

3rd Quarterly Report

March 31, 2014

Standard Chartered Modaraba



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Modaraba Information

Directors of Modaraba Company

Mr. Najam Siddiqi
Chairman

Mr. Raheel Qamar Ahmad
Managing Director/ Chief Executive

Mr. Salar Hasan Khan
Director

Mr. Khurram Shahzad Khan
Director

Mr. Shezad Arif
Director

Company Secretary

Mr. Muhammad Siddique

Audit Committee

Mr. Khurram Shahzad Khan
Chairman

Mr. Salar Hasan Khan
Member

Mr. Najam Siddiqi
Member

Human Resource and Remuneration (HR&R) Committee

Mr. Najam Siddiqi
Chairman

Mr. Raheel Qamar Ahmad
Member

Mr. Salar Hasan Khan
Member

Shariah Advisor

Mufti Abdul Sattar Laghari

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Bankers/ Financial Institutions

Standard Chartered Bank (Pakistan)
Limited (Saadiq)
Bank Islami Pakistan Limited
Meezan Bank Limited
United Bank Limited (UBL Ameen)
Habib Bank Limited

Legal Advisors

Fazle Ghani Adocates
Izhar Law Associates
Sirajul Haque & Co.
Orr Dignam & Co
Mohsin Tayabali & Co
Liaquat Marchant Associates

Registered and Head Office

Standard Chartered Bank
Main Building, I. I. Chundrigar Road
P. O. Box 5556, Karachi-74000
Phone: 32450000

Branch Offices

Standard Chartered Bank Building
Tufail Road, P. O. Box 6131
Lahore Cantt.
Phone: (042) 36066277-80

Standard Chartered Bank Building
6-A, 2nd Floor, Union Arcade
F-7 Markaz, Islamabad
Phone: (051) 8432329-30

Registrars & Share Registration Office

Famco Associates (Private) Limited
8-F, Next to Hotel Faran, Nursery,
Block 6, P.E.C.H.S., Shahra-e-Faisal,
Karachi.
Tel : (92-21) 34380101-5
Fax : (92-21) 34380106
Email : info.shares@famco.com.pk

Directors' Review

For the period ended March 31, 2014

The Board of Directors of Standard Chartered Services of Pakistan (Private) Limited, the management company of Standard Chartered Modaraba is pleased to present the unaudited accounts for the nine months period ended March 31, 2014.

1. Economic Outlook

2014 started on a positive note for the economy with stronger pick up in private sector credit growth and higher manufacturing output. Markets are bullish on growth prospects for 2014 and investor confidence is rising on improvement in energy supply and stronger FX reserve position. Growth prospects also look stronger, led by higher manufacturing-sector output, which posted strong 6.2% y/y growth during July – January FY14, mainly due to higher growth in textile and leather exports. Improved energy supply has led to higher output in the petroleum, fertilizer, and food and beverages sectors. Private-sector credit growth has also picked up, rising by PKR 308bn during the first nine months of FY14, after declining by PKR 20bn in FY13. Credit growth should accelerate in 2014 as the government reins in the large fiscal deficit under the IMF stabilisation programme.

Key tax and energy sector reforms targeted under the IMF program are expected to reduce the fiscal deficit to 5.8% of GDP in FY14 vs. 8% of GDP in FY13, helping to reduce the build up in debt and improving the credit metrics. Progress on these reforms has given confidence to the government to launch two new Eurobonds in the international credit market, raising USD 2bn against the target of USD 500mn. This is the first time in seven years that Pakistan has tapped the global markets, and strong investor appetite reflects stronger confidence on the government's reforms agenda. Pakistan Rupee (PKR) has strengthened nearly 10% to 98.2 by end of March 2014, from 108 in December 2013 on higher FX aid and investment inflows.

Inflation remains within the comfort zone and have given space for SBP to keep rates on hold at 10%, taking a pause after hiking rates 100bps in the last two meetings in 2013. However, key risks to the economy are the volatile security environment and energy shortfall that continue to drag on economic activity. Moreover, a weak external position also continues to be a concern for investors.

2. Financial Highlights

Financial results are summarized as under:

	March 31, 2014 (PKR '000')	June 30, 2013 (PKR '000')
Balance Sheet		
Certificate capital	453,835	453,835
Total equity	1,038,989	1,002,568
Investment in Ijarah finance and Ijarah Assets	4,324,073	4,381,741
Investments in Diminishing Musharika and Sukuks	1,429,291	1,514,782
Redeemable capital	3,181,260	4,159,475
	Nine Months ended March 31, 2014 (PKR '000')	Nine Months ended March 31, 2013 (PKR '000')
Profit and Loss		
Revenue (net of Ijarah assets depreciation)	515,936	510,410
Financial charges	294,679	342,202
Provisions (net of reversals/recoveries)	11,190	15,129
Operating expenses	63,253	61,743
Profit before management fee	146,814	91,336
Net profit	127,188	80,558

Directors' Review

For the period ended March 31, 2014

3. Review of Operations

During the period under review the Modaraba's net profit increased by 57.88% from Rs. 80.56 million to Rs. 127.19 million as compared to corresponding period of last year mainly due to efficient management of financial charges. Gross revenue increased by 1.08% whereas financial charges decreased by 13.89% as compared to corresponding period of last year. The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at Rs. 5,753 million compared to Rs. 5,897 million as at June 30, 2013, showing a decrease of 2.43% within the nine months period.

The asset portfolio has a good mix of multi-nationals, large and medium sized local corporates and selective SME relationships.

Standard Chartered Modaraba has a well diversified asset portfolio comprising of Plant & Machinery, motor vehicles and equipment. The Modaraba's sector wise exposure is closely monitored. During the period under review, Modaraba booked fresh disbursements to the tune of Rs. 1,758 million as compared to Rs. 2,000 million during the corresponding period last year.

Your Modaraba, while remaining cautious and prudent during the prevailing economic slow down, is focused to take benefit of good opportunities that add value to all stake holders. Our prudent and proactive risk management approach has always helped us to maintain a leading position in the Modaraba sector. We will continue to place emphasis on customer service with a focus on quality clients.

4. Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the ratings of your Modaraba as AA+ (Double A plus) and A1+ (A one plus) for long-term and short-term respectively. These ratings indicate low expectation of credit risk and very strong capacity for timely payment of financial commitments.

5. The Board of Directors

The following change has taken place in the board of directors since the last Directors' report:

On account of his new assignment outside Standard Chartered Group, Mr. Khalid Mohamed Wagih Ibrahim Elgibaly decided to step down and has resigned from the office of Chairman / Director and member of Human Resource and Remuneration Committee of Standard Chartered Services of Pakistan (Private) Limited.

The Board places on record its appreciation for the valuable services rendered by Mr. Khalid Elgibaly during his association with the company.

6. Acknowledgement

The Board appreciates the support of regulatory authorities, certificate-holders, customers and business partners and looks forward to their support in future.

The Board also acknowledges the commendable efforts of the staff members of Standard Chartered Modaraba without which the Modaraba's success could not have been possible.



Raheel Qamar Ahmad
CEO/ Managing Director
Karachi: April 23, 2014

Condensed Interim Balance Sheet (Unaudited)

As at March 31, 2014

	Note	(Un-audited) March 31, 2014	(Audited) June 30, 2013
		(Rupees)	
ASSETS			
Current assets			
Cash and bank balances	4	173,277,751	487,023,023
Term deposit receipts		-	150,000,000
Ijarah rentals receivable	5	122,277,128	121,702,006
Advances, deposits, prepayments and other receivables		211,544,400	161,128,748
Current portion of investment in Sukuk certificates	6	-	1,015,620
Current portion of Diminishing Musharika	7	361,152,197	271,954,990
Net investment in Ijarah finance	8	380,917	7,244,170
Taxation recoverable		11,020,385	13,611,873
Total current assets		879,652,778	1,213,680,430
Non-current assets			
Long-term portion of investment in Sukuk certificates	6	-	5,958,344
Long-term portion of Diminishing Musharika	7	1,068,138,941	1,235,852,837
Ijarah assets	8	4,323,692,580	4,374,496,928
Fixed assets in own use	9	13,738,675	10,040,465
Total non-current assets		5,405,570,196	5,626,348,574
TOTAL ASSETS		6,285,222,974	6,840,029,004
LIABILITIES AND EQUITY			
Current liabilities			
Musharika finance	10	31,563,995	-
Murabaha finance		-	135,000,000
Current maturity of musharika term finance	11	649,526,957	279,383,940
Current maturity of security deposits		198,369,904	157,862,818
Creditors, accrued and other liabilities		262,506,605	324,852,411
Advance Ijarah rentals received		39,969,578	44,668,159
Current portion of redeemable capital		2,291,285,000	4,132,265,000
Unclaimed profit distribution		31,347,715	27,611,108
Total current liabilities		3,504,569,754	5,101,643,436
Non-current liabilities			
Long-term portion of Musharika term finance	11	239,910,410	100,000,000
Long-term portion of security deposits		611,778,955	608,607,850
Long-term portion of redeemable capital		889,975,000	27,210,000
Total non-current liabilities		1,741,664,365	735,817,850
TOTAL LIABILITIES		5,246,234,119	5,837,461,286
CERTIFICATE HOLDERS' EQUITY			
Authorised certificate capital			
50,000,000 (June 30, 2013: 50,000,000) certificates of Rs 10 each		500,000,000	500,000,000
Certificate capital			
Issued, subscribed and paid-up certificate capital			
28,500,000 (June 30, 2013: 28,500,000) certificates of Rs 10 each issued as fully paid in cash		285,000,000	285,000,000
16,883,530 (June 30, 2013: 16,883,530) bonus certificates of Rs 10 each		168,835,300	168,835,300
		453,835,300	453,835,300
Other reserves		475,489,545	450,051,906
Unappropriated profit		109,664,010	98,680,512
		1,038,988,855	1,002,567,718
TOTAL LIABILITIES AND EQUITY		6,285,222,974	6,840,029,004
CONTINGENCIES AND COMMITMENTS			
	12		

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)



Najam Siddiqi
Chairman



Raheel Qamar Ahmad
Chief Executive



Khurram Shahzad Khan
Director

Condensed Interim Profit and Loss Account (Unaudited)

For the nine months period and quarter ended March 31, 2014

Note	Nine Months ended		Quarter ended	
	March 31,		March 31,	
	2014	2013	2014	2013
	----- Rupees -----		----- Rupees -----	
Ijarah finance income	-	2,816,797	-	388,693
Ijarah rentals earned	1,588,438,854	1,497,503,719	532,423,576	503,744,685
Income on Diminishing Musharika transactions	121,233,444	118,365,840	39,889,864	38,041,311
Income on deposits with bank	14,481,260	12,130,701	4,411,200	3,754,487
	1,724,153,558	1,630,817,057	576,724,640	545,929,176
Financial charges	(294,679,362)	(342,201,782)	(97,119,666)	(112,066,449)
Depreciation on assets under Ijarah arrangements	(1,236,313,875)	(1,148,620,655)	(411,452,806)	(381,826,700)
	193,160,321	139,994,620	68,152,168	52,036,027
Provision in respect of Ijarah finances - net	(5,314,427)	(15,514,995)	(8,601,030)	(2,900,447)
Reversal of provision in respect of Diminishing Musharika (Provision) / reversal of provision in respect of Sukuk certificates	337,114	233,628	112,372	112,592
	(6,212,247)	152,343	253,905	50,781
	181,970,761	124,865,596	59,917,415	49,298,953
Other income	28,096,546	28,213,876	6,477,235	5,980,250
Administrative and operating expenses	(63,252,970)	(61,743,449)	(20,602,695)	(21,958,475)
	146,814,337	91,336,023	45,791,955	33,320,728
Modaraba management company's remuneration	(14,681,434)	(9,133,602)	(4,579,196)	(3,332,072)
Provision for services sales tax on management company's remuneration	(2,349,029)	-	(732,671)	-
Provision for Workers' Welfare Fund	(2,595,677)	(1,644,048)	(809,601)	(599,773)
Profit before taxation	127,188,197	80,558,373	39,670,487	29,388,883
Taxation	-	-	-	-
Profit after taxation	127,188,197	80,558,373	39,670,487	29,388,883
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	127,188,197	80,558,373	39,670,487	29,388,883
Earnings per certificate - basic and diluted	2.80	1.78	0.87	0.65

The annexed notes 1 to 21 form an integral part of this condensed interim financial information.

For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)



Najam Siddiqi
Chairman



Raheel Qamar Ahmad
Chief Executive



Khurram Shahzad Khan
Director

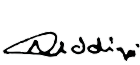
Condensed Interim Cash Flow Statement (Unaudited)

For the nine months period ended March 31, 2014

	Note	Nine months period ended March 31, 2014	Nine months period ended March 31, 2013
-----Rupees-----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the period before taxation		127,188,197	80,558,373
Adjustment for non cash and other items:			
Depreciation on fixed assets in own use		689,276	737,002
Depreciation on fixed assets under Ijarah arrangements		1,236,313,875	1,148,620,655
Profit on disposal of assets under Ijarah arrangements		(20,034,569)	(20,061,994)
Provision in respect of Ijarah finances - net		5,314,427	15,514,995
Provision / (reversal of provision) in respect of Sukuk certificates		6,212,247	(152,343)
Reversal of provision in respect of Diminishing Musharika		(337,114)	(233,628)
Income on deposits with bank		(14,481,260)	(12,130,701)
Profit on:			
- Redeemable capital		206,713,882	257,503,143
- Murabaha finances		2,830,118	25,927,195
- Musharika finances		55,244,794	18,578,324
Provision for Workers' Welfare Fund		2,595,677	1,644,048
Provision for services sales tax on management company's remuneration		2,349,029	-
		1,483,410,382	1,435,946,696
		1,610,598,579	1,516,505,069
(Increase) / decrease in assets			
Advances, deposits, prepayments and other receivables		(52,164,839)	111,267,565
Ijarah rentals receivable		(4,981,995)	(28,049,576)
Diminishing Musharika		78,853,803	(279,341,779)
Purchase of assets under Ijarah arrangements		(1,486,933,373)	(1,715,542,134)
Proceeds from disposal of assets under Ijarah arrangements		321,458,415	371,037,541
Investment in Ijarah finance - net		5,955,699	64,317,932
Loans and advances to employees		-	315,390
		(1,137,812,290)	(1,475,995,061)
Increase / (decrease) in liabilities			
Creditors, accrued and other liabilities		(26,548,206)	130,963,227
Advance Ijarah rentals received		(4,698,581)	2,586,726
Security deposits		43,678,191	59,454,537
		12,431,404	193,004,490
		485,217,693	233,514,498
Profit received / (paid) on			
- Redeemable capital		(249,163,866)	(260,721,045)
- Murabaha finances		(6,531,041)	(26,369,569)
- Musharika finances		(47,240,516)	(19,546,637)
Taxes paid		(4,189)	-
		(302,939,612)	(306,637,251)
		182,278,081	(73,122,753)
Net cash generated from / (used in) operating activities			
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipt against investment		761,717	761,715
Fixed capital expenditure		(4,387,486)	(7,971,446)
Income on deposits with bank		16,230,447	7,236,729
Net cash generated from investing activities		12,604,678	26,998
CASH FLOWS FROM FINANCING ACTIVITIES			
Redeemable capital less repayments		(978,215,000)	181,875,530
Murabaha finances less repayments		(135,000,000)	(395,568,381)
Musharaka finances less repayments		510,053,427	400,000,000
Profit paid to certificate holders		(87,030,453)	(76,227,216)
Net cash (used in) / generated from financing activities		(690,192,026)	110,079,933
(Decrease) / increase in cash and cash equivalents		(495,309,267)	36,984,178
Cash and cash equivalents at the beginning of period		637,023,023	(334,051,594)
Cash and cash equivalents at end of the period	16	141,713,756	(297,067,416)

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)



Najam Siddiqi
Chairman



Raheel Qamar Ahmad
Chief Executive



Khurram Shahzad Khan
Director

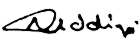
Condensed Interim Statement of Changes in Equity (Unaudited)

For the nine months period ended March 31, 2014

	Paid-up certificate capital	Reserves			Sub-total	Total
		Premium on modaraba certificates	Statutory reserve	Unappropriated profit		
				(Rupees)		
Balance as at June 30, 2012	453,835,300	55,384,700	370,408,313	81,066,116	506,859,129	960,694,429
Profit distribution for the year ended June 30, 2012 @ Rs. 1.75 per certificate	-	-	-	(79,421,178)	(79,421,178)	(79,421,178)
Total comprehensive income for the nine months period ended March 31, 2013	-	-	-	80,558,373	80,558,373	80,558,373
Transfer to statutory reserve	-	-	16,111,675	(16,111,675)	-	-
Balance as at March 31, 2013	453,835,300	55,384,700	386,519,988	66,091,636	507,996,324	961,831,624
Balance as at June 30, 2013	453,835,300	55,384,700	394,667,206	98,680,512	548,732,418	1,002,567,718
Profit distribution for the year ended June 30, 2013 @ Rs. 2 per certificate	-	-	-	(90,767,060)	(90,767,060)	(90,767,060)
Total comprehensive income for the nine months period ended March 31, 2014	-	-	-	127,188,197	127,188,197	127,188,197
Transfer to statutory reserve	-	-	25,437,639	(25,437,639)	-	-
Balance as at March 31, 2014	453,835,300	55,384,700	420,104,845	109,664,010	585,153,555	1,038,988,855

The annexed notes from 1 to 21 form an integral part of this condensed interim financial information.

For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)



Najam Siddiqi
Chairman



Raheel Qamar Ahmad
Chief Executive



Khurram Shahzad Khan
Director

Notes to the Condensed Interim Financial Information (Unaudited) For the nine months period ended March 31, 2014

1 STATUS AND NATURE OF BUSINESS

Standard Chartered Modaraba (the Modaraba) was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by Standard Chartered Services of Pakistan (Private) Limited. The Management Company is a wholly owned subsidiary of Standard Chartered Bank (Pakistan) Limited. The address of its registered office is Standard Chartered Bank Building, I. I. Chundrigar Road, Karachi, Pakistan.

The Modaraba is a perpetual modaraba and is primarily engaged in leasing of plant, machinery, motor vehicles (both commercial and private), computer equipment, etc. The Modaraba may also invest in commercial and industrial ventures suitable for the Modaraba. The Modaraba is listed on the Karachi and Lahore Stock Exchanges.

2 BASIS OF PREPARATION

2.1 Statement of compliance

- a) 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.

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, 2013.

This condensed interim financial information is unaudited.

- b) During the year ended June 30, 2008, Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan which was notified by the Securities and Exchange Commission of Pakistan vide an SRO 431(1)/2007 dated May 5, 2007 was adopted. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:
- Muj'ir (lessors) shall present the assets subject to Ijarah in their balance sheet 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 shall be recognised as an expense.
 - Ijarah income shall be recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

SECP, vide its letter No. SC/ M/ RW/ SCM /2009 dated March 9, 2009, allowed that in case of Modarabas, IFAS 2 shall be applied for Ijarah transactions executed on or after July 1, 2008. Accordingly, the Modaraba has accounted for leasing transactions executed before July 01, 2008 as finance leases and has treated the leasing transactions executed on or after July 01, 2008 in accordance with the requirements of IFAS 2.

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

There are certain amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and are therefore not detailed in this condensed interim financial information.

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

There are certain amended standards and interpretations that are mandatory for the accounting periods beginning on or after January 1, 2014 but are considered not to be relevant or will not have any significant effect on the Modaraba's operations and are therefore not detailed in this condensed interim financial information.

2.4 Critical accounting estimates and judgments

The basis and methods used for critical accounting estimates and judgments adopted in this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Modaraba for the year ended June 30, 2013.

2.5 Accounting convention

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

2.6 Functional and presentation currency

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

Notes to the Condensed Interim Financial Information (Unaudited)

For the nine months period ended March 31, 2014

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published financial statements of the Modaraba for the year ended June 30, 2013.

	Note	(Un-audited) March 31, 2014	(Audited) June 30, 2013
------(Rupees)-----			
4. CASH AND BANK BALANCES			
Balances with banks			
- in current accounts		80,348	48,462,628
- in deposit accounts	4.1	173,171,344	438,545,620
Cash in hand		26,059	14,775
		<u>173,277,751</u>	<u>487,023,023</u>

- 4.1** This includes a balance of Rs 0.878 million (June 30, 2013: Rs 67.600 million) held with Standard Chartered Bank (Pakistan) Limited (a related party). The deposit accounts carry expected profit rates ranging between 4.94% and 7.90% (June 30, 2013: 6.00% and 8.50%) per annum. The balances with banks in deposit accounts have been kept in order to comply with the requirement of guidelines issued by the Securities and Exchange Commission of Pakistan (SECP) with respect to the maintenance of prescribed liquidity against the Certificates of Musharika issued by the Modaraba.

	Note	(Un-audited) March 31, 2014	(Audited) June 30, 2013
------(Rupees)-----			
5. IJARAH RENTALS RECEIVABLE			
Ijarah rentals receivable - considered good		184,006,355	173,569,067
Less: Allowance for potential Ijarah losses		(40,821,546)	(36,414,673)
Less: Profit held in suspense		<u>(20,907,681)</u>	<u>(15,452,388)</u>
		<u>122,277,128</u>	<u>121,702,006</u>

6. INVESTMENT IN SUKUK CERTIFICATES

Held to maturity

Investment in Sukuk Certificates	57,955,737	58,717,455
Less: Provision in respect of Sukuk certificates	<u>(57,955,737)</u>	<u>(51,743,491)</u>
	-	6,973,964
Less: Current portion of investment in Sukuk Certificates	-	<u>(1,015,620)</u>
	-	<u>5,958,344</u>

7. DIMINISHING MUSHARIKA

- Staff

Housing finance	35,436,348	33,591,635
Others	<u>1,318,326</u>	<u>1,610,832</u>
	36,754,674	35,202,467

- Other Customers

Housing finance	438,092,422	368,708,898
Others	<u>978,760,928</u>	<u>1,128,550,462</u>
Less: Provision in respect of Diminishing Musharika	<u>(24,316,886)</u>	<u>(24,654,000)</u>
	1,392,536,464	1,472,605,360
	<u>1,429,291,138</u>	<u>1,507,807,827</u>
	<u>(361,152,197)</u>	<u>(271,954,990)</u>
	<u>1,068,138,941</u>	<u>1,235,852,837</u>

Less: current portion of Diminishing Musharika

8. NET INVESTMENT IN IJARAH FINANCE

Ijarah contracts commencing on or after July 1, 2008		
- accounted for under IFAS 2	4,326,823,833	4,377,628,181
Less: Impairment against Ijarah assets	<u>(3,131,253)</u>	<u>(3,131,253)</u>
	<u>4,323,692,580</u>	<u>4,374,496,928</u>
Ijarah contracts commencing prior to July 1, 2008		
- accounted for as finance leases	380,917	7,244,170
Less: Current portion of net investment in Ijarah finance	<u>(380,917)</u>	<u>(7,244,170)</u>
	-	-

Notes to the Condensed Interim Financial Information (Unaudited) For the nine months period ended March 31, 2014

8.1

	As at March 31, 2014 (Unaudited)			As at June 30, 2013 (Audited)		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
	Rupees					
Minimum Ijarah payments receivable	1,275,978	-	1,275,978	2,257,685	-	2,257,685
Add: Residual value	370,000	-	370,000	5,343,646	-	5,343,646
Gross investment in Ijarah finance	1,645,978	-	1,645,978	7,601,331	-	7,601,331
Less: Unearned finance income	-	-	-	116	-	116
Allowance for potential Ijarah losses	1,134,443	-	1,134,443	226,889	-	226,889
Suspended income	130,618	-	130,618	130,156	-	130,156
Net investment in Ijarah finance	380,917	-	380,917	7,244,170	-	7,244,170

8.2 The following additions to and disposals of Ijarah assets have been made during the period ended March 31, 2014:

	(Un-audited) March 31, 2014	(Un-audited) March 31, 2013
	Rupees	
Ijarah Assets		
Additions at cost during the period		
- Plant, machinery and equipments	818,388,172	831,675,021
- Motor vehicles	668,545,201	883,867,113
	1,486,933,373	1,715,542,134
Disposals at cost during the period		
- Plant, machinery and equipments	375,032,569	485,074,655
- Motor vehicles	644,454,160	401,117,600
	1,019,486,729	886,192,255
	(Unaudited) March 31, 2014	(Audited) June 30, 2013

9. FIXED ASSETS IN OWN USE

Note

		(Unaudited) March 31, 2014	(Audited) June 30, 2013
		Rupees	
Tangible assets	9.1	520,943	993,974
Intangible assets	9.1	63,755	280,000
Capital work-in-progress	9.2	13,153,977	8,766,491
		13,738,675	10,040,465

9.1 The following additions to and disposals of operating fixed assets have been made during the period ended March 31, 2014:

	(Unaudited) March 31, 2014	(Unaudited) March 31, 2013
	Rupees	
Additions at cost during the period		
- Computers / equipment	-	187,500
- Motor vehicles	-	353,500
- Computer software	-	79,418
	-	620,418
Disposals at cost during the period	-	-

9.2 This pertains to advance given against purchase of computer software.

10. MUSHARIKA FINANCE

	(Un-audited) March 31, 2014	(Audited) June 30, 2013
	Rupees	
Musharika with:		
- an associated undertaking - secured	31,563,995	-

10.1 The total facility for musharika finance available from Standard Chartered Bank (Pakistan) Limited (related party) amounts to Rs. 500 million (June 30, 2013: Rs 800 million). The estimated share of profit payable on this facility ranged between Re. 0.2764 to Re. 0.3033 (June 30, 2013: Re 0.2839 to Re 0.3555) per rupee one thousand per day. The facility is secured against hypothecation over the specific moveable leased out assets of the Modaraba.

Notes to the Condensed Interim Financial Information (Unaudited)

For the nine months period ended March 31, 2014

		(Un-audited) March 31, 2014	(Audited) June 30, 2013
		----- Rupees -----	
11. MUSHARIKA TERM FINANCE			
Musharika with:			
- an associated undertaking - secured	11.1	240,882,354	340,000,000
- others	11.2	648,555,013	39,383,940
		889,437,367	379,383,940
Less: Current portion of musharika term finance		649,526,957	279,383,940
		239,910,410	100,000,000

11.1 Out of the total musharika term finance facility of Rs.1,000 million (June 30, 2013: Rs. 1,000 million) from Standard Chartered Bank (Pakistan) Limited (related party), Rs. 625 million has been availed in two tranches. The maximum tenor of repayment is 25 monthly equal installments. The estimated share of payable on this facility ranges between Re 0.2532 to Re. 0.2852 (June 30, 2013: Re. 0.2578 to Re. 0.2748) per rupee one thousand per day. The facility is secured against hypothecation over the specific moveable leased out assets of the Modaraba.

11.2 This represents Musharika Finance facilities which have been obtained from Bank Islami Pakistan Limited, Meezan Bank Limited and Habib Bank Limited amounting to Rs 67.48 million, 536.28 million and 250 million respectively. These facilities are payable in 12 monthly installments, 12 quarterly installments and lump sum payment at maturity respectively. The estimated share of profit payable on these facilities ranges between Re. 0.2501 to Re. 0.2926 (June 30, 2013: Re. 0.2600) per rupee one thousand per day. These facilities are secured against hypothecation over the specific moveable leased out assets of the Modaraba.

12. CONTINGENCIES AND COMMITMENTS

12.1 Contingencies

An agreement was executed between Haleeb Foods Limited and the consortium of financial institutions. As per the terms of the agreement, Meezan Bank Limited had to provide working capital facilities to the tune of Rs. 425 million to Haleeb Foods Limited which were subsequently enhanced to Rs. 700 million. Inland Usance L/C (IULC) facility of Rs. 96.12 million to Haleeb Foods Limited was initially extended by the consortium of financial institutions on standalone basis. However, on enhancement of facilities to Rs. 700 million, the enhanced amount incorporated the said facility as sublimit. Standard Chartered Modaraba's share out of the working capital line was Rs. 39.340 million which was to be provided in the shape of LC / IULC and Ijarah finance. LCs were established by Meezan Bank Limited on behalf of the consortium and the outstanding balance of the Modaraba's share against LCs was Rs. 13.364 million as at March 31, 2014.

12.2 Commitments

The Modaraba has issued letter of comfort to Soneri Bank Limited equal to an amount of Rs 18.813 million on behalf of Medipak Limited. An other letter of comfort has been issued to Bank Al-Habib Limited for an amount of Rs. 189.54 million on behalf of Continental Plastic Industries out of which Rs.75.816 million is currently outstanding.

13. PROVISION FOR SERVICES SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

Pursuant to Order number SRB-COM-I/AC-V/Mgt/SCSOP/5878/2012 of the Sindh Revenue Board (SRB) dated April 22, 2013, the Modaraba has recorded a provision in respect of Sindh Sales Tax on modaraba management company remuneration at the rate of 16% per annum. The Management Company has filed an appeal before the Appellate Tribunal SRB against this order.

Subsequently, the Honourable High Court, in its order dated October 29, 2013 has restrained the Sindh Revenue Board from taking any action to collect any alleged amount of sales tax on management remuneration of Modaraba Companies till the final decision of the Honourable High Court.

14. PROVISION FOR WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) due to which the Modaraba became liable to pay contribution to Workers' Welfare Fund (WWF) at the higher of the profit before taxation as per the financial statements or the return of income.

Provision for WWF has been netted off against taxation recoverable.

15. 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, 2014. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

Notes to the Condensed Interim Financial Information (Unaudited) For the nine months period ended March 31, 2014

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the cash flow statement comprise of the following balance sheet amounts:

	Note	(Un-audited) March 31, 2014	(Un-audited) March 31, 2013
		----- (Rupees) -----	
Cash and bank balances	4	173,277,751	4,769,533
Musharika finance	10	(31,563,995)	(301,836,949)
		<u>141,713,756</u>	<u>(297,067,416)</u>

17. RELATED PARTIES TRANSACTIONS

The related parties of the Modaraba include the management company, staff retirement funds, directors and key management personnel and Standard Chartered Bank (Pakistan) Limited. Transactions with related parties other than remuneration and benefits to key management personnel (which are employed by the management company) under the terms of their employment are as follows:

	Nine months period ended March 31, 2014	Nine months period ended March 31, 2013
	(Un-audited)	(Un-audited)
	----- (Rupees) -----	
Standard Chartered Bank (Pakistan) Limited - Holding Company		
Profit on Musharika finance	22,577,551	37,577,634
Profit on deposit account	877,154	356,174
Bank charges and commission	28,399,808	21,193,810
Charge for reimbursement of miscellaneous expenses	5,250,063	4,062,561
Reimbursement of salaries and benefits	419,830	-
Staff retirement benefits funds		
Contribution to the staff provident fund	1,721,575	1,635,280
Contribution to the staff gratuity fund	1,431,645	1,362,184
Standard Chartered Services of Pakistan (Private) Limited - Management Company		
Management company's remuneration	14,681,434	9,133,602
Key Management Personnel remuneration		
Salaries and benefits	22,832,804	22,931,143
Contribution to the staff provident fund	807,643	797,730
Contribution to the staff gratuity fund	672,769	664,513
Number of persons	8	8

The Modaraba enters into transactions with related parties for borrowings under Musharika finances and other general banking services. These transactions are based on a transfer pricing policy under which all transactions are carried out on agreed terms. The balances with related parties other than balances that have been disclosed in the respective notes are as follows:

	(Unaudited) March 31, 2014	(Audited) June 30, 2013
	----- Rupees -----	
Standard Chartered Bank (Pakistan) Limited - Holding Company		
Advances, deposits, prepayments and other receivables	-	549,486
Creditors, accrued and other liabilities	3,549,717	7,324,777
Standard Chartered Services of Pakistan (Private) Limited - Management Company		
Management company's remuneration payable	18,019,074	10,964,194

Notes to the Condensed Interim Financial Information (Unaudited) For the nine months period ended March 31, 2014

18. SEGMENT INFORMATION

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

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

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

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

The Modaraba has a diversified product portfolio whereby resources have been allocated.

The Modaraba also has a diversified certificate holder population. As at March 31, 2014, there were only three (June 30, 2013: three) certificate holders who each held more than 10% of the Modaraba's certificate capital. Their holdings were 10%, 10% and 10% (June 30, 2013: 10%, 10% and 10%) respectively.

19. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison and better presentation. There were no major reclassifications in this condensed interim financial information during the current period.

20. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on April 23, 2014 by the Board of Directors of the Management Company.

21. GENERAL

Figures have been rounded off to the nearest rupee.

For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)



Najam Siddiqi
Chairman



Raheel Qamar Ahmad
Chief Executive



Khurram Shahzad Khan
Director



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