |                          |                          |
| - items that may be reclassified to profit and loss account                   | -                        | -                        |
| - items that will not be reclassified to profit and loss account subsequently | -                        | -                        |
| <b>Total comprehensive income for the quarter</b>                             | <b><u>23,173,214</u></b> | <b><u>24,693,522</u></b> |

The annexed notes 1 to 18 form an integral part of these condensed interim financial information.

For Sindh Modaraba Management Limited  
(Management Company)



Chief Executive Officer



Director



Director

## CONDENSED INTERIM CASH FLOW STATEMENT

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

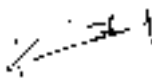
|  |           | For the quarter ended |                       |
|--|-----------|-----------------------|-----------------------|
|  |           | September 30,<br>2020 | September 30,<br>2019 |
|  |           | Un-audited            |                       |
|  |           | -----Rupees-----      |                       |
|  | Note      |                       |                       |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                |           |                       |                       |
| Profit for the quarter before taxation                     |           | 23,173,214            | 24,693,522            |
| <b>Adjustments for non - cash and other items</b>          |           |                       |                       |
| Depreciation - Ijarah assets                               | 7         | 655,326               | 827,678               |
| Depreciation - Fixed assets - in own use                   | 8.1 & 8.2 | 416,738               | 370,760               |
| Income on bank deposits                                    |           | (15,627,019)          | (11,789,477)          |
| Income on term deposit receipt                             |           | -                     | (2,079,672)           |
| Provision for provident fund (employer's contribution)     |           | 272,487               | 109,215               |
| Reversal in respect of diminishing musharaka               |           | (10,129)              | (253,092)             |
| Provision for ijarah rental receivable                     |           | -                     | 1,499                 |
| Loss on disposal of fixed asset                            |           | -                     | 40,499                |
|  |           | 8,880,617             | 11,920,932            |
| <b>Working capital changes</b>                             |           |                       |                       |
| Advances, prepayments and other receivables                |           | 2,565,013             | (189,504)             |
| Ijarah rental receivables                                  |           | -                     | (299,749)             |
| Diminishing Musharaka                                      |           | 2,025,690             | 50,618,360            |
| Long term loan   |           | 231,249               | 81,000                |
| Creditors, accrued and other liabilities                   |           | 11,968,145            | 7,050,288             |
| Customers' security deposit                                |           | -                     | (272,370)             |
|  |           | 16,790,097            | 56,988,025            |
| Provident fund contribution paid (employer's contribution) |           | (272,487)             | (109,215)             |
| Income received on term deposit receipt                    |           | -                     | 4,229,809             |
| Income received on bank deposits                           |           | 16,081,109            | 8,729,315             |
| <b>Net cash generated from operations</b>                  |           | 41,479,336            | 81,758,866            |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |           |                       |                       |
| Sale proceed from disposal of ijarah asset                 |           | -                     | 272,370               |
| Sale proceed from disposal of fixed asset                  |           | -                     | 30,000                |
| Purchase of fixed assets - in own use                      | 10.1      | (237,000)             | (1,597,775)           |
| <b>Net cash used in investing activities</b>               |           | (237,000)             | (1,295,405)           |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                |           |                       |                       |
| Dividend paid  |           | (3,774)               | (18,075)              |
| <b>Net cash used in financing activities</b>               |           | (3,774)               | (18,075)              |
| <b>Net increase in cash and cash equivalents</b>           |           | 41,238,562            | 80,445,386            |
| Cash and cash equivalents at the beginning of the quarter  |           | 883,707,855           | 948,633,188           |
| <b>Cash and cash equivalents at the end of the quarter</b> | 4         | 924,946,417           | 1,029,078,574         |

The annexed notes 1 to 18 form an integral part of these condensed interim financial information.

For Sindh Modaraba Management Limited  
(Management Company)



Chief Executive Officer



Director



Director

## CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

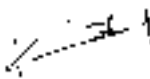
|  | Issued, subscribed, and paid - up certificate capital | Reserves          |                       |              | Long term loan | Total equity  |
|--|---|-------------------|-----------------------|--------------|----------------|---------------|
|  |   | Statutory reserve | Unappropriated profit | Total        |                |               |
| Un-audited   |   |                   |                       |              |                |               |
| 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 quarter                                 | -   | -                 | 24,693,522            | 24,693,522   | -              | 24,693,522    |
| Transaction with Certificate Holders                   |   |                   |                       |              |                |               |
| Profit distribution @ Rs. 1.35 (13.5%) per certificate | -   | -                 | (60,750,000)          | (60,750,000) | -              | (60,750,000)  |
| Balance as at September 30, 2019                       | 450,000,000   | 51,379,782        | 25,610,502            | 76,990,284   | 500,000,000    | 1,026,990,284 |
| Un-audited   |   |                   |                       |              |                |               |
| 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 quarter                                 | -   | -                 | 23,173,214            | 23,173,214   | -              | 23,173,214    |
| Transaction with Certificate Holders                   |   |                   |                       |              |                |               |
| Profit distribution @ Rs. 1.35 (13.5%) per certificate | -   | -                 | (60,750,000)          | (60,750,000) | -              | (60,750,000)  |
| Balance as at September 30, 2020                       | 450,000,000   | 94,533,686        | 27,863,948            | 122,397,634  | 1,000,000,000  | 1,572,397,634 |

The annexed notes 1 to 18 form an integral part of these condensed interim financial information.

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



Chief Executive Officer



Director



Director

## **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**

### **FOR THE QUARTER ENDED SEPTEMBER 30, 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 quarter ended September 30, 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). In case the requirements of the Ordinance and the Rules differ with the requirements of IFRS, the requirements of the Ordinance or the Rules shall prevail.

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.

##### **2.2 Basis of measurement**

This condensed interim financial information has been prepared under the historical cost convention.

##### **2.3 Functional and presentation currency**

Items included in the condensed interim financial information are measured using the currency of the primary economic environment in which the Modaraba operates. The condensed interim financial information is presented in Pakistani Rupee, which is the Modaraba's functional and presentational currency. Figures have been rounded off to the nearest Rupee, unless stated otherwise.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### FOR THE QUARTER ENDED SEPTEMBER 30, 2020

#### 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 30 June 2020.

|   |                         | September 30,<br>2020 | June 30,<br>2020 |
|---|-------------------------|-----------------------|------------------|
|   |                         | Un-audited            | Audited          |
|   | Note                    | -----Rupees-----      |                  |
| 4 | CASH AND BANK BALANCES  |                       |                  |
|   | Cash in hand            | 20,000                | -                |
|   | Stamp paper in hand     | 87,400                | 58,400           |
|   | Balances with banks on: |                       |                  |
|   | - Deposit accounts      | 4.1 924,226,571       | 883,062,409      |
|   | - Current accounts      | 4.2 612,446           | 587,046          |
|   |                         | 924,946,417           | 883,707,855      |

4.1 These carry profit at the rates ranging from 4.5% to 6.62% per annum. (June 30, 2020: 4.97% to 8.59% per annum). This includes balance of Rs. 923.67 million (June 30, 2020: 882.52 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

4.2 This includes balance of Rs. 591,329 (June 30, 2020: Rs. 585,929) held with Sindh Bank Limited - Islamic Banking Unit, related party.

|   |   | September 30,<br>2020 | June 30,<br>2020 |
|---|---|-----------------------|------------------|
|   |   | Un-audited            | Audited          |
|   | Note  | -----Rupees-----      |                  |
| 5 | ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES |                       |                  |
|   | Advances                                    | 5.1                   | 3,665,268        |
|   | Prepayments                                 |                       | 542,857          |
|   | Accrued income from bank deposits           | 5.2                   | 4,988,118        |
|   | Accrued income from Diminishing Musharaka   | 5.3                   | 9,675,785        |
|   | Other receivables                           |                       | 24,000           |
|   |   |                       | 18,896,028       |
|   |   |                       | 21,915,131       |

5.1 This includes advance to vendors in respect of acquisition of assets under Diminishing Musharaka arrangement for onward delivery to customer amounting to Rs. 1.55 million (June 30, 2020: Rs. 1.55 million).

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### FOR THE QUARTER ENDED SEPTEMBER 30, 2020

- 5.2** This includes accrued income of Rs. 4,985,149 (June 30, 2020: Rs. 5,438,429) in deposit account held with Sindh Bank Limited - Islamic Banking Unit, related party.

| Note                                      | September 30,<br>2020 | June 30,<br>2020  |
|---|-----------------------|-------------------|
|   | Un-audited            | Audited           |
|   | -----Rupees-----      |                   |
| <b>5.3</b>                                |                       |                   |
| Accrued income from Diminishing Musharaka |                       |                   |
| Receivable                                | 17,911,464            | 20,753,102        |
| Less: Income suspend                      | (8,235,679)           | (7,431,345)       |
|   | <u>9,675,785</u>      | <u>13,321,757</u> |

## 6 DIMINISHING MUSHARAKA

|                       |            |                    |                    |
|-----------------------|------------|--------------------|--------------------|
| Receivables - secured | <b>6.1</b> | 814,211,016        | 816,236,706        |
| Less: current portion |            | (306,903,031)      | (270,789,982)      |
| Less: provision       | <b>6.2</b> | (31,437,914)       | (31,448,043)       |
| Long term portion     |            | <u>475,870,071</u> | <u>513,998,681</u> |

- 6.1** 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 etc.

- 6.2** This includes general provision of Rs. 3.79 million (June 30, 2020: 3.80 million) made at the rate of 0.5% (June 30, 2020: 0.5%) on diminishing musharaka receivables respectively.

## 7 IJARAH ASSETS

| Particulars  | Cost                |                      |                          | Depreciation        |                                      |                          | Amount in Rupees             |                   |
|--|---------------------|----------------------|--------------------------|---------------------|--------------------------------------|--------------------------|------------------------------|-------------------|
|  | As at July 01, 2020 | Addition/ (Disposal) | As at September 30, 2020 | As at July 01, 2020 | Charge for the quarter/ (Adjustment) | As at September 30, 2020 | WDV as at September 30, 2020 | Depreciation rate |
|  | Un-audited          |                      |                          |                     |                                      |                          |                              |                   |
| 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          | 655,326                              | 11,618,746               | 1,494,754                    | 20%               |
| As at and for the quarter ended September 30, 2020 | 93,113,500          | -                    | 93,113,500               | 85,963,408          | 655,326                              | 86,618,734               | 6,494,766                    |                   |
| As at and for the year ended June 30, 2020         | 97,184,200          | -                    | 93,113,500               | 86,654,716          | 2,836,813                            | 85,963,408               | 7,150,092                    |                   |
|  |                     | (4,070,700)          |                          |                     | (3,528,121)                          |                          |                              |                   |

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### FOR THE QUARTER ENDED SEPTEMBER 30, 2020

|          |                                  | September 30,<br>2020   | June 30,<br>2020 |
|----------|----------------------------------|-------------------------|------------------|
|          |                                  | Un-audited              | Audited          |
| <b>8</b> | <b>FIXED ASSETS - in own use</b> | <b>-----Rupees-----</b> |                  |
|          | <b>Note</b>                      |                         |                  |
|          | <b>8.1</b>                       | <b>3,635,664</b>        | <b>3,748,736</b> |
|          | <b>8.2</b>                       | <b>200,009</b>          | <b>266,675</b>   |
|          |                                  | <b>3,835,673</b>        | <b>4,015,411</b> |

#### 8.1 Tangible assets

| Particulars  | Cost                |                        |                          | Depreciation        |                                     |                          | WDV as at September 30, 2020 | Depreciation rate |
|--|---------------------|------------------------|--------------------------|---------------------|-------------------------------------|--------------------------|------------------------------|-------------------|
|  | As at July 01, 2020 | Additions/(Disposal)   | As at September 30, 2020 | As at July 01, 2020 | Charge for the quarter/(adjustment) | As at September 30, 2020 |                              |                   |
|  | Un-audited          |                        |                          |                     |                                     |                          |                              |                   |
| Furniture and fixtures                             | 1,416,245           | -                      | 1,416,245                | 646,910             | 35,406                              | 682,316                  | 733,929                      | 10%               |
| Office equipment                                   | 3,272,641           | -                      | 3,272,641                | 1,946,377           | 161,709                             | 2,128,086                | 1,144,555                    | 20%               |
| Vehicles   | 1,354,275           | -                      | 1,354,275                | 283,806             | 65,538                              | 349,344                  | 1,004,931                    | 20%               |
| Computer and accessories                           | 2,454,259           | 237,000                | 2,691,259                | 1,871,591           | 67,419                              | 1,939,010                | 752,249                      | 33.33%            |
| As at and for the quarter ended September 30, 2020 | 8,497,420           | 237,000                | 8,734,420                | 4,748,684           | 350,072                             | 5,098,756                | 3,635,664                    |                   |
| As at and for the year ended June 30, 2020         | 6,578,089           | 2,316,172<br>(396,841) | 8,497,420                | 3,924,793           | 1,148,516<br>(324,625)              | 4,748,684                | 3,748,736                    |                   |

|   |                          | September 30,<br>2020   | June 30,<br>2020   |
|---|--------------------------|-------------------------|--------------------|
|   |                          | Un-audited              | Audited            |
| <b>8.2</b>                                      | <b>Intangible assets</b> | <b>-----Rupees-----</b> |                    |
|   | <b>Note</b>              |                         |                    |
|   |                          | <b>266,675</b>          | <b>1,878,982</b>   |
|   |                          | <b>-</b>                | <b>-</b>           |
|   |                          | <b>(66,666)</b>         | <b>(1,612,307)</b> |
|   |                          | <b>200,009</b>          | <b>266,675</b>     |
| <b>As at September 30, 2020 / June 30, 2020</b> |                          |                         |                    |
| Cost  |                          | <b>1,878,982</b>        | <b>1,878,982</b>   |
| Accumulated amortization                        |                          | <b>(1,678,973)</b>      | <b>(1,612,307)</b> |
| Net book value                                  |                          | <b>200,009</b>          | <b>266,675</b>     |
| Annual rates of amortization                    |                          | <b>33.33%</b>           | <b>33.33%</b>      |

#### 9 CREDITORS, ACCRUED AND OTHER LIABILITIES

|  |            |                    |                   |
|--|------------|--------------------|-------------------|
| Management remuneration payable - related party          |            | <b>15,076,960</b>  | <b>12,411,104</b> |
| Provision for sindh sales tax on management remuneration |            | <b>1,960,006</b>   | <b>1,613,444</b>  |
| Creditors  |            | <b>65,238</b>      | <b>65,238</b>     |
| Other liabilities  | <b>9.1</b> | <b>67,923,611</b>  | <b>61,533,002</b> |
| Workers' Welfare Fund                                    |            | <b>6,555,059</b>   | <b>6,082,136</b>  |
| Payable to gratuity fund - related party                 |            | <b>1,146,940</b>   | <b>902,323</b>    |
| Accrued expenses   | <b>9.2</b> | <b>9,854,512</b>   | <b>8,006,934</b>  |
|  |            | <b>102,582,326</b> | <b>90,614,181</b> |



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

### FOR THE QUARTER ENDED SEPTEMBER 30, 2020

- 9.1** This includes Rs. 59.04 million (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.
- 9.2** These includes Rs. 150,000 ( June 30, 2020: Rs. Nil) for branch rent payable to Sindh Bank Limited, related party.

|      | September 30,<br>2020 | June 30,<br>2020 |
|------|-----------------------|------------------|
|      | Un-audited            | Audited          |
| Note | -----Rupees-----      |                  |

|           |                                      |                             |                             |
|-----------|--------------------------------------|-----------------------------|-----------------------------|
| <b>10</b> | <b>LONG TERM LOAN - subordinated</b> | <u><b>1,000,000,000</b></u> | <u><b>1,000,000,000</b></u> |
|-----------|--------------------------------------|-----------------------------|-----------------------------|

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.

## **11 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

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

|   | Note | September 30,<br>2020 | September 30,<br>2019 |
|---|------|-----------------------|-----------------------|
|   |      | Un-audited            |                       |
|   |      | -----Rupees-----      |                       |
| <b>12 ADMINISTRATIVE AND OPERATING EXPENSES</b> |      |                       |                       |
| Salaries, allowances and other benefits         | 12.1 | 9,013,538             | 5,172,697             |
| Legal and professional charges                  |      | 445,492               | 348,085               |
| Shariah advisor fee                             |      | 108,000               | 90,000                |
| Repair and maintenance                          |      | 305,876               | 302,081               |
| Utility services                                |      | 307,185               | 301,470               |
| Registration and subscription fee               |      | 280,534               | 256,903               |
| Generator Sharing and fuel charges              | 12.2 | 178,106               | 122,581               |
| Entertainment                                   |      | 29,037                | 52,323                |
| Advertisement and Publications                  |      | 71,052                | 33,050                |
| Rent, Rates and Taxes                           | 12.3 | 200,004               | 199,998               |
| Travelling and conveyance                       |      | 704,903               | 494,763               |
| Security services                               |      | 150,000               | 127,305               |
| Printing, stationery and photocopy              |      | 83,522                | 95,903                |
| Postage, Courier and Telegraphs                 |      | 21,484                | 25,361                |
| Auditors' remuneration                          |      | 72,846                | 70,956                |
| Depreciation expense - tangible assets          | 10.1 | 350,072               | 257,963               |
| Amortization expense - Intangible assets        | 10.2 | 66,666                | 112,797               |
| Insurance - owned assets                        |      | 38,713                | 35,749                |
| Insurance - Ijarah and Diminishing Musharaka    |      | 75,238                | 198,498               |
| Miscellaneous                                   |      | 19,701                | 13,216                |
|   |      | <u>12,521,969</u>     | <u>8,311,699</u>      |

**12.1** This includes contribution of Rs. 272,487 (2019: Rs. 191,975) to provident fund and provision for gratuity of Rs. 244,617 (2019: Rs.172,248), related party.

**12.2** This includes amount of Rs. 244,617 (2019: Rs. 109,215) against sharing of expenses with Sindh Insurance Limited - related party.

**12.3** This includes amount of Rs. 150,000 (2019: 150,000) branch rent to Sindh Bank Limited, related party.

## 13 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

### FOR THE QUARTER ENDED SEPTEMBER 30, 2020

#### 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.

#### 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 elsewhere in these financial statement are as follows:

|  | September 30,<br>2020<br><u>Un-audited</u> | June 30,<br>2020<br><u>Audited</u> |
|--|--|------------------------------------|
| Note   | -----Rupees-----                           |                                    |
| <b>Balances as at period end</b>                                   |  |                                    |
| <b>Sindh Modaraba Management Limited -<br/>Management Company</b>  |  |                                    |
| Profit distribution payable  | <u>57,322,350</u>                          | <u>-</u>                           |
| <b>Sindh Insurance Limited -<br/>Associated Company</b>            |  |                                    |
| Sharing of expenses payable  | <u>377,645</u>                             | <u>327,645</u>                     |
| <b>Key Management Personnel</b>                                    |  |                                    |
| Long term loan   | <u>4,362,251</u>                           | <u>135,000</u>                     |
| <b>Sindh Modaraba Employees Provident Fund -<br/>Employee Fund</b> |  |                                    |
| Contribution Payable (employer's Contribution)                     | <u>15,666</u>                              | <u>-</u>                           |

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE QUARTER ENDED SEPTEMBER 30, 2020

|   | For the quarter ended   |                       |
|---|-------------------------|-----------------------|
|   | September 30,<br>2020   | September 30,<br>2019 |
|   | <u>Un-audited</u>       |                       |
|   | <u>-----Rupees-----</u> |                       |
| <b>Transactions for the period</b>                              |                         |                       |
| <b>Sindh Bank Limited - Associated company</b>                  |                         |                       |
| Income on bank deposits   | 15,618,028              | 10,516,402            |
| Income on term deposit receipt                                  | -                       | 871,233               |
|   | <u>15,618,028</u>       | <u>11,387,635</u>     |
| <b>Sindh Modaraba Management Limited - Management company</b>   |                         |                       |
| Management Company's remuneration accrued                       | 2,665,856               | 2,840,770             |
| Management Company's remuneration paid                          | -                       | 9,335,941             |
|   | <u>2,665,856</u>        | <u>12,176,711</u>     |
| <b>Sindh Insurance Limited -Associated company</b>              |                         |                       |
| Insurance premium/Takaful contribution paid                     | <u>116,815</u>          | <u>424,768</u>        |
| <b>Key Management Personnel</b>                                 |                         |                       |
| Salaries, allowances and benefits paid                          | <u>4,613,576</u>        | <u>2,672,669</u>      |
| <b>Sindh Modaraba Employees Provident Fund - Employee Fund</b>  |                         |                       |
| Contribution paid (both employer's and employee's contribution) | <u>513,642</u>          | <u>383,950</u>        |

### 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.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION**  
FOR THE QUARTER ENDED SEPTEMBER 30, 2020**17 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 quarter ended September 30, 2020.

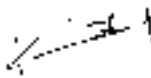
**18 DATE OF AUTHORISATION**

This condensed interim financial information was authorised for issue on October 22, 2020 by the Board of Directors of the Management Company.

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



Chief Executive Officer



Director



Director

**Islamic Financing  
Products Offered by  
Sindh Modaraba**

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

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