

IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

SINDH MODARABA



HALF YEARLY REPORT

DECEMBER 2021

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

إِهْدِنَا الصِّرَاطَ الْمُسْتَقِيمَ

"Guide us to The Straight Path"

(Surah: 01 / Verse: 05)

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Vision & Mission Statements

Vision

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

Mission

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

Corporate Information

Board of Directors

| | | |
|-----------------------|------------------------|-------------------------|
| Mr. Waseem Mehdi Syed | Chairman | -Independent Director |
| Mr. Rehan Anjum | | -Non-Executive Director |
| Ms. Rukhsana Narejo | | -Non-Executive Director |
| Mr. Asif Jahangir | | -Non-Executive Director |
| Mr. Kamal Ahmed | Acting Chief Executive | -Non-Executive Director |

Acting CFO & Company Secretary

Mr. Muhammad Adnan Shakeel

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, Salma Trade
 Tower-A, I.I. Chundrigarh Road
 Karachi

Registered/Head Office

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

Lahore Branch

30-30A, Commercial Building,
 The Mall, Lahore,
 Pakistan

Directors' Review

The Board of Directors of Sindh Modaraba Management Limited, Management Company of Sindh Modaraba, is pleased to present the un-audited Financial Statements of Sindh Modaraba for the half year ended December 31, 2021.

Operating Results

During the 6 months' period under review, the Modaraba earned a profit before tax of Rs. 49.92 Million compared to Rs. 42.78 Million in same period last year. Even though profit before tax increased, the profit after tax of the Modaraba decreased by Rs. 7.34 million to Rs. 35.44 Million due to implication of income tax ordinance on profit earned by Modaraba, which has become effective from 1st July 2021.

Though the weighted average financing portfolio of the Modaraba has decreased by Rs. 17 Million to Rs 742 Million, the revenue has increased from Rs. 72.72 million to Rs. 75.29 million due to recovery of few NPLs, however weighted average rate of return remained same. The operating expenses decreased to Rs. 19.37 million as compared to Rs. 23.76 million in same period last year due to strict control over expenses of the Modaraba.

Future Prospects

Economic landscape of the country does not show a stable picture due to rising inflationary pressures and deteriorating Current Account Deficit. Current Account Deficit has shown significant weakening since last few months and 1st half of FY-2022 number now stands at US\$9.1bn against a surplus of US\$1.3bn during same period last year. The critical position of current account deficit has put pressure on PKR/USD parity, which has lost 12.85% in value since 1st July, 2021. Besides critical position of current account deficit, inflation has also become cause of grave concern as the number increased to 9.80% for 1st half of FY-2022 vs 8.60% same period last year. The deterioration of external account as well as rising inflation has been caused by rising oil and food prices as well as increased consumption pressures on the economies due to resumption of activity all around the world. In order to control deterioration of Current Account Deficit, stop bleeding of PKR value and arrest rising inflation number, SBP increased the Policy Rate by 2.75% to 9.75%. However, the increase in Policy Rate has not been able to either control inflation or Current Account Deficit. SBP is expected to increase policy rate further by 1.00% during next few Monetary Policy Statement, which bodes very well for the profitability of Modaraba. However, the tax implication as mentioned above will create significant impact on the Modaraba's net profit.

The management is reviewing the current economic situation very cautiously and sights current rising interest rate as positive for the profitability. However, the rising interest rates may increase non-performing loan as well as lead to decline of economic activity within the country. Management of the Modaraba continues to make cautious effort of deployment of available funds in the financing business without compromising on the quality of the portfolio.

Acknowledgment

On behalf of the Board of Directors, I would like to thank the Sponsors, the Regulators and our Shariah Advisor for their guidance and support. We would also like to acknowledge the continued patronage of our clients and put on record the dedication and hard work of employees of the Modaraba.

Especially, Board of Directors showed their gratitude to Mr. Zulfikar Ali (Late) for his dedication and commitments towards his contribution for the Modaraba.

On Behalf of the Board

Karachi
January 31, 2022


Kamal Ahmed
Acting Chief Executive Officer

ڈائریکٹرز کا جائزہ

ہم سدرہ مفاد پر بیٹھنے کے لیے ڈائریکٹرز کی جانب سے 31 دسمبر 2021 کو مکمل ہونے والی FY-2022 کی ششماہی کے سدرہ مفاد پر کے لیے آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے سرٹیفکیٹس کر رہے ہیں۔

آپریٹنگ نتائج

مقارہہ 31 دسمبر 2021 کو ختم ہونے والی ششماہی میں قلمبند محمولات Rs. 42.78 ملین منافع کے مقابلے میں زیرِ غور ششماہی میں Rs. 49.92 ملین کا منافع کمایا۔ اگرچہ قلمبند محمولات میں اضافہ ہوا، اس کے باوجود منافع بعد محمولات Rs. 7.34 ملین کی کمی کے ساتھ Rs. 35.44 ملین کی سطح پر آگیا۔ جس کی بنیادی وجہ کارکنوں اور ڈیفینس میں تراہیم ہیں جو کہ بجلی جولائی سے نافذ ہو گئیں۔

باوجود اس کے کہ اوسطاً پورٹ فولیو Rs. 17 ملین کی کمی کے ساتھ Rs. 742 ملین کی سطح پر ہے، پھر بھی آمدنی Rs. 72.72 ملین سے بڑھ کر Rs. 75.29 ملین کی سطح پر آگئی، جس کی بنیادی وجہ غیر فعال قرضوں کی وصولی اور مشہور شرح برائے معاوضہ درسی۔ معمول کے اخراجات کو کنٹرول کرنے کی وجہ سے پچھلی ششماہی کے اخراجات Rs. 23.76 ملین کے مقابلے میں اس ششماہی کے اخراجات Rs. 19.37 ملین رہے۔

امکانات مستقبل

ملک کے معاشی حالات بدھتی ہوئی ہو گئی اور کرنٹ اکاؤنٹ خسارہ کی وجہ سے غیر مستحکم نظر آتے ہیں۔ کرنٹ اکاؤنٹ خسارہ پچھلے کئی مہینوں سے خاصی خرابی کا شکار ہے اور 31 دسمبر 2021 کو ختم ہونے والے ششماہی میں خسارہ کے ساتھ US\$ 9.1 bn کی سطح پر پہنچی گیا ہے، جبکہ پچھلے سال اسی مدت میں کرنٹ اکاؤنٹ منافع کے ساتھ US\$ 1.3 bn کی سطح پر تھا۔ کرنٹ اکاؤنٹ کی نازک صورتحال کی وجہ سے 1 جولائی 2021ء سے لے کر اب تک روپے کے زائر کے مقابلے میں % 12.85 قدر کم ہوئی ہے۔ اس کے علاوہ ہنگامی بھی تشویش ناک صورتحال ہے اور چارہ اور نصف سال کے اختتام پر % 9.80 ہے جبکہ پچھلے سال اسی عرصہ میں % 8.60 تھی۔ ہنگامی اور خسارہ کی بنیادی وجہ تیل اور ایشیا خورد و نوش کی قیمتوں میں اضافہ ہے اور اس کے علاوہ دنیا کی معاشی سرگرمیوں کی بحالی سے پیدا ہونے والی کچھ کا دباؤ بھی ہنگامی میں اضافہ کر رہا ہے۔ گزرتے ہوئے کرنٹ اکاؤنٹ، گرتی ہوئی روپے کی قدر اور بدھتی ہوئی ہنگامی کو سنہالنے کے لئے اسٹیٹ بینک نے پالیسی ریٹ کو % 2.75 سے بڑھا کر % 9.75 کر دیا ہے۔ حالانکہ پالیسی ریٹ کے بڑھنے سے مندی ہنگامی پر فرق پڑا اور مندی کرنٹ اکاؤنٹ خسارہ میں بھڑکی آئی ہے۔ اس لئے متوقع ہے کہ اسٹیٹ بینک آئندہ آنے والی ماہگیری پالیسیوں میں پالیسی ریٹ کو مزید % 1 سے بڑھائے، جو کہ مکتدر طور پر مفاد پر کے لئے خوش آئند ہے۔ ہم، گیس کا اطلاق جیسا کہ اوپر ذکر کیا گیا ہے، مفاد پر کے خاص منافع پر نمایاں اثر ڈالے گا۔

اعتراف

ہم بورڈ آف ڈائریکٹرز کی طرف سے اسپانسرز، ریگولیٹرز اور ہمارے شرعی شریک رہنمائی اور حمایت کے لئے ان کا شکریہ ادا کرنا چاہتے ہیں۔ ہم اپنے گاہکوں کی مسلسل حمایت کے معترف ہیں اور مفاد پر کے ملازمین کے غموض اور سخت محنت کو بھی سراہتے ہیں۔ خاص طور پر بورڈ آف ڈائریکٹرز جناب ذوالفقار علی (مرحوم) کی مفاد پر کے لیے نغم اور ان کے تعداد کے لیے ان کا شکریہ ادا کرتے ہیں۔



کمال احمد
ایگزیکٹو چیف ایگزیکٹو آفیسر

کراچی

2022 مئی 31

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, 2021 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, 2021 and December 31, 2020 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2021.

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, 2021 is not prepared, in all material respects, in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting.

The engagement partner on the audit resulting in this independent auditor's report is **Mehmood A. Razzak**.

Karachi
January 31, 2022

Baker Tilly Mehmood Idress Qamar
Chartered Accountants

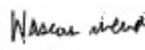
CONDENSED INTERIM BALANCE SHEET

AS AT DECEMBER 31, 2021


| | December 31, 2021 | June 30, 2021 |
|--|----------------------|----------------------|
| | <u>Un-audited</u> | <u>Audited</u> |
| Note | ----- | ----- |
| | Rupees | Rupees |
| ASSETS | | |
| Current assets | | |
| Cash and bank balances | 4 565,018,015 | 475,624,291 |
| Short term investments | 5 320,000,000 | 320,000,000 |
| Advances, prepayments and other receivables | 6 50,813,100 | 35,986,333 |
| Advance taxation -net | 11 - | 1,149,683 |
| Current portion of Diminishing Musharaka | 7 362,183,887 | 367,318,842 |
| Current portion of long term loan | 378,000 | 378,000 |
| Total current assets | 1,298,393,002 | 1,200,357,149 |
| Non - current assets | | |
| Diminishing Musharaka | 7 347,702,748 | 447,293,689 |
| Ijarah assets | 8 5,000,000 | 5,005,000 |
| Long term loan | 913,500 | 1,102,500 |
| Fixed assets - in own use | 9 2,991,659 | 3,395,422 |
| Total non - current assets | 356,607,905 | 456,796,591 |
| TOTAL ASSETS | 1,655,000,907 | 1,657,153,740 |
| LIABILITIES AND CERTIFICATE HOLDERS' EQUITY | | |
| Current liabilities | | |
| Creditors, accrued and other liabilities | 10 32,553,003 | 26,438,518 |
| Current portion of customers' security deposit | 5,000,000 | 5,005,000 |
| Taxation -net | 11 972,593 | - |
| Profit distribution payable | 976,148 | 653,258 |
| | 39,501,744 | 32,096,776 |
| Non - current liabilities | | |
| | - | - |
| TOTAL LIABILITIES | 39,501,744 | 32,096,776 |
| CERTIFICATE HOLDERS' EQUITY | | |
| Certificate capital | | |
| Authorised certificate capital | | |
| 50,000,000 (June 2021: 50,000,000) certificates of Rs. 10 each | 500,000,000 | 500,000,000 |
| Issued, subscribed, and paid-up certificate capital | 450,000,000 | 450,000,000 |
| Reserves | 185,499,163 | 175,056,964 |
| Long term loan | 12 1,000,000,000 | 1,000,000,000 |
| TOTAL CERTIFICATE HOLDERS' EQUITY | 1,615,499,163 | 1,625,056,964 |
| TOTAL LIABILITIES AND CERTIFICATE HOLDERS' EQUITY | 1,655,000,907 | 1,657,153,740 |
| CONTINGENCIES AND COMMITMENTS | | |
| | 13 | |

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

For Sindh Modaraba Management Limited (Management Company)


Chairman


Acting CEO


Director


Acting CFO

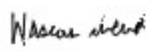
CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (Un-audited)

FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

| | Note | Half year ended | | Quarter ended | |
|---|------|---------------------|---------------------|---------------------|---------------------|
| | | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| | | Rupees | | | |
| Income from: | | | | | |
| Diminishing Musharaka Ijarah | | 45,572,814 | 42,994,637 | 21,917,835 | 19,678,011 |
| Bank deposits | | - | 348,827 | - | 174,077 |
| Term deposits receipts | | 19,082,790 | 28,018,207 | 10,537,192 | 12,391,188 |
| | | 10,636,711 | 1,361,644 | 4,990,884 | 1,361,644 |
| | | <u>75,292,315</u> | <u>72,723,315</u> | <u>37,445,711</u> | <u>33,604,920</u> |
| Administrative and operating expenses | 14 | (19,455,030) | (23,759,932) | (10,719,714) | (11,237,963) |
| Reversal / (Provision) in respect of Diminishing Musharaka | | 198,151 | 162,601 | (240,799) | 152,472 |
| | | <u>(19,256,879)</u> | <u>(23,597,331)</u> | <u>(10,960,513)</u> | <u>(11,085,491)</u> |
| | | <u>56,035,436</u> | <u>49,125,984</u> | <u>26,485,198</u> | <u>22,519,429</u> |
| Other income | | 242,568 | 91,550 | 33,780 | 39,550 |
| | | <u>56,278,004</u> | <u>49,217,534</u> | <u>26,518,978</u> | <u>22,558,979</u> |
| Management Company's remuneration | | (5,627,800) | (4,921,753) | (2,651,897) | (2,255,897) |
| Provision for services sales tax on the Management Company's remuneration | | (731,614) | (639,828) | (344,746) | (293,266) |
| Workers' welfare fund | | - | (873,120) | - | (400,197) |
| Profit before taxation | | <u>49,918,590</u> | <u>42,782,833</u> | <u>23,522,335</u> | <u>19,609,619</u> |
| Taxation | 11 | (14,476,391) | - | (6,821,477) | - |
| Profit for the period | | <u>35,442,199</u> | <u>42,782,833</u> | <u>16,700,858</u> | <u>19,609,619</u> |
| Earnings per certificate - basic and diluted | | <u>0.79</u> | <u>0.95</u> | <u>0.37</u> | <u>0.44</u> |

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


For Sindh Modaraba Management Limited (Management Company)



Chairman



Acting CEO



Director



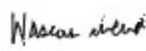
Acting CFO

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (Un-audited)
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

| | Half year ended | | Quarter ended | |
|---|-------------------|-------------------|-------------------|-------------------|
| | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| | Rupees | | | |
| Profit for the period | 35,442,199 | 42,782,833 | 16,700,858 | 19,609,619 |
| Other comprehensive income for the period | | | | |
| Items that may be reclassified to profit and loss account | - | - | - | - |
| Items that will not be reclassified to profit and loss account subsequently | - | - | - | - |
| Total comprehensive income for the period | 35,442,199 | 42,782,833 | 16,700,858 | 19,609,619 |

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

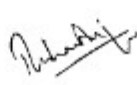
For Sindh Modaraba Management Limited (Management Company)



Chairman



Acting CEO



Director



Acting CFO

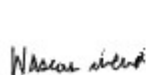
CONDENSED INTERIM CASH FLOW STATEMENT (Un-audited)

FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

| | December 31, 2021 | December 31, 2020 |
|---|-----------------------|----------------------|
| | Rupees | |
| | Note | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 49,918,590 | 42,782,833 |
| Adjustments for non - cash and other items | | |
| Depreciation - Ijarah assets | 8 - | 1,310,652 |
| Depreciation - Fixed assets - in own use | 9.1 687,476 | 666,851 |
| Amortization on intangible assets | 9.2 36,072 | 151,092 |
| Income on bank deposits | (19,082,790) | (28,018,207) |
| Income on term deposit receipts | (10,636,711) | (1,361,644) |
| Reversal in respect of Diminishing Musharaka | (198,151) | (162,601) |
| | <u>20,724,486</u> | <u>15,368,976</u> |
| Working capital changes | | |
| Advances, prepayments and other receivables | (14,794,035) | (11,866,529) |
| Diminishing Musharaka | 104,924,029 | 32,518,516 |
| Long term loan | 189,000 | 462,498 |
| Creditors, accrued and other liabilities | 6,114,485 | (57,136,939) |
| Customers' security deposit | (5,000) | - |
| | <u>96,428,479</u> | <u>(36,022,454)</u> |
| Income received on term deposit receipts | 11,230,684 | - |
| Income received on bank deposits | 18,456,065 | 30,207,304 |
| Income tax paid | (12,354,115) | - |
| Net cash generated from operations | <u>134,485,619</u> | <u>9,553,826</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Sale proceed from disposal of Ijarah assets | 5,000 | - |
| Purchase of fixed assets - in own use | 9.1 (299,895) | (638,500) |
| Purchase of intangible assets | 9.2 (19,890) | (213,110) |
| Net cash used in investing activities | <u>(314,785)</u> | <u>(851,610)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Dividend paid | (44,677,110) | (60,522,915) |
| Net cash used in financing activities | <u>(44,677,110)</u> | <u>(60,522,915)</u> |
| Net increase / (decrease) in cash and cash equivalents | <u>89,493,724</u> | <u>(51,820,699)</u> |
| Cash and cash equivalents at the beginning of the period | 795,524,291 | 883,707,855 |
| Cash and cash equivalents at the end of the period | <u>18 885,018,015</u> | <u>831,887,156</u> |

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

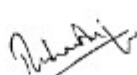
For Sindh Modaraba Management Limited (Management Company)



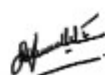
Chairman



Acting CEO



Director



Acting CFO

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (Un-audited)

FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

| | Issued, subscribed, and paid-up certificate capital | Reserves | | | Long term loan | Total equity |
|---|---|--------------------|------------------------|--------------------|----------------------|----------------------|
| | | Statutory reserve | Unappropriate d profit | Total | | |
| Rupees | | | | | | |
| Balance as at July 01, 2020 | 450,000,000 | 94,533,686 | 66,440,734 | 159,974,420 | 1,000,000,000 | 1,909,974,420 |
| Profit for the period | - | - | 42,782,833 | 42,782,833 | - | 42,782,833 |
| Transaction with Certificate Holders | | | | | | |
| Profit distribution @ Rs. 1.35 (12.01%) per certificate | - | - | (80,750,000) | (80,750,000) | - | (80,750,000) |
| Balance as at December 31, 2020 | <u>450,000,000</u> | <u>94,533,686</u> | <u>47,473,567</u> | <u>142,007,253</u> | <u>1,000,000,000</u> | <u>1,592,007,253</u> |
| Balance as at July 01, 2021 | 450,000,000 | 121,071,504 | 53,985,460 | 175,056,964 | 1,000,000,000 | 1,625,056,964 |
| Profit for the period | - | - | 35,442,199 | 35,442,199 | - | 35,442,199 |
| Transaction with Certificate Holders | | | | | | |
| Profit distribution @ Rs. 1.00 (10.00%) per certificate | - | - | (45,000,000) | (45,000,000) | - | (45,000,000) |
| Balance as at December 31, 2021 | <u>450,000,000</u> | <u>121,071,504</u> | <u>44,427,659</u> | <u>185,499,163</u> | <u>1,000,000,000</u> | <u>1,615,499,163</u> |

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

For Sindh Modaraba Management Limited (Management Company)



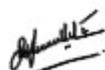
Chairman



Acting CEO



Director



Acting CFO

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited) FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

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, 2021 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, 2021.

These condensed interim financial information comprise of the balance sheet as at December 31, 2021 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, 2021 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, 2021

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, 2021 except tax policy.

3.1 Taxation

Current

Provision for current taxation is based on taxable income for the current tax year at the current tax rates after taking into account applicable tax credits, rebates, allowances, adjustments and exemptions available to the modaraba, if any.

4. CASH AND BANK BALANCES

| | Note | December 31, | June 30, |
|-------------------------|------|--------------------|--------------------|
| | | 2021 | 2021 |
| | | Un-audited | Audited |
| | | Rupees | |
| Cash in hand | | 20,000 | - |
| Stamp paper in hand | | 55,200 | 92,500 |
| Balances with banks in: | | | |
| - Deposit accounts | 4.1 | 563,513,972 | 474,747,249 |
| - Current accounts | 4.2 | 1,428,843 | 684,542 |
| | | <u>565,018,015</u> | <u>475,524,291</u> |

4.1 These carry profit at the rates ranging from 3.40% to 8.00% per annum. (June 30, 2021: Rs. 3.52% to 6.64% per annum). This includes balance of Rs. 563.48 million (June 30, 2021: Rs. 474.72 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

4.2 This includes balance of Rs. 1,415,453 (June 30, 2021: Rs. 662,938) 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, 2021

| | Note | December 31, 2021 | June 30, 2021 |
|---|---|----------------------|------------------|
| | | Un-audited | Audited |
| | | Rupees | |
| 5. SHORT TERM INVESTMENTS | | | |
| Term deposit receipts | 5.1 | 320,000,000 | 320,000,000 |
| 5.1 | This represents investment made of Rs. 320 million (June 30, 2021: Rs. 320 million) in Sindh Bank Limited - Islamic Banking Unit (a related party) for the period of three months. This investment carries markup at the rate 7.25% per annum (June 30, 2021: 7.00%). | | |
| 6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES | | | |
| Advances | 6.1 | 37,747,628 | 24,391,000 |
| Prepayments | | 1,605,322 | 668,173 |
| Accrued Income from bank deposits | 6.2 | 3,857,761 | 3,231,056 |
| Accrued income from term deposit receipts | 6.2 | 4,131,507 | 4,725,480 |
| Accrued income from Diminishing Musharaka | 6.3 | 3,464,882 | 2,964,624 |
| Other receivables | | 6,000 | 6,000 |
| | | 50,813,100 | 35,986,333 |
| 6.1 | This includes advance to vendors in respect of acquisition of assets under Diminishing Musharaka arrangement for onward delivery to customers amounting to Rs. 34.97 million (June 30, 2021: Rs. 24.385 million). | | |
| 6.2 | This represents accrued income of Rs. 3.86 million (June 30, 2021: Rs. 3.23 million) and Rs. 4.13 million (June 30, 2021: Rs. 4.72 million) in deposit account and term deposit receipts respectively, held with Sindh Bank Limited - Islamic Banking Unit, related party. | | |
| 6.3 | Accrued income from Diminishing Musharaka | | |
| | | 18,165,563 | 16,803,041 |
| Receivable | | (14,700,681) | (13,838,417) |
| Less: Income suspend | | | |
| | | 3,464,882 | 2,964,624 |
| 7. DIMINISHING MUSHARAKA | | | |
| Receivables - secured | 7.1 | 754,650,143 | 859,574,172 |
| Less: current portion | | (362,183,887) | (367,318,842) |
| Less: provision | 7.2 | (44,763,510) | (44,961,661) |
| Long term portion | | 347,702,746 | 447,293,669 |
| 7.1 | This represents the finance provided to Individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 3 to 20 years (June 2021: 3 to 20 years) which is secured against mortgage of property, lien on title documents and charge on assets. | | |
| 7.2 | This includes general provision of Rs. 3.22 million (June 2021: Rs. 3.69 million) made at the rate of 0.6% (June 2021: 0.5%) on diminishing musharaka receivables. | | |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

8. IJARAH ASSETS

| Particulars | Cost | | | Depreciation | | | WDV as at December 31, 2021 | Depreciation Rate |
|--|---------------------|-----------------------|-------------------------|---------------------|--------------------------------------|-------------------------|-----------------------------|-------------------|
| | As at July 01, 2021 | Additional (Deletion) | As at December 31, 2021 | As at July 01, 2021 | Charge for the period / (Adjustment) | As at December 31, 2021 | | |
| | Rupees | | | | | | | |
| Plant and machinery | 60,050,000 | - | 60,050,000 | 75,000,000 | - | 75,000,000 | 5,000,000 | 33.33% |
| Vehicles | 10,571,500 | (10,571,500) | - | 10,566,500 | (10,566,500) | - | - | 20% |
| As at end for the Period ended December 31, 2021 | 90,571,200 | (10,571,500) | 80,000,000 | 85,566,500 | (10,566,500) | 75,000,000 | 5,000,000 | |
| As at end for the year ended June 30, 2021 | 93,113,500 | (2,542,000) | 90,571,500 | 85,963,408 | 2,543,092 | 85,566,500 | 5,000,000 | |
| | | | | | (2,540,000) | | | |

| 9. FIXED ASSETS - In own use | Note | December 31, 2021 | June 30, 2021 |
|------------------------------|------|-------------------|------------------|
| | | Un-audited | Audited |
| | | Rupees | |
| Tangible assets | 9.1 | 2,848,007 | 3,235,588 |
| Intangible assets | 9.2 | 143,652 | 159,834 |
| | | <u>2,991,659</u> | <u>3,395,422</u> |

9.1 Tangible assets

| Particulars | Cost | | | Depreciation | | | WDV as at December 31, 2021 | Depreciation Rate |
|--|---------------------|-----------------------|-------------------------|---------------------|--------------------------------------|-------------------------|-----------------------------|-------------------|
| | As at July 01, 2021 | Additional (Deletion) | As at December 31, 2021 | As at July 01, 2021 | Charge for the period / (Adjustment) | As at December 31, 2021 | | |
| | Rupees | | | | | | | |
| Furniture and fixtures | 1,536,245 | - | 1,536,245 | 795,534 | 78,812 | 872,346 | 663,899 | 10% |
| Office equipment | 3,272,611 | 19,885 | 3,292,596 | 2,481,037 | 234,238 | 2,715,315 | 577,221 | 20% |
| Vehicles | 1,354,275 | - | 1,354,275 | 545,958 | 131,076 | 677,034 | 677,261 | 20% |
| Computer and accessories | 3,153,719 | 280,000 | 3,433,719 | 2,258,743 | 245,330 | 2,504,073 | 828,646 | 33.33% |
| As at end for the period ended December 31, 2021 | 9,316,850 | 299,885 | 9,616,735 | 6,081,292 | 467,076 | 6,788,748 | 2,848,007 | |
| As at end for the year ended June 30, 2021 | 8,497,420 | 815,460 | 9,316,880 | 4,748,684 | 1,332,608 | 6,081,292 | 3,235,588 | |

9.2 Intangible assets

| | Note | December 31, 2021 | June 30, 2021 |
|---|------|-------------------|----------------|
| | | Un-audited | Audited |
| | | Rupees | |
| Opening net book value | | 159,834 | 266,675 |
| Addition during the period / year | | 19,890 | 213,110 |
| Amortization for the period / year | | (36,072) | (319,951) |
| Closing net book value | | <u>143,652</u> | <u>159,834</u> |
| As at December 31, 2021 / June 30, 2021 | | | |
| Cost | | 2,111,982 | 2,092,092 |
| Accumulated amortization | | (1,968,330) | (1,932,258) |
| Net book value | | <u>143,652</u> | <u>159,834</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, 2021

| | Note | December 31, 2021 | June 30, 2021 |
|--|------|----------------------|-------------------|
| | | Un-audited | Audited |
| | | Rupees | |
| 10. CREDITORS, ACCRUED AND OTHER LIABILITIES | | | |
| Creditors | | 6,441 | 6,441 |
| Management remuneration payable - related party | | 5,627,800 | 7,862,480 |
| Accrued expenses | 10.1 | 7,929,787 | 7,241,964 |
| Provision for Sindh sales tax on management remuneration | | 731,614 | 1,022,123 |
| Payable to gratuity fund - related party | | 342,402 | 1,070,048 |
| Other liabilities | | 17,914,959 | 9,235,462 |
| | | <u>32,553,003</u> | <u>26,438,518</u> |

10.1 These includes Rs. 50,000 (June 30, 2021: Rs. 300,000) for branch rent payable to Sindh Bank Limited, related party.

| | Note | December 31, 2021 | June 30, 2021 |
|---|------|----------------------|--------------------|
| | | Un-audited | Audited |
| | | Rupees | |
| 11. TAXATION -NET | | | |
| Opening balance - Advance income tax | | (1,149,683) | (1,040,397) |
| Payments / adjustments during the period / year | | (12,354,115) | (109,286) |
| Provision for the period / year | 11.1 | 14,476,391 | - |
| Provision for taxation/(Advance income tax) - Net | | <u>972,593</u> | <u>(1,149,683)</u> |

11.1 The provision for current tax had not been made due to exemption available at comparative period under applicable provisions of Income Tax Ordinance, 2001. The Modaraba had been distributing more than 90% of its profit after tax to its certificate holders.

| | Note | December 31, 2021 | June 30, 2021 |
|--|------|----------------------|----------------------|
| | | Un-audited | Audited |
| | | Rupees | |
| 12. LONG TERM LOAN - subordinated | 12.1 | <u>1,000,000,000</u> | <u>1,000,000,000</u> |

12.1 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.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

13. 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.

| | Note | December 31, | December 31, |
|--|------|-------------------|-------------------|
| | | 2021 | 2020 |
| | | Rupees | |
| 14. ADMINISTRATIVE AND OPERATING EXPENSES | | | |
| Salaries, allowances and other benefits | 14.1 | 11,937,221 | 16,672,400 |
| Legal and professional charges | | 716,240 | 719,071 |
| Shariah advisor fee | | 216,000 | 216,000 |
| Repair and maintenance | | 653,093 | 602,753 |
| Utility services | | 645,021 | 587,864 |
| Registration and subscription fee | | 569,450 | 590,634 |
| Generator sharing and fuel charges | 14.2 | 424,006 | 287,321 |
| Entertainment | | 85,045 | 85,707 |
| Advertisement and publications | | 122,800 | 114,122 |
| Rent, rates and taxes | 14.3 | 400,001 | 400,008 |
| Travelling and conveyance | | 1,754,360 | 1,502,446 |
| Security services | | 300,000 | 300,000 |
| Printing, stationery and photocopy | | 231,692 | 253,096 |
| Postage, courier and telegraphs | | 137,097 | 73,446 |
| Auditors' remuneration | | 152,208 | 170,078 |
| Depreciation expense - tangible assets | 9.1 | 687,476 | 666,851 |
| Amortization expense - intangible assets | 9.2 | 36,072 | 151,092 |
| Takaful / Insurance - owned assets | | 64,645 | 89,234 |
| Takaful / Insurance - Ijarah and Diminishing Musharaka | | 211,602 | 161,361 |
| Miscellaneous | | 111,001 | 116,448 |
| | | <u>19,455,030</u> | <u>23,759,932</u> |

14.1 This includes contribution of Rs. 376,442 (2020: Rs. 582,198) to provident fund and provision for gratuity of Rs. 342,402 (2020: Rs. 489,234), related party.

14.2 This includes amount of Rs. 360,000 (2020: Rs. 218,430) against sharing of expenses with Sindh Insurance Limited - related party.

14.3 This includes amount of Rs. 300,000 (2020: 300,000) branch rent to Sindh Bank Limited, related party.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021
15. SEGMENT INFORMATION

As per IFRS 8: "Operating Segments", segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have a single operating segment. The Modaraba's asset allocation decisions are based on a single integrated investment strategy and the Modaraba's performance is evaluated on an overall basis.

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Modaraba is domiciled in Pakistan. All of the Modaraba's income is from investments in entities incorporated in Pakistan.

16. RELATED PARTY BALANCES AND TRANSACTIONS

The Modaraba has related party relationship with the Management Company, its associated companies and key management personnel.

The details of related party transactions and balances otherwise than disclosed else where in these financial statement are as follows:

| | December 31, 2021 | June 30, 2021 |
|---|----------------------|----------------------|
| | <u>Un-audited</u> | <u>Audited</u> |
| | ----- Rupees ----- | |
| Balances as at period end | | |
| Sindh Insurance Limited - associated company | | |
| Sharing of expenses payable | 360,000 | 218,430 |
| Key Management Personnel | | |
| Long term loan (including current portion) | 1,291,500 | 1,480,500 |
| Transactions for the period | December 31, 2021 | December 31, 2020 |
| | ----- Rupees ----- | |
| Sindh Bank Limited - associated company | | |
| Income on bank deposits | 19,082,271 | 27,999,828 |
| Income on term deposit receipt | 10,636,711 | 1,361,644 |
| | <u>29,718,982</u> | <u>29,361,472</u> |
| Sindh Modaraba Management Limited - Management company | | |
| Dividend paid | 42,446,000 | 57,302,100 |
| Management Company's remuneration accrued | 5,627,800 | 4,921,753 |
| Management Company's remuneration paid | 7,862,480 | 12,411,104 |
| | <u>55,936,280</u> | <u>74,634,957</u> |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021

| | | December 31, 2021 | December 31, 2020 |
|---|------|----------------------|----------------------|
| | Note | Rupees | |
| Sindh Insurance Limited - associated company | | | |
| Insurance premium / Takaful contribution paid | | 883,492 | 843,522 |
| Sharing of expenses paid | | 218,430 | 218,430 |
| | | <u>1,101,922</u> | <u>1,061,952</u> |
| Key Management Personnel | | | |
| Salaries, allowances and benefits paid | | <u>5,454,267</u> | <u>10,267,816</u> |
| Sindh Modaraba Employees Provident Fund - employee fund | | | |
| Contribution paid (both employer's and employee's contribution) | | <u>752,884</u> | <u>1,164,396</u> |
| Sindh Modaraba Employees Gratuity Fund - employee fund | | | |
| Contribution paid | | <u>1,070,048</u> | <u>902,323</u> |

17. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' requires the Modaraba to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the assets or liability that are not based on observable market data (i.e., unobservable inputs) (level 3).

As at the balance sheet date, there were no financial instruments which were measured at fair values in the financial statements.

| | | December 31, 2021 | December 31, 2020 |
|-------------------------------------|------|----------------------|----------------------|
| | Note | Rupees | |
| 18. CASH AND CASH EQUIVALENT | | | |
| Cash and bank balances | 4 | 565,018,015 | 331,887,156 |
| Short term investment | 5 | 320,000,000 | 500,000,000 |
| | | <u>885,018,015</u> | <u>831,887,156</u> |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (Un-audited)
FOR THE SIX-MONTHS ENDED DECEMBER 31, 2021**19. SUBSEQUENT EVENT**

No subsequent events have occurred till the reporting date that may require adjustment of or disclosure in the condensed interim financial information for the period ended December 31, 2021.

20. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on January 31, 2022 by the Board of Directors of the Management Company.

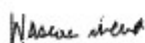
21. CORRESPONDING FIGURES

Corresponding figures have been re-classified, wherever necessary for the purposes of comparison.

22. GENERAL

Figures have been rounded off to the nearest rupee.

For Sindh Modaraba Management Limited (Management Company)



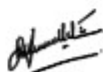
Chairman



Acting CEO



Director



Acting CFO

**Islamic Financing
Products Offered by
Sindh Modaraba**

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

SINDH MODARABA

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