

# HALF YEARLY | DECEMBER REPORT | 2017



IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

**SINDH MODARABA**



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

وَلَقَدْ يَسَّرْنَا الْقُرْآنَ لِلذِّكْرِ فَهَلْ مِنْ مُدَّكِرٍ

“ And We have indeed made the Quran easy  
to understand (and remember), then is there  
anyone to understand (and remember)??”



## Contents

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

## Vision & Mission Statements

### Vision

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

### Mission

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

## Corporate Information

### Board of Directors

Mr. Muhammad Bilal Sheikh	-Chairman	-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

### Auditors

Grant Thornton Anjum Rahman  
Chartered Accountants

### Shariah Advisor

Mufti Zeeshan Abdul Aziz

### Legal Advisor

Mohsin Tayebaly & Co.

### Share Registrar

Technology Trade (Pvt.) Ltd  
Dagia House, 241-C Block 2,  
P.E.C.H.S., Shahra-e-Quaideen  
Karachi  
Tel: (92-21) 34391316

### Registered/Head Office

1st Floor, Imperial Court,  
Dr. Ziauddin Ahmed Road  
Karachi  
Tel: (92-21) 35640708-9  
Web: [www.sindhmodarabaltd.com](http://www.sindhmodarabaltd.com)  
Email: [info@sindhmodarabaltd.com](mailto:info@sindhmodarabaltd.com)

### 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 period ended December 31, 2017.

## Operating Results

During the period under review, the Modaraba earned profit of Rs. 25.44 million as compared to Rs. 6.56 million earned during the corresponding period ended December 31, 2016. The financing income and income from bank deposits increased considerably as compared to last year while administrative expenses were kept under control. The Modaraba added another item to its product suite by executing its first morabaha financing transaction during the period under review. It also executed agreements with Government of Sindh for providing financing to transporters under latter's Intra-City and Inter-City Bus Project.

## Future Prospects

The Modaraba will continue its policy of gradually building its portfolio with caution so as not to add non-performing loans. The management is hopeful that participation in Government of Sindh's transport schemes will support the growth of Modaraba. We will endeavor to bring in new products in line with the Industry practice. We are hopeful to continue with the improving trend in profitability during the remaining half of the current financial year.

## Acknowledgment

On behalf of the Board of Directors, I would like to thank the Sponsors and the Regulators 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 Board

Karachi:  
January 30, 2018

**M.Naim Farooqui**  
Chief Executive

## **Auditors' Report on Review of Condensed Interim Financial Information**

### **Introduction**

We have reviewed the accompanying condensed interim balance sheet of the Sindh Modaraba (the Modaraba) as of December 31, 2017, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement for the six-month period then ended, together with explanatory notes (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.

### **Scope of Review**

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Statements 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 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

### **Other Matters**

The figures for the quarters ended December 31, 2017 and December 31, 2016 in the condensed interim financial information have not been reviewed and we do not express conclusion on them.

Date: January 31, 2018

Karachi

**Grant Thornton Anjum Rahman**  
Chartered Accountants

**Muhammad Shaukat Naseeb**  
Engagement Partner



## Condensed Interim Balance Sheet

As at December 31, 2017

	December 31 2017	June 30, 2017
	<u>Un-audited</u>	<u>Audited</u>
<b>Note</b>	-----Rupees-----	
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and bank balances	4 <b>281,353,312</b>	370,776,004
Short term investment	5 <b>80,000,000</b>	-
Ijarah rental receivables	6 <b>2,888,496</b>	3,546,890
Advances, prepayments and other receivables	7 <b>37,821,741</b>	17,721,303
Murabaha Finance	8 <b>7,975,534</b>	-
Current portion of Diminishing Musharaka	9 <b>147,777,674</b>	76,122,720
Current portion of long term loan	<b>324,000</b>	324,000
<b>Total current assets</b>	<b>558,140,757</b>	468,490,917
<b>Non - current assets</b>		
Long term Diminishing Musharaka	9 <b>382,046,694</b>	419,108,369
Ijarah assets	10 <b>95,004,520</b>	136,380,508
Long term loan	<b>378,000</b>	540,000
Fixed assets - in own use	11 <b>3,466,557</b>	4,073,912
<b>Total non - current assets</b>	<b>480,895,771</b>	560,102,789
<b>TOTAL ASSETS</b>	<b>1,039,036,528</b>	1,028,593,706
<b>LIABILITIES AND EQUITY</b>		
<b>Current liabilities</b>		
Creditors, accrued and other liabilities	12 <b>20,937,555</b>	12,029,419
Deferred murabaha income	<b>199,333</b>	-
Current portion of customers' security deposit	13 <b>23,444,275</b>	13,258,571
Profit distribution payable	<b>134,775</b>	56,951
	<b>44,715,938</b>	25,344,941
<b>Non - current liabilities</b>		
Customers' security deposit	13 <b>5,457,820</b>	19,577,124
<b>TOTAL LIABILITIES</b>	<b>50,173,758</b>	44,922,065
<b>CERTIFICATE HOLDERS' EQUITY</b>		
<b>Certificate capital</b>		
<b>Authorised certificate capital</b>		
50,000,000 certificates of Rs. 10 each	<b>500,000,000</b>	500,000,000
(June 30, 2017: 50,000,000 certificates of Rs. 10 each)		
Issued, subscribed, and paid-up certificate capital	<b>450,000,000</b>	450,000,000
Reserves	<b>38,862,770</b>	33,671,641
Loan term loan	14 <b>500,000,000</b>	500,000,000
<b>TOTAL EQUITY</b>	<b>988,862,770</b>	983,671,641
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>1,039,036,528</b>	1,028,593,706
<b>CONTINGENCIES AND COMMITMENTS</b>		
	15	

The annexed notes 1 to 23 form an integral part of these condensed interim financial information.

For Sindh Modaraba Management Limited  
(Management Company)



Chairman



Chief Executive



Director

## Condensed Interim Profit And Loss Account

For the Six-Months Period Ended December 31, 2017

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	Un-audited			
Note	-----Rupees-----			
<b>Income from:</b>				
- Diminishing Musharaka	25,091,558	9,027,199	12,506,955	3,642,354
- Ijarah	40,257,306	44,777,730	18,429,282	22,405,233
- Murabaha Finance	183,279	-	183,279	-
- Bank deposits	8,930,280	3,175,301	2,975,035	2,379,605
- Term deposits receipts	3,157,611	-	3,157,611	-
	<u>77,620,034</u>	<u>56,980,230</u>	<u>37,252,162</u>	<u>28,427,192</u>
Administrative and operating expenses	16 (13,953,349)	(11,321,535)	(6,867,351)	(5,906,286)
Depreciation - Ijarah assets	10 (34,626,974)	(38,652,907)	(15,789,243)	(19,369,817)
Reversal/(Provision) on Ijarah rental receivable	6 3,308	(9,162)	239	(6,089)
Provision in respect of murabaha finance	8 (40,078)	-	(40,078)	-
Reversal/(Provision) in respect of diminishing musharaka	9 (173,836)	425,597	18,880	372,174
	<u>(48,790,929)</u>	<u>(49,558,007)</u>	<u>(22,677,553)</u>	<u>(24,910,018)</u>
	<u>28,829,105</u>	<u>7,422,223</u>	<u>14,574,609</u>	<u>3,517,174</u>
Other income	438,467	134,570	283,467	48,146
	<u>29,267,572</u>	<u>7,556,793</u>	<u>14,858,076</u>	<u>3,565,320</u>
Management Company's remuneration	(2,926,757)	(755,680)	(1,485,808)	(356,533)
Provision for services sales tax on the Management Company's remuneration	(380,479)	(98,239)	(193,155)	(42,358)
Workers' welfare fund	(519,207)	(134,058)	(263,582)	(63,329)
<b>Profit for the period before taxation</b>	<b>25,441,129</b>	<b>6,568,816</b>	<b>12,915,531</b>	<b>3,103,100</b>
Taxation	17 -	-	-	-
<b>Net Profit for the period</b>	<b>25,441,129</b>	<b>6,568,816</b>	<b>12,915,531</b>	<b>3,103,100</b>
<b>Earnings per certificate - basic and diluted</b>	<b>0.57</b>	<b>0.15</b>	<b>0.29</b>	<b>0.07</b>

The annexed notes 1 to 23 form an integral part of these condensed interim financial information.

For Sindh Modaraba Management Limited  
(Management Company)



Chairman



Chief Executive



Director

## Condensed Interim Statement Of Comprehensive Income

For the Six-Months Period Ended December 31, 2017

	Half year ended		Quarter ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
	<b>Un-audited</b>			
	-----Rupees-----			
<b>Net Profit for the period</b>	<b>25,441,129</b>	6,568,816	<b>9,764,058</b>	3,103,100
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 period</b>	<b><u>25,441,129</u></b>	<u>6,568,816</u>	<b><u>9,764,058</u></b>	<u>3,103,100</u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial information.

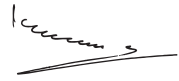


Chairman

For Sindh Modaraba Management Limited  
(Management Company)



Chief Executive



Director

## Condensed Interim Cash Flow Statement

For the Six-Months Period Ended December 31, 2017

	Note	Half year ended	
		December 31, 2017	December 31, 2016
		Un-audited	
		-----Rupees-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit for the period before taxation		25,441,129	6,568,816
<b>Adjustments for non - cash and other items</b>			
Depreciation - Ijarah assets	10	34,626,974	38,652,907
Depreciation - Fixed assets - in own use	11.1 & 11.2	677,055	601,425
Income on bank deposits		(8,930,280)	(3,175,301)
Income on term deposit receipt		(3,157,611)	-
Gain on disposal of ijarah asset		(180,629)	-
Provision/(Reversal) in respect of diminishing musharaka		173,836	(425,597)
(Reversal)/Provision for ijarah rental receivable		(3,308)	9,162
Provision in respect of morabaha finance	8	40,078	-
		<u>23,246,115</u>	<u>35,662,596</u>
<b>Working capital changes</b>			
Increase in advances, prepayments and other receivables		(17,983,148)	(1,900,608)
Increase in morabaha finance	8	(8,015,612)	-
Decrease/(Increase) in Ijarah rental receivables		661,702	(1,832,435)
(Increase)/Decrease in Diminishing Musharaka		(34,767,115)	85,119,334
Increase in creditors, accrued and other liabilities		8,908,133	2,148,701
Decrease in long term loan		162,000	162,000
Increase in Deferred morabaha income		199,333	-
(Decrease)/Increase in customers' security deposit		-	150,370
		<u>(50,834,707)</u>	<u>83,847,362</u>
Income received on bank deposits		9,970,601	2,431,627
<b>Net cash generated from operations</b>		<u>7,823,138</u>	<u>128,510,401</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of Ijarah assets	10	-	(5,514,700)
Sale proceed from disposal of ijarah asset		2,996,046	-
Purchase of fixed assets - in own use	11.1	(69,700)	(38,487)
Purchase of intangible	11.2	-	(515,903)
<b>Net cash generated from/(used in) investing activities</b>		<u>2,926,346</u>	<u>(6,069,090)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Loan from Management Company		-	500,000,000
Dividend paid		(20,172,176)	(15,679,753)
<b>Net cash (used in)/generated from financing activities</b>		<u>(20,172,176)</u>	<u>484,320,247</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<u>(9,422,692)</u>	<u>606,761,558</u>
Cash and cash equivalents at the beginning of the period		370,776,004	40,445,905
<b>Cash and cash equivalents at the end of the period 21</b>		<u>361,353,312</u>	<u>647,207,463</u>

The annexed notes 1 to 23 form an integral part of these condensed interim financial information.


For Sindh Modaraba Management Limited  
(Management Company)



Chairman



Chief Executive



Director

## Condensed Interim Statement of Changes in Equity

For the Six-Months Period Ended December 31, 2017

	Issued, subscribed, and paid - up certificate capital	Reserves			Long term loan	Total equity
		Statutory reserve	Unappropriated profit	Total		
<b>Un-audited</b>						
<b>Rupees</b>						
Balance as at July 01, 2016	450,000,000	6,066,937	17,067,744	23,134,681	-	473,134,681
Net profit for the period	-	-	6,568,816	6,568,816	-	6,568,816
Other comprehensive income for the period	-	-	-	-	-	-
Long term loan	-	-	-	-	500,000,000	500,000,000
<b>Transaction with Certificate Holders</b>						
Profit distribution @ Rs. 0.35 (3.5%) per certificate	-	-	(15,750,000)	(15,750,000)	-	(15,750,000)
<b>Balance as at December 31, 2016</b>	<b>450,000,000</b>	<b>6,066,937</b>	<b>7,886,560</b>	<b>13,953,497</b>	<b>500,000,000</b>	<b>963,953,497</b>
<b>Un-audited</b>						
<b>Balance as at July 01, 2017</b>	<b>450,000,000</b>	<b>11,324,329</b>	<b>22,347,312</b>	<b>33,671,641</b>	<b>500,000,000</b>	<b>983,671,641</b>
Net profit for the period	-	-	25,441,129	25,441,129	-	25,441,129
Other comprehensive income for the period	-	-	-	-	-	-
<b>Transaction with Certificate Holders</b>						
Profit distribution @ Rs. 0.45 (4.5%) per certificate	-	-	(20,250,000)	(20,250,000)	-	(20,250,000)
<b>Balance as at December 31, 2017</b>	<b>450,000,000</b>	<b>11,324,329</b>	<b>27,538,441</b>	<b>38,862,770</b>	<b>500,000,000</b>	<b>988,862,770</b>

The annexed notes 1 to 23 form an integral part of these condensed interim financial information.

For Sindh Modaraba Management Limited  
(Management Company)



Chairman



Chief Executive



Director

## Notes to the Condensed Interim Financial Information

For the Six-Months Period Ended December 31, 2017

### 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 JCRVIS Credit Rating Company Limited has re-affirmed 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 months period ended December 31, 2017 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 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, 2017.

#### 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 Six-Months Period Ended December 31, 2017

### 2.4 Use of significant estimates and judgements

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 2017. However, following new accounting policy for transactions, other events or conditions that did not occur previously is adopted during the period.

Funds disbursed for purchase of goods are recorded as 'Advance for Murabaha'. On culmination of Murabaha i.e. sale of goods to customers, Murabaha financings are recorded at the deferred sale price. Goods Purchased but remaining unsold at the balances sheet date are recorded as inventories. Profit on Murabaha Financings is recognised on accrual basis. Profit on Murabaha transactions for the period from the date of disbursement to the date of culmination of Murabaha is recognised immediately upon the later date. Profit unearned at balance sheet date is deferred and recorded as deferred murabaha income. Financing are stated net of specific and general Provisions against non- performing financings, if any, which are charged to the profit and loss account.

	<b>December 31,</b>	<b>June 30,</b>
	<b>2017</b>	<b>2017</b>
	<b>Un-audited</b>	<b>Audited</b>
<b>Note</b>	<b>-----Rupees-----</b>	
<b>4 CASH AND BANK BALANCES</b>		
Cash in hand	<b>20,000</b>	-
Stamp paper in hand	<b>57,950</b>	58,250
Balances with banks on:		
- deposit accounts	<b>4.1 281,123,307</b>	370,627,330
- current accounts	<b>152,055</b>	90,424
	<b><u>281,353,312</u></b>	<b><u>370,776,004</u></b>

- 4.1 These includes balance of Rs. 260.77 million held with Sindh Bank Limited - Islamic Banking Unit, related party. These carry profit at the rates 5.8% of Sindh Bank Limited and 4.35% of Microfinance Bank per annum (June 30, 2017: 6.1% and Nil per annum).

## Notes to the Condensed Interim Financial Information

For the Six-Months Period Ended December 31, 2017

		<b>December 31, 2017</b>	<b>June 30, 2017</b>
		<u>Un-audited</u>	<u>Audited</u>
	<b>Note-----Rupees-----</b>		
<b>5</b>	<b>SHORT TERM INVESTMENT</b>		
	Term deposit receipts	<b>5.1 80,000,000</b>	-
5.1	This represents investment made in Term Deposit Receipt in Microfinance Bank for the period of six months. This investment carries markup at the rate of 8.40% per annum (June 30, 2017: Nil)		
		<b>December 31, 2017</b>	<b>June 30, 2017</b>
		<u>Un-audited</u>	<u>Audited</u>
	<b>Note-----Rupees-----</b>		
<b>6</b>	<b>IJARAH RENTAL RECEIVABLES</b>		
	Ijarah rental receivables - Considered good	<b>2,903,012</b>	3,564,714
	Less: provision for ijarah rental receivable	<b>6.1 (14,516)</b>	(17,824)
		<u><b>2,888,496</b></u>	<u>3,546,890</u>
6.1	This represents general provision made at the rate of 0.5% (June 30, 2017: 0.5%) against ijarah rental receivable.		
		<b>December 31, 2017</b>	<b>June 30, 2017</b>
		<u>Un-audited</u>	<u>Audited</u>
	<b>Note-----Rupees-----</b>		
<b>7</b>	<b>ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>		
	Advances	<b>7.1 30,044,784</b>	11,632,885
	Prepayments	<b>1,143,769</b>	1,284,028
	Accrued income from bank deposits	<b>1,301,637</b>	2,341,958
	Accrued income from Term deposit receipts	<b>3,157,611</b>	-
	Accrued income from Diminishing Musharaka	<b>2,146,320</b>	2,434,912
	Other receivables	<b>27,620</b>	27,520
		<u><b>37,821,741</b></u>	<u>17,721,303</u>
7.1	This includes advance to vendors in respect of acquisition of assets under Diminishing Musharaka arrangement and Morabaha Finance for onward delivery to lessee (customer) amounting to Rs. 26,445,859 (June 30, 2017: Rs. 10,962,000) and Rs. 2,358,000 (June 30, 2017: Rs.Nil), respectively.		



## Notes to the Condensed Interim Financial Information

For the Six-Months Period Ended December 31, 2017

	December 31, 2017	June 30, 2017
	Un-audited	Audited
<b>Note</b>	-----Rupees-----	
<b>8 MURABAHA FINANCE</b>		
Receivables - considered good	8,015,612	-
Less: provision in respect of murabaha finance	(40,078)	-
	<u>7,975,534</u>	<u>-</u>

8.1 This represents general provision made at the rate of 0.5% (June 30, 2017: Nil) against Morabaha finance.

8.2 This includes Rs.382,612 which represents profit receivable.

	December 31, 2017	June 30, 2017
	Un-audited	Audited
<b>Note</b>	-----Rupees-----	
<b>9 DIMINISHING MUSHARAKA</b>		
Receivables - secured	9.1 532,486,802	497,719,687
Less: current portion of diminishing musharaka	(147,777,674)	(76,122,720)
Less: provision in respect of diminishing musharaka	9.2 (2,662,434)	(2,488,598)
Long term portion of diminishing musharaka	<u>382,046,694</u>	<u>419,108,369</u>

9.1 This represents the finance provided to individual and corporate clients under Diminishing Musharaka arrangements for a periods ranging 3 to 20 years (June 30, 2017: 3 to 20 years) which is secured against mortgage of property, lien on title documents and charge on assets.

9.2 This represents general provision made at the rate of 0.5% (June 30, 2017: 0.5%) on diminishing musharaka receivables.

## 10 IJARAH ASSETS

Particulars	Cost		Depreciation			Amount in Rupees		
	As at July 01, 2017	Addition/ (Disposal)	As at December 31, 2017	As at July 01, 2017	Charge for the period/ (Adjustment)	As at December 31, 2017	WDV as at December 31, 2017	Depreciation rate
	Un-audited							
Plant and machinery	194,470,625	-	194,470,625	89,486,344	27,783,582	117,269,926	77,200,699	33.33%
Vehicles	68,762,700	-	30,625,700	37,366,473	6,843,392	12,821,879	17,803,821	20-50%
		(38,137,000)			(31,387,986)			
As at and for the period ended December 31, 2017	263,233,325	-	225,096,325	126,852,817	34,626,974	130,091,805	95,004,520	
		(38,137,000)			(31,387,986)			
As at and for the year ended June 30, 2017	257,718,625	5,514,700	263,233,325	49,384,277	77,468,540	126,852,817	136,380,508	

	December 31, 2017	June 30, 2017
	Un-audited	Audited
<b>Note</b>	-----Rupees-----	
<b>11 FIXED ASSETS - in own use</b>		
Property and Equipment	11.1 2,361,414	2,788,948
Intangible assets	11.2 505,143	684,964
Capital Work In progress	11.3 600,000	600,000
	<u>3,466,557</u>	<u>3,473,912</u>

## Notes to the Condensed Interim Financial Information

For the Six-Months Period Ended December 31, 2017

### 11.1 Property and Equipment

Particulars	Cost			Depreciation				Depreciation rate
	As at July 01, 2017	Additions	As at December 31, 2017	As at July 01, 2017	Charge for the period	As at December 31, 2017	WDV as at December 31, 2017	
	Un-audited							
Furniture and fixtures	1,326,935	45,000	1,371,935	231,762	67,478	299,240	1,072,695	10%
Office equipment	1,359,574	-	1,359,574	482,141	135,947	618,088	741,486	20%
Vehicles	43,500	-	43,500	21,025	4,350	25,375	18,125	20%
Computer and accessories	1,715,991	24,700	1,740,691	922,124	289,459	1,211,583	529,108	33.33%
As at and for the period ended December 31, 2017	<b>4,446,000</b>	<b>69,700</b>	<b>4,515,700</b>	<b>1,657,052</b>	<b>497,234</b>	<b>2,154,286</b>	<b>2,361,414</b>	
As at and for the year ended June 30, 2017	4,358,413	87,587	4,446,000	680,601	976,451	1,657,052	2,788,948	

December 31, 2017	June 30, 2017
Un-audited	Audited
-----Rupees-----	

### 11.2 Intangible assets

Opening net book value	<b>684,964</b>	525,432
Additions during the period	-	553,550
Amortization for the period	<b>(179,821)</b>	(394,018)
Closing net book value	<b>505,143</b>	684,964

#### As at December 31, 2017 / June 30, 2017

Cost	<b>1,078,982</b>	1,078,982
Accumulated amortization	<b>(573,839)</b>	(394,018)
Net book value	<b>505,143</b>	684,964

Annual rates of amortization **33.33%** 33.33%

10.3.1 This represents fee paid for development of modules of the software of the Modaraba namely "Almanac". Total cost amounts to Rs.800,000 out of which 75% has been paid to the vendor.

December 31, 2017	June 30, 2017
Un-audited	Audited
-----Rupees-----	

### 12 CREDITORS, ACCRUED AND OTHER LIABILITIES

Management company remuneration payable	<b>2,926,757</b>	3,024,062
Provision for services sales tax on the management Company's remuneration	<b>1,285,211</b>	904,732
Creditors	<b>138,797</b>	138,747
Advance from client	<b>9,457,513</b>	2,995,657
Other liabilities	<b>1,976,912</b>	1,349,768
Accrued expenses	<b>5,152,365</b>	3,616,453
	<b>20,937,555</b>	12,029,419

### 13 CUSTOMERS' SECURITY DEPOSIT

Security deposit against Ijarah finance	<b>28,902,095</b>	32,835,695
Less: current portion of long term security deposit	<b>(23,444,275)</b>	(13,258,571)
Long term portion of security deposit	<b>5,457,820</b>	19,577,124

## Notes to the Condensed Interim Financial Information

For the Six-Months Period Ended December 31, 2017

- 13.1 This represents amounts received under Ijarah finance repayable / adjustable at the expiry of the arrangement.

<b>December 31,</b>	<b>June 30,</b>
<b>2017</b>	<b>2017</b>
<b>Un-audited</b>	<b>Audited</b>
<b>-----Rupees-----</b>	

<b>14</b>	<b>LONG TERM LOAN - subordinated</b>	<b>500,000,000</b>	<b>500,000,000</b>
-----------	--------------------------------------	--------------------	--------------------

This represents interest free loan provided by the Management Company 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 equity certificates in future against this loan, subject to necessary regulatory approvals.

## 15 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments at the balance sheet date (June 30, 2017: Nil)

		<b>Half year ended</b>	
		<b>December 31,</b>	<b>December 31,</b>
		<b>2017</b>	<b>2016</b>
		<b>Un-audited</b>	
<b>Note</b>		<b>-----Rupees-----</b>	

<b>16</b>	<b>ADMINISTRATIVE AND OPERATING EXPENSES</b>		
	Salaries, allowances and other benefits	<b>16.1</b>	8,456,142
	Legal and professional charges		6,917,306
	Repair and maintenance		1,027,340
	Utility services		309,153
	Registration and subscription fee		503,217
	Generator Sharing and fuel charges		426,986
	Entertainment		236,425
	Advertisement and Publications		86,808
	Staff Orientation and Training		75,892
	Rent, Rates and Taxes		92,920
	Travelling and conveyance		30,675
	Security services		99,996
	Printing, stationery and photocopy		443,499
	Postage, Courier and Telegraphs		353,797
	Auditors' remuneration		170,994
	Depreciation expense - tangible assets	<b>11.1</b>	152,893
	Amortization expense - intangible assets	<b>11.2</b>	336,523
	Insurance - owned assets		89,607
	Insurance - Ijarah and Diminishing Musharaka		57,233
	Miscellaneous		103,899
			485,201
			116,224
			62,387
			266,895
			144,452
			65,617
			<b>13,953,349</b>
			<b>11,321,535</b>

## Notes to the Condensed Interim Financial Information

For the Six-Months Period Ended December 31, 2017

- 16.1 This includes contribution of Rs. 251,826 (2016: Rs. 206,649) to provident fund and provision for gratuity of Rs. 272,358 (2016: Rs.204,835)

### 17 TAXATION

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba 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, 2018. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

### 18 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.

### 19 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 as at December 31, 2017 are as follows:

	<b>December 31, 2017</b>	<b>June 30, 2017</b>
	<b>Un-audited</b>	<b>Audited</b>
	<b>Note -----Rupees-----</b>	
<b>Balances as at period end</b>		
<b>Sindh Bank Limited</b>		
Bank deposits	<b>260,925,157</b>	370,627,330
Accrued income from bank deposits	<b>1,226,464</b>	2,341,958
	<b><u>262,151,621</u></b>	<u>372,969,288</u>

## Notes to the Condensed Interim Financial Information

For the Six-Months Period Ended December 31, 2017

		<b>December 31, 2017</b>	<b>June 30, 2017</b>
	<b>Note</b>	<b>Un-audited</b>	<b>Audited</b>
-----Rupees-----			
<b>Sindh Modaraba Management Limited</b>			
Long term loan	14	500,000,000	500,000,000
Management company remuneration payable	12	2,926,757	3,024,062
Others		-	24,000
		<u>502,926,757</u>	<u>503,048,062</u>
<b>Key Management Personnel</b>			
Long term loan		<u>702,000</u>	<u>864,000</u>
<b>Sindh Insurance Limited</b>			
Sharing of expenses payable		<u>218,430</u>	<u>218,430</u>
<b>Half year ended</b>			
		<b>December 31, 2017</b>	<b>December 31, 2016</b>
		<b>Un-audited</b>	<b>Audited</b>
-----Rupees-----			
<b>Transactions for the period</b>			
<b>Sindh Bank Limited</b>			
Income from deposits		<u>8,507,809</u>	<u>3,175,301</u>
<b>Sindh Modaraba Management Limited</b>			
Long term loan		-	500,000,000
Dividend paid		19,107,450	14,996,625
Management Company remuneration paid		3,024,062	-
Management Company remuneration accrued		2,926,757	755,680
		<u>25,058,269</u>	<u>515,752,305</u>
<b>Sindh Insurance Limited</b>			
Insurance/Takaful premium paid		637,167	339,612
Sharing of expenses		218,430	218,430
		<u>855,597</u>	<u>558,042</u>
<b>Key Management Personnel</b>			
Salaries, allowances and benefits paid		<u>3,003,099</u>	<u>2,377,719</u>
<b>Staff Provident Fund</b>			
Contribution paid		<u>251,826</u>	<u>416,580</u>

## 20 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.

## Notes to the Condensed Interim Financial Information

For the Six-Months Period Ended December 31, 2017

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.

	<b>December 31, 2017</b>	December 31, 2016
	<b>Un-audited</b>	
	<b>Rupees</b>	
<b>21 CASH AND CASH EQUIVALENT</b>		
Cash and bank balances	<b>4 281,353,312</b>	647,207,463
Short term investment	<b>5 80,000,000</b>	-
	<b>361,353,312</b>	<b>647,207,463</b>
<b>22 SUBSEQUENT EVENT</b>		
<b>23 DATE OF AUTHORISATION</b>		

No subsequent events have occurred till the reporting date that may require adjustment of or disclosure in the condensed interim financial information for the six months period ended December 31, 2017.

This condensed interim financial information was authorised for issue on January 30, 2018 by the Board of Directors of the Management Company.

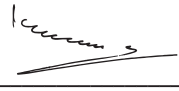
For Sindh Modaraba Management Limited  
(Management Company)



Chairman



Chief Executive



Director

**Islamic Financing  
Products Offered by  
Sindh Modaraba**

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

**SINDH MODARABA**

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