



Half Yearly Report

December 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

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.
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 (Islamic Banking)

Legal Advisors

Fazle Ghani Adocates
Izhar Law Associates
Sirajul Haque & Co.
Orr Dignam & Co
Mohsin Tayabali & Co
Liaquat Merchant 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 half year ended 31 December 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 six months period ended December 31, 2014.

1. Economic Outlook

The growth momentum has picked up on lower international oil prices, record-high remittances and the resumption of the IMF programme. Pakistan's economy posted a 4.1% growth in FY14 vs. 3.6% in FY13 on rising investor confidence, declining inflation and higher FDI inflows. It is expected that growth will accelerate to 4.5% in FY15 (year ending June 2015) from 3.5% in FY14 on a pick-up in credit to the private sector, lower cost of doing business and an improvement in energy supply.

Headline inflation declined to 4% by end of 2014 – the lowest levels recorded in the last 11 years on the back of lower energy & food prices. This has given space for the central bank to ease monetary policy – cutting rates to 9.5% by end of 2014 and then to 8.5% in Jan 2015. This is positive for private sector credit growth and investment spending. Investor confidence has picked up with successful conclusion of the fifth IMF staff review in December 2014 and the build up in FX reserves to above USD 15bn by end of 2014 from less than USD 8bn at end of 2013. The government successfully re-launched the privatization programme in FY14 after a hiatus of more than seven years. It raised more than USD 465mn in FY14 by divesting shares in two SOEs. Pakistan also successfully returned to the international credit markets with the issuance of a USD 2bn Eurobond in April 2014, and the successful USD 1bn Sukuk in December 2014 - the first since 2007. These transactions have put Pakistan back on the radar of global investors.

2. Financial Highlights

Financial results are summarized as under:

	December 31, 2014 (PKR '000')	June 30, 2014 (PKR '000')
Balance Sheet		
Certificate capital	453,835	453,835
Total equity	1,048,159	1,093,505
Investment in Ijarah finance and Ijarah Assets	3,683,787	4,194,792
Investments in Diminishing Musharika and Sukuks	1,222,931	1,352,982
Redeemable capital	3,459,200	2,774,405
	Six Months ended December 31, 2014 (PKR '000')	Six Months ended December 31, 2013 (PKR '000')
Profit and Loss		
Revenue (net of Ijarah assets depreciation)	348,766	344,187
Financial charges	176,168	197,560
Provisions/ Impairment (net of reversals/recoveries)	23,016	2,955
Operating expenses	44,767	42,650
Profit before management fee	104,816	101,022
Net profit	90,804	87,518

Directors' Review

For the half year ended 31 December 2014

3. Review of Operations

During the period under review the Modaraba's net profit increased by 3.76% from Rs. 87.52 million to Rs. 90.80 million as compared to corresponding period of last year mainly due to efficient management of financial charges. Gross revenue increased by 1.33% whereas financial charges decreased by 10.83% as compared to corresponding period of last year. The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at Rs. 4,907 million compared to Rs. 5,548 million as at June 30, 2014. Your Modaraba continued focusing on raisings funds from the general public through Certificates of Musharika (CoMs). Thus, the balance of CoMs has increased by 24.69% to Rs. 3,459 million, as at December 31, 2014 as compared to Rs. 2,774 million as at June 30, 2014.

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.

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
Karachi: February 18, 2015

Auditors' Review Report

For the half year ended 31 December 2014

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of Standard Chartered Modaraba ("the Modaraba") as at 31 December 2014, the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six months period then ended (here-in-after referred to as the "condensed interim financial information"). The Modaraba Management Company [Standard Chartered Services of Pakistan (Private) Limited] is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for Interim Financial Reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other matters

The figures for the quarters ended 31 December 2014 and 31 December 2013 in the condensed interim financial information have not been reviewed and we do not express a conclusion on them.

The financial statements of the Modaraba for the year ended 30 June 2014 and for the six months period ended 31 December 2013 were audited / reviewed by another firm of Chartered Accountants who have expressed an unmodified opinion / conclusion dated 29 September 2014 and 24 February 2014 thereon respectively.

Date: February 18, 2015

Karachi:

KPMG Taseer Hadi & Co.
Chartered Accountants
Muhammad Taufiq

Condensed Interim Balance Sheet (Un-audited)

As at 31 December 2014

	Note	31 December 2014 (Un-audited)	30 June 2014 (Audited)
(Rupees)			
ASSETS			
Current assets			
Cash and bank balances	5	672,348,639	143,904,857
Ijarah rentals receivable	6	108,452,480	131,590,555
Advances, deposits, prepayments and other receivables		70,084,758	179,068,138
Current portion of investment in Sukuk Certificates	7	-	-
Current portion of Diminishing Musharika	8	340,842,441	358,882,066
Current portion of net investment in Ijarah finance	9	370,000	370,000
Taxation recoverable		8,054,665	9,907,816
		<u>1,200,152,983</u>	<u>823,723,432</u>
Non-current assets			
Long-term portion of investment in Sukuk Certificates	7	-	-
Long-term portion of Diminishing Musharika	8	882,088,155	994,099,639
Long-term portion of net investment in Ijarah finance/ assets under Ijarah arrangements	9	3,683,416,515	4,194,421,958
Fixed assets in own use	10	18,777,157	23,070,364
		<u>4,584,281,827</u>	<u>5,211,591,961</u>
TOTAL ASSETS		<u>5,784,434,810</u>	<u>6,035,315,393</u>
LIABILITIES AND EQUITY			
Current liabilities			
Musharika finance	11	7,101,105	284,809,178
Current maturity of Musharika term finance	12	151,797,549	550,597,975
Current maturity of security deposits		183,642,024	233,904,836
Creditors, accrued and other liabilities		245,072,504	258,161,623
Advance Ijarah rentals received		37,697,642	32,346,428
Current portion of redeemable capital		930,565,000	1,123,565,000
Unclaimed profit distribution		50,964,404	30,057,742
		<u>1,606,840,228</u>	<u>2,513,442,782</u>
Non-current liabilities			
Long-term portion of Musharika term finance	12	137,091,663	205,637,497
Long-term portion of security deposits		463,709,256	571,890,237
Long-term portion of redeemable capital		2,528,635,000	1,650,840,000
		<u>3,129,435,919</u>	<u>2,428,367,734</u>
TOTAL LIABILITIES		<u>4,736,276,147</u>	<u>4,941,810,516</u>
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
50,000,000 (30 June 2014: 50,000,000) certificates of Rs. 10 each		<u>500,000,000</u>	<u>500,000,000</u>
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		<u>285,000,000</u>	<u>285,000,000</u>
16,883,530 (30 June 2014: 16,883,530) bonus certificates of Rs. 10 each		<u>168,835,300</u>	<u>168,835,300</u>
		<u>453,835,300</u>	<u>453,835,300</u>
Unappropriated profit		89,769,738	153,276,827
Statutory Reserve		<u>504,553,625</u>	<u>486,392,750</u>
		<u>1,048,158,663</u>	<u>1,093,504,877</u>
		<u>5,784,434,810</u>	<u>6,035,315,393</u>
CONTINGENCIES AND COMMITMENTS			


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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 (Un-audited)

For the six months period ended 31 December 2014


Note	Six months period ended		Three months period ended	
	31 December 2014	31 December 2013	31 December 2014	31 December 2013
(Rupees)				
Ijarah rentals earned	999,126,045	1,056,015,278	506,403,359	538,272,172
Income on Diminishing Musharika transactions	78,941,920	83,617,618	38,439,960	40,999,448
Income on deposits with bank	11,372,171	10,070,060	7,929,134	4,469,804
	<u>1,089,440,136</u>	<u>1,149,702,956</u>	<u>552,772,453</u>	<u>583,741,424</u>
Financial charges	(176,167,571)	(197,559,696)	(90,232,659)	(94,634,855)
Depreciation on assets under Ijarah arrangements	(771,513,763)	(824,861,069)	(387,282,760)	(419,496,010)
Impairment on assets under Ijarah arrangements	(24,243,302)	-	(24,243,302)	-
	<u>117,515,500</u>	<u>127,282,191</u>	<u>51,013,732</u>	<u>69,610,559</u>
Reversal of provision in respect of Ijarah finances - net	1,002,540	3,286,603	9,773,891	3,719,908
Reversal of provision in respect of Diminishing Musharika	224,743	224,742	112,371	112,371
Provision in respect of Sukuk certificates	-	(6,466,152)	-	(6,516,933)
	<u>118,742,783</u>	<u>124,327,384</u>	<u>60,899,994</u>	<u>66,925,905</u>
Other income	30,840,084	19,345,273	21,208,985	14,903,499
Administrative and operating expenses	(44,766,660)	(42,650,275)	(22,635,365)	(20,951,750)
	<u>104,816,207</u>	<u>101,022,382</u>	<u>59,473,614</u>	<u>60,877,654</u>
Modaraba management company's remuneration	(10,481,621)	(10,102,238)	(5,947,362)	(6,087,765)
Provision for services sales tax on management company's remuneration	14 (1,677,059)	(1,616,358)	(951,578)	(974,042)
Provision for Workers' Welfare Fund	15 (1,853,151)	(1,786,076)	(1,951,494)	(1,076,317)
Profit for the period before taxation	90,804,376	87,517,710	51,523,180	52,739,530
Taxation	16 -	-	-	-
Profit after taxation	90,804,376	87,517,710	51,523,180	52,739,530
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	90,804,376	87,517,710	51,523,180	52,739,530
Earnings per certificate - basic and diluted	2.00	1.93	1.14	1.16

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


Khuram Shahzad Khan
Director

Condensed Interim Cash Flow Statement (Un-audited)

For the six months period ended 31 December 2014

Note	Six months period ended	
	31 December 2014	31 December 2013
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	90,804,376	87,517,170
Adjustment for non-cash and other items:		
Depreciation on fixed assets in own use	4,293,207	491,924
Depreciation on fixed assets under Ijarah arrangements	771,513,763	824,861,069
Impairment against Assets under Ijarah arrangements	24,243,302	-
Profit on disposal of assets under Ijarah arrangements	(29,264,934)	(15,445,805)
Reversal in respect of Ijarah finances	(1,002,540)	(3,286,603)
Provision in respect of Sukuk certificates	-	6,466,152
Reversal in respect of provision against Diminishing Musharika	(224,743)	(224,742)
Income on deposits with bank	(11,372,171)	(10,070,060)
Profit on:		
- Redeemable capital	129,627,780	144,005,864
- Murabaha finances	-	2,830,118
- Musharika finances	76,991	917,722
- Musharika term finances	29,123,937	28,770,992
Provision for services sales tax on management company's remuneration	1,677,059	1,616,358
Provision for Workers' Welfare Fund	1,853,151	1,786,076
	920,544,802	982,719,065
	1,011,349,178	1,070,236,775
Movement in working capital		
(Increase) / decrease in assets		
Advances, deposits, prepayments and other receivables	111,053,971	(3,837,303)
Ijarah rentals receivable	24,140,615	19,083,544
Diminishing Musharika	130,275,852	95,345,164
Purchase of assets under Ijarah arrangements	(793,754,668)	(1,078,566,067)
Proceeds from disposal of assets under Ijarah arrangements	538,267,981	161,364,431
Investment in Ijarah finance -net	-	6,833,253
	9,983,751	(799,776,978)
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities	(24,778,944)	1,002,161
Advance Ijarah rentals received	5,351,214	(8,507,130)
Security deposits	(158,443,793)	60,848,649
	(177,871,523)	53,343,680
Cash generated from operations	843,461,406	323,803,477
Profit paid on:		
- Redeemable capital	(113,819,192)	(175,668,031)
- Murabaha finances	-	(6,531,041)
- Musharika finances	(143,941)	(3,592,204)
- Musharika term finances	(34,852,810)	(18,197,516)
	(148,815,943)	(203,988,792)
Taxes paid	-	(4,189)
Net cash generated from operating activities	694,645,463	119,810,496
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of Fixed assets in own use	-	(3,802,598)
Receipts against investment in Sukuk Certificates	-	507,812
Income received on deposits with banks	9,301,580	13,892,961
Net cash generated from investing activities	9,301,580	10,598,175
CASH FLOW FROM FINANCING ACTIVITIES		
Redeemable capital less repayments	684,795,000	(1,071,885,000)
Murabaha finances less repayments	-	(135,000,000)
Musharika finances less repayments	(467,346,260)	768,255,322
Profit paid to certificate holders	(115,243,928)	(85,939,041)
Net cash generated / (utilised) from financing activities	102,204,812	(524,568,719)
Increase / (decrease) in cash and cash equivalents	806,151,855	(394,160,048)
Cash and cash equivalents at beginning of period	(140,904,321)	637,023,023
Cash and cash equivalents at end period	665,247,534	242,862,975

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 (Un-audited)

For the six months period ended 31 December 2014

	Paid-up certificate capital	Premium on modaraba certificates	Reserves		Total
			Statutory reserve	Unappropriated profit	
			(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 six months period ended 31 December 2013	-	-	-	87,517,710	87,517,710
- Other comprehensive income	-	-	-	-	-
	-	-	-	87,517,710	87,517,710

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	-	-	17,503,542	(17,503,542)	-
Balance as at 31 December 2013	<u>453,835,300</u>	<u>55,384,700</u>	<u>412,170,748</u>	<u>77,927,620</u>	<u>999,318,368</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 six months period ended 31 December 2014	-	-	-	90,804,376	90,804,376
- Other comprehensive income	-	-	-	-	-
	-	-	-	90,804,376	90,804,376

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	-	-	18,160,875	(18,160,875)	-
Balance as at 31 December 2014	453,835,300	55,384,700	449,168,925	89,769,738	1,048,158,663

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

Notes to the Condensed Interim Financial Information (Un-audited) For the six months period ended 31 December 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 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 December 2014 has been extracted from the audited financial statements of the Modaraba for the year ended 30 June 2014, whereas the comparative profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity have been extracted from the condensed interim financial information for the period ended 31 December 2013. Further, the figures in the condensed interim financial information for the three months period ended 31 December 2014 and 31 December 2013 have not been reviewed by the auditors.

- 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 (Un-audited)

For the six months period ended 31 December 2014

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

	31 December 2014 (Un-audited)	30 June 2014 (Audited)
	(Rupees)	
Cash in hand	21,032	17,264
Balances with Banks		
- in current accounts	56,905	20,006,905
- in deposit accounts	672,270,702	123,880,688
	672,348,639	143,904,857

- 5.1 These include a balance of Rs 174,483 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% - 4.90% (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.

	31 December 2014 (Un-audited)	30 June 2014 (Audited)
	(Rupees)	
Ijarah rentals receivable - considered good	102,901,396	119,231,742
Ijarah rentals receivable - considered bad or doubtful	56,218,067	67,869,835
Less: Allowance for potential Ijarah losses	(34,319,187)	(35,321,727)
Less: Profit held in suspense	(16,347,796)	(20,189,295)
	5,551,084	12,358,813
	108,452,480	131,590,555

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	-	-
	-	-

8. DIMINISHING MUSHARIKA

- Staff		
Housing finance	35,845,550	31,259,413
Others	1,881,489	1,641,974
	37,727,039	32,901,387
- Other Customers		
Housing finance - Other individuals (including ex-employees)	492,064,940	450,594,356
Others - corporate customers	717,118,389	893,690,477
Less: Provision in respect of Diminishing Musharika	(23,979,772)	(24,204,515)
	693,138,617	869,485,962
	1,222,930,596	1,352,981,705
Less: Current portion of Diminishing Musharika	(340,842,441)	(358,882,066)
	882,088,155	994,099,639

9. NET INVESTMENT IN IJARAH FINANCE

Ijarah contracts commencing prior to 1 July 2008		
- accounted for as finance leases	370,000	370,000
Less: Current portion of net investment in Ijarah finance	(370,000)	(370,000)
	-	-
Ijarah contracts commencing on or after 1 July 2008		
- accounted for under IFAS 2	3,683,416,515	4,194,421,958

Notes to the Condensed Interim Financial Information (Un-audited) For the six months period ended 31 December 2014

9.1 Net Investment in Ijarah Finance

	31 December 2014 (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

31 December 2014 (Un-audited)	31 December 2013 (Un-audited)
(Rupees)	

9.2.1 Ijarah Assets

Additions at cost during the period		
- Plant, machinery and equipments	500,588,005	535,237,066
- Motor vehicles	293,166,663	543,329,001
	793,754,668	1,078,566,067
Disposals at cost during the period		
- Plant, machinery and equipments	722,311,682	198,599,985
- Motor vehicles	622,084,534	300,754,642
	1,344,396,216	499,354,627

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 December 2014 (Un-audited)	30 June 2014 (Audited)
(Rupees)	

Tangible assets	230,293	393,598
Intangible assets	18,546,864	22,676,766
	18,777,157	23,070,364

11. MUSHARIKA FINANCE

Musharika with :		
- an associated undertaking - secured	11.1	7,101,105
		284,809,178

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. 0.3061 (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	14,705,885
- others	12.2	274,183,327
		288,889,212
		(151,797,549)
Less: Current portion of musharika term finance		137,091,663
		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 instalments. 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 of which 15 out of a total of 17 equal monthly instalments have been paid till 31 December 2014. The estimated share of profit payable on this facility amounts to Re. 0.2742 (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 instalments. The estimated share of profit payable on this facility is Re. 0.2819 (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 (Un-audited)

For the six months period ended 31 December 2014

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 35.423 million as at 31 December 2014.

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 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 29 October 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.

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 December 2014 (Un-audited)	31 December 2013 (Un-audited)
		(Rupees)	
Cash and bank balances	5	672,348,639	320,954,976
Musharika Finance	11	(7,101,105)	(78,092,001)
		<u>665,247,534</u>	<u>242,862,975</u>

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 December 2014 (Un-audited)	31 December 2013 (Un-audited)
	(Rupees)	
Standard Chartered Bank (Pakistan) Limited - Holding Company		
Profit on Musharika finance	76,991	917,722
Profit on Musharika term finance	4,473,523	16,553,135
Profit on deposit account	1,935,284	877,154
Bank charges and commission	16,640,673	20,022,740
Charge for reimbursement of miscellaneous expenses	3,824,082	3,755,154
Reimbursement of salaries and benefits	-	419,830
Dividend	13,615,059	9,076,706

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

For the six months period ended 31 December 2014

	31 December 2014 (Un-audited)	31 December 2013 (Un-audited)
	(Rupees)	(Rupees)
Staff retirement benefits funds		
Contribution to the staff provident fund	1,162,733	1,167,392
Contribution to the staff gratuity fund	960,596	972,448
Refund from the staff gratuity fund	1,122,953	-
Standard Chartered Services of Pakistan (Private) Limited Management Company		
Management company's remuneration	10,481,621	10,102,238
Dividend	13,615,059	9,076,706
Key management personnel		
Salaries and benefits	17,645,153	17,034,408
Contribution to the staff provident fund	549,456	538,429
Contribution to the staff gratuity fund	457,698	448,513
Income earned on finances to Key management personnel	1,766,077	958,757
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 December 2014 (Un-audited)	30 June 2014 (Audited)
	(Rupees)	(Rupees)
Standard Chartered Bank (Pakistan) Limited - Holding Company		
Advances, deposits, prepayments and other receivables	46,925,098	24,815,133
Creditors, accrued and other liabilities	1,125,025	836,515
Standard Chartered Services of Pakistan (Private) Limited - Management Company		
Management company's remuneration payable	10,481,621	10,872,023
Key management personnel		
Finances to Key management personnel	27,641,536	15,503,270

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 December 2014, 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%).

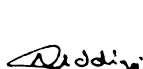
20. CORRESPONDING FIGURES

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 February 18, 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

