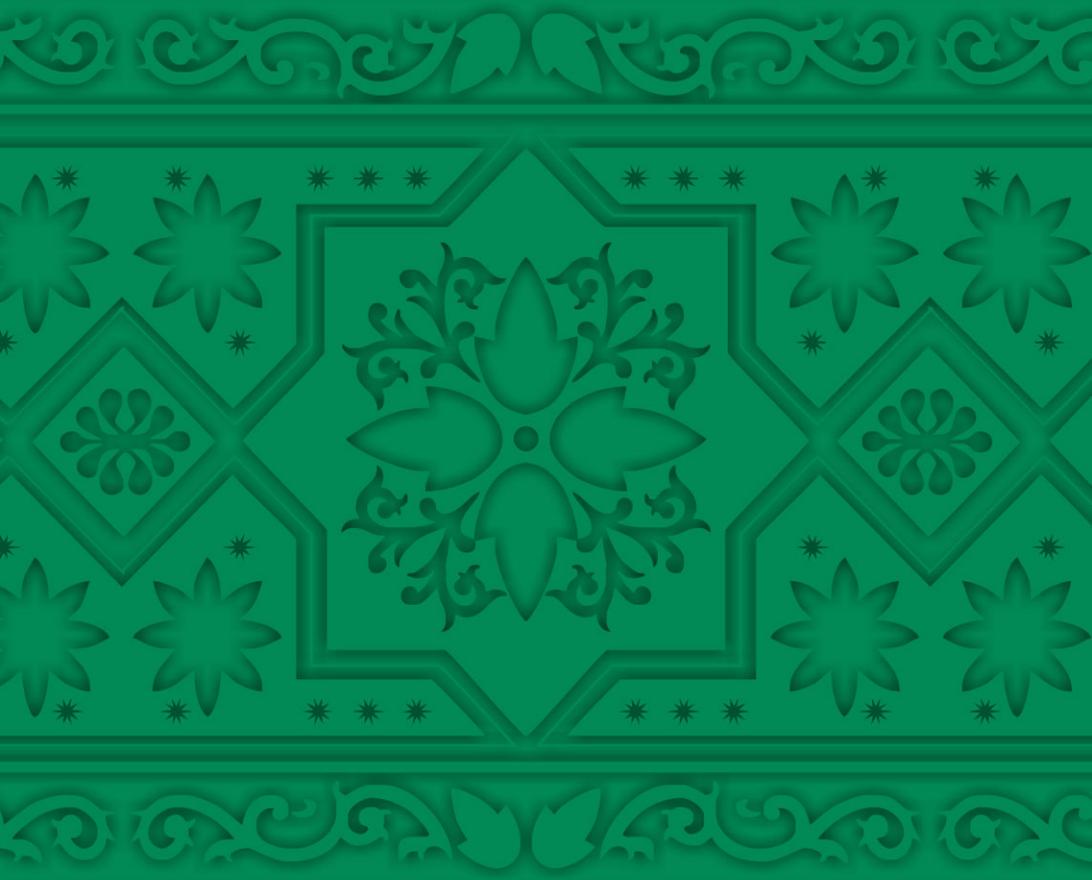


IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO

SINDH MODARABA

QUARTERLY REPORT SEPTEMBER 30, 2016



بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

وَاعْتَصِمُوا بِحَبْلِ اللَّهِ
جَمِيعًا وَلَا تَفَرَّقُوا

“And hold fast by the cord of Allah all together,
and do not separate”

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Vision & Mission Statements

Vision

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

Mission

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

Corporate Information

Board of Directors

Mr. Muhammad Bilal Sheikh	-Chairman	-Non-Executive Director
Syed Hasan Naqvi		-Non-Executive Director
Syed Shahnawaz Nadir Shah		-Non-Executive Director
Mr. Muhammad Shahid Murtaza		-Independent Director
Mr. Asif Haider Mirza		-Independent Director
Mr. Muhammad Naimuddin Farooqui		-Chief Executive

CFO & Company Secretary

Mr. Zulfiqar Ali

Bankers

Sindh Bank Limited-Islamic Banking (Saadat)

Auditors

Grant Thornton Anjum Rahman
Chartered Accountants

Shariah Advisor

Mufti Zeeshan Abdul Aziz

Legal Advisor

Mohsin Tayebaly & Co.

Share Registrar

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

Registered/Head Office

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

Lahore Branch

Escort House no. 28,
Davis Road,
Lahore.

Directors' Review

The Board of Directors of Sindh Modaraba Management Limited, Management Company of Sindh Modaraba is pleased to present the un-audited Financial Statements of Sindh Modaraba for the quarter ended September 30, 2016.

Operating Results

During the quarter under review, the Modaraba earned profit of Rs. 3.46 million as compared to Rs. 4.53 million earned during the corresponding quarter ended Sep 30, 2015. Despite increase in financing portfolio, the net profit slightly declined as compared to last year due to lowering of discount rate by the Central Bank and tough competition in the market for Islamic finance products. Besides, the administrative expenses also increased by 1.86 million due to higher operating costs.

Future Prospects

The management is exploring various options for resource mobilization including support from the sponsors and controlled leveraging of Modaraba's balance sheet. It will continue its policy of carefully building a high quality financing portfolio. To expand its outreach to the customers and diversification of financing portfolio, the managements intends to establish branches in other business feasible hubs of the country. We are hopeful of achieving better results in the remaining part of the current financial year.

Acknowledgment

On behalf of the Board of Directors, I would like to acknowledge support of all stake holders' i.e. sponsors, shareholders, regulators and customers for their guidance and trust. We assure them of continued adherence to prudent practices and providing customized products and services to the customers. A special note of thanks to the staff whose unrelenting hard work has enabled Sindh Modaraba for achieving these results.

On behalf of Board

Karachi:
October 25, 2016

Naim Farooqui
Chief Executive

Condensed Interim Balance Sheet

As at September 30, 2016

	September 30, 2016	June 30, 2016
	<u>Un-audited</u>	<u>Audited</u>
Note	-----Rupees-----	
ASSETS		
Current assets		
Cash and bank balances	4 68,829,930	40,445,905
Ijarah rental receivables	5 5,109,430	1,711,015
Advances, prepayments and other receivables	6 5,149,686	9,341,792
Current portion of Diminishing Musharaka	7 36,007,667	25,953,667
Current portion of long term loan	324,000	324,000
Total current assets	115,420,713	77,776,379
Non - current assets		
Long term Diminishing Musharaka	7 203,663,841	224,349,085
Ijarah assets	8 194,565,958	208,334,348
Long term loan	783,000	864,000
Fixed assets - in own use	9 3,830,234	4,101,086
Total non - current assets	402,843,033	437,648,519
TOTAL ASSETS	518,263,746	515,424,898
LIABILITIES AND EQUITY		
Current liabilities		
Creditors, accrued and other liabilities	10 8,820,856	9,598,094
Profit distribution payable	15,756,798	6,798
	24,577,654	9,604,892
Non - current liabilities		
Long term security deposit	32,835,695	32,685,325
TOTAL LIABILITIES	57,413,349	42,290,217
CERTIFICATE HOLDERS' EQUITY		
Certificate capital		
Authorised certificate capital		
50,000,000 certificates of Rs. 10 each	500,000,000	500,000,000
(June 30, 2015: 50,000,000 certificates of Rs. 10 each)		
Issued, subscribed, and paid - up certificate capital	450,000,000	450,000,000
Unappropriated profit	4,783,460	17,067,744
Statutory reserve	6,066,937	6,066,937
TOTAL EQUITY	460,850,397	473,134,681
TOTAL LIABILITIES AND EQUITY	518,263,746	515,424,898
CONTINGENCIES AND COMMITMENTS		
	11	

The annexed notes from 1 to 15 form an integral part of these financial statements.

For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

Condensed Interim Profit And Loss Account

For the Quarter ended September 30, 2016

	For the quarter ended September 30, 2016	For the quarter ended September 30, 2015
	<u>Un-audited</u>	
Note	-----Rupees-----	
Income from:		
- Diminishing Musharaka	5,384,845	2,993,042
- Ijarah	22,372,497	7,687,301
- Bank deposits	795,696	4,759,953
	<u>28,553,038</u>	<u>15,440,296</u>
Administrative and operating expenses	12 (5,415,249)	(3,552,326)
Depreciation - Ijarah assets	8 (19,283,090)	(6,713,122)
Reversal of provision in respect of diminishing musharaka	53,423	-
Provision on ijarah rental receivable	(3,073)	-
	<u>(24,647,989)</u>	<u>(10,265,448)</u>
	3,905,049	5,174,848
Other income	86,424	46,000
	<u>3,991,473</u>	<u>5,220,848</u>
Management Company's remuneration	(399,147)	(522,085)
Services sales tax on the Management Company's remuneration	(55,881)	(73,092)
Workers' welfare fund	(70,729)	(92,513)
Profit for the quarter before taxation	<u>3,465,716</u>	<u>4,533,158</u>
Taxation	13 -	-
Profit for the quarter after taxation	<u>3,465,716</u>	<u>4,533,158</u>
Earnings per certificate - basic and diluted	<u>0.08</u>	<u>0.10</u>

The annexed notes from 1 to 15 form an integral part of these financial statements.

For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

Condensed Interim Statement Of Comprehensive Income

For the Quarter ended September 30, 2016

	For the quarter ended September 30, 2016	For the quarter ended September 30, 2015
Un-audited		
-----Rupees-----		
Profit for the quarter after taxation	3,465,716	4,533,158
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 quarter	<u>3,465,716</u>	<u>4,533,158</u>

The annexed notes from 1 to 15 form an integral part of these financial statements.

For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

Condensed Interim Cash Flow Statement

For the Quarter ended September 30, 2016

	Note	For the quarter ended September 30, 2016	For the quarter ended September 30, 2015
		Un-audited	
		Rupees	Rupees
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the quarter before taxation		3,465,716	4,533,158
Adjustments for non - cash and other items			
Depreciation - Ijarah assets	8	19,283,090	6,713,122
Depreciation - Fixed assets - in own use	9.1 & 9.2	286,056	77,519
Income on bank deposits		(795,696)	(4,759,953)
Provision for provident fund (employer's contribution)		105,835	41,548
Reveral of provision in respect of diminishing musharaka		(53,423)	-
Provision for ijarah renatal receivable		3,073	-
		18,828,935	2,072,236
Working capital changes			
Decrease/(increase) in advances, prepayments and other receivables		4,334,646	(2,296,517)
Increase in Ijarah rental receivables		(3,401,488)	(769,372)
Decrease in Diminishing Musharaka		10,684,667	2,684,317
Decrease in long term loan		81,000	81,000
(Decrease)/increase in creditors, accrued and other liabilities		(777,238)	2,085,790
Increase in long term security deposit		150,370	7,813,518
		11,071,957	9,598,736
Provident fund contribution paid (employer's contribution)		(105,835)	-
Income received on bank deposits		653,156	5,116,686
Net cash generated from operations		33,913,929	21,320,816
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Ijarah assets	8	(5,514,700)	(61,619,460)
Purchase of fixed assets - in own use	9.1	(15,204)	(1,117,811)
Net cash used in investing activities		(5,529,904)	(62,737,271)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash (used in)/generated from financing activities		-	-
Net (decrease)/increase in cash and cash equivalents		28,384,025	(41,416,455)
Cash and cash equivalents at the beginning of the quarter		40,445,905	309,603,524
Cash and cash equivalents at the end of the quarter		68,829,930	268,187,069

The annexed notes from 1 to 15 form an integral part of these financial statements.

For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

Condensed Interim Statement of Changes in Equity

For the Quarter ended September 30, 2016

	Issued, subscribed, and paid - up certificate capital	Unappropriated profit	Statutory reserve	Total equity
Audited				
Rupees				
Balance as at June 30, 2015	450,000,000	7,672,962	1,918,241	459,591,203
Profit distribution for the period ended June 30, 2015 at Re. 0.16 per certificate	-	(7,200,000)	-	(7,200,000)
Total comprehensive income for the period	-	4,533,158	-	4,533,158
Balance as at September 30, 2015	<u>450,000,000</u>	<u>5,006,120</u>	<u>1,918,241</u>	<u>456,924,361</u>
Un-audited				
Balance as at June 30, 2016	450,000,000	17,067,744	6,066,937	473,134,681
Total comprehensive income for the period	-	3,465,716	-	3,465,716
Transaction with Owner				
Profit distribution @ Rs. 0.35 per certificate	-	(15,750,000)	-	(15,750,000)
Balance as at September 30, 2016	<u>450,000,000</u>	<u>4,783,460</u>	<u>6,066,937</u>	<u>460,850,397</u>

The annexed notes from 1 to 15 form an integral part of these financial statements.

For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

Notes to the Condensed Interim Financial Statements

For the Quarter ended September 30, 2016

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 (formerly Karachi Stock Exchange Limited).

2 BASIS OF PREPARATION

2.1 Statement of compliance

These condensed interim financial statements of the Modaraba for the quarter ended September 30, 2016 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 these condensed interim financial statements have, however, been limited based on the requirements of International Accounting Standard 34; 'Interim Financial Reporting'. These condensed interim financial statements do 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, 2016.

2.2 Basis of measurement

These condensed interim financial statements have been prepared under the historical cost convention.

2.3 Functional and presentation currency

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

2.4 Use of significant estimates and judgments

The preparation of condensed interim financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments

Notes to the Condensed Interim Financial Statements

For the Quarter ended September 30, 2016

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 these condensed interim financial statements are the same as those applied in the preparation of audited annual financial statements of the Modaraba for the year ended 30 June 2016.

	September 30, 2016	June 30, 2016
	Un-audited	Audited
Note	-----Rupees-----	
4 CASH AND BANK BALANCES		
Cash in hand	20,000	-
Stamp paper in hand	68,800	47,200
Balances with banks		
-on deposit accounts	4.1 68,730,454	40,379,487
-on current accounts	10,676	19,218
	68,829,930	40,445,905
4.1	These represent balances held with Sindh Bank Limited - Islamic Banking Unit, related party. These carry profit at the rates of 6.1% per annum (June 30, 2016: 6.1% to 6.2% per annum).	
5 IJARAH RENTAL RECEIVABLES		
Ijarah rental receivables	5,121,101	1,719,613
Less: provision for ijarah renatal receivable	5.1 (11,671)	(8,598)
	5,109,430	1,711,015
5.1	This represents general provision made at the rate of 0.5% on ijarah rental receivables.	
6 ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES		
Advances	6.1 1,551,698	6,143,847
Prepayments	837,894	515,251
Accrued income from bank deposits	314,720	172,180
Accrued income from Diminishing Musharaka	2,413,334	2,477,394
Other receivables	32,040	33,120
	5,149,686	9,341,792
6.1	This includes amount of Rs. Nil (2016: 4,862,700) which has been advanced to vendors in respect of supply of Ijarah assets for onward delivery to lessee (Musta'jir).	

Notes to the Condensed Interim Financial Statements

For the Quarter ended September 30, 2016

	Note	September 30, 2016	June 30, 2016
		Un-audited	Audited
		-----Rupees-----	
7 DIMINISHING MUSHARAKA			
Receivables - secured	7.1	240,875,888	251,560,555
Less: current portion of diminishing musharaka		(36,007,667)	(25,953,667)
Less: provision in respect of diminishing musharaka	7.2	(1,204,380)	(1,257,803)
Long term portion of diminishing musharaka		<u>203,663,841</u>	<u>224,349,085</u>

7.1 This represents the finance provided to Individual and Corporate clients under Diminishing Musharaka arrangements for periods ranging 3 to 20 years (June 30, 2016: 3 to 20 years) which is secured against mortgage of property, lien on title documents and pari passu charge on assets.

7.2 This represents general provision made at the rate of 0.5% (2016: 0.5%) on diminishing musharaka receivables.

8 IJARAH ASSETS

Particulars	Amount in Rupees							Depreciation rate
	Cost			Depreciation			WDV as at September 30, 2016	
	As at July 01, 2016	Additions/ (Disposals)	As at September 30, 2016	As at July 01, 2016	Charge for the quarter/ (adjustment)	As at September 30, 2016		
	Un-audited							
Plant and machinery	194,470,625	-	194,470,625	33,919,180	13,891,792	47,810,972	146,659,653	33.33%
Vehicles	63,248,000	5,514,700	68,762,700	15,465,097	5,391,298	20,856,395	47,906,305	20-50%
	<u>257,718,625</u>	<u>5,514,700</u>	<u>263,233,325</u>	<u>49,384,277</u>	<u>19,283,090</u>	<u>68,667,367</u>	<u>194,565,958</u>	-
June 30, 2016	46,634,838	224,987,527	257,718,625	621,798	50,859,629	49,384,277	208,334,348	
	-	(13,903,740)			(2,097,150)			

8.1 The Modaraba has entered into Ijarah arrangements for periods ranging 2 to 5 years (June 30, 2016: 2 to 5 years) against which security deposits were obtained at the time of disbursement.

9 FIXED ASSETS - in own use

	Note	Un-audited	Audited
		-----Rupees-----	
		Property and Equipment	9.1
Intangible assets	9.2	379,492	423,274
		<u>3,830,234</u>	<u>4,101,086</u>

Notes to the Condensed Interim Financial Statements

For the Quarter ended September 30, 2016

9.1 Property and Equipment

Particulars	Cost			Depreciation			WDV as at September 30, 2016	Depreciation rate
	As at July 01, 2016	Additions	As at September 30, 2016	As at July 01, 2016	Charge for the quarter	As at September 30, 2016		
Un-audited								
Furniture and fixtures	1,312,935	-	1,312,935	100,006	32,823	132,829	1,180,106	10%
Office equipment	1,324,474	-	1,324,474	214,897	66,225	281,122	1,043,352	20%
Vehicles	43,500	-	43,500	12,325	2,175	14,500	29,000	20%
Computer and accessories	1,677,504	15,204	1,692,708	353,373	141,051	494,424	1,198,284	33.33%
Total	4,358,413	15,204	4,373,617	680,601	242,274	922,875	3,450,742	
June 30, 2016	294,601	4,063,812	4,358,413	19,946	660,655	680,601	3,677,812	

September 30, 2016	June 30, 2016
Un-audited	Audited

Note -----Rupees-----

9.2 Intangible assets

Opening net book value	423,274	-
Additions during the year	-	525,432
Amortization for the quarter	(43,782)	(102,158)
Closing net book value	379,492	423,274

As at date

Cost	525,432	525,432
Accumulated amortization	(145,940)	(102,158)
Net book value	379,492	423,274
Annual rates of amortization	33.33%	33.33%

10 CREDITORS, ACCRUED AND OTHER LIABILITIES

Management company remuneration	3,895,299	3,496,150
Sindh sales tax payable on management fee	567,485	511,603
Creditors	10.1 2,138,050	2,249,264
Other liabilities	762,007	1,547,760
Accrued expenses	1,458,015	1,793,317
	8,820,856	9,598,094

10.1 This includes amount of Rs. 2,046,803 (June 30, 2016: 2,116,225) payable to Sindh Modaraba Management Limited.

11 CONTINGENCIES AND COMMITMENTS

There are no contingencies and commitments at the balance sheet date (June 30, 2016: Nil)

Notes to the Condensed Interim Financial Statements

For the Quarter ended September 30, 2016

	For the quarter ended September 30, 2016	For the quarter ended September 30, 2015
	<u>Un-audited</u>	
	-----Rupees-----	
12 ADMINISTRATIVE AND OPERATING EXPENSES		
Salaries, allowances and other benefits	3,568,483	2,593,023
Legal and professional charges	267,942	228,305
Repair and maintenance	213,330	80,595
Utility services	221,484	167,348
Insurance	168,559	3,296
Postage, Courier and Telegraphs	8,608	1,585
Generator Sharing and fuel charges	128,639	119,036
Entertainment	38,316	13,775
Staff Orientation and Training	5,000	-
Rent, Rates and Taxes	24,999	25,000
Registration and subscription fee	193,365	101,478
Travelling and conveyance	77,790	1,490
Security services	85,497	85,497
Printing, stationery and photocopy	52,323	14,001
Auditors' remuneration	60,699	37,100
Depreciation expense - tangible assets	242,274	77,519
Amortisation expense - intangible assets	43,782	-
Miscellaneous	14,159	3,278
	<u>5,415,249</u>	<u>3,552,326</u>

13 TAXATION

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes at least 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to continue to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation to statutory reserves for the year ending June 30, 2017. Accordingly, no provision in respect of current and deferred taxation has been made in these condensed interim financial statements.

14 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 as at September 30, 2016 are as follows:

Notes to the Condensed Interim Financial Statements

For the Quarter ended September 30, 2016

	Note	September 30, 2016	June 30, 2016
		Un-audited	Audited
		-----Rupees-----	
Balances as at period end			
Sindh Bank Limited			
Bank deposits	4	68,730,454	40,379,487
Accrued income from bank deposits	6	314,720	172,180
Sindh Modaraba Management Limited			
Management Company fee payable	10	3,895,299	3,496,150
Other Payables	10.1	2,046,803	2,116,225
Key Management Personnel			
Long term loan		1,107,000	1,188,000
Sindh Insurance Limited			
Sharing of expenses payable		109,215	218,430
Sindh Modaraba Employees Provident Fund			
Contribution payable		82,214	-
		For the quarter ended September 30, 2016	For the quarter ended September 30, 2015
		-----Un-audited-----	
		-----Rupees-----	
Transactions for the period			
Sindh Bank Limited			
Income from deposits		795,696	4,759,953
Sindh Modaraba Management Limited			
Management Company remuneration		399,147	522,085
Sindh Insurance Limited			
Insurance premium paid		294,081	9,250
Sharing of expenses		109,215	109,215
Key Management Personnel			
Salaries, allowances and benefits paid		1,450,641	920,551
Staff Provident Fund			
Contribution paid		129,456	205,276

15 DATE OF AUTHORISATION

These financial statements were authorised for issue on October 25, 2016 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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Tel : (92-21) 35640708-9 web: www.sindhmodarabaltd.com