

3rd Quarterly Report

March 31, 2015

Standard Chartered Modaraba



Contents

Modaraba Information	2
Directors' Review	3
Condensed Interim Balance Sheet	5
Condensed Interim Profit and Loss Account	6
Condensed Interim Cash Flow Statement	7
Condensed Interim Statement of Changes in Equity	8
Notes to the Condensed Interim Financial Information	9

Modaraba Information

Directors of Modaraba Company

Mr. Najam Siddiqi
Chairman

Mr. Raheel Qamar Ahmad
Managing Director/ Chief Executive

Syed Zaheer Mehdi
Director

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

KPMG Taseer Hadi & Co.

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

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Directors' Review

For the period ended 31 March 2015

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 31 March 2015.

1. Economic Outlook

The economic growth momentum continued during the first nine months of the current financial year on account of lower oil prices, record high remittances and resumption of IMF program. It is expected that growth rate will be over 4.5% in FY15 compared to 4.1% in FY14.

Headline Inflation printed 2.5% in March 2015, being the lowest level during the last eleven and a half years. A declining trend in inflation has enabled the central bank to ease discount rate by 200 bps during the last four months.

FX Reserves have reached the level of USD 16bn by March 2015. The robust growth in remittances continued to lower the current account deficit. Home remittances are up by 15 percent or USD1.74Bn in the nine months to stand at USD13.33Bn. With IMF program on track and expected proceeds from privatization and official flows, the external sector outlook remains stable.

2. Financial Highlights

Financial results are summarized as under:

	31 March 2015 (PKR '000')	30 June 2014 (PKR '000')
Balance Sheet		
Certificate capital	453,835	453,835
Total equity	1,097,948	1,093,505
Investment in Ijarah finance and Ijarah Assets	3,261,165	4,194,792
Investments in Diminishing Musharika and Sukuks	1,227,637	1,352,982
Redeemable capital	3,160,540	2,774,405
	Nine Months ended 31 March 2015 (PKR '000')	Nine Months ended 31 March 2014 (PKR '000')
Profit and Loss		
Revenue (net of Ijarah assets depreciation)	518,847	515,936
Financial charges	264,273	294,679
Provisions/ Impairment (net of reversals/ recoveries)	20,862	11,190
Operating expenses	71,606	63,253
Profit before management fee	162,105	146,814
Net profit	140,594	127,188

3. Review of Operations

During the period under review the Modaraba's net profit increased by 10.54% from Rs. 127.19 million to Rs. 140.59 million as compared to corresponding period of last year mainly due to efficient management of financial charges. Gross revenue marginally increased by 0.56% whereas financial charges decreased by 10.32% as compared to corresponding period of last year. The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at Rs. 4,489 million compared to Rs. 5,548 million as at June 30, 2014. Your Modaraba continued focusing on raising funds from the general public through Certificates of Musharika (CoMs). Thus, the balance of CoMs has increased by 13.92% to Rs. 3,161 million, as at March 31, 2015 as compared to Rs. 2,774 million as at June 30, 2014.

Directors' Review

For the period ended 31 March 2015

The asset portfolio has a good mix of multi-nationals, large and medium sized local corporates and selective SME relationships. It is well diversified and comprises of Plant & Machinery, motor vehicles and equipment. The Modaraba's sector wise exposure is also closely monitored.

Your Modaraba, while remaining cautious and prudent 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. 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.



Najam Siddiqi
Chairman
24 April 2015

Condensed Interim Balance Sheet (Unaudited)

As at 31 March 2015

	Note	31 March 2015 (Un-audited) ------(Rupees)-----	30 June 2014 (Audited)
ASSETS			
Current assets			
Cash and bank balances	5	696,835,915	143,904,857
Ijarah rentals receivable	6	94,606,178	131,590,555
Advances, deposits, prepayments and other receivables		54,270,683	179,068,138
Current portion of investment in Sukuk Certificates	7	-	-
Current portion of Diminishing Musharika	8	313,426,627	358,882,066
Current portion of net investment in Ijarah finance	9	370,000	370,000
Taxation recoverable		7,038,556	9,907,816
		1,166,547,959	823,723,432
Non-current assets			
Long-term portion of investment in Sukuk Certificates	7	-	-
Long-term portion of Diminishing Musharika	8	914,210,482	994,099,639
Long-term portion of net investment in Ijarah finance/ assets under Ijarah arrangements	9	3,260,795,166	4,194,421,958
Fixed assets in own use	10	16,640,593	23,070,364
		4,191,646,241	5,211,591,961
TOTAL ASSETS		5,358,194,200	6,035,315,393
LIABILITIES AND EQUITY			
Current liabilities			
Musharika finance	11	4,423,208	284,809,178
Current maturity of Musharika term finance	12	137,091,664	550,597,975
Current maturity of security deposits		211,498,733	233,904,836
Creditors, accrued and other liabilities		196,218,830	258,161,623
Advance Ijarah rentals received		37,477,288	32,346,428
Current portion of redeemable capital		875,205,000	1,123,565,000
Unclaimed profit distribution		34,546,714	30,057,742
		1,496,461,437	2,513,442,782
Non-current liabilities			
Long-term portion of Musharika term finance	12	102,818,746	205,637,497
Long-term portion of security deposits		375,630,980	571,890,237
Long-term portion of redeemable capital		2,285,335,000	1,650,840,000
		2,763,784,726	2,428,367,734
TOTAL LIABILITIES		4,260,246,163	4,941,810,516
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
50,000,000 (30 June 2014: 50,000,000) certificates of Rs. 10 each		500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital			
28,500,000 (30 June 2014: 28,500,000) certificates of Rs. 10 each issued as fully paid in cash		285,000,000	285,000,000
16,883,530 (30 June 2014: 16,883,530) bonus certificates of Rs. 10 each		168,835,300	168,835,300
		453,835,300	453,835,300
Unappropriated profit		129,601,237	153,276,827
Other reserve		514,511,500	486,392,750
		1,097,948,037	1,093,504,877
		5,358,194,200	6,035,315,393
CONTINGENCIES AND COMMITMENTS			

13

The annexed notes 1 to 21 form an integral part of these 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 31 March 2015

Note	Nine months period ended		Three months period ended	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	(Rupees)			
Ijarah rentals earned	1,450,629,109	1,588,438,854	451,503,064	532,423,576
Income on Diminishing Musharika transactions	115,547,907	121,233,444	36,605,987	39,889,864
Income on deposits with bank	24,426,885	14,481,260	13,054,714	4,411,200
	1,590,603,901	1,724,153,558	501,163,765	576,724,640
Financial charges	(264,273,461)	(294,679,362)	(88,105,890)	(97,119,666)
Depreciation on assets under Ijarah arrangements	(1,127,990,014)	(1,236,313,875)	(356,476,251)	(411,452,806)
Impairment on assets under Ijarah arrangements	(24,243,302)	-	-	-
	174,097,124	193,160,321	56,581,624	68,152,168
Reversal of provision / (provision) in respect of Ijarah finances - net	3,043,980	(5,314,427)	2,041,440	(8,601,030)
Reversal of provision in respect of Diminishing Musharika	337,114	337,114	112,371	112,372
Provision in respect of Sukuk certificates	-	(6,212,247)	-	253,905
	177,478,218	181,970,761	58,735,435	59,917,415
Other income	56,233,286	28,096,546	25,393,202	6,477,235
Administrative and operating expenses	(71,606,407)	(63,252,970)	(26,839,747)	(20,602,695)
	162,105,097	146,814,337	57,288,890	45,791,955
Modaraba management company's remuneration	(16,210,510)	(14,681,434)	(5,728,889)	(4,579,196)
Provision for services sales tax on management company's remuneration	(2,431,577)	(2,349,029)	(754,518)	(732,671)
Provision for Workers' Welfare Fund	(2,869,260)	(2,595,677)	(1,016,109)	(809,601)
Profit for the period before taxation	140,593,750	127,188,197	49,789,374	39,670,487
Taxation	-	-	-	-
Profit after taxation	140,593,750	127,188,197	49,789,374	39,670,487
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	140,593,750	127,188,197	49,789,374	39,670,487
Earnings per certificate - basic and diluted	3.10	2.80	1.10	0.87

The annexed notes 1 to 21 form an integral part of these 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 31 March 2015

Note	Nine months period ended	
	31 March 2015	31 March 2014
	------(Rupees)-----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	140,593,750	127,188,197
Adjustment for non-cash and other items:		
Depreciation on fixed assets in own use	6,429,771	689,276
Depreciation on fixed assets under Ijarah arrangements	1,127,990,014	1,236,313,875
Impairment against Assets under Ijarah arrangements	24,243,302	-
Profit on disposal of assets under Ijarah arrangements	(54,171,017)	(20,034,569)
(Reversal of provision)/ provision in respect of Ijarah finances	(3,043,980)	5,314,427
Provision in respect of Sukuk certificates	-	6,212,247
Reversal in respect of provision against Diminishing Musharika	(337,114)	(337,114)
Income on deposits with bank	(24,426,885)	(14,481,260)
Profit on:		
- Redeemable capital	198,560,105	206,713,882
- Murabaha finances	-	2,830,118
- Musharika finances	79,838	1,022,207
- Musharika term finances	35,357,382	54,222,587
Provision for services sales tax on management company's remuneration	2,431,577	2,349,029
Provision for Workers' Welfare Fund	2,869,260	2,595,677
	1,315,982,253	1,483,410,382
	1,456,576,003	1,610,598,579
Movement in working capital		
(Increase) / decrease in assets		
Advances, deposits, prepayments and other receivables	127,501,963	(52,164,839)
Ijarah rentals receivable	40,028,357	(4,981,995)
Diminishing Musharika	125,681,710	78,853,803
Purchase of assets under Ijarah arrangements	(957,426,345)	(1,486,933,373)
Proceeds from disposal of assets under Ijarah arrangements	792,990,838	321,458,415
Investment in Ijarah finance -net	-	5,955,699
	128,776,523	(1,137,812,290)
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities	(74,914,846)	(26,548,206)
Advance Ijarah rentals received	5,130,860	(4,698,581)
Security deposits	(218,665,360)	43,678,191
	(288,449,346)	12,431,404
Cash generated from operations	1,296,903,180	485,217,693
Profit paid on:		
- Redeemable capital	(181,155,899)	(249,163,866)
- Murabaha finances	-	(6,531,041)
- Musharika finances	(146,788)	(4,100,924)
- Musharika term finances	(42,154,162)	(43,139,592)
	(223,456,849)	(302,935,423)
Taxes paid	-	(4,189)
Net cash generated from operating activities	1,073,446,331	182,278,081
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of Fixed assets in own use	-	(4,387,486)
Receipts against investment in Sukuk Certificates	-	761,717
Income received on deposits with banks	21,722,377	16,230,447
Net cash generated from investing activities	21,722,377	12,604,678
CASH FLOW FROM FINANCING ACTIVITIES		
Redeemable capital less repayments	386,135,000	(978,215,000)
Murabaha finances less repayments	-	(135,000,000)
Musharika finances less repayments	(516,325,062)	510,053,427
Profit paid to certificate holders	(131,661,618)	(87,030,453)
Net cash generated / (utilised) from financing activities	(261,851,680)	(690,192,026)
Increase / (decrease) in cash and cash equivalents	833,317,028	(495,309,267)
Cash and cash equivalents at beginning of period	(140,904,321)	637,023,023
Cash and cash equivalents at end period	692,412,707	141,713,756

17

The annexed notes 1 to 21 form an integral part of these 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)

	Paid-up certificate capital	Premium on modaraba certificates	Reserves Statutory reserve	Unappropriated profit	Total
	(Rupees)				
Balance as at 1 July 2013	453,835,300	55,384,700	394,667,206	98,680,512	1,002,567,718
Total comprehensive income for the period:					
- Profit for the nine months period ended 31 March 2014	-	-	-	127,188,197	127,188,197
- Other comprehensive income	-	-	-	-	-
	-	-	-	127,188,197	127,188,197
Transactions with owners - Distribution					
- Profit distribution for the year ended 30 June 2013 @ Rs. 2.00 per certificate	-	-	-	(90,767,060)	(90,767,060)
Transfer to statutory reserve	-	-	25,437,639	(25,437,639)	-
Balance as at 31 March 2014	<u>453,835,300</u>	<u>55,384,700</u>	<u>420,104,845</u>	<u>109,664,010</u>	<u>1,038,988,855</u>
Balance as at 1 July 2014	453,835,300	55,384,700	431,008,050	153,276,827	1,093,504,877
Total comprehensive income for the period:					
- Profit for the nine months period ended 31 March 2015	-	-	-	140,593,750	140,593,750
- Other comprehensive income	-	-	-	-	-
	-	-	-	140,593,750	140,593,750
Transactions with owners - Distribution					
- Profit distribution for the year ended 30 June 2014 @ Rs. 3.00 per certificate	-	-	-	(136,150,590)	(136,150,590)
Transfer to statutory reserve	-	-	28,118,750	(28,118,750)	-
Balance as at 31 March 2015	<u>453,835,300</u>	<u>55,384,700</u>	<u>459,126,800</u>	<u>129,601,237</u>	<u>1,097,948,037</u>

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

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

Redding


Raheel Qamar Ahmad
Chief Executive


Murram Shahzad Khan
Director

Notes to the Condensed Interim Financial Information (Unaudited) For the nine months period ended 31 March 2015

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 equipments, 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. The Pakistan Credit Rating Agency Limited (PACRA) has assigned long term rating of AA+ and short term rating of A1+ to the Modaraba.

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 30 June 2014.

The comparative balance sheet presented in this condensed interim financial information as at 31 March 2015 has been extracted from the audited financial statements of the Modaraba for the year ended 30 June 2014, whereas the comparative condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity have been extracted from the condensed interim financial information for the period ended 31 March 2014.

This condensed interim financial information is unaudited.

- b) During the year ended 30 June 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 5 May 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 09 March 2009, allowed that in case of Modarabas, IFAS 2 shall be applied for Ijarah transactions executed on or after 01 July 2008. Accordingly, the Modaraba has accounted for leasing transactions executed before 01 July 2008 as finance leases and has treated the leasing transactions executed on or after 01 July 2008 in accordance with the requirements of IFAS 2.

2.2 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupees which is also the Modaraba's functional currency and all financial information presented has been rounded off to the nearest rupee.

- 2.3 Significant accounting estimates and judgements The preparation of this condensed interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. However, actual results may differ from these estimates. In preparing this condensed interim financial information the significant judgements made by the management in applying the Modaraba's accounting policies and the key sources of estimates and uncertainty were the same as those that were applied to the financial statements for the year ended 30 June 2014.

3. 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 as at and for the year ended 30 June 2014. Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Modaraba's operations and did not have any impact on the accounting policies of the Modaraba.

Notes to the Condensed Interim Financial Information (Unaudited)

For the nine months period ended 31 March 2015

4. FINANCIAL RISK MANAGEMENT

The financial risk management objectives and policies adopted by the Modaraba are consistent with those disclosed in the annual financial statements as at and for the year ended 30 June 2014.

5. CASH AND BANK BALANCES

	Note	31 March 2015 (Un-audited) ------(Rupees)-----	30 June 2014 (Audited)
Cash in hand		14,484	17,264
Balances with Banks			
- in current accounts		56,905	20,006,905
- in deposit accounts	5.1	696,764,526	123,880,688
		<u>696,835,915</u>	<u>143,904,857</u>

- 5.1 These include a balance of Rs 98,530 million (30 June 2014: Rs 3,458 million) held with Standard Chartered Bank (Pakistan) Limited (a related party) and carry expected profit at rate ranging between 4.79% - 4.94% (30 June 2014: 4.63% - 6.00%) per annum. The balance with other bank is expected to carry profit at 6.50% - 8.50% (30 June 2014: 6.50% - 8.65%) 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.

6. IJARAH RENTALS RECEIVABLE

Ijarah rentals receivable - considered good	85,436,893	119,231,742
Ijarah rentals receivable - considered bad or doubtful	58,458,321	67,869,835
Less: Allowance for potential Ijarah losses	(32,277,747)	(35,321,727)
Less: Profit held in suspense	(17,011,289)	(20,189,295)
	<u>9,169,285</u>	<u>12,358,813</u>
	<u>94,606,178</u>	<u>131,590,555</u>

7. INVESTMENT IN SUKUK CERTIFICATES

Held to maturity		
Investment in Sukuk Certificates	57,701,835	57,701,835
Less: Provision in respect of Sukuk certificates	(57,701,835)	(57,701,835)
	-	-
Less: Current portion of investment in Sukuk Certificates	-	-
	<u>-</u>	<u>-</u>

8. DIMINISHING MUSHARIKA

- Staff		
Housing finance	35,485,075	31,259,413
Others	1,910,912	1,641,974
	<u>37,395,987</u>	<u>32,901,387</u>
- Other Customers		
Housing finance - Other individuals (including ex-employees)	596,230,635	450,594,356
Others - corporate customers	617,877,888	893,690,477
Less: Provision in respect of Diminishing Musharika	(23,867,401)	(24,204,515)
	<u>594,010,487</u>	<u>869,485,962</u>
	<u>1,227,637,109</u>	<u>1,352,981,705</u>
Less: Current portion of Diminishing Musharika	(313,426,627)	(358,882,066)
	<u>914,210,482</u>	<u>994,099,639</u>

9. NET INVESTMENT IN IJARAH FINANCE

Ijarah contracts commencing prior to 1 July 2008		
- accounted for as finance leases	9.1	370,000
Less: Current portion of net investment in Ijarah finance		(370,000)
		<u>-</u>
Ijarah contracts commencing on or after 1 July 2008		
- accounted for under IFAS 2	9.2	3,260,795,166
		<u>4,194,421,958</u>

Notes to the Condensed Interim Financial Information (Unaudited)

For the nine months period ended 31 March 2015

9.1 Net Investment in Ijarah Finance

	31 March 2015 (Unaudited)			30 June 2014 (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	1,264,599	-	1,264,599	1,264,599	-	1,264,599
Add: Residual value	370,000	-	370,000	370,000	-	370,000
	1,634,599	-	1,634,599	1,634,599	-	1,634,599
Less: Unearned finance income	-	-	-	-	-	-
Allowance for potential Ijarah losses	1,134,443	-	1,134,443	1,134,443	-	1,134,443
Suspended income	130,156	-	130,156	130,156	-	130,156
Net investment in Ijarah finance	370,000	-	370,000	370,000	-	370,000

9.2 Assets under Ijarah arrangements

	Note	31 March 2015 (Un-audited)	31 March 2014 (Un-audited)
		----- (Rupees) -----	
Additions at cost during the period			
- Plant, machinery and equipments		523,119,293	818,388,172
- Motor vehicles		434,307,052	668,545,201
		957,426,345	1,486,933,373
Disposals at cost during the period			
- Plant, machinery and equipments		1,156,983,945	375,032,569
- Motor vehicles		839,809,605	644,454,160
		1,996,793,550	1,019,486,729

9.2.2 This includes provision amounting to Rs. 24,243,302 made for impairment against Assets under Ijarah arrangements.

10. FIXED ASSETS IN OWN USE

		31 March 2015 (Un-audited)	30 June 2014 (Audited)
		----- (Rupees) -----	
Tangible assets		158,680	393,598
Intangible assets		16,481,913	22,676,766
		16,640,593	23,070,364

11. MUSHARIKA FINANCE

Musharika with :

- an associated undertaking - secured	11.1	4,423,208	284,809,178
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11.1 The total facility for musharika finance available from Standard Chartered Bank (Pakistan) Limited (related party) amounts to Rs. 500 million (30 June 2014: Rs. 500 million). The estimated share of profit payable on this facility amounts to Re. 0.2912 (30 June 2014: Re. 0.3053) per rupee one thousand per day. The facility is secured against a specific charge over moveable leased out assets of the Modaraba along with the associated receivables and is due to mature on 31 December 2015.

12. MUSHARIKA TERM FINANCE

Musharika with :

- an associated undertaking - secured	12.1	-	158,823,531
- others	12.2	239,910,410	597,411,941
		239,910,410	756,235,472
Less: Current portion of musharika term finance		(137,091,664)	(550,597,975)
		102,818,746	205,637,497

12.1 This facility was obtained from Standard Chartered Bank (Pakistan) Limited with a limit of Rs. 1,000 million (30 June 2014: Rs. 1,000 million) to be availed in two tranches of Rs. 500 million each. After realisation of each tranche repayment was to be made in 25 equal monthly installments. The first tranche amounting to Rs. 500 million was disbursed in October 2012, which was fully repaid. The second tranche was obtained amounting to Rs. 125 million in September 2013 which was also fully repaid. The estimated share of profit payable on this facility amounts to Re. nil (30 June 2014: Re. 0.2844) per rupee one thousand per day. The facility is secured against first pari passu charge over the specific moveable leased out assets of the Modaraba.

12.2 This represents facility obtained from Meezan Bank Limited having a tenor of 36 months and is repayable in 12 quarterly installments. The estimated share of profit payable on this facility is Re. 0.2375 (30 June 2014: Re. 0.2830) per rupee one thousand per day. The facility is secured against hypothecation over the specific moveable leased out assets and the rentals receivable in respect of such assets.

Notes to the Condensed Interim Financial Information (Unaudited)

For the nine months period ended 31 March 2015

13. CONTINGENCIES AND COMMITMENTS

13.1 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 letter of credit facility of Rs. 96.12 million to Haleeb Foods Limited was initially extended by consortium of financial institutions on standalone basis. However, upon enhancement of facilities to Rs. 700 million, the enhanced amount incorporated the said facility as a sublimit of the revised agreement. The Modaraba's share out of the working capital line was Rs. 39.34 million which was to be provided in the form of letter of credit and ijarah finance. The letters of credit (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 19.075 million as at 31 March 2015.

13.2 Commitments

The Modaraba has issued letters of comfort to Soneri Bank Limited equal to an amount of Rs. 9.146 million on behalf of Medipak Limited.

14. 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 22 April 2013, the Modaraba has recorded a provision in respect of Sindh Sales Tax on modaraba management company remuneration. The Management Company has filed an appeal before the Appellate Tribunal SRB against this order.

15. 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.

16. 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 30 June 2015. Accordingly, no provision in respect of current and deferred taxation has been made in this condensed interim financial information.

17. CASH AND CASH EQUIVALENTS

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

		31 March 2015 (Un-audited)	31 March 2014 (Un-audited)
	Note		
		----- (Rupees) -----	
Cash and bank balances	5	696,835,915	173,277,751
Musharika Finance	11	(4,423,208)	(31,563,995)
		692,412,707	141,713,756

18. 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:

	31 March 2015 (Un-audited)	31 March 2014 (Un-audited)
	----- (Rupees) -----	
Standard Chartered Bank (Pakistan) Limited - Holding Company		
Profit on Musharika finance	79,838	1,022,207
Profit on Musharika term finance	4,632,427	21,555,344
Profit on deposit account	3,908,303	877,154
Bank charges and commission	29,564,435	28,399,808
Charge for reimbursement of miscellaneous expenses	6,438,735	5,250,063
Reimbursement of salaries and benefits	-	419,830
Dividend	13,615,059	9,076,706

Notes to the Condensed Interim Financial Information (Unaudited)

For the nine months period ended 31 March 2015

	31 March 2015 (Un-audited) ------(Rupees)-----	31 March 2014 (Un-audited)
Staff retirement benefits funds		
Contribution to the staff provident fund	1,739,963	1,721,575
Contribution to the staff gratuity fund	1,434,064	1,431,645
Refund from the staff gratuity fund	1,122,953	-
Standard Chartered Services of Pakistan (Private) Limited - Management Company		
Management Company's remuneration	16,210,510	14,681,434
Dividend	13,615,059	9,076,706
Key management personnel		
Salaries and benefits	23,729,412	22,832,804
Contribution to the staff provident fund	824,184	807,643
Contribution to the staff gratuity fund	686,547	672,769
Income earned on DM finances to Key management personnel	2,938,370	1,757,409
Ijarah rental earned on Ijarah finances to Key management personnel	1,648,437	1,921,777
Number of persons	7	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:

	31 March 2015 (Un-audited) ------(Rupees)-----	30 June 2014 (Audited)
Standard Chartered Bank (Pakistan) Limited - Holding Company		
Advances, deposits, prepayments and other receivables	34,024,556	24,815,133
Creditors, accrued and other liabilities	2,081,527	836,515
Standard Chartered Services of Pakistan (Private) Limited - Management Company		
Management Company's remuneration payable	16,210,510	10,872,023
Key management personnel		
Finances to Key management personnel	31,760,618	30,855,816

19. 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 31 March 2015, there were only two (30 June 2014: two) certificate holders who each held equal to or more than 10% of the Modaraba's certificate capital. Their holdings were 10% and 10% (30 June 2014: 10% and 10%).

Notes to the Condensed Interim Financial Information (Unaudited) For the nine months period ended 31 March 2015

20. CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison and better presentation. The effects of rearrangement or reclassification are considered to be immaterial.

21. DATE OF AUTHORISATION

This condensed interim financial information was authorised for issue on 24 April 2015 by the Board of Directors of the Management Company.

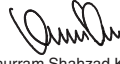
For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)



Najam Siddiqi
Chairman



Raheel Qamar Ahmad
Chief Executive



Khurram Shahzad Khan
Director

