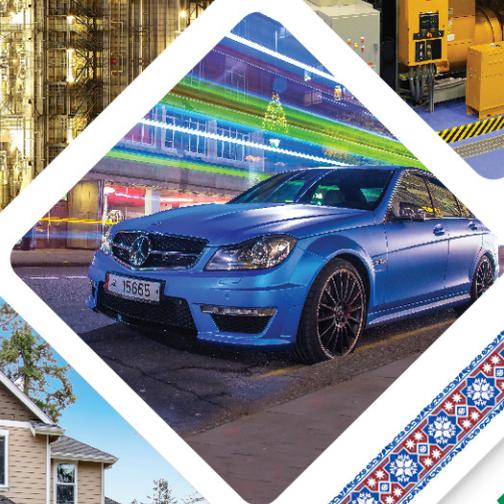


IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

**SINDH MODARABA**



HALF YEARLY REPORT
DECEMBER 2018

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

آلَا لَهُ الْخَلْقُ وَالْأَمْرُ

(دیکھو سب مخلوق بھی اسی (اللہ) کی ہے اور حکم بھی اسی کا ہے)

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Vision & Mission Statements

Vision

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

Mission

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

Corporate Information

Board of Directors

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

CFO & Company Secretary

Zulfiqar Ali

Audit Committee

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

Bankers

Sindh Bank Limited-Islamic Banking (Saadat)
NRSP Microfinance Bank Limited (IMD)

Auditors

Grant Thornton Anjum Rahman
Chartered Accountants

Shariah Advisor

Mufti Zeeshan Abdul Aziz

Legal Advisor

Mohsin Tayebaly & Co.

Share Registrar

F.D. Registrar Services (SMC-Pvt.) Ltd.
Office # 1705, 17th Floor, Saima Trade Tower-A
I.I. Chundrigarh Road, Karachi
Tel: (92-21) 35478192-93/32271906

Registered/Head Office

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

Lahore Branch

Escort House No. 28
Davis Road
Lahore

Directors' Review

The Board of Directors of Sindh Modaraba Management Limited, Management Company of Sindh Modaraba is pleased to present the un-audited Financial Statements of Sindh Modaraba for six-months period of FY-2019 ended December 31, 2018.

Operating Results

During the period under review, the Modaraba earned a profit of Rs. 32.439 million as compared to Rs. 25.441 million earned during the corresponding period ended December 31, 2017. Due to prevailing economic uncertainties in the country, the management remained highly cautious in its lending decisions. Substantial increase in policy rate by the SBP since the inception of current fiscal year has positively impacted the Modaraba's profitability for the period.

Future Prospects

The new government is taking various measures to attract foreign investment. Its efforts in this direction are yielding positive results. The Rupee which had initially depreciated rapidly is showing signs of stability and immediate IMF's assistance seems to have been staved off as a result of improved inflows of foreign exchange from friendly countries. Inflation too seems to be tapering off auguring well for a conducive business environment. However, continued improving macro economic trend would be critical for the remaining six months of the fiscal year to judge if the economy is on a right track. Under this scenario, the management intends to continue its cautious lending approach and focus on timely recovery of already extended facilities. The increased interest rates would have a positive impact on Modaraba's future profitability. We are cautiously optimistic of achieving even better results in the remaining half of the current financial year.

Acknowledgment

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

On behalf of Board

Karachi
January 24, 2019

Muhammad Naimuddin Farooqui
Chief Executive Officer

ڈائریکٹرز کا جائزہ

ہم سندھ مضاربہ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کی جانب سے، 31 دسمبر 2018 کو مکمل ہونے والی FY-2019 کی ششماہی کے سندھ مضاربہ کے غیر آڈٹ شدہ اکاؤنٹس پیش کرتے ہوئے مسرت محسوس کر رہے ہیں۔

آپریٹنگ نتائج

مضاربہ نے 31 دسمبر 2017ء کو ختم ہونے والی ششماہی میں Rs. 25.441 ملین منافع کے مقابلے میں زیر غور ششماہی میں Rs. 32.439 ملین کا منافع کمایا۔ ملک میں موجودہ اقتصادی غیر یقینی صورتحال کی وجہ سے، انتظامیہ قرضے کی فراہمی کے فیصلوں میں انتہائی محتاط رہی۔ موجودہ مالیاتی سال کے آغاز کے بعد ایس۔ پی۔ پی کی پالیسی کی شرح میں قابل ذکر اضافہ سے اس عرصے میں مضاربہ کے منافع پر مثبت اثرات مرتب ہوئے ہیں۔

امکانات مستقبل

نئی حکومت غیر ملکی سرمایہ کاری کو بڑھانے کے لئے مختلف اقدامات کر رہی ہے۔ اس سمت میں نئی حکومت کی کوششیں مثبت نتائج حاصل کر رہی ہیں۔ روپیہ جو کہ ابتدائی عرصے میں تیزی سے گر رہا تھا، اب استحکام کی نشاندہی کر رہا ہے اور دو ست ممالک سے ذر مبادلہ کی بہتر آمد کی وجہ سے آئی۔ ایم۔ ایف کی فوری مدد کی ضرورت ٹل گئی ہے۔ افراط زر بھی نیچے آتا ہو نظر آ رہا ہے، جو کہ سازگار کاروباری ماحول کی علامت ہے۔ تاہم، معیشت کے درست راہ پر گامزن ہونے کو جانچنے کیلئے مالی سال کے بقیہ چھ ماہ میں وسیع اقتصادی ماحول میں مسلسل بہتری کا رجحان اہم ہو گا۔ اس پس منظر میں انتظامیہ اپنی قرضہ دینے کی محتاط پالیسی کو جاری رکھنا اور پہلے سے فراہم شدہ سہولیات کی بروقت وصولی پر توجہ مرکوز رکھنا چاہتی ہے۔ بڑھتی ہوئی سود کی شرح سے مضاربہ کے مستقبل کے منافع پر مثبت اثر پڑے گا۔ ہم موجودہ مالی سال کے باقی نصف حصے میں بھی بہتر نتائج حاصل کرنے میں احتیاط سے پرامید ہیں۔

اعتراف

ہم بورڈ آف ڈائریکٹرز کی طرف سے اسپانسرز، ریگولیٹرز اور ہمارے شرعی مشیر کی رہنمائی اور حمایت کے لئے، ان کا شکریہ ادا کرنا چاہتے ہیں۔ ہم اپنے گاہکوں کی مسلسل حمایت کے معترف ہیں اور مضاربہ کے ملازمین کے خلوص اور سخت محنت کو بھی سراہتے ہیں۔

بورڈ کی جانب سے

محمد نسیم الدین فاروقی
چیف ایگزیکٹو آفیسر

کارچی

24 جنوری 2019ء

INDEPENDENT AUDITORS' REVIEW REPORT REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE CERTIFICATE HOLDERS

Introduction

We have reviewed the accompanying condensed interim balance sheet of the Sindh Modaraba (the Modaraba) as of December 31, 2018, and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim statement of changes in equity and condensed interim cash flow statement for the six-month period then ended, together with explanatory notes (here-in-after referred to as the "condensed interim financial information"). The Modaraba Management Company [Sindh Modaraba Management Limited] is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Statements Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting.

Other Matters

The figures for the quarters ended December 31, 2018 and December 31, 2017 in the condensed interim financial information have not been reviewed and we do not express conclusion on them.

Grant Thornton Anjum Rahman
Chartered Accountants

Karachi
January 24, 2019

Muhammad Shaukat Naseeb
Engagement Partner

Condensed Interim Balance Sheet

As At December 31, 2018

	December 31, 2018	June 30, 2018
	Un-audited	Audited
Note	-----Rupees-----	
ASSETS		
Current assets		
Cash and bank balances	4 678,395,956	670,732,532
Short term investment	5 110,000,000	130,000,000
Ijarah rental receivables	6 9,031,435	6,843,967
Advances, prepayments and other receivables	7 36,168,118	69,975,934
Murabaha Finance	8 7,992,800	10,439,645
Current portion of Diminishing Musharaka	9 260,370,317	208,379,336
Current portion of long term loan	324,000	324,000
Total current assets	1,102,282,626	1,096,695,414
Non - current assets		
Long term Diminishing Musharaka	9 438,702,881	407,036,245
Ijarah assets	10 17,938,677	61,302,196
Long term loan	54,000	216,000
Fixed assets	11 3,747,107	4,178,863
Total non - current assets	460,442,665	472,733,304
TOTAL ASSETS	1,562,725,291	1,569,428,718
LIABILITIES AND EQUITY		
Current liabilities		
Creditors, accrued and other liabilities	12 541,710,696	524,638,794
Current portion of customers' security deposit	13 6,143,520	28,722,445
Profit distribution payable	387,383	105,615
	548,241,599	553,466,854
Non - current liabilities		
Customers' security deposit	13 8,000	175,650
TOTAL LIABILITIES	548,249,599	553,642,504
CERTIFICATE HOLDERS' EQUITY		
Certificate capital		
Authorised certificate capital		
50,000,000 certificates of Rs. 10 each (June 2018: 50,000,000 certificates of Rs. 10 each)	500,000,000	500,000,000
Issued, subscribed, and paid-up certificate capital	450,000,000	450,000,000
Reserves	64,475,692	65,786,214
Long term loan	14 500,000,000	500,000,000
TOTAL EQUITY	1,014,475,692	1,015,786,214
TOTAL LIABILITIES AND EQUITY	1,562,725,291	1,569,428,718
CONTINGENCIES AND COMMITMENTS		
	15	

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

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



Chairman



Chief Executive



Director

Condensed Interim Profit And Loss Account - Unaudited

For The Six-month Period Ended December 31, 2018

	Six months period ended		Three months period ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
Note	Rupees			
Income from:				
- Diminishing Musharaka	40,940,750	25,091,558	24,362,129	12,506,955
- Ijarah	23,841,239	40,257,306	10,467,314	18,429,282
- Murabaha Finance	-	183,279	-	183,279
- Bank deposits	6,560,327	8,930,280	3,732,620	2,975,035
- Term deposits receipts	5,523,153	3,157,611	2,898,920	3,157,611
	<u>76,865,469</u>	<u>77,620,034</u>	<u>41,460,983</u>	<u>37,252,162</u>
Administrative and operating expenses	16 (16,711,077)	(13,953,349)	(9,389,612)	(6,867,351)
Depreciation - Ijarah assets	10 (20,372,960)	(34,626,974)	(8,933,708)	(15,789,243)
(Provision)/ reversal on ijarah rental receivable	6 (10,992)	3,308	(10,201)	239
Income suspended/provision in respect of murabaha finance	(2,446,845)	(40,078)	(1,945,739)	(40,078)
(Provision)/ reversal in respect of diminishing musharaka	(420,390)	(173,836)	(503,715)	18,880
	<u>(39,962,264)</u>	<u>(48,790,929)</u>	<u>(20,782,975)</u>	<u>(22,677,553)</u>
	<u>36,903,205</u>	<u>28,829,105</u>	<u>20,678,008</u>	<u>14,574,609</u>
Other income	415,295	438,467	170,595	283,467
	<u>37,318,500</u>	<u>29,267,572</u>	<u>20,848,603</u>	<u>14,858,076</u>
Management Company's remuneration	(3,731,850)	(2,926,757)	(2,084,860)	(1,485,808)
Provision for services sales tax on the Management Company's remuneration	(485,141)	(380,479)	(271,032)	(193,155)
Workers' welfare fund	(662,031)	(519,207)	(369,854)	(263,582)
Profit before taxation	<u>32,439,478</u>	<u>25,441,129</u>	<u>18,122,857</u>	<u>12,915,531</u>
Taxation	17 -	-	-	-
Profit for the period	<u>32,439,478</u>	<u>25,441,129</u>	<u>18,122,857</u>	<u>12,915,531</u>
Earnings per certificate - basic and diluted	<u>0.72</u>	<u>0.57</u>	<u>0.40</u>	<u>0.29</u>

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

For Sindh Modaraba Management Limited (Management Company)



Chairman



Chief Executive



Director

Condensed Interim Statement Of Comprehensive Income - Unaudited

For The Six-month Period Ended December 31, 2018

	Six months period ended		Three months period ended	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
	-----Rupees-----			
Profit for the period	32,439,478	25,441,129	18,122,857	12,915,531
Other comprehensive income for the period				
- items that may be reclassified to profit and loss account	-	-	-	-
- items that will not be reclassified to profit and loss account subsequently	-	-	-	-
Total comprehensive income for the period	<u>32,439,478</u>	<u>25,441,129</u>	<u>18,122,857</u>	<u>12,915,531</u>

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

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



Chairman



Chief Executive



Director

Condensed Interim Cash Flow Statement - Unaudited

For The Six-month Period Ended December 31, 2018

	Note	Six months period ended	
		December 31,	December 31,
		2018	2017
		-----Rupees-----	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		32,439,478	25,441,129
Adjustments for non - cash and other items			
Depreciation - Ijarah assets	10	20,372,960	34,626,974
Depreciation - Fixed assets	11.1 & 11.2	839,853	677,055
Income on bank deposits		(6,560,327)	(8,930,280)
Income on term deposit receipts		(5,523,153)	(3,157,611)
Gain on disposal of ijarah asset		(56,595)	(180,629)
Provision in respect of Diminishing Musharaka		420,390	173,836
Provision/ (reversal) for ijarah rental receivable	8	10,992	(3,308)
Income suspended/ provision in respect of murabaha finance		2,446,845	40,078
		11,950,965	23,246,115
Working capital changes			
Advances, prepayments and other receivables	8	39,023,084	(17,983,148)
Murabaha Finance		-	(8,015,612)
Ijarah rental receivables		(2,198,460)	661,702
Diminishing Musharaka		(84,078,007)	(34,767,115)
Creditors, accrued and other liabilities		16,871,899	8,908,133
Long term loan		162,000	162,000
Customers' security deposit		(22,746,575)	199,333
		(52,966,059)	(50,834,707)
Income received on term deposit receipts		1,962,466	-
Income received on bank deposits		4,905,746	9,970,601
Net cash (used in) / generated from operations		(1,707,404)	7,823,138
CASH FLOWS FROM INVESTING ACTIVITIES			
Sale proceed from disposal of ijarah asset		23,047,157	2,996,046
Redemption of short term investments		130,000,000	-
Purchase of short term investments		(110,000,000)	(80,000,000)
Purchase of fixed assets	11.1	(208,097)	(69,700)
Net cash generated from / (used in) investing activities		42,839,060	(77,073,654)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(33,468,232)	(20,172,176)
Net cash used in financing activities		(33,468,232)	(20,172,176)
Net increase / (decrease) in cash and cash equivalents		7,663,424	(89,422,692)
Cash and cash equivalents at the beginning of the period		670,732,532	370,776,004
Cash and cash equivalents at the end of the period		678,395,956	281,353,312

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

For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

Condensed Interim Statement of Changes in Equity

For The Six-month Period Ended December 31, 2018

	Issued, subscribed, and paid - up certificate capital	Reserves			Long term loan	Total equity
		Statutory reserve	Unappropriated profit	Total		
Rupees						
Balance as at July 01, 2017 - audited	450,000,000	11,324,329	22,347,312	33,671,641	500,000,000	983,671,641
Profit for the period	-	-	25,441,129	25,441,129	-	25,441,129
Transaction with Certificate Holders						
Profit distribution @ Rs. 0.45 (4.5%) per certificate	-	-	(20,250,000)	(20,250,000)	-	(20,250,000)
Balance as at December 31, 2017 - unaudited	<u>450,000,000</u>	<u>11,324,329</u>	<u>27,538,441</u>	<u>38,862,770</u>	<u>500,000,000</u>	<u>988,862,770</u>
Balance as at July 01, 2018 - audited	450,000,000	27,033,701	38,752,513	65,786,214	500,000,000	1,015,786,214
Profit for the period	-	-	32,439,478	32,439,478	-	32,439,478
Transaction with Certificate Holders						
Profit distribution @ Rs. 0.75 (7.5%) per certificate	-	-	(33,750,000)	(33,750,000)	-	(33,750,000)
Balance as at December 31, 2018 - unaudited	<u>450,000,000</u>	<u>27,033,701</u>	<u>37,441,991</u>	<u>64,475,692</u>	<u>500,000,000</u>	<u>1,014,475,692</u>

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

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



Chairman



Chief Executive



Director

Notes to the Condensed Interim Financial Information

For The Six-Month Period Ended December 31, 2018

1 LEGAL STATUS AND NATURE OF BUSINESS

Sindh Modaraba (the Modaraba) has been floated under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Sindh Modaraba Management Limited (the Management Company), which is a wholly owned subsidiary of Government of Sindh. The registered office of the Modaraba is situated at 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.

The Modaraba is a perpetual, multi-purpose and multi-dimensional Modaraba and is primarily engaged in providing Shariah compliant financing facilities to credit worthy customers. The Modaraba is listed on Pakistan Stock Exchange Limited.

The JCR-VIS Credit Rating Company Limited has maintained long term rating of A+ and short term rating of A-1 to the Modaraba. Outlook on the assigned rating is 'Stable'.

2 BASIS OF PREPARATION

2.1 Statement of compliance

This condensed interim financial information of the Modaraba for the six months period ended December 31, 2018 have been prepared by the management in accordance with the International Accounting Standard (IAS)-34 "Interim Financial Reporting" and Islamic Financial Accounting Standards (IFASs) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). In case the requirements of the Ordinance and the Rules differ with the requirements of IFRS, the requirements of the Ordinance or the Rules shall prevail.

The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of International Accounting Standard 34; 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Modaraba for the year ended June 30, 2018.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

Notes to the Condensed Interim Financial Information

For The Six-Month Period Ended December 31, 2018

2.4 Use of significant estimates and judgments

The preparation of condensed interim financial information in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of the Modaraba's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on on-going basis.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of audited annual financial statements of the Modaraba for the year ended June 30, 2018.

3.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

There are certain new standards and amendments to approved accounting standards which are mandatory for the Modaraba's annual accounting period which began on July 1, 2018.

Standard, Interpretation or Amendment	Effective date (annual period beginning on or after)
IFRS 9 - Financial Instruments	July 1, 2018
IFRS 15 - Revenue from Contracts with Customers	July 1, 2018

The Modaraba has adopted IFRS 9 'Financial Instruments' issued by the International Accounting Standards Board (IASB) in July 2014. IFRS 9 replaces the existing guidance in IAS 39, " Financial Instruments: Recognition and Measurement" and includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. There has been no major change resulted in accounting treatment for the financial instruments that have been accounted for in these financial statements except for the calculation of impairment provision on financial assets where the requirements of the Prudential Regulations for Modarabas as issued by SECP prevails.

3.1.1 Certain new amendments including to approved accounting standards have been published and are mandatory for the Modaraba's accounting period beginning on or after July 01, 2018 but are considered not to be relevant or to have any significant effect on this condensed interim financial information.

Notes to the Condensed Interim Financial Information

For The Six-Month Period Ended December 31, 2018

3.2 Standards, interpretations and amendments to approved accounting standards that are not yet effective.

Standard, Interpretation or Amendment	Effective date (annual period beginning on or after)
IFRS 16 - Leases	January 1, 2019
IFRIC 23 - Uncertainty over Income Tax Treatments	January 1, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)	January 1, 2019
Annual Improvements to IFRSs 2015 - 2017 Cycle	January 1, 2019
IFRS 9 - Prepayment Features with Negative Compensation (Amendments to IFRS 9)	January 1, 2019
IAS 19 - Plan Amendment, Curtail or Settlement (Amendments to IAS 19)	January 1, 2019

	December 31, 2018		June 30, 2018	
	Un-audited		Audited	
4 CASH AND BANK BALANCES	Note -----Rupees-----			
Cash in hand		20,000		3,197
Stamp paper in hand		62,100		78,900
Balances with banks on:				
- deposit accounts	4.1	677,912,023		670,509,215
- current accounts	4.2	401,833		141,220
		<u>678,395,956</u>		<u>670,732,532</u>

4.1 These carry profit at the rates ranging from 7.03% to 8.5% per annum. (June 30, 2018: 4.78% to 5.8% per annum). This includes balance of Rs. 677.87 million (June 30, 2018: 666.54 million) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

4.2 This includes balance of Rs. 399,070 (June 30, 2018: Rs. 119,988) held with Sindh Bank Limited - Islamic Banking Unit, a related party.

	December 31, 2018		June 30, 2018	
	Un-audited		Audited	
5 SHORT TERM INVESTMENT	Note -----Rupees-----			
Term deposit receipts	5.1	<u>110,000,000</u>		<u>130,000,000</u>

5.1 This represents investment made in Term Deposit Receipt in a Microfinance Bank - Islamic Division for the period of six months. This investment carries markup at rate 10.25% per annum (June 30, 2018: from 6.96% to 8.57%).

Notes to the Condensed Interim Financial Information

For The Six-Month Period Ended December 31, 2018

		<u>December 31,</u> <u>2018</u>	<u>June 30,</u> <u>2018</u>
		<u>Un-audited</u>	<u>Audited</u>
	Note	-----Rupees-----	
6	IJARAH RENTAL RECEIVABLES		
	Ijarah rental receivables - secured	9,076,819	6,878,359
	Less: provision for ijarah rental receivable	6.1 (45,384)	(34,392)
		<u>9,031,435</u>	<u>6,843,967</u>
6.1	This represents general provision made at the rate of 0.5% (June 30, 2018: 0.5%) against ijarah rental receivable.		
		<u>December 31,</u> <u>2018</u>	<u>June 30,</u> <u>2018</u>
		<u>Un-audited</u>	<u>Audited</u>
	Note	-----Rupees-----	
7	ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
	Advances	7.1 13,583,518	61,889,720
	Prepayments	967,385	1,338,614
	Accrued income from bank deposits	4,764,503	3,109,922
	Accrued income from term deposit receipts	4,883,399	1,322,712
	Accrued income from Diminishing Musharaka	11,969,213	2,314,866
	Other receivables	100	100
		<u>36,168,118</u>	<u>69,975,934</u>
7.1	This includes advance to vendors in respect of acquisition of assets under Diminishing Musharaka arrangement for onward delivery to customer amounting to Rs. 12.170 million (June 30, 2018: Rs. 61.15 million).		
		<u>December 31,</u> <u>2018</u>	<u>June 30,</u> <u>2018</u>
		<u>Un-audited</u>	<u>Audited</u>
	Note	-----Rupees-----	
8	MURABAHA FINANCE		
	Receivables - secured	8.1 10,492,106	10,492,106
	Less: income suspended	(501,106)	-
	Less: provision in respect of murabaha finance	(1,998,200)	(52,461)
		<u>7,992,800</u>	<u>10,439,645</u>
8.1	This represents the finance provided to a Corporate client under Murabaha finance for period of 6 months which is secured against mortgage of property and personal guarantee of a director. This includes Rs. 501,106 which represents profit receivable.		

Notes to the Condensed Interim Financial Information

For The Six-Month Period Ended December 31, 2018

		December 31, 2018	June 30, 2018
		<u>Un-audited</u>	<u>Audited</u>
Note	-----	Rupees	-----
9 DIMINISHING MUSHARAKA			
Receivables - secured	9.1	702,586,129	618,508,122
Less: current portion		(260,370,317)	(208,379,336)
Less: provision	9.2	(3,512,931)	(3,092,541)
Non current portion		<u>438,702,881</u>	<u>407,036,245</u>

9.1 This represents the finance provided to Individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 2 to 20 years (June 30, 2018: 2 to 20 years) which is secured against mortgage of property, lien on title documents and charge on assets.

9.2 This represents general provision made at the rate of 0.5% (June 30, 2018: 0.5%) on Diminishing Musharaka receivables.

10 IJARAH ASSETS

Particulars	Cost			Accumulated Depreciation			WDV as at December 31, 2018	Depreciation rate
	As at July 01, 2018	Disposal	As at December 31, 2018	As at July 01, 2018	Charge for the period/ (Adjustment)	As at December 31, 2018		
	----- Rupees -----							
Plant and machinery	194,470,625	(113,220,625)	81,250,000	144,397,166	17,509,898 (90,576,500)	71,330,564	9,919,436	33.33%
Vehicles	25,108,700	(688,000)	24,420,700	13,879,963	2,863,062 (341,566)	16,401,459	8,019,241	20% - 33.33%
For the period ended December 31, 2018 - unaudited	219,579,325	(113,908,625)	105,670,700	158,277,129	20,372,960 (90,918,066)	87,732,023	17,938,677	
For the year ended June 30, 2018 - audited	263,233,325	(43,654,000)	219,579,325	126,852,817	31,424,312	158,277,129	61,302,196	

		December 31, 2018	June 30, 2018
		<u>Un-audited</u>	<u>Audited</u>
Note	-----	Rupees	-----
11 FIXED ASSETS			
Property and Equipment	11.1	2,920,399	3,253,544
Intangible assets	11.2	826,708	325,319
Capital Work In progress	11.3	-	600,000
		<u>3,747,107</u>	<u>4,178,863</u>

11.1 Property and Equipment

Particulars	Cost			Accumulated Depreciation				Depreciation rate
	As at July 01, 2018	Additions	As at December 31, 2018	As at July 01, 2018	Charge for the period	As at December 31, 2018	WDV as at December 31, 2018	
	----- Rupees -----							
Furniture and fixtures	1,371,935	17,910	1,389,845	367,839	69,045	436,884	952,961	10%
Office equipment	2,996,493	190,187	3,186,680	1,012,821	312,808	1,325,629	1,861,051	20%
Vehicles	43,500	-	43,500	29,725	4,350	34,075	9,425	20%
Computer and accessories	1,740,691	-	1,740,691	1,488,690	155,039	1,643,729	96,962	33.33%
For the period ended December 31, 2018 - unaudited	6,152,619	208,097	6,360,716	2,899,075	541,242	3,440,317	2,920,399	
For the year ended June 30, 2018 - audited	4,446,000	1,706,619	6,152,619	1,657,052	1,242,023	2,899,075	3,253,544	

Notes to the Condensed Interim Financial Information

For The Six-Month Period Ended December 31, 2018

		December 31, 2018	June 30, 2018
		Un-audited	Audited
Note		-----Rupees-----	
11.2 Intangible assets			
Opening net book value		325,319	684,964
Transferred from capital work in progress	11.3	800,000	-
Amortization for the period		(298,611)	(359,645)
Closing net book value		<u>826,708</u>	<u>325,319</u>
As at			
Cost		1,878,982	1,078,982
Accumulated amortization		(1,052,274)	(753,663)
Net book value		<u>826,708</u>	<u>325,319</u>
Annual rates of amortization		33.33%	33.33%
11.3 Capital Work in Progress			
Opening		600,000	-
Addition		200,000	600,000
Transferred to intangible assets	11.3.1	(800,000)	-
Closing		<u>-</u>	<u>600,000</u>
11.3.1	This represents fee paid for development of modules of the software of the Modaraba namely "Almanac". Total cost amounts to Rs. 800,000 out of which 75% has been paid to the vendor.		
		December 31, 2018	June 30, 2018
		Un-audited	Audited
Note		-----Rupees-----	
12 CREDITORS, ACCRUED AND OTHER LIABILITIES			
Management remuneration payable - related party		3,731,850	6,024,041
Provision for services tax on the management company's remuneration		485,141	783,126
Government of Sindh Funds	12.1	500,000,000	500,000,000
Creditors		145,238	145,238
Other liabilities		28,403,696	10,481,446
Workers' Welfare Fund		2,886,241	2,224,210
Accrued expenses	12.2	6,058,530	4,980,733
		<u>541,710,696</u>	<u>524,638,794</u>
12.1	The Modaraba had entered into agreements with Government of Sindh (GoS), a related party, for providing financing to eligible transporters under the latter's Intra-City & Inter-City Transport Schemes on October 25, 2017. For adjustment of various subsidies and Credit Risk Guarantee under the Schemes, the GoS agreed to place Rs. 2,000 million, in tranches, for each scheme with the Modaraba under the Musharaka Arrangement. Initially Rs. 500 million (250 million for each scheme) were placed with the Modaraba.		

Notes to the Condensed Interim Financial Information

For The Six-Month Period Ended December 31, 2018

- 12.2** This includes Rs. 400,000 (June 30, 2018: Rs. 100,000) for rent payable of branch to Sindh Bank Limited, a related party.

	December 31, 2018	June 30, 2018
	Un-audited	Audited
Note	-----Rupees-----	
13 CUSTOMERS' SECURITY DEPOSIT		
Security deposit against Ijarah finance	6,151,520	28,898,095
less: current portion	(6,143,520)	(28,722,445)
Non current portion	8,000	175,650
14 LONG TERM LOAN - subordinated	500,000,000	500,000,000

This represents interest free loan provided by the Management Company to the Modaraba. The loan is a sub-ordinated and is repayable at the discretion of Modaraba. The Modaraba has the option to issue equity certificates in future against this loan, subject to necessary regulatory approvals.

15 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments at the balance sheet date (June 30, 2018: Nil).

		Half year ended December 31, 2018	December 31, 2017
		Un-audited	
Note	-----Rupees-----		
16 ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries, allowances and other benefits	16.1	9,489,776	8,456,142
Legal and professional charges		1,809,878	847,340
Shariah Advisor fee		180,000	180,000
Repair and maintenance		469,246	316,395
Utility services		522,404	503,217
Registration and subscription fee		510,486	426,986
Generator sharing and fuel charges		229,665	236,425
Entertainment		76,516	86,808
Advertisement and publications		41,030	92,920
Staff orientation and training		23,500	30,675
Rent, rates and taxes	16.2	399,996	99,996
Travelling and conveyance		651,713	443,499
Security services		254,610	353,797
Printing, stationery and photocopy		258,265	152,893
Postage, courier and telegraphs		52,635	82,365
Balance carried forward		14,969,720	12,309,458

Notes to the Condensed Interim Financial Information

For The Six-Month Period Ended December 31, 2018

	Note	Half year ended	
		December 31,	December 31,
		2018	2017
		Un-audited	
		-----Rupees-----	
Balance brought Forward		14,969,720	12,309,458
Auditors' remuneration		130,550	159,264
Depreciation expense - fixed assets	11.1	541,242	497,234
Amortization expense - Intangibles assets	11.2	298,611	179,821
Insurance - owned assets		25,883	43,656
Insurance - Ijarah and Diminishing Musharaka		619,119	619,464
Donation		17,455	-
Miscellaneous		108,497	144,452
		16,711,077	13,953,349

16.1 This includes contribution of Rs. 292,116 (2017: Rs. 251,826) to provident fund and provision for gratuity of Rs. 241,605 (2017: Rs.272,358).

16.2 This includes amount of Rs. 300,000 (2017: Nil) branch rent to Sindh Bank Limited, a related party.

17 TAXATION

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a Modaraba, except from trading and manufacturing activities, is exempt from income tax provided that it distributes at least 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation to statutory reserves for the year ending June 30, 2019. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

18 SEGMENT INFORMATION

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

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

Notes to the Condensed Interim Financial Information

For The Six-Month Period Ended December 31, 2018

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

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

Revenue from operations from ten major customers of the Modaraba constitutes 61.96% (June 2018: 69.82%) of the total revenue from operations during the period ended December 31, 2018.

19 RELATED PARTY BALANCES AND TRANSACTIONS

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

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

	December 31, 2018	June 30, 2018
	Un-audited	Audited
	-----Rupees-----	
19.1 BALANCES		
Sindh Bank Limited		
Accrued income from bank deposits	4,756,482	3,086,719
Sindh Insurance Limited		
Sharing of expenses payable	218,430	218,430
Key Management Personnel		
Long term loan	378,000	540,000

Notes to the Condensed Interim Financial Information

For The Six-Month Period Ended December 31, 2018

	Half year ended	
	December 31, 2018	December 31, 2017
	Un-audited	
	-----Rupees-----	
19.2 TRANSACTIONS FOR THE PERIOD		
Sindh Bank Limited		
Income from deposits	<u>6,461,958</u>	<u>8,507,809</u>
Sindh Modaraba Management Limited		
Dividend paid	<u>31,845,750</u>	19,107,450
Management Company remuneration paid	<u>6,024,041</u>	3,024,062
Management Company remuneration expense	<u>3,731,850</u>	2,926,757
	<u>41,601,641</u>	<u>25,058,269</u>
Sindh Insurance Limited		
Insurance premium / takaful contribution paid	<u>394,265</u>	637,167
Sharing of expenses	<u>218,430</u>	218,430
	<u>612,695</u>	<u>855,597</u>
Key Management Personnel		
Salaries, allowances and benefits paid	<u>4,025,671</u>	<u>3,003,099</u>
Sindh Modaraba Employees Provident Fund		
Contribution paid (both employer's & employees' contribution)	<u>584,232</u>	251,826
Sindh Modaraba Employees Gratuity Fund		
Contribution paid	<u>834,400</u>	-
20 FAIR VALUE OF FINANCIAL INSTRUMENTS		

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

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

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

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and

Notes to the Condensed Interim Financial Information

For The Six-Month Period Ended December 31, 2018

- inputs for the assets or liability that are not based on observable market data (i.e., unobservable inputs) (level 3).

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

21 SUBSEQUENT EVENT

No subsequent events have occurred till the reporting date that may require adjustment of or disclosure in the condensed interim financial information for the six months period ended December 31, 2018.

22 DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on January 24, 2019 by the Board of Directors of the Management Company.

For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

**Islamic Financing
Products Offered by
Sindh Modaraba**

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

SINDH MODARABA

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