



IN MEMORY OF SHAHEED MOHTARMA BENAZIR BHUTTO


SINDH MODARABA

Quarterly Report
March 31, 2015

Contents

Vision & Mission Statements	02
Corporate Information	03
Directors' Review	04
Condensed Interim Balance Sheet	05
Condensed Interim Profit and Loss Account	06
Condensed Interim Cash Flow Statement	07
Condensed Interim Statement of Changes in Equity	08
Notes to the Condensed Interim Financial Information	09

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 Sohail Khan Rajput		-Non-Executive Director
Mr. Muhammad Naimuddin Farooqui		-Non-Executive Director
Syed Shahnawaz Nadir Shah		-Non-Executive Director
Mr. Muhammad Shahid Murtaza		-Independent Director
Mr. Asif Haider Mirza		-Independent Director
Mr. Moin Mohajir		-Independent Director
Mr. Javed Iqbal		-Chief Executive

CFO & Company Secretary

Mr. Zulfiqar Ali

Audit Committee

Mr. Muhammad Shahid Murtaza	-Chairman
Mr. Muhammad Naimuddin Farooqui	-Member
Syed Shahnawaz Nadir Shah	-Member

Human Resource and Remuneration (HR&R) Committee

Mr. Muhammad Bilal Sheikh	-Chairman
Mr. Muhammad Sohail Khan Rajput	-Member
Mr. Javed Iqbal	-Member

Bankers

Sindh Bank Limited-Islamic Banking (Saadat)

Auditors

Grant Thornton Anjum Rahman
Chartered Accountants

Legal Advisor

Mohsin Tayebaly & Co.

Shariah Advisor

Mufti Zeeshan Abdul Aziz

Share Registrar

Technology Trade (Pvt.) Ltd.
Dagia House, 241-C Block 2,
P.E.C.H.S., Shahra-e-Quaideen,
Karachi.
Tel : (92-21) 34391316-7 & 19

Registered Office

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

Directors' Review

The Board of Directors of Sindh Modaraba Management Limited, Mudarib/Management Company of Sindh Modaraba is pleased to present the un-audited Financial Statements of Sindh Modaraba for the period ended March 31, 2015.

Operating Results

The Modaraba commenced its business operations w.e.f. 11th February 2015 and this is its first published financial statements. By the grace of Almighty Allah and with our sponsor's support, the Modaraba started the journey with a positive bottom line and recorded net profit of Rs. 4.51 million, for the period under review. This was only possible as the sponsors did not pass on the entire burden of the preliminary expenses to the Modaraba and borne more than Rs. 10 million themselves.

Future Prospects

The management intends to focus on building a high quality and diversified financing portfolio which will serve as a strong base for Modaraba's future growth. Modaraba also intends to open its branches in other cities of the country in near future. All efforts will be made to keep the operating costs at the minimum level.

Acknowledgement

We wish to place on record our appreciation and thanks to the certificate-holders and customers for their confidence in the newly established 'Modaraba', to the Regulatory Authorities and sponsors for their support and guidance and to the members of management and staff for their dedication and hard work.

On behalf of the Board



Javed Iqbal
Chief Executive

Karachi: April 27, 2015

Condensed Interim Balance Sheet (Un-audited)

As at March 31, 2015

		(Un-audited) March 31, 2015
	Rupees.....
ASSETS		
Current Assets		
	4	372,410,779
Cash and Bank Balances		3,433,041
Advances Deposits Prepayments and other receivables		375,843,820
Total Current Assets		
Non-Current Assets		
	5	85,000,000
Diminishing Musharaka Finance		1,593,000
Long Term Loans and Security Deposits	6	117,167
Fixed Assets in Own Use		86,710,167
Total Non-Current Assets		
TOTAL ASSETS		462,553,987
LIABILITIES AND EQUITIES		
Current Liabilities		
	7	8,039,107
Creditors accrued and Other Liabilities		8,039,107
TOTAL LIABILITIES		8,039,107
CERTIFICATE HOLDERS EQUITY		
Certificate Capital		
Authorized Certificate Capital		
50,000,000 Certificates of Rs. 10 each		500,000,000
Issued, subscribed, and paid up certificate capital		
45,000,000 certificates of Rs. 10 each		450,000,000
Unappropriated Profit		4,514,880
		454,514,880
TOTAL LIABILITIES AND EQUITY		462,553,987
Contingencies and commitments	8	

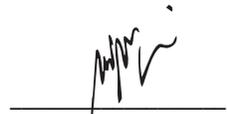
For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

Condensed Interim Profit and Loss Account (Un-audited)

For the period from February 11, 2015 to March 31, 2015

	Notes	Feb 11, 2015 to March 31, 2015Rupees.....
Income on Diminishing Musharaka Finance		331,130
Income on Bank Deposits	9	<u>13,209,555</u>
		13,540,685
Administrative and Operating Expenses	10	<u>(1,169,572)</u>
Preliminary Expenses-Net	11	<u>(7,189,552)</u>
		(8,359,124)
		<u>5,181,561</u>
Other Income		30,000
		<u>5,211,561</u>
Modaraba Management Company Fee @ 10%		(521,156)
Provision for services sales tax on management company fee		(83,385)
Provision for workers welfare fund		<u>(92,140)</u>
Profit before taxation		4,514,880
Taxation	12	<u>-</u>
Profit after taxation		4,514,880
Other Comprehensive income for the period		-
Total Comprehensive Income for the period		<u>4,514,880</u>
Earnings per certificate-basic and diluted		<u><u>0.10</u></u>

For Sindh Modaraba Management Limited
(Management Company)

For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

Condensed Interim Cash Flow Statement (Un-audited)

For the period from February 11, 2015 to March 31, 2015

Feb 11, 2015 to
March 31,
2015
.....Rupees.....

CASH FLOWS FROM OPERATING ACTIVITIES

Profit for the period before tax	4,514,880
Adjustments for non-cash items	
Depreciation-owned assets	1,350
(Increase)/Decrease in current assets	
Advances Deposits Prepayments and other receivables	(3,433,041)
Increase/(Decrease) in current liabilities	
Creditors accrued and Other Liabilities	8,039,107
	<u>9,122,296</u>
Diminishing Musharaka Finance	<u>(85,000,000)</u>
Long term loans and security deposits	<u>(1,593,000)</u>
	(86,593,000)
Net cash generated from (used in) operating activities	<u>(77,470,704)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of fixed assets in own use	<u>(118,517)</u>
CASH FLOWS FROM FINANCING ACTIVITIES	
Issue of certificate capital	<u>450,000,000</u>
Net increase/(decrease) in cash and cash equivalents	372,410,779
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	<u><u>372,410,779</u></u>

For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

Condensed Interim Statement of Changes in Equity (Un-audited)

For the period from February 11, 2015 to March 31, 2015

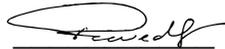
	Paid up certificate capital	Unappropriated profit	Total
Rupees.....		
Issue of certificate capital	450,000,000		450,000,000
Total comprehensive income for the period ended March 31, 2015	-	4,514,880	4,514,880
Balance as at March 31, 2015	450,000,000	4,514,880	454,514,880

The statutory reserve representing profit set aside in accordance with the provisions of prudential regulations for modarabas promulgated by the Securities and Exchange Commission of Pakistan, will be transferred at the year end.

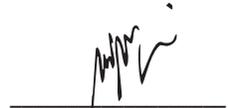
For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

Notes to the Condensed Interim Financial Information (Un-audited)

For the period from February 11, 2015 to March 31, 2015

1 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, a company wholly owned by Government of Sindh. After receiving certificate of minimum subscription, the Modaraba commenced its business operations with effect from February 11, 2015. The address of its registered office is 1st Floor, Imperial Court, Dr. Ziauddin Ahmed Road, Karachi.

Sindh 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 Karachi Stock Exchange.

2 BASIS OF PREPARATION

2.1 Statement of Compliance

This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, 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). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and the directives issued by SECP differ with the requirements of IFRSs or IFAS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by the SECP prevail.

2.2 Accounting Estimates and Judgements

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 recognised 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.

2.3 Accounting convention

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

2.4 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is the Modaraba's functional and presentation currency.

3 SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these condensed interim financial information are set out below.

Notes to the Condensed Interim Financial Information (Un-audited)

For the period from February 11, 2015 to March 31, 2015

3.1 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are carried in the balance sheet at cost. These include balances with banks in deposit accounts.

3.2 FINANCIAL INSTRUMENTS

Financial Assets

Classification

The management determines the appropriate classification of the financial assets of the Modaraba in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired.

Initial Recognition and Measurement

Financial assets are recognised at the time the Modaraba becomes a party to the contractual obligations of the instruments. These are initially recognised at fair value plus transaction costs.

Subsequent Measurement

Subsequent to initial recognition, financial assets are carried at amortised cost using the effective interest method.

Financial Liabilities

Financial liabilities are recognised at the time the Modaraba becomes a party to the contractual provisions of the instrument and include creditors, accrued and other liabilities. These are initially recognised at fair values and subsequently stated at amortised cost.

Derecognition

Financial assets are derecognised at the time when the Modaraba loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognised at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss arising on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

Off-setting of Financial Assets & 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 recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.3 FIXED ASSETS

Tangible fixed assets

Owned 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 recognised 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 profit and loss account as and when incurred.

Notes to the Condensed Interim Financial Information (Un-audited)

For the period from February 11, 2015 to March 31, 2015

Depreciation on all fixed assets is charged to income on a straight-line basis in accordance with the specified rates. 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 upto 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 profit and loss account in the period in which these arise.

3.4 TAXATION

Provision for current taxation is based on taxable income for the period at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any. The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits for the year as reduced by amount transferred to a mandatory reserve as required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed to the certificate holders. The Modaraba intends to avail the tax exemption by distributing at least 90% of its profits to the certificate holders each year.

3.5 LOANS, ADVANCES & 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.

3.6 CREDITORS, ACCRUED AND OTHER LIABILITIES

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

3.7 PROVISIONS

Provisions are recognised 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.

3.8 REVENUE RECOGNITION

Profit on Diminishing Musharaka arrangements is recognised under the effective mark-up rate method based on the amount outstanding.

Mark-up / return on deposits / investments is recognised on accrual basis using the effective profit rate method.

Income from shariah non-compliant avenues is not recognised in the profit and loss account and is classified as charity payable.

Other income is recognised on an accrual basis.

3.9 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

Notes to the Condensed Interim Financial Information (Un-audited)

For the period from February 11, 2015 to March 31, 2015

		(Un-audited) March 31 2015Rupees.....
4	CASH AND BANK BALANCES	
	Balances with banks	
	-in deposit accounts	4.1 372,410,729
	Stamp paper in hand	<u>50</u>
		<u><u>372,410,779</u></u>
4.1	This balance is held with Sindh Bank Limited- Islamic Banking (Saadat Window), a related party. The deposit account carry profit rates ranging from 8.1% to 9% per annum.	
5	DIMINISHING MUSHARAKA FINANCE	
	Diminishing Musharaka - Secured	<u><u>85,000,000</u></u>
	The above represent the finance provided under Diminishing Musharaka arrangements. The facility is repayable in eight equal half yearly installments with a grace period of one year.	
		(Un-audited) March 31 2015Rupees.....
6	FIXED ASSETS IN OWN USE	
	Opening WDV	-
	Additions at cost during the period	
	-Furniture and Fixtures	75,017
	-Vehicles	<u>43,500</u>
		118,517
	Less : Depreciation charged during the period	<u>1,350</u>
	Net Book Value	<u><u>117,167</u></u>
7	CREDITORS ACCRUED AND OTHER LIABILITIES	
	Preliminary expenses payable to Management Company	7,189,552
	Management fee payable	521,156
	Others	<u>328,399</u>
		<u><u>8,039,107</u></u>
8	CONTINGENCIES AND COMMITMENTS	
	There are no contingencies and commitments at the balance sheet date	
9	INCOME ON BANK DEPOSITS	
	Income on bank deposits includes Pre-operating profit of Rs. 8,326,864/-	

Notes to the Condensed Interim Financial Information (Un-audited)

For the period from February 11, 2015 to March 31, 2015

	Feb 11, 2015 to March 31, 2015Rupees.....
10 ADMINISTRATIVE AND OPERATING EXPENSES	
Salaries, Allowances & Other Benefits	881,628
Legal & Professional Charges	106,950
Registration & Subscription Fee	24,625
Travelling & Conveyance	45,600
Repairs & Maintenance	22,870
Depreciation Expense	1,350
Utility services	10,267
Insurance expense	330
Communication	8,800
Vehicle Running Expenses	3,000
Security Services	26,934
Generator running expense	36,405
Sundry Expenses	813
	<u>1,169,572</u>
11 PRELIMINARY EXPENSES-Net	
Total Preliminary expenses	17,770,307
Borne by Government of Sindh through Management Company	10,580,755
Net Preliminary expenses charged to profit and loss account	<u>7,189,552</u>
12 TAXATION	
<p>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 avail tax exemption for the year ending June 30, 2015. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.</p>	
13 RELATED PARTY BALANCES AND TRANSACTIONS	
<p>The Modaraba has related party relationship with Management company, its associated companies, directors and key management personnel</p>	
<p>The details of significant related party transactions and balances as at 31st March 2015 are as follows:</p>	

Notes to the Condensed Interim Financial Information (Un-audited)

For the period from February 11, 2015 to March 31, 2015

	(Un-audited) March 31 2015Rupees.....
Balances as at period end	
Sindh Bank Limited (Islamic Banking-Saadat)	
-Bank deposits	372,410,779
-Accrued profit	2,887,906
	<u>375,298,685</u>
Sindh Modaraba Management Limited	
-Management Company fee payable	521,156
-Preliminary expenses payable	7,189,552
	<u>7,710,708</u>
Sindh Insurance Limited	
Payable against sharing of expenses	<u>36,405</u>
Key Management Personnel	
-Loan to employees	<u>1,593,000</u>
	<u>1,593,000</u>
	Feb 11, 2015 to March 31, 2015Rupees.....
Transactions for the period ended	
Sindh Bank Limited (Islamic Banking-Saadat)	
-Income from deposits	<u>13,209,555</u>
Sindh Modaraba Management Limited	
-Management Company fee	521,156
-Preliminary expenses	7,189,552
	<u>7,710,708</u>
Sindh Insurance Limited	
Sharing of expenses	<u>36,405</u>
Key Management Personnel	
-Salaries, allowances & benefits	367,367
-Loan to employees	1,620,000
	<u>1,987,367</u>

14 GENERAL

- 14.1 The Modaraba commenced its commercial operations w.e.f. February 11, 2015 and accordingly these are its first financial statements. Hence, no comparative figures have been presented in these financial statements.
- 14.2 Figures have been rounded off to the nearest rupee.

Notes to the Condensed Interim Financial Information (Un-audited)

For the period from February 11, 2015 to March 31, 2015

15 DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on April 27, 2015 by the Board of Directors of the Management Company.

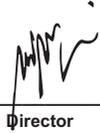
For Sindh Modaraba Management Limited
(Management Company)



Chairman



Chief Executive



Director

