

**Sindh Modaraba**

*Independent Auditor's Report  
For the period ended January 31, 2026*

# INDEPENDENT AUDITOR'S REPORT TO THE CERTIFICATE HOLDERS OF SINDH MODARABA

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**Grant Thornton Anjum  
Rahman**  
1st & 3rd Floor,  
Modern Motors House,  
Beaumont Road,  
Karachi, Pakistan.

## Report on the Audit of the Financial Statements

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### Opinion

We have audited the annexed financial statements of **Sindh Modaraba** (the "Modaraba"), which comprise the statement of financial position as at **January 31, 2026**, and the statement of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flow for the period then ended, and notes to the financial statements, including material accounting policy information and other explanatory information and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980), in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at **January 31, 2026**, and of the profit and other comprehensive income, the changes in equity and its cash flows for the period then ended.

### Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Modaraba and Modaraba Company (Sindh Modaraba Management Limited) in accordance with the International Ethics Standards Board for Accountants 'Code of Ethics for Professional Accountants' as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Following is the key audit matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	<b>Islamic financing assets</b> (Refer Note 5 and 9 to the annexed financial statements)	
	<p>Islamic financing assets are valued at Rs. 1.611 billion which constitutes 52.2% of the total assets of the Modaraba.</p> <p>As the Islamic financing assets represent a significant element of the financial statements, a discrepancy in the existence or valuation could cause the financial statements to be materially misstated which would also impact the Modaraba's reported performance.</p> <p>In view of significance of financings and related assets in relation to total assets and the financial statements as a whole, we have considered the existence and valuation of financings as a key audit matter.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ol style="list-style-type: none"> <li>1. We assessed and tested the design and operations of key controls over the recognition, valuation and existence of financing assets.</li> <li>2. We performed detailed assessment of the credit approval procedures of the financings sanctioned in accordance with Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980 (XXXI of 1980), Modaraba Companies and Modaraba Rules, 1981 and Modaraba Regulations, 2021 and performed credit review on sample basis.</li> <li>3. We tested controls over addition, termination and periodic valuation of the portfolios and performed other substantive audit procedures on the period end balances. Moreover, we have reviewed documentation required in the facilities files of the parties and verified income from financing during the period by performing recalculation through amortization schedules on a sample basis.</li> <li>4. In addition, we have checked repayment received from the clients on sample basis.</li> <li>5. We have assessed the ECL model used by the management to calculate the provision against financings of the Modaraba for appropriateness of the assumptions used and the methodology applied. We also tested the mathematical accuracy of the model.</li> <li>6. We have evaluated management's assessment for classification of customer's financing facilities as required by Schedule-III of Modaraba Regulations 2021.</li> </ol>

		<p>7. We also evaluated the adequacy of the overall disclosures in the financial statements in respect of financings issued and related assets in accordance with the requirements of the applicable financial reporting framework NBFC Regulations and with the applicable accounting standards, provisions of and directives issued under the Companies Act, 2017 and requirement of Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Modaraba Regulations, 2021.</p>
2.	<p><b>Revenue Recognition</b></p>	
	<p>Modaraba earns substantial income from the diminishing musharaka. During the period, the Modaraba has recognized income of Rs. 148.38 million on diminishing musharaka, which represents 81.9% of total revenue.</p> <p>We identified income from diminishing musharaka finances as a key audit matter as it is one of the key performance indicators of the Modaraba and because of the potential risk that income from diminishing musharaka transactions may not be accurately recorded, recognized in the appropriate period, and not properly disclosed in the financial statements.</p>	<p>Our audit procedures in respect of this matter included the following:</p> <ol style="list-style-type: none"> <li>1. We obtained an understanding, including the design and implementation of internal controls over recording and processing of diminishing musharaka income.</li> <li>2. We assessed the appropriateness of the Modaraba's accounting policy for recording of income and in line with the requirements of applicable law, accounting and reporting standards.</li> <li>3. We matched customer contracts with the income schedule and performed recalculation on sample basis to ensure that income is appropriately recorded and also evaluated that these contracts were appropriately classified and recorded in the appropriate accounting period.</li> <li>4. On sample basis, traced the rentals received from the underlying records issued to contract holders and applied substantive analytical procedures to determine any variations.</li> <li>5. We also evaluated the adequacy of the overall disclosures in the financial statements in respect of income from diminishing musharaka finances in accordance with the requirements of applicable financial reporting frameworks.</li> </ol>

## **Responsibilities of Management and Board of Directors of the Modaraba Company for the financial statements**

Management of the Modaraba Company is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and for such internal control as management of the Modaraba Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management of the Modaraba is responsible for assessing the Modaraba's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management of the Modaraba Company either intends to liquidate the Modaraba or to cease operations, or has no realistic alternative but to do so.

Board of Directors of the Modaraba Company are responsible for overseeing the Modaraba's financial reporting process.

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurances about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs as applicable in Pakistan will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also: -

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Modaraba's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Modaraba Company;

- Conclude on the appropriateness of the management of the Modaraba Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Modaraba's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Modaraba to cease to continue as a going concern; and
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors of the Modaraba Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors of the Modaraba Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors of the Modaraba Company, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on other legal and regulatory requirements**

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Modaraba Company in respect of the Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI OF 1980);
- b) the statement of financial position and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, (XXXI of 1980) and are in agreement with the books of account;
- c) business conducted, investments made, expenditure incurred and guarantees extended during the period by the Modaraba were in accordance with the objects, terms and conditions of the Modaraba; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.



The engagement partner on the audit resulting in this independent auditor's report is **Muhammad Shaukat Naseeb**.

A handwritten signature in blue ink, appearing to read "Grant Thornton Anjum Rahman".

**Grant Thornton Anjum Rahman**

Chartered Accountants

Karachi

Date: April 27, 2026

UDIN: AR202610126Pw6MXTE2L

**Sindh Modaraba**

*Financial Statements*

*For the period ended January 31, 2026*

**SINDH MODARABA  
STATEMENT OF FINANCIAL POSITION  
AS AT JANUARY 31, 2026**

		January 31, 2026	June 30, 2025
	Note	----- Rupees -----	
<b>ASSETS</b>			
<b>Non - current assets</b>			
Property and equipment	4	18,144,414	1,689,139
Diminishing musharaka	5	709,838,230	716,692,373
Long term investments	6	50,000,000	-
Long term loans	7	5,213,873	4,240,649
Long term advances	8	532,371	726,823
<b>Total non - current assets</b>		<b>783,728,888</b>	<b>723,348,984</b>
<b>Current assets</b>			
Current portion of diminishing musharaka	5	787,538,845	726,974,570
Morabaha finance	9	114,010,416	212,819,445
Current portion of long term loan	7	2,139,064	2,299,116
Current portion of long term advances	8	588,540	522,372
Advances, prepayments and other receivables	10	237,620,553	27,118,670
Cash and bank balances	11	1,161,275,263	371,724,227
<b>Total current assets</b>		<b>2,303,172,681</b>	<b>1,341,458,400</b>
<b>TOTAL ASSETS</b>		<b>3,086,901,569</b>	<b>2,064,807,384</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Certificate holders' equity</b>			
Authorized certificate capital	12	500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital	12	450,000,000	450,000,000
Reserves	13	566,874,395	541,508,632
Subordinated funds	14	2,000,000,000	1,000,000,000
<b>Total certificate holders' equity</b>		<b>3,016,874,395</b>	<b>1,991,508,632</b>
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	15	58,646,253	69,036,102
Payable to gratuity fund	16	746,249	1,036,752
Taxation - net	17	9,292,908	2,035,782
Profit distribution payable		1,341,764	1,190,116
<b>Total liabilities</b>		<b>70,027,174</b>	<b>73,298,752</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>3,086,901,569</b>	<b>2,064,807,384</b>
Contingencies and commitments	18		

The annexed notes 1 to 36 form an integral part of these financial statements. *cin*

For Sindh Modaraba Management Limited (Modaraba Management Company - Owned by Government of Sindh)

*Wasim mehmood*  
Chairman

*[Signature]*  
Chief Executive Officer

*[Signature]*  
Director

*[Signature]*  
Chief Financial Officer

**SINDH MODARABA**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED JANUARY 31, 2026**  
**(From July 01, 2025 to January 31, 2026)**

	For the period ended 31 January 2026	For the year ended 30 June 2025
	Note	----- Rupees -----
Income from:		
- Diminishing Musharaka	148,384,396	188,683,085
- Morabaha	9,266,509	28,649,809
- Sukuk	3,483,042	-
- Bank deposits	19,961,973	64,232,965
- Term deposit receipts	-	60,233,607
	<b>181,095,920</b>	<b>341,799,466</b>
Administrative and operating expenses	19 (63,797,703)	(87,438,400)
Reversal of provision for doubtful receivables - net	20 13,225,681	4,766,261
	(50,572,022)	(82,672,139)
	<b>130,523,898</b>	<b>259,127,327</b>
Other income - net	21 805,312	7,970,989
	<b>131,329,210</b>	<b>267,098,316</b>
Modaraba Management Company's remuneration (related party)	22 (13,132,921)	(26,709,832)
Provision for Sindh Sales Tax on Management Company's remuneration	(1,969,938)	(4,006,475)
	(15,102,859)	(30,716,307)
<b>Profit before taxation and levy</b>	<b>116,226,351</b>	<b>236,382,009</b>
Taxation	17 (30,110,588)	(56,268,221)
<b>Profit for the period</b>	<b>86,115,763</b>	<b>180,113,788</b>
<b>Other comprehensive income</b>		
<b>Other comprehensive income for the period</b>		
Actuarial gain on defined benefit plan	-	334,943
<b>Total comprehensive income</b>	<b>86,115,763</b>	<b>180,448,731</b>
Earnings per certificate - basic	23.1 1.91	4.00
Earnings per certificate - diluted	23.2 0.35	1.24

The annexed notes 1 to 36 form an integral part of these financial statements. *cm*

For Sindh Modaraba Management Limited (Modaraba Management Company - Owned by Government of Sindh)

*Wasim*

Chairman

Chief Executive Officer

Director

Chief Financial Officer

**SINDH MODARABA**  
**STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED JANUARY 31, 2026**  
**(From July 01, 2025 to January 31, 2026)**

	For the period ended 31 January 2026	For the year ended 30 June 2025
Note	Rupees -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation and levy	116,226,351	236,382,009
<b>Adjustments for non - cash and other items</b>		
Depreciation on tangible assets	4.1 1,298,046	904,042
Amortization of intangible assets	4.2 14,580	9,026
Reversal of provision for doubtful receivables - net	20 (13,225,681)	(4,766,261)
Income (reversal) in respect of diminishing musharaka	(2,895,391)	(5,342,128)
Income on bank deposits	(19,961,973)	(64,232,965)
Income on Sukuk investment	(3,483,042)	-
Gain on disposal of property and equipment	21 -	(59,996)
Income on term deposit receipts	-	(60,233,607)
Provision for gratuity	16 746,246	1,371,695
<b>Operating losses before working capital changes</b>	<b>(37,507,215)</b>	<b>(132,350,194)</b>
<b>(Increase) / Decrease in current assets</b>		
Advances, deposits, prepayments and other receivables	(205,307,357)	3,633,814
Diminishing Musharaka	(40,980,978)	(698,918,080)
Morabaha	99,305,556	(213,888,889)
Long term advances - net	128,284	(1,249,195)
Long term loan - net	(813,172)	6,064
	<b>(147,667,667)</b>	<b>(910,416,286)</b>
<b>(Decrease) / increase in current liabilities</b>		
Creditors, accrued and other liabilities	(10,389,849)	8,916,781
	<b>(158,057,516)</b>	<b>(901,499,505)</b>
Income received on term deposit receipts	-	73,311,479
Income received on bank deposits	19,797,607	64,409,835
Income received on Sukuk investment	1,348,277	-
Gratuity contribution paid	(1,036,752)	(1,390,203)
Taxes paid	17 (22,853,462)	(62,539,923)
<b>Net cash used in operating activities</b>	<b>(82,082,710)</b>	<b>(723,676,502)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Sale proceeds from disposal of property and equipment	4.1 -	60,000
Purchase of property and equipment	4 (17,767,902)	(666,649)
Long term investments-Sukuks	(50,000,000)	-
<b>Net cash used in investing activities</b>	<b>(67,767,902)</b>	<b>(606,649)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Profit distributed	(60,598,352)	(56,135,264)
Subordinated fund received from management company (related party)	1,000,000,000	-
<b>Net cash generated from / (used in) financing activities</b>	<b>939,401,648</b>	<b>(56,135,264)</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>789,551,036</b>	<b>(780,418,415)</b>
Cash and cash equivalents at the beginning of the period	371,724,227	1,152,142,642
<b>Cash and cash equivalents at the end of the period</b>	<b>11 1,161,275,263</b>	<b>371,724,227</b>

The annexed notes 1 to 36 form an integral part of these financial statements. *clz*

For Sindh Modaraba Management Limited (Modaraba Management Company - Owned by Government of Sindh)

*Wasim*  
 Chairman

*[Signature]*  
 Chief Executive Officer

*[Signature]*  
 Director

*[Signature]*  
 Chief Financial Officer

**SINDH MODARABA**  
**STATEMENT OF CHANGES IN EQUITY**  
**FOR THE PERIOD ENDED JANUARY 31, 2026**  
**(From July 01, 2025 to January 31, 2026)**

Note	Issued, subscribed, and paid-up certificate capital	Reserves				Total reserves	Subordinated funds	Total certificate holders' equity					
		Capital reserve		Revenue reserve									
		Statutory reserve	Unappropriated profit	Revenue reserve	Unappropriated profit								
								<b>Rupees</b>					
	450,000,000	200,682,424		216,627,477		417,309,901	1,000,000,000	1,867,309,901					
	-	-	-	180,113,788	-	180,113,788	-	180,113,788					
	-	-	-	334,943	-	334,943	-	334,943					
13.1	-	36,022,758	-	(36,022,758)	-	-	-	-					
Transaction with certificate holders in their capacity as owners recognized directly in equity													
Profit distribution for the year ended June 30, 2024 at Rs. 1.25 (12.50%) per certificate				(56,250,000)		(56,250,000)		(56,250,000)					(56,250,000)
<b>Balance as at June 30, 2025</b>	450,000,000	236,705,182		304,803,450		541,508,632	1,000,000,000	1,991,508,632					
<b>Balance as at July 01, 2025</b>	450,000,000	236,705,182		304,803,450		541,508,632	1,000,000,000	1,991,508,632					
Profit for the period ended January 31, 2026	-	-	-	86,115,763	-	86,115,763	-	86,115,763					
Total other comprehensive income for the period	-	-	-	-	-	-	-	-					-
Transfer to statutory reserve	-	-	-	-	-	-	-	-					-
Transaction with certificate holders in their capacity as owners recognized directly in equity													
Profit distribution for the year ended June 30, 2025 at Rs. 1.35 (13.50%) per certificate				(60,750,000)		(60,750,000)		(60,750,000)					(60,750,000)
Subordinated fund from Management Company (related party)												1,000,000,000	1,000,000,000
<b>Balance as at January 31, 2026</b>	450,000,000	236,705,182		330,169,213		566,874,395	2,000,000,000	3,016,874,395					

The annexed notes 1 to 36 form an integral part of these financial statements.

**For Sindh Modaraba Management Limited (Modaraba Management Company - Owned by Government of Sindh)**

*Waqar Nawaz*

Chairman

*Abul Kalam*

Director

*Shahid*

Chief Financial Officer

*Waqar Nawaz*

Chief Executive Officer

**SINDH MODARABA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED JANUARY 31, 2026**  
**(From July 01, 2025 to January 31, 2026)**

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**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.

The VIS Credit Rating Company Limited has upgraded the long and short term ratings of Sindh Modaraba from A+ to AA and from A1 to A1+ respectively. The medium to long-term rating of 'AA-' signifies high credit quality and strong factors of protection. The short term rating of A1+ denotes strongest likelihood of timely repayment of short-term obligations with outstanding liquidity factors.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:

-IFRS Accounting Standard issued by International Accounting Standards Board (IASB) and Islamic Financial Accounting Standards (IFASs), as are notified under the provisions of the Companies Act, 2017; and

-Provisions of, directives and notifications issued by securities and exchange commission of Pakistan (SECP), requirement of Modaraba Companies and Modarabas (Flotation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981, Modaraba Regulations, 2021 and Companies Act, 2017.

Where provisions of, directives and notifications issued under the relevant laws differ from the IFRS Accounting Standards, the provisions of, directives and notifications issued under the relevant laws have been followed.

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention except otherwise stated.

**2.3 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Modaraba operates. The financial statements are presented in Pakistani Rupees, 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 financial statements 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 an on-going basis.

Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in the application of accounting policies are as follows:

**SINDH MODARABA**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED JANUARY 31, 2026**  
**(From July 01, 2025 to January 31, 2026)**

- a) estimates of residual values, useful lives and depreciation methods of property and equipment (note 3.3) and Ijarah assets (note 3.4);
- b) estimates of useful lives and amortization charge for its intangibles (note 3.3.2)
- c) certain actuarial assumptions have been adopted as disclosed in these financial statement for actuarial valuation of present value of defined benefit obligation (note 3.13);
- d) investments & loans, advances, prepayments and other receivables (note 3.1 and 3.6); and
- e) provision for taxation (note 3.7).

**2.5 New and amended standards and interpretations**

**2.5.1 Standards, interpretations and amendments to published approved accounting standards that are effective and relevant**

New standards, amendments to approved accounting standards and interpretations that are mandatory for the financial year beginning on or after July 01, 2025 are considered not to be relevant or to have any significant effect on the Modaraba's financial reporting and operations.

**2.5.2 Standards, interpretations and amendments to published approved accounting standards that are not yet effective**

The new standard, certain amendments and interpretations that are mandatory for accounting periods beginning after January 01, 2024 are considered not to be relevant for the Modaraba's financial statements.

		<u>Effective date</u>
IFRS 7	Financial instruments : Disclosure	January 01, 2026
IFRS 9	Financial instruments	January 01, 2026
IAS 21	Lack of exchangeability	January 01, 2026

Other than the aforementioned standards, interpretation and amendments, IASB has also issued the following standards, which have been utilized locally in relation to the Modaraba, by the Securities and Exchange Commission of Pakistan (SECP) as at June 30, 2025.

		<u>Effective date</u>
IFRS1	First time adoption	January 01, 2026
IFRS 18	Presentation and disclosure in financial statements	January 01, 2027
IFRS 19	Subsidiaries without public accountability : Disclosures	January 01, 2027

The management anticipates the adoption of above standards in future being will have material impact on financial statements items and presentation/ disclosures.

**3. MATERIAL ACCOUNTING POLICIES INFORMATION**

The material accounting policies adopted and applied in the preparation of these financial statements as set out below. These policies have been consistently applied to all years presented unless other wise stated.

**3.1 Financial instruments**

**3.1.1 Recognition, initial measurement and derecognition**

Financial assets and financial liabilities are recognized when the Modaraba becomes a party to the contractual provisions of the financial instrument and are measured initially at fair value adjusted for transactions costs, except for those carried at fair value through profit or loss, which are measured initially at fair value.

Financial assets are derecognized when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and all substantial risks and rewards are transferred.

A financial liability is derecognized when it is extinguished, discharged, cancelled or has expired.

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**3.1.2 Subsequent measurement of financial assets**

**Financial assets at amortized cost**

Financial assets are measured at amortized cost if the assets meet the following conditions (and are not designated as FVTPL):

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and profit on the principal amount outstanding.

After initial recognition, these are measured at amortized cost using the effective profit rate method. Discounting is omitted where the effect of discounting is immaterial. The Modaraba's cash and cash equivalents and short term investments fall into this category of financial instruments.

**Financial assets at fair value through profit or loss (FVTPL)**

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorized at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and profit are accounted for at FVTPL. All financial assets are classified and measured at fair value through profit or loss unless the Modaraba makes an irrevocable election on initial recognition to present gains and losses on equity instruments in other comprehensive income.

Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch.

**Financial assets at fair value through other comprehensive income (FVTOCI)**

The Modaraba accounts for financial assets at FVOCI if the assets meet the following conditions:

- they are held under a business model whose objective it is "hold to collect and sell"; and
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and profit on the principal amount outstanding.

**3.1.3 Equity instruments**

At initial recognition, the Modaraba may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument within the scope of this standard that is not held for trading.

Where the Modaraba's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at FVTOCI are not reported separately from other changes in fair value.

Changes in the fair value of equity investments at fair value through profit or loss are recognized in other income / (other expenses) in the statement profit or loss as applicable.

Dividends from such investments continue to be recognized in the statement of profit and loss as other income when the Modaraba's right to receive payments is established.

Any gains or losses on derecognition of financial instruments that is measured at fair value shall be recognized in the statement of profit and loss unless it is an investment in an equity instrument and the Modaraba has elected to present gains and losses on that investment in the statement of comprehensive income.

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**3.1.4 Impairment of financial assets**

IFRS 9's impairment requirements use more forward-looking information to recognize expected credit losses – the 'expected credit loss (ECL) model'. This replaces IAS 39's 'incurred loss model'. Instruments within the scope of the new requirements included loans and other debt-type financial assets measured at amortized cost and FVTOCI that are not measured at fair value through profit or loss.

Recognition of credit losses is no longer dependent on the Modaraba first identifying a credit loss event. Instead the Modaraba considers a broader range of information when assessing credit risk and measuring expected credit losses, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ('Stage 1') and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ('Stage 2').

Stage 3' would cover financial assets that have objective evidence of impairment at the reporting date.

12-month expected credit losses' are recognized for the first category while 'lifetime expected credit losses' are recognized for the second and third category.

Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

**3.1.5 Classification and subsequent measurement of financial liabilities**

Financial liabilities comprise trade and other payables, amount due to a related party and borrowings.

Financial liabilities are measured subsequently at amortized cost using the effective profit rate method. Discounting is omitted if the impact is immaterial.

**3.1.6 Off-setting of financial assets and liabilities**

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liabilities simultaneously.

**3.2 Cash and cash equivalents**

Cash and cash equivalents are carried in the statement of financial position at amortized cost. These include balances with banks in deposit and current accounts, short term investment with maturity period not exceeding three months and stamps in hand.

**3.3 Property and equipment**

**3.3.1 Tangible assets**

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets carrying amounts or recognized as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Modaraba and the cost of the items can be measured reliably.

All other repairs and maintenance expenses are charged to the statement of profit and loss as and when incurred. Depreciation on all tangible assets is charged to income on a straight - line basis in accordance with the specified rates.

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The useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the month the asset is available for use and on disposals up to the month preceding the month of disposal.

Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amounts. These are recorded in the statement of profit and loss in the period in which these arise.

**3.3.2 Intangible assets**

Intangible assets having a finite useful life are stated at cost less accumulated amortization and accumulated impairment losses, if any. Subsequent costs are included in the assets' carrying amounts or recognized as separate assets, as appropriate, only where it is probable that the future economic benefits associated with the assets will flow to the Modaraba and the cost of the items can be measured reliably.

Amortization is charged to income using the straight line method in accordance with the specified rates. The useful lives and amortization method are reviewed and adjusted, as appropriate, at each reporting date. Amortization is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any.

Gain or loss on disposal of intangible assets, if any, is taken to the statement of profit and loss in the period in which these arise.

**3.3.3 Capital work-in-progress**

Capital work-in-progress, if any, is stated at cost less accumulated impairment losses, if any, and represents expenditure on property and equipment in the course of installation and advances for capital expenditure. Transfers are made to the relevant category of tangible / intangible assets as and when the assets are available for intended use.

**3.4 Ijarah assets given to customers under agreement**

Assets leased out under Ijarah are recorded as Ijarah assets and are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is charged to income by applying the straight line method whereby the cost of an asset less salvage value is written off over the lease term, which is considered to be the estimated useful life of the asset.

- Muj'ir (lessors) presents the assets subject to ijarah in their statement of financial position according to the nature of the asset, distinguished from the assets in own use.
- Costs, including depreciation on the assets given on ijarah, incurred in earning the ijarah income are recognized as expenses.
- Initial direct costs incurred specifically to earn revenues from ijarah are recognized as an expense in the statement of profit and loss in the period in which they are incurred.

**3.5 Murabaha finance**

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 statement of financial position date are recorded as inventories. Profit on murabaha financings is recognized on accrual basis. Profit on murabaha transactions for the period from the date of disbursement to the date of culmination of murabaha is recognized immediately upon the later date. Profit unearned at statement of financial position 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 statement of profit and loss.

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**3.6 Loans, advances, prepayments and other receivables**

These are stated at cost less estimates made for doubtful receivables based on a review of all outstanding amounts at the reporting date. Balances considered bad and irrecoverable are written off when identified.

**3.7 Taxation**

**Current**

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

**Deferred**

Deferred tax is recognized using the statement of financial position liability method, on all temporary differences arising between the tax bases and carrying amounts of assets and liabilities appearing in the financial statements. Deferred tax liability is recognized for all taxable temporary differences. Deferred tax asset is recognized for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable profits will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilized.

**3.8 Levy**

In accordance with Income Tax Ordinance, 2001 (Ordinance), computation of final taxes is not based on taxable income. Therefore, as per IAS 12 Application Guidance on Accounting for Minimum Taxes and Final Taxes issued by the Institute of Chartered Accountants of Pakistan (ICAP), these fall within the scope of IFRIC 21. There are no material final taxes/levy that fall within the scope of IFRIC 21 during the year ended January 31, 2026.

**3.9 Impairment of non-financial assets**

The carrying amounts of the Modaraba's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. Impairment loss determined as the difference between carrying value and recoverable amount being higher of asset's fair value less cost to sell and value in use. If such an indication exists, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss. The resulting impairment loss is recognized in the statement of profit and loss.

**3.10 Fair value measurement**

The Modaraba measures certain financial instruments, and non-financial assets such as assets classified as held for sale and investment property, at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Modaraba has access at that date. The fair value of a liability reflects the effect of non-performance risk. When applicable, the Modaraba measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

When measuring fair value, the Modaraba takes into account the characteristics of asset or liability which include the condition and location of the asset and restrictions, if any, on the sale or use of the asset.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Modaraba uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

Valuation techniques used to measure fair value are applied consistently unless a change in a valuation technique or its application results in a measurement that is equally or more representative of fair value in the circumstances. Revisions resulting from a change in the valuation technique or its application are accounted for as a change in accounting estimate.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within different levels of the fair value hierarchy, based on the lowest level input that is significant to the fair value measurement as a whole.

Fair value hierarchy categorizes into following three levels the inputs to valuation techniques used to measure fair value:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Modaraba can access at the measurement date.
- Level 2 — Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3 — Unobservable inputs for the asset or liability.

For the purpose of fair value disclosures, the Modaraba has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy, as explained above.

**3.11 Creditors, accrued and other liabilities**

These are carried at amortized cost, which is the fair value of the consideration to be paid in the future for goods and services.

**3.12 Provisions as contingent assets and liabilities**

Provisions are recognized when the Modaraba has a present, legal or constructive obligation as a result of past obligating events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

Contingent asset, are not recognized and are disclosed unless a inflow of economic benefits are virtually certain. Contingent liabilities are not recognized and are disclosed unless the probability of an outflow of resources embodying economic benefits is remote.

**3.13 Staff retirement benefits**

**Defined contribution plan - employees provident fund**

The Modaraba operates a recognized provident fund for all eligible employees and equal contributions by the employer and employee to the provident fund are made at the rate of 10% of the basic salaries of employees.

**Defined benefit plan - employees gratuity fund**

The Modaraba operates a gratuity fund for all eligible employees who have completed the minimum three years of service. The fund is administered by the trustee nominated under the Trust Deed. The contributions to the Fund

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are made in accordance with the actuarial valuation using Projected Unit Credit Method. Actuarial gains and losses arising at each valuation date are recognized immediately.

**3.14 Revenue and other income recognition**

The revenue recognition of the Modaraba is based on the following policies:

- For ijarah arrangements, ijarah rentals are recognized as income on accrual basis, as and when rentals become due. In case of ijarah arrangements with staggered rentals, the income is recognized on a straight line basis over the ijarah term.
- Income in respect of non-performing ijarah finance is held in suspense account, where necessary, in accordance with the requirements of the prudential regulations for modarabas issued by the SECP.
- Documentation charges, front end fees and other ijarah related income are taken to the statement of profit and loss on an accrual basis.
- Profit on diminishing musharaka arrangements is recognized under the effective mark-up rate method based on the amount outstanding.
- Mark-up / return on deposits / investments is recognized on accrual basis using the effective profit rate method.
- Other income is recognized on an accrual basis.
- Dividend income.

**3.15 Proposed profit distribution to certificate holders**

Dividends declared made subsequent to the reporting date are considered as non-adjusting events and are recognized in the financial statements in the period in which such dividends are declared.

**3.16 Earnings per certificate**

Basic earnings per certificate is calculated by dividing the profit after taxation for the period by the weighted average number of certificates outstanding during the period. Diluted earnings per certificate is determined by adjusting the profit or loss attributable to ordinary certificate holders by taking into account the conversion of any dilutive potential ordinary certificates.

**3.17 Ordinary certificate**

Ordinary certificate, are classified as equity and are recorded at their face value incremental cost directly attributable to the issue of new certificate as allotments are shown in equity as a deduction net of tax.

**3.18 Foreign currency transactions**

Transactions in foreign currencies are converted into Pakistani Rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rate of exchange prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognized in the statement of profit and loss.

**3.19 Segment reporting**

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.

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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.

**3.20 Related party transactions**

All transactions with related party are priced on arm's length basis. Prices of these transactions are determined on the basis of admissible valuation methods.

**3.21 Ijarah rental receivable**

These are stated at amount recoverable net of provision (if any).

**3.22 Compensated absences**

The Modaraba makes provision in the financial statements for its liability towards compensated absences based on the leaves accumulated up to the statement of financial position date.

**3.23 Commitments**

Commitments are disclosed in the financial statements at committed amount.

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	Note	January 31, 2026	June 30, 2025
<b>4. PROPERTY AND EQUIPMENT</b>		----- Rupees -----	
Tangible assets	4.1	18,090,239	1,620,383
Intangible assets	4.2	54,175	68,756
		<u>18,144,414</u>	<u>1,689,139</u>

**4.1 TANGIBLE ASSETS**

	Furniture and fittings	Office equipment	Vehicles	Computer and accessories	Total
	----- Rupees -----				
<b>As at June 30, 2024</b>					
Cost	1,565,217	3,654,877	1,354,275	3,466,086	10,040,455
Accumulated depreciation	(1,261,708)	(2,790,880)	(1,332,414)	(2,722,673)	(8,107,675)
<b>Net book value</b>	<u>303,509</u>	<u>863,997</u>	<u>21,861</u>	<u>743,413</u>	<u>1,932,780</u>
<b>Net carrying value basis</b>					
<b>Year ended June 30, 2025</b>					
Opening net book value	303,509	863,997	21,861	743,413	1,932,780
Additions - at cost	245,100	44,049	118,000	184,500	591,649
<b>Disposal</b>					
Cost	-	(234,668)	(1,310,775)	-	(1,545,443)
Accumulated depreciation	-	234,664	1,310,775	-	1,545,439
		(4)	-	-	(4)
Depreciation charge	(177,660)	(232,023)	(29,729)	(464,630)	(904,042)
<b>Closing net book value</b>	<u>370,949</u>	<u>676,019</u>	<u>110,132</u>	<u>463,283</u>	<u>1,620,383</u>
<b>Gross carrying value basis</b>					
<b>As at June 30, 2025</b>					
Cost	1,810,317	3,464,258	161,500	3,650,586	9,086,661
Accumulated depreciation	(1,439,368)	(2,788,239)	(51,368)	(3,187,303)	(7,466,278)
<b>Net book value</b>	<u>370,949</u>	<u>676,019</u>	<u>110,132</u>	<u>463,283</u>	<u>1,620,383</u>
<b>As at June 30, 2025</b>					
Cost	1,810,317	3,464,258	161,500	3,650,586	9,086,661
Accumulated depreciation	(1,439,368)	(2,788,239)	(51,368)	(3,187,303)	(7,466,278)
<b>Net book value</b>	<u>370,949</u>	<u>676,019</u>	<u>110,132</u>	<u>463,283</u>	<u>1,620,383</u>
<b>Net carrying value basis</b>					
<b>Period ended January 31, 2026</b>					
Opening net book value	370,949	676,019	110,132	463,283	1,620,383
Additions - at cost	140,400	35,000	16,600,941	991,561	17,767,902
<b>Disposal</b>					
Cost	-	-	-	-	-
Accumulated depreciation	-	-	-	-	-
Depreciation charge	(64,316)	(119,872)	(843,815)	(270,043)	(1,298,046)
<b>Closing net book value</b>	<u>447,033</u>	<u>591,147</u>	<u>15,867,258</u>	<u>1,184,801</u>	<u>18,090,239</u>
<b>Gross carrying value basis</b>					
<b>As at January 31, 2026</b>					
Cost	1,950,717	3,499,258	16,762,441	4,642,147	26,854,563
Accumulated depreciation	(1,503,684)	(2,908,111)	(895,183)	(3,457,346)	(8,764,324)
<b>Net book value</b>	<u>447,033</u>	<u>591,147</u>	<u>15,867,258</u>	<u>1,184,801</u>	<u>18,090,239</u>
<b>Depreciation (% per annum)</b>	<u>10%</u>	<u>20%</u>	<u>20%</u>	<u>33.33%</u>	

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4.2 INTANGIBLE ASSETS

Net carrying value basis

Year ended June 30, 2025

Opening net book value

1 1 2,780 2,782

Additions - at cost

75,000 - - 75,000

Amortization charge

(6,248) - (2,778) (9,026)

Closing net book value

68,753 1 2 68,756

Gross carrying value basis

As at June 30, 2025

Cost

112,647 800,000 1,274,335 2,186,982

Accumulated amortization

(43,894) (799,999) (1,274,333) (2,118,226)

Net book value

68,753 1 2 68,756

As at June 30, 2025

Cost

112,647 800,000 1,274,335 2,186,982

Accumulated amortization

(43,895) (799,999) (1,274,333) (2,118,227)

Net book value

68,752 1 2 68,755

Net carrying value basis

As at January 31, 2026

Opening net book value

68,752 1 2 68,755

Amortization charge

(14,580) - - (14,580)

Closing net book value

54,172 1 2 54,175

Gross carrying value basis

As at January 31, 2026

Cost

112,647 800,000 1,274,335 2,186,982

Accumulated amortization

(58,475) (799,999) (1,274,333) (2,132,807)

Net book value

54,172 1 2 54,175

Amortization (% per annum)

33.33% 33.33% 33.33%

Website	Almanac software	Software licenses	Total
----- Rupees -----			

Opening net book value	1	1	2,780	2,782
Additions - at cost	75,000	-	-	75,000
Amortization charge	(6,248)	-	(2,778)	(9,026)
Closing net book value	68,753	1	2	68,756

Cost	112,647	800,000	1,274,335	2,186,982
Accumulated amortization	(43,894)	(799,999)	(1,274,333)	(2,118,226)
Net book value	68,753	1	2	68,756

Cost	112,647	800,000	1,274,335	2,186,982
Accumulated amortization	(43,895)	(799,999)	(1,274,333)	(2,118,227)
Net book value	68,752	1	2	68,755

Opening net book value	68,752	1	2	68,755
Amortization charge	(14,580)	-	-	(14,580)
Closing net book value	54,172	1	2	54,175

Cost	112,647	800,000	1,274,335	2,186,982
Accumulated amortization	(58,475)	(799,999)	(1,274,333)	(2,132,807)
Net book value	54,172	1	2	54,175

Amortization (% per annum)	33.33%	33.33%	33.33%	
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		January 31, 2026	June 30, 2025
<b>5. DIMINISHING MUSHARAKA</b>	<b>Note</b>	<b>----- Rupees -----</b>	
Receivables - secured	5.1	1,531,623,393	1,490,642,415
Less: current portion		(787,538,845)	(726,974,570)
Less: provision in respect of diminishing musharaka	5.2	(34,246,318)	(46,975,472)
Non-current portion		<u>709,838,230</u>	<u>716,692,373</u>

5.1 This represents finance provided to individual and corporate clients under diminishing musharaka arrangements for periods ranging 3 to 20 years (June 2025: 3 to 20 years) which is secured against mortgage of property, lien on title documents and charge on assets etc.

5.2 This includes a general provision of Rs. 7.46 million (June 2025: Rs. 7.14 million) made at the rate of 0.5% (June 2025: 0.5%) on diminishing musharaka receivables respectively.

**5.2.1 Movement of provision in respect of Diminishing Musharakah**

	January 2026			June 2025		
	General	Specific	Total	General	Specific	Total
	----- Rupees -----					
Opening	7,144,105	39,831,367	46,975,472	3,465,550	49,345,627	52,811,177
Charge for the period	319,005	-	319,005	3,678,555	6,860,388	10,538,943
Reversal during the period	-	(13,048,159)	(13,048,159)	-	(16,374,648)	(16,374,648)
<b>Closing</b>	<b>7,463,110</b>	<b>26,783,208</b>	<b>34,246,318</b>	<b>7,144,105</b>	<b>39,831,367</b>	<b>46,975,472</b>

5.2.2 The following table sets out information about the provision in Expected Credit Losses (ECL)/ provision as per modaraba regulation of diminishing musharaka financing:

	January 31, 2026	June 30, 2025
<b>Provision higher of ECL (IFRS) or as per modaraba regulation</b>	----- Rupees -----	
Stage 1	-	-
Stage 2	-	-
Stage 3	26,783,208	39,832,489
	<u>26,783,208</u>	<u>39,832,489</u>

**6. LONG TERM INVESTMENTS**

This represents an investment of Rs. 50 million (June 2025: Nil) in a privately placed secured Sukuks issued by Thatta Cement Company Limited. The facility has a total tenure of four years, beginning on October 10, 2025, and maturing on October 09, 2029. The investment carries a profit rate of 6-Month KIBOR plus 2.5% per annum. The principal amount is scheduled to be repaid in eight equal installments on a semi-annual basis over the life of the investment.

		January 31, 2026	June 30, 2025
<b>7. LONG TERM LOAN</b>	<b>Note</b>	<b>----- Rupees -----</b>	
Long term loan - considered good	7.1	7,352,937	6,539,765
Less: current portion of long term loan		(2,139,064)	(2,299,116)
Non-current portion		<u>5,213,873</u>	<u>4,240,649</u>

7.1 This includes Rs. 4.81 million (June 2025: 3.13 million) against vehicle monetization loan for 5 years (old vehicle settled off for Rs. 2.80 million under monetization policy and new vehicle of Rs. 4.98 million approved by the board), and Rs. 131,952 (June 2025: 180,560) against house furnishing loan of 3 basic salaries for 3 years (under house furnishing loan approved by the board), provided to Mr. Adnan Shakeel - CFO & Company Secretary, related party.

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**8. LONG TERM ADVANCES**

These advances represent loans provided to employees in accordance with the Sindh Modaraba policy. The loans are unsecured and are recovered through monthly deductions from employees' salaries. The balance also includes loans extended to key management personnel of Sindh Modaraba.

		January 31, 2026	June 30, 2025
	Note	----- Rupees -----	
<b>9. MORABAHA FINANCE</b>			
Receivables	9.1	114,583,333	213,888,889
Less: general provision	9.2	(572,917)	(1,069,444)
		<u>114,010,416</u>	<u>212,819,445</u>

9.1 This represents the finance provided to corporate clients under murabaha finance for periods of 9 months (June 2025: 9 months) which was secured against pledge and personal guarantee of a director.

9.2 This represent general provision made at the rate of 0.5% (June 2025: 0.5%).

		January 31, 2026	June 30, 2025
	Note	----- Rupees -----	
<b>10. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES</b>			
Advances against morabaha - secured	10.1	200,026,000	27,800
Prepayments		3,953,759	3,024,693
Accrued income from Diminishing Musharaka	10.2	17,490,135	10,792,011
Profit receivable from Morabaha		9,269,791	8,697,432
Accrued income from bank deposits	10.3	4,741,100	4,576,734
Accrued income from Sukuk investment		2,134,768	-
Other receivables		5,000	-
		<u>237,620,553</u>	<u>27,118,670</u>

10.1 This represents an amount of Rs. 200 million paid to a party as an advance for the purchase of goods under a Morabaha arrangement. These funds are currently held for the purpose of procuring specific goods on behalf of Modaraba. Once the party confirms the purchase and takes possession of the goods, this advance will be converted into formal Morabaha Financing. The facility is secured by a charge over all present and future fixed assets of the party (excluding land and buildings).

		January 31, 2026	June 30, 2025
		----- Rupees -----	
<b>10.2 Accrued income from Diminishing Musharaka</b>			
Receivable		24,596,798	20,794,065
Less: income suspended		(7,106,663)	(10,002,054)
		<u>17,490,135</u>	<u>10,792,011</u>

10.3 This includes accrued income of Rs. 2.48 million (June 2025: Rs. 11,112) on bank deposits held with Sindh Bank Limited - Islamic Banking Unit, related party.

		January 31, 2026	June 30, 2025
	Note	----- Rupees -----	
<b>11. CASH AND BANK BALANCES</b>			
Stamp paper in hand		66,500	61,900
Cash in hand		50,000	-
Balances with banks:			
- Deposit accounts	11.1	1,158,045,214	369,372,170
- Current accounts	11.2 & 11.3	3,113,549	2,290,157
		<u>1,161,275,263</u>	<u>371,724,227</u>

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- 11.1 These carry profit at rates ranging from 2.35% to 9.90% per annum (June 2025: 4.00% to 10.50% per annum). This includes a balance of Rs. 1.0 billion (June 2025: Rs. 1.73 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.
- 11.2 This includes a balance of Rs. 1.76 million (June 2025: Rs. 1.07 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.
- 11.3 This include bank account maintained by Modaraba with State Bank of Pakistan as per the requirements of BSD Circular No. 04 of 2003 for recovering CIB service charges having balance of Rs 12,703 (June 2025: Rs 26,384).
- 11.4 All bank accounts used by the modaraba are shariah compliant.

**12. CERTIFICATE CAPITAL**

**12.1 Authorized certificate capital**

January 31, 2026	June 30, 2025		January 31, 2026	June 30, 2025
<u>Number of certificates</u>			<u>Rupees</u>	
50,000,000	50,000,000	Modaraba certificates of Rs. 10 each.	500,000,000	500,000,000

**12.2 Issued, subscribed and paid - up certificate capital**

January 31, 2026	June 30, 2025		January 31, 2026	June 30, 2025
<u>Number of certificates</u>			<u>Rupees</u>	
45,000,000	45,000,000	Modaraba certificates of Rs. 10 each fully paid in cash.	450,000,000	450,000,000

- 12.3 As at January 31, 2026, Sindh Modaraba Management Limited (Management Company) holds 42,446,000 i.e. 94.33% (June 30, 2025: 42,446,000 i.e. 94.33%) certificates of the Modaraba.

**13. RESERVES**

	Note	January 31, 2026	June 30, 2025
<b>Revenue</b>			
Unappropriated profit		330,169,213	304,803,450
<b>Capital</b>			
Statutory reserve	13.1	236,705,182	236,705,182
		<u>566,874,395</u>	<u>541,508,632</u>

- 13.1 The statutory reserve represents profit set aside by the Modaraba to comply with the Modaraba Regulations issued by the SECP.

During the period, the Modaraba has transferred an amount of Rs. Nil (June 2025: Rs. 36,022,758) which represents Nil % (June 2025: 20%) of the net profit after tax for the year.

**14. SUBORDINATED FUNDS - Unsecured**

Note	January 31, 2026	June 30, 2025
14.1	<u>2,000,000,000</u>	<u>1,000,000,000</u>

- 14.1 This represents riba free funds provided by the Modaraba Management Company (related party). The fund is unsecured, sub-ordinated to all other indebtedness, and repayable at the discretion of Modaraba. The Modaraba has the option to issue modaraba certificates in future against this fund, subject to necessary regulatory approvals.

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	Note	January 31, 2026	June 30, 2025
		----- Rupees -----	
<b>15. CREDITORS, ACCRUED AND OTHER LIABILITIES</b>			
Other liabilities	15.1	17,506,973	17,958,837
Accrued expenses	15.2	16,731,025	13,996,240
Modaraba management company's remuneration payable - related party		13,134,642	26,709,832
Deferred morabaha income		9,296,975	6,358,277
Provision for Sindh Sales Tax on management company's remuneration		1,970,197	4,006,475
Creditors		6,441	6,441
		<u>58,646,253</u>	<u>69,036,102</u>

15.1 This also includes charity payable amounting to Rs. 1,758,646 (June 2025: Rs. 763,061).

15.2 These includes Rs. 91,036 (June 30, 2025: Rs. 45,518) per month for branch rent payable to Sindh Bank Limited, related party.

	Note	January 31, 2026	June 30, 2025
		----- Rupees -----	
Opening balance		763,061	124,130
Additions during the year		995,585	638,931
Less: paid to recognized charitable institutions		-	-
Closing balance		<u>1,758,646</u>	<u>763,061</u>

16. PAYABLE TO GRATUITY FUND 16.1 746,249 1,036,752

16.1 The gratuity liability as at January 31, 2026 has been estimated based on the actuarial valuation as at June 30, 2025 by proportionately allocating the annual actuarial charge for the period.

	Note	June 30, 2025
		---- Rupees ----
<b>16.2 Reconciliation of balance due to defined benefit plan</b>		
Present value of defined benefit obligation	16.3	7,700,717
Less: fair value of plan assets	16.4	(6,663,965)
Liability as per statement of financial position		<u>1,036,752</u>

**16.3 Movement in the present value of defined benefit obligation**

Opening balance		6,020,800
Current service cost		1,274,381
Cost on defined benefit obligation		842,912
Remeasurements charged to other comprehensive income		
- Actuarial gains from changes in financial assumptions		(14,376)
- Experience adjustments		(423,000)
		<u>(437,376)</u>
Present value of defined benefit obligation	16.2	<u>7,700,717</u>

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		June 30, 2025
		---- Rupees ----
<b>16.4 Changes in fair value of plan assets</b>	<b>Note</b>	
Fair value of plan assets		4,630,597
Contributions		1,390,203
Expected income on plan assets		745,598
Return on plan assets excluding expected income		(102,433)
Fair value of plan assets	16.2	<u>6,663,965</u>
	<b>January 31, 2026</b>	<b>June 30, 2025</b>
	<b>--- Rupees ---</b>	<b>--- Rupees ---</b>
<b>16.5 Expense recognized in the statement of profit and loss</b>		
Current service cost		1,274,381
Cost on defined benefit obligation		842,912
Expected income on plan assets		(745,598)
Expense recognized in the statement of profit and loss	16.1	<u>1,371,695</u>
		<u>746,246</u>
<b>16.6 Total remeasurement chargeable in the statement of comprehensive income</b>		<b>June 30, 2025</b>
		<b>--- Rupees ---</b>
Remeasurement of plan obligation:		
Actuarial (gain) / loss from changes in financial assumptions		(14,376)
Experience adjustments		(423,000)
		(437,376)
Less: Return on plan assets, excluding expected income		102,433
Remeasurement of actuarial (gain) / loss on defined benefit liability		<u>(334,943)</u>
<b>16.7 Changes in net liability</b>		
Liability as per statement of financial position		1,390,203
Expenses to be charged to the statement of profit and loss		1,371,695
Remeasurement chargeable in the statement of comprehensive income		(334,943)
Contributions		(1,390,203)
		<u>1,036,752</u>
		<b>June 30, 2025</b>
		<b>--- Percentage ---</b>
<b>Significant actuarial assumptions</b>		
Discount rate used for cost and expected income in the statement of profit and loss		14.00%
Discount rate used for year end obligation		12.50%
<u>Salary increase used for year end obligation</u>		
Salary increase FY 2025		N/A
Salary increase FY 2026		12.50%
Salary increase FY 2027		12.50%
Salary increase FY 2028		12.50%
Salary increase FY 2029		12.50%
Salary increase FY 2030		12.50%
Salary increase FY 2031 onwards		14.00%
Net salary is increased at		1-Jul-25

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<b>Mortality rates</b>	SLIC (2001-05)-1
The mortality rates are provided by the State Life Insurance Corporation of Pakistan (SLIC).	June 30, 2025
<b>Withdrawal rates</b>	Age-based (per appendix)
<b>Retirement assumption</b>	<u>Age 60</u>
	2025
	--- Rupees ---
<b>Estimated expenses to be charged to the statement of profit and loss</b>	
Current services cost	1,274,381
Cost on defined benefit obligation	842,912
Expected income on plan assets	<u>(745,598)</u>
	<u>1,371,695</u>
<b>Plan assets comprise of</b>	2025
Cash and / or deposits	--- Rupees --- <u>100%</u>
<b>Year end sensitivity (+/- 100bps) on defined benefit obligation</b>	
Discount rate +100 bps	6,804,055
Discount rate - 100 bps	8,756,959
Salary increase +100 bps	8,757,162
Salary increase - 100 bps	6,787,650
<b>Expected benefit payments for the next 10 years and beyond</b>	
FY 2026	261,043
FY 2027	285,825
FY 2028	321,835
FY 2029	353,301
FY 2030	393,952
FY 2031	1,843,963
FY 2032	460,849
FY 2033	517,427
FY 2034	592,861
FY 2035	5,283,391
FY 2036 onwards	<u>172,863,529</u>
	<u>183,177,976</u>
<b>The average duration of the defined benefit obligation is</b>	<u>13 years</u>

This represents amounts received under ijarah finance repayable / adjustable at the expiry of the arrangement.

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	January 31, 2026	June 30, 2025
	----- Rupees -----	
<b>17. TAXATION - NET</b>		
Opening balance - provision	2,035,782	8,307,484
Provision for taxation:		
- Current year	30,312,976	72,374,934
- Prior year	(202,388)	(16,106,713)
	30,110,588	56,268,221
Advance tax deducted / paid	(22,853,462)	(62,539,923)
Closing balance - provision	9,292,908	2,035,782
<b>17.1 Relationship between accounting profit and taxation</b>		
Accounting profit before taxation	116,226,351	236,382,009
Tax at the applicable tax rate of 29% (2025: 29%)	33,705,642	68,550,783
Tax effect of:		
- Adjustments relating to prior years	(202,388)	(16,106,713)
- Others	(3,392,666)	3,824,151
	30,110,588	56,268,221

17.2 The provision for current tax is based on normal income tax charges as per the relevant sections of the Income Tax Ordinance, 2001.

17.3 Deferred tax asset amounting to Rs. 8.33 million (June 2025: 16.33 million) has not been accounted for in these financial statements and Company believe that they may not be able to utilize the deferred tax asset in full.

17.4 The income tax return of the Modaraba for the tax year 2025 has been duly filed with the relevant tax authorities.

**18. CONTINGENCIES AND COMMITMENTS**

**18.1 CONTINGENCIES**

18.1.1 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' favor. Accordingly, no liability in respect of the above has been recognized in these financial statements.

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18.1.2 Government of Sindh through the Sindh WWF Act, 2014, has introduced levy of SWWF. As per Sindh WWF Act, 2014, Banks / Financial Institutions are included in definition of "Industrial Establishment" Sindh WWF is imposed at the rate of 2% to the total income. Since the Banks and other Financial Institutions including Modarabas are trans-provincial entity with the operations in other Provinces as well, the Modarabas & other financial institutions along with other banks have filed a suit before Honorable Sindh High Court and challenged the vires of SWWF. In this respect, the Court in its order dated January 21, 2025, has referred the matter to the Decision of the Council of Common Interest on agenda item 14 dated December 23, 2019 wherein it was decided that the trans-provincial Entities are under the domain of Federal Legislation. In the light of the above judgement, the levy of SWWF is no more payable to SRB unless the Honorable Supreme Court/Parliament reverses the decision or provides interim relief to SRB. Further, Sindh Modaraba being a Sindh Government owned entity through Sindh Modaraba Management limited, does not fall within the definition of "industrial establishment".

Keeping in view the above and as the matter has been taken-up with Government of Sindh to intervene in the matter being Sindh Government Entity as such no provision has been recognized in these financial statements for SWWF. The Modaraba is confident of a favorable outcome and, accordingly, considers the exposure to be contingent in nature.

**18.2 COMMITMENTS**

There are no commitments outstanding as at January 31, 2026 (June 2025: Nil)

19. ADMINISTRATIVE AND OPERATING EXPENSES	Note	January 31, 2026	June 30, 2025
		----- Rupees -----	
Salaries, allowances and other benefits	19.1 & 19.6	44,721,037	61,695,716
Travelling and conveyance		7,004,967	9,481,231
Takaful - financing assets		1,836,605	1,560,266
Legal and professional charges	19.2	1,331,909	2,778,163
Depreciation expense - tangible assets	4.1	1,298,046	904,042
Repairs and maintenance		1,280,635	1,832,660
Utility services		1,099,229	1,870,584
Registration and subscription fee		944,969	1,364,755
Entertainment		714,224	854,236
Generator sharing and fuel charges	19.3	709,910	1,199,819
Rent, rates and taxes	19.4	615,304	729,372
Printing, stationery and photocopy		532,088	711,788
Auditors' remuneration	19.5	499,961	442,104
Security services		350,000	600,000
Miscellaneous		336,010	350,864
Takaful - owned assets		240,217	235,358
Advertisement and publications		146,343	567,632
Postage, courier and telegraphs		96,918	191,588
Staff orientation and training		24,750	15,600
Amortization expense - intangible assets	4.2	14,581	9,026
Donation		-	43,596
		<u>63,797,703</u>	<u>87,438,400</u>

19.1 This includes an amount of Rs. 742,837 (June 2025: Rs. 1,488,935) charged to the provident fund and a provision for gratuity of Rs. 746,249 (June 2025: Rs. 1,371,695).

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	January 31, 2026	June 30, 2025
<b>19.1.1 Defined contribution plan</b>	----- Rupees -----	
Size of the fund (total assets)	19,891,340	19,643,352
Cost of investment made	19,653,350	19,508,704
Fair value of investment made	19,653,350	19,508,704
	----- Percentage -----	
Percentage of investment made	99%	99%
<b>Break up of Investment at cost</b>		
	January 31, 2026	June 30, 2025
	Rupees      Percentage	Rupees      Percentage
	19,653,350      99%	19,508,704      99%
<b>19.2</b>	This includes an amount of Rs. 350,000 (June 2025: Rs. 600,000) charged to Shariah Advisor as compensation for his service.	
<b>19.3</b>	This includes an amount of Rs. 630,000 (June 2025: Rs. 1,080,000) against sharing of expenses with Sindh Insurance Limited - related party.	
<b>19.4</b>	This includes an amount of Rs. 498,626 (June 2025: Rs. 529,356) branch rent to Sindh Bank Limited - related party.	
	January 31, 2026	June 30, 2025
<b>19.5 Auditors' remuneration</b>	----- Rupees -----	
Annual audit fee	119,832	178,632
Special audit fee	150,000	-
Half yearly review fee	61,783	53,724
Shariah audit fee	67,083	100,000
Special certification fee	28,175	42,000
Other services	13,417	20,000
Sindh sales tax	37,034	32,748
Out of pocket expenses	22,637	15,000
	<u>499,961</u>	<u>442,104</u>
<b>19.6 The remuneration paid to key management personnel</b>		
Basic salary	7,685,051	11,892,923
House rent allowance	3,346,199	5,351,815
Medical & utility allowance	1,487,214	2,378,585
Bonuses	1,999,547	3,542,210
Provident fund	195,290	647,819
Other benefits	6,739,635	8,810,177
	<u>21,452,936</u>	<u>32,623,529</u>
	-----Number-----	
Number of executives at the period and year end	6	7
<b>20. REVERSAL OF PROVISION FOR DOUBTFUL RECEIVABLES - NET</b>		
Reversal of provision for doubtful receivables - net	13,225,681	4,766,261
	<u>13,225,681</u>	<u>4,766,261</u>

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		January 31, 2026	June 30, 2025
<b>21. OTHER INCOME - NET</b>	<b>Note</b>	<b>----- Rupees -----</b>	
Documentation and processing fee		722,153	7,874,632
Gain on disposal of property and equipment		-	59,996
Others		83,159	36,361
		<u>805,312</u>	<u>7,970,989</u>
<b>22. MODARABA MANAGEMENT COMPANY'S REMUNERATION</b>	<b>22.1</b>	<u>13,132,921</u>	<u>26,709,832</u>
<b>22.1</b>	The Modaraba Management Company is entitled to remuneration under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of annual profits of the Modaraba computed in the prescribed manner. The remuneration for the period ended January 31, 2026, has been recognized at 10% (June 2025: 10%) of the profit for the period before charging such remuneration and taxation.		
<b>23. EARNINGS PER CERTIFICATE - BASIC AND DILUTED</b>			
<b>23.1 Basic</b>			
Basic earnings per certificate is calculated by dividing the net profit after taxation for the year by the weighted average number of certificates outstanding during the year as follows:			
		January 31, 2026	June 30, 2025
Profit for the period after taxation (Rupees)		<u>86,115,763</u>	<u>180,113,788</u>
Weighted average number of certificates (Numbers)		<u>45,000,000</u>	<u>45,000,000</u>
Earnings per certificate (Rupees)		<u>1.91</u>	<u>4.00</u>
<b>23.2 Diluted</b>			
Diluted earnings per certificate is calculated by dividing the net profit after taxation for the year by the weighted average number of certificates outstanding during the year and convertible certificates as follows:			
	<b>Note</b>	January 31, 2026	June 30, 2025
Profit for the period after taxation (Rupees)		<u>86,115,763</u>	<u>180,113,788</u>
Weighted average number of certificates (Numbers)	23.2.1	<u>245,000,000</u>	<u>145,000,000</u>
Earnings per certificate (Rupees)		<u>0.35</u>	<u>1.24</u>
<b>23.2.1</b>	As per the agreement of Subordinated Fund between Sindh Modaraba (Modaraba) and Sindh Modaraba Management Limited (Modaraba Company), the Modaraba has the ability to repay the Subordinated Fund to Modaraba Company at its sole discretion and does not have any intention to convert these unpaid Funds into Modaraba certificates in the foreseeable future. However, in case of the occurrence of inability to repay the unpaid drawn amount, the Modaraba at its sole discretion, may convert such unpaid Funds into ordinary certificates of Modaraba to Modaraba Company subject to Regulatory approval.		
<b>24. NUMBER OF EMPLOYEES</b>		January 31, 2026	June 30, 2025
Total numbers of employees at period and year end		<u>21</u>	<u>18</u>
Average number of employees		<u>20</u>	<u>17</u>

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**25. RELATED PARTY BALANCES AND TRANSACTIONS**

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

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

25.1 TRANSACTIONS FOR THE PERIOD	Note	January 31, 2026	June 30, 2025
		----- Rupees -----	
<b>Sindh Bank Limited - associated company</b>			
Income from deposits		2,522,410	131,633
Branch rent paid		-	537,838
		<u>2,522,410</u>	<u>669,471</u>
<b>Sindh Modaraba Management Limited - management company</b>			
Modaraba management company's remuneration paid		26,709,832	34,631,681
Dividend paid / distributed		57,302,100	53,057,500
Subordinated fund received		1,000,000,000	-
		<u>1,084,011,932</u>	<u>87,689,181</u>
<b>Sindh Insurance Limited - associated company</b>			
Takaful paid		3,726,162	5,001,887
Sharing of expenses paid		554,280	1,080,000
		<u>4,280,442</u>	<u>6,081,887</u>
<b>Key Management Personnel</b>			
Salaries, allowances and benefits paid	19.6	21,452,936	32,623,529
<b>Sindh Modaraba Employees Provident Fund - employee fund</b>			
Contribution paid (both employer's and employee's contribution)		6,050,749	2,977,870
<b>Sindh Modaraba Employees Gratuity Fund - employee fund</b>			
Contribution paid		1,036,752	1,390,203
<b>26. FINANCIAL INSTRUMENTS BY CATEGORY</b>			
<b>Financial assets as per the statement of financial position</b>			
<b>At amortized cost</b>			
<i>Non-current assets</i>			
- Long term portion of diminishing musharaka		709,838,230	716,692,373
- Long term investments		50,000,000	-
- Long term advances		532,371	726,823
- Long term loan		5,213,873	4,240,649
		<u>765,584,474</u>	<u>721,659,845</u>
<i>Current assets</i>			
- Cash and bank balances		1,161,275,263	371,724,227
- Advances, deposits and other receivables		233,661,794	24,093,977
- Current portion of diminishing musharaka		787,538,845	726,974,570
- Morabaha		114,010,416	212,819,445
- Current portion of long term advances		588,540	522,372
- Current portion of long term loan		2,139,064	2,299,116
		<u>2,299,213,922</u>	<u>1,338,433,707</u>
		<u>3,064,798,396</u>	<u>2,060,093,552</u>

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	January 31, 2026	June 30, 2025
	----- Rupees -----	
<b>Financial liabilities as per the statement of financial position</b>		
<b>At amortized cost</b>		
<i>Current liabilities</i>		
- Creditors, accrued and other liabilities	58,646,253	69,036,102
- Payable to gratuity fund	746,249	1,036,752
- Profit distribution payable	1,341,764	1,190,116
	<u>60,734,266</u>	<u>71,262,970</u>

**27. FINANCIAL RISK MANAGEMENT FRAMEWORK**

The activities of the Modaraba is exposed to a variety of financial risks: market risk, credit risk and liquidity risk. Risk is inherent in the Modaraba's activities, but it is managed through monitoring and controlling activity which are viably setup based on the limit established by the Management company. The Board of Directors of the Management Company has the overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

**27.1 Market risk**

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises of three types of risks: currency risk, profit rate risk and other price risk.

**27.2 Currency risk**

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist in foreign currencies. As at January 31, 2026, Modaraba has no financial assets and liabilities in foreign currencies.

**27.3 Profit rate risk**

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market profit rates. The Modaraba has adopted appropriate policies to minimise its exposure to this risk.

**27.4 Price risk**

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As on January 31, 2026, the Modaraba did not hold any instruments which exposes it to price risk.

**27.5 Credit risk**

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk generally emanates from balances with banks, Ijarah rentals receivable, Investments and Diminishing Musharaka arrangements, deposits and other receivables.

The maximum exposure to credit risk at the end of the reporting period without taking into account any collateral held or other credit enhancement amounts are as follows:

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	January 31, 2026	June 30, 2025
	----- Rupees -----	
Cash and bank balances	1,161,275,263	371,724,227
Long term investments	50,000,000	-
Diminishing Musharaka	1,497,377,075	1,443,666,943
Morabaha	114,010,416	212,819,445
Advances, deposits and other receivables	233,661,794	24,093,977
Long term advances	1,120,911	1,249,195
Long term loan	7,352,937	6,539,765
	<u>3,064,798,396</u>	<u>2,060,093,552</u>

As at January 31, 2026, there were no financial assets which were pledged as collateral for liabilities or contingent liabilities of the Modaraba.

**27.6 Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Modaraba's total credit exposure. Concentrations of credit risk indicate the relative sensitivity of the Modaraba's performance to developments affecting a particular industry.

The Modaraba manages credit risks and its concentration through diversification of activities to avoid undue concentration of risk with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for individuals and industrial sectors.

**27.6.1 Details of the sector analysis of gross investment portfolio is as follows:**

Sectors	January 31,2026		June 30, 2025	
	Rupees	%	Rupees	%
Sugar	271,870,431	16.51	631,307,316	37.04
Oil & Gas - Oil Marketing	57,758,307	3.51	45,991,209	2.70
Electric and power	225,000	0.01	1,800,000	0.11
Services	33,178,689	2.02	33,890,677	1.99
Individual	92,362,129	5.61	58,781,968	3.45
Sectors	January 31,2026		June 30, 2025	
	Rupees	%	Rupees	%
Printing and packaging	25,848,062	1.57	33,931,116	1.99
Transport	34,480,635	2.09	48,756,750	2.86
Metal & Steel	95,833,334	5.82	100,000,000	5.87
Construction	73,805,022	4.48	56,786,113	3.33
Pharmaceutical	97,456,405	5.92	75,000,000	4.40
Poultry, Poultry feed & hatchery	30,200,623	1.83	37,835,271	2.22
Chemical & Allied (Other)	440,548,734	26.76	163,279,524	9.58
Textile	147,294,179	8.95	108,370,769	6.36
Food & Beverages	2,688,125	0.16	15,305,000	0.90
Energy	29,415,376	1.79	38,762,198	2.27
Health	201,030,460	12.21	245,779,691	14.42
Others	12,211,213	0.74	8,953,700	0.53
	<u>1,646,206,724</u>	<u>100</u>	<u>1,704,531,302</u>	<u>100</u>

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**27.6.2 Management of credit risk**

The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Prudential Regulations (PRs) for Modarabas issued by the SECP. The Modaraba seeks to manage its credit risk exposure through diversification of its diminishing musharka and morabaha arrangements to avoid undue concentration of risks with individuals or groups of customers in specific locations or businesses.

The credit quality of Modaraba's financial assets with banks is assessed with reference to external credit ratings.

Credit risk ratings	Rating	January 31,	June 30,
		2026	2025
		-----Rupees-----	
Bank balances - Sindh Bank Limited	AA- / A-1+	1,003,510,744	3,993,595
Bank balances - Meezan Bank Limited	AAA / A-1+	20,210	19,992
Bank balances - MCB Islamic Bank Limited	A+ / A-1	1,518	1,394
Bank balances - NRSP Micro Finance Bank Limited	A- / A-2	21,439	20,783
Bank balances - Soneri Bank Limited	AA- / A1+	156,970,572	204,682,317
Bank balances - Al-Baraka Bank Pakistan Limited	A+ / A-1	620,411	162,916,726
Bank balances - Habib Metropolitan Bank Limited	AA+ / A-1+	1,168	1,136
Bank balances - State Bank of Pakistan		12,703	26,384
		<u>1,161,158,765</u>	<u>371,662,327</u>



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**28. CAPITAL RISK MANAGEMENT**

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Modaraba defines as net profit for the year divided by total Certificate holders' equity. The Board of Directors also monitors the level of dividend to ordinary certificate holders.

The Modaraba is not subject to externally imposed capital requirements.

The Modaraba finances its operations through equity and management of working capital with a view to maintain an appropriate mix between various sources of finance to minimize risk. There is no borrowing made by the Modaraba as at the statement of financial position date, therefore, no gearing ratio is calculated.

**29. 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) 13, 'Fair value measurements' 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 January 31, 2026, there were no financial instruments which were measured at fair values in the financial statements.

**30. 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 investment in entities incorporated in Pakistan.

The financial statements have been prepared on the basis of a single reportable segment.

Revenue from operations from ten major customers of the Modaraba constitutes 67.88% (June 2025: 63.81% from ten major customers) of the total revenue from operations during the period ended January 31, 2026.

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**31. Specific Disclosures for Sharia Compliant Companies**

The disclosures required under clause 10 of item no. VI and item no. VII of the Fourth Schedule of the Companies Act, 2017 for sharia complaint companies and the companies listed on Islamic index are as follows:

S. No.	Disclosure required	Reference to the disclosure
i)	Loans/advances obtained as per Islamic mode	None.
ii)	Financing (long-term, short-term, or lease financing) obtained as per Islamic mode	None.
iii)	Long-term and short-term Shariah compliant Investments	None.
iv)	Shariah compliant bank deposits/bank balances	Placed under Shariah permissible arrangement as disclosed in Note 11.
v)	Profit earned from shariah compliant bank deposits/bank balances	Placed under Shariah permissible arrangement as disclosed in statement of financial position.
vi)	Revenue earned from a shariah compliant business segment	All revenue earned is from shariah compliant business segment.Refer note 30.
vii)	Break-up of late payments or liquidated damages	None.
viii)	Gain/loss or dividend earned from shariah compliant investments	Refer statement of profit and loss.
ix)	Share of profit from Shariah-compliant associates	None.
x)	Exchange gain earned from actual currency	None.
xi)	Exchange gains earned using conventional derivative financial instruments	None.
xii)	Mark-up / profit paid on Islamic mode of financing	None.
xiii)	Profits earned or interest accrued on any conventional loan or advance	None.
xiv)	Source and detailed breakup of other income	All of the other income is shariah compliant
xv)	Relationships with Shariah-compliant financial institutions, including banks, takaful operators and their windows, etc.	<p><b>Banker:</b>            Al Baraka Bank Limited, Soneri Bank Limited, Sindh Bank Limited, Meezan Bank Limited, MCB Islamic Bank, NRSP Microfinance bank</p> <p><b>Lessor:</b>            None.</p> <p><b>Takaful operators:</b>            Sindh Insurance Limited -Window Takaful</p>

**32. NON - ADJUSTING EVENT AFTER THE REPORTING PERIOD**

The Board of Directors of the Management Company in their meeting held on 22 APR 2026 approved a cash distribution of Rs. Nil (June 30, 2025: Rs. 1.35 per certifice) per certificate.

**34. CORRESPONDING FIGURES**

Prior year's figures have been reclassified for the purpose of better presentation and comparison where considered necessary.

**35. DATE OF AUTHORISATION**

These financial statements were authorized for issue on 22 APR 2026 by the Board of Directors of the Management Company.

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36. GENERAL

- 36.1 Comparative figures of immediately preceding financial year have been used for better presentation and accuracy as no audited figures are available for the corresponding period.
- 36.2 The figures have been rounded off to the nearest rupees. *ETA*

For Sindh Modaraba Management Limited (Modaraba Management Company - Owned by Government of Sindh)

*Wasim Memon*  
\_\_\_\_\_  
Chairman

*[Signature]*  
\_\_\_\_\_  
Chief Executive Officer

*[Signature]*  
\_\_\_\_\_  
Director

*[Signature]*  
\_\_\_\_\_  
Chief Financial Officer