

Half Yearly Report
December 31, 2013
Standard Chartered Modaraba



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Modaraba Information

Directors of Modaraba Company

Mr. Khalid Elgibaly*
Chairman

Mr. Raheel Qamar Ahmad
Managing Director/ Chief Executive

Mr. Najam Siddiqi
Director

Mr. Salar Hasan Khan**
Director

Mr. Khurram Shahzad Khan
Director

Mr. Shezad Arif
Director

Company Secretary

Mr. Muhammad Siddique

Audit Committee

Mr. Najam Siddiqi
Chairman

Mr. Salar Hasan Khan**
Member

Mr. Khurram Shahzad Khan
Member

Human Resource and Remuneration (HR&R) Committee

Mr. Khalid Elgibaly*
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)

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

* Subject to Regulatory Approval.

** Approval from SECP awaited.

Directors' Review

For the half year ended December 31, 2013

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, 2013.

1. Economic Outlook

The year 2013 ended on a positive note for the economy, as headline inflation declined from peak levels and the IMF Board approved the release of the USD 550mn second tranche of the 3 year Extended Fund Facility (EFF) program. Investor confidence is rising on improvement in the energy supplies and higher private sector credit growth. KSE 100 index has rallied 50% in 2013, and has crossed 26,000 points for the first time in history. Foreign Portfolio Investment (FPI) increased to nearly USD 403mn in 2013, compared to USD 125mn in 2012.

Growth prospects also look stronger led by higher manufacturing sector output, which posted a strong 5.3% y/y growth in H2 2013, led by stronger growth in textile & leather exports. Improved energy supplies have led to higher output in petroleum, fertilizer and food & beverages sector. Private sector credit growth has also picked up, rising PKR 264bn during H2 2013, after declining by PKR 20bn in FY13. Credit growth will accelerate in 2014 as government reins in large fiscal deficit under the IMF stabilization program.

There was some respite from high inflation in December 2013 as lower food prices helped to drag CPI Inflation lower to 9.2%, from 10.9% in November. Lower inflationary pressures 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 risks remain due to the widening Balance of Payment deficit and declining FX reserves. SBP official FX reserves have declined to USD 3.6bn by end December 2013 – the lowest levels in the last 13 years. Rupee (PKR) weakened 8% in 2013 to 105.5 by end December 2013. Rising oil import bill and declining foreign investment inflows pose challenges to the growth outlook and Balance of Payments.

2. Financial Highlights

Financial results are summarized as under:

	December 31, 2013 (PKR '000')	June 30, 2013 (PKR '000')
Balance Sheet		
Certificate capital	453,835	453,835
Total equity	999,318	1,002,568
Investment in Ijarah finance and Ijarah Assets	4,482,694	4,381,741
Investments in Diminishing Musharika and Sukuks	1,412,687	1,514,782
Redeemable capital	3,087,590	4,159,475
	Six Months ended December 31, 2013 (PKR '000')	Six Months ended December 31, 2012 (PKR '000')
Profit and Loss		
Revenue (net of Ijarah assets depreciation)	344,187	340,328
Financial charges	197,560	230,135
Provisions (net of reversals / recoveries)	2,955	12,392
Operating expenses	42,650	39,785
Profit before modaraba management company's remuneration	101,022	58,015
Net profit	87,518	51,169

3. Review of Operations

During the period under review the Modaraba's net profit increased by 71.03% from Rs. 51.17 million to Rs. 87.52 million as compared to corresponding period of last year mainly due to efficient management of financial charges. Gross revenue increased by 1.13% whereas financial charges decreased by 14.15% as compared to corresponding period of last

Directors' Review

For the half year ended December 31, 2013

year. The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at Rs. 5,895 million compared to Rs. 5,897 million as at June 30, 2013, showing a marginal decrease of 0.02% within the six 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. 1,197.68 million as compared to Rs. 1,251.99 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 with Standard Chartered Group, Mr. Mohsin Ali Nathani 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. Mr. Khalid Mohamed Wagih Ibrahim Elgibaly, new CEO - Standard Chartered Bank (Pakistan) Limited has been appointed as Chairman/ Director and member of Human Resource and Remuneration Committee of Standard Chartered Services of Pakistan (Private) Limited in his place subject to regulatory approval.

The Board places on record its appreciation for the valuable services rendered by Mr. Mohsin Ali Nathani 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: February 20, 2014

Auditors' Review Report

For the half year ended December 31, 2013

INDEPENDENT AUDITORS' 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 as of December 31, 2013 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as the "condensed interim financial information") for the half year ended December 31, 2013. 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. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2012 and December 31, 2013 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2013.

Scope of review

We conducted our review in accordance with the 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 as of and for the half year ended December 31, 2013 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: February 24, 2014
Karachi

Condensed Interim Balance Sheet (Unaudited)

As at December 31, 2013

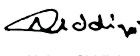
		(Unaudited) December 31, 2013	(Audited) June 30, 2013
	Note	----- Rupees -----	
ASSETS			
Current assets			
Cash and bank balances	4	320,954,976	487,023,023
Term deposit receipts		-	150,000,000
Ijarah rentals receivable	5	105,905,065	121,702,006
Advances, deposits, prepayments and other receivables		161,143,150	161,128,748
Current portion of investment in Sukuk certificates	6	-	1,015,620
Current portion of Diminishing Musharika	7	333,498,329	271,954,990
Net investment in Ijarah finance	8	410,917	7,244,170
Taxation recoverable		11,829,986	13,611,873
Total current assets		933,742,423	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	1,079,189,076	1,235,852,837
Ijarah assets	8	4,482,283,300	4,374,496,928
Fixed assets in own use	9	13,351,139	10,040,465
Total non-current assets		5,574,823,515	5,626,348,574
TOTAL ASSETS		6,508,565,938	6,840,029,004
LIABILITIES AND EQUITY			
Current liabilities			
Musharika finance	10	78,092,001	-
Murabaha finance		-	135,000,000
Current maturity of Musharika term finance	11	775,416,714	279,383,940
Current maturity of security deposits		210,975,131	157,862,818
Creditors, accrued and other liabilities		300,006,834	324,852,411
Advance Ijarah rentals received		36,161,029	44,668,159
Current portion of redeemable capital		2,833,190,000	4,132,265,000
Unclaimed profit distribution		32,439,127	27,611,108
Total current liabilities		4,266,280,836	5,101,643,436
Non-current liabilities			
Long-term portion of Musharika term finance	11	372,222,548	100,000,000
Long-term portion of security deposits		616,344,186	608,607,850
Long-term portion of redeemable capital		254,400,000	27,210,000
Total non-current liabilities		1,242,966,734	735,817,850
TOTAL LIABILITIES		5,509,247,570	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		467,555,448	450,051,906
Unappropriated profit		77,927,620	98,680,512
		999,318,368	1,002,567,718
TOTAL LIABILITIES AND EQUITY		6,508,565,938	6,840,029,004
CONTINGENCIES AND COMMITMENTS			
	12		

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

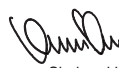
For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)



Raheel Qamar Ahmad
Chief Executive



Najam Siddiqi
Director



Khurram Shahzad Khan
Director

Condensed Interim Profit and Loss Account (Unaudited)

For the half year and quarter ended December 31, 2013

Note	Half year ended December 31,		Quarter ended December 31,	
	2013	2012	2013	2012
	----- Rupees -----		----- Rupees -----	
Ijarah finance income	-	2,428,104	-	1,076,923
Ijarah rentals earned	1,056,015,278	993,759,034	538,272,172	506,756,771
Income on Diminishing Musharika transactions	81,343,580	80,324,529	39,847,218	41,391,563
Income on deposits with bank	10,070,060	8,376,214	4,469,804	4,834,910
	1,147,428,918	1,084,887,881	582,589,194	554,060,167
Financial charges	(197,559,696)	(230,135,333)	(94,634,855)	(117,177,416)
Depreciation on assets under Ijarah arrangements	(824,861,069)	(766,793,955)	(419,496,010)	(390,073,201)
	125,008,153	87,958,593	68,458,329	46,809,550
Reversal of provision / (provision) in respect of Ijarah finances - net	3,286,603	(12,614,548)	3,719,908	(9,180,482)
Reversal of provision in respect of Diminishing Musharika	224,742	121,036	112,371	121,036
(Provision) / reversal of provision in respect of Sukuk certificates	(6,466,152)	101,562	(6,516,933)	50,781
	122,053,346	75,566,643	65,773,675	37,800,885
Other income	21,619,311	22,233,626	16,055,729	19,351,558
Administrative and operating expenses	(42,650,275)	(39,784,974)	(20,951,750)	(20,857,461)
	101,022,382	58,015,295	60,877,654	36,294,982
Modaraba management company's remuneration	(10,102,238)	(5,801,530)	(6,087,765)	(3,629,499)
Provision for services sales tax on management company's remuneration	13 (1,616,358)	-	(974,042)	-
Provision for Workers' Welfare Fund	14 (1,786,076)	(1,044,275)	(1,076,317)	(653,309)
Profit before taxation	87,517,710	51,169,490	52,739,530	32,012,174
Taxation	15 -	-	-	-
Profit after taxation	87,517,710	51,169,490	52,739,530	32,012,174
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	87,517,710	51,169,490	52,739,530	32,012,174
Earnings per certificate - basic and diluted	1.93	1.13	1.16	0.71

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)


Raheel Qamar Ahmad
Chief Executive


Najam Siddiqi
Director


Khurram Shahzad Khan
Director

Condensed Interim Statement of Changes in Equity (Unaudited) For the half year ended December 31, 2013

	Reserves					Total
	Paid-up certificate capital	Premium on modaraba certificates	Statutory reserve	Unappropriated profit	Sub-total	
	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 half year ended December 31, 2012	-	-	-	51,169,490	51,169,490	51,169,490
Transfer to statutory reserve	-	-	10,233,898	(10,233,898)	-	-
Balance as at December 31, 2012	<u>453,835,300</u>	<u>55,384,700</u>	<u>380,642,211</u>	<u>42,580,530</u>	<u>478,607,441</u>	<u>932,442,741</u>
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 half year ended December 31, 2013	-	-	-	87,517,710	87,517,710	87,517,710
Transfer to statutory reserve	-	-	17,503,542	(17,503,542)	-	-
Balance as at December 31, 2013	<u>453,835,300</u>	<u>55,384,700</u>	<u>412,170,748</u>	<u>77,927,620</u>	<u>545,483,068</u>	<u>999,318,368</u>

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)


Raheel Qamar Ahmad
Chief Executive


Najam Siddiqi
Director


Khurram Shahzad Khan
Director

Condensed Interim Cash Flow Statement (Unaudited)

For the half year ended December 31, 2013


Note	Half year ended December 31,	
	2013	2012
	Rupees	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	87,517,710	51,169,490
Adjustment for non-cash and other items:		
Depreciation on fixed assets in own use	491,924	477,474
Depreciation on fixed assets under Ijarah arrangements	824,861,069	766,793,955
Profit on disposal of assets under Ijarah arrangements	(15,445,805)	(16,975,670)
(Reversal of provision) / provision in respect of Ijarah finances	(3,286,603)	12,614,548
Provision / (reversal of provision) in respect of Sukuk certificates	6,466,152	(101,562)
Reversal of provision in respect of Diminishing Musharaka	(224,742)	(121,036)
Income on deposits with bank	(10,070,060)	(8,376,214)
Profit on:		
- Redeemable capital	144,005,864	169,638,105
- Murabaha finances	2,830,118	25,426,895
- Musharaka finances	29,688,714	20,750,171
Provision for Workers' Welfare Fund	1,786,076	1,044,275
Provision for services sales tax on management company's remuneration	1,616,358	-
	982,719,065	971,170,941
	1,070,236,775	1,022,340,431
(Increase) / decrease in assets		
Advances, deposits, prepayments and other receivables	(3,837,303)	(139,834,481)
Ijarah rentals receivable	19,083,544	(10,977,182)
Diminishing Musharaka	95,345,164	(97,131,556)
Purchase of assets under Ijarah arrangements	(1,078,566,067)	(959,522,962)
Proceeds from disposal of assets under Ijarah arrangements	161,364,431	280,472,460
Investment in Ijarah finance - net	6,833,253	52,964,856
Loans and advances to employees	-	315,390
	(799,776,978)	(873,713,475)
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities	1,002,161	(17,373,308)
Advance Ijarah rentals received	(8,507,130)	(7,634,513)
Security deposits	60,848,649	18,677,511
	53,343,680	(6,330,310)
	323,803,477	142,296,646
Profit received / (paid) on		
- Redeemable capital	(175,668,031)	(188,625,272)
- Murabaha finances	(6,531,041)	(7,050,149)
- Musharaka finances	(21,789,720)	(23,445,077)
Taxes paid	(4,189)	-
	(203,992,981)	(219,120,498)
Net cash generated from / (used in) operating activities	119,810,496	(76,823,852)
CASH FLOWS FROM INVESTING ACTIVITIES		
Receipt against investment	507,812	507,810
Fixed capital expenditure	(3,802,598)	(7,480,693)
Income on deposits with bank	13,892,961	7,236,725
Net cash generated from investing activities	10,598,175	263,842
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital less repayments	(1,071,885,000)	629,995,530
Murabaha finances less repayments	(135,000,000)	(230,967,500)
Musharaka finances less repayments	768,255,322	460,000,000
Profit paid to certificate holders	(85,939,041)	(60,133,998)
Net cash (used in) / generated from financing activities	(524,568,719)	798,894,032
Increase / (decrease) in cash and cash equivalents	(394,160,048)	722,334,022
Cash and cash equivalents at the beginning of period	637,023,023	(334,051,594)
Cash and cash equivalents at the end of the period	16 242,862,975	388,282,428

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)


Raheel Qamar Ahmad
Chief Executive


Najam Siddiqi
Director


Khurram Shahzad Khan
Director

Notes to the Condensed Interim Financial Information (Unaudited) For the half year ended December 31, 2013

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. However, a review has been performed by the statutory auditors in accordance with the requirements of the Code of Corporate Governance.

- 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.

Notes to the Condensed Interim Financial Information (Unaudited) For the half year ended December 31, 2013

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.

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	(Unaudited) December 31, 2013	(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	320,834,628	438,545,620
Cash in hand		40,000	14,775
		<u>320,954,976</u>	<u>487,023,023</u>

- 4.1 This includes a balance of Rs 65.878 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 5.00% and 8.65% (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	(Unaudited) December 31, 2013	(Audited) June 30, 2013
----- Rupees -----			
5 IJARAH RENTALS RECEIVABLE			
Ijarah rentals receivable - considered good		154,499,892	173,569,067
Less: Allowance for potential Ijarah losses		(32,220,516)	(36,414,673)
Less: Profit held in suspense		(16,374,311)	(15,452,388)
		<u>105,905,065</u>	<u>121,702,006</u>
6 INVESTMENT IN SUKUK CERTIFICATES			
Held to maturity			
Investment in Sukuk Certificates		58,209,643	58,717,455
Less: Provision in respect of Sukuk certificates		(58,209,643)	(51,743,491)
		-	6,973,964
Less: Current portion of investment in Sukuk Certificates		-	(1,015,620)
		-	5,958,344
7 DIMINISHING MUSHARIKA			
- Staff			
Housing finance		31,991,378	33,591,635
Others		1,328,441	1,610,832
		<u>33,319,819</u>	<u>35,202,467</u>
- Other Customers			
Housing finance		389,665,135	368,708,898
Others		1,014,131,709	1,128,550,462
Less: Provision in respect of Diminishing Musharika		(24,429,258)	(24,654,000)
		<u>989,702,451</u>	<u>1,103,896,462</u>
		<u>1,412,687,405</u>	<u>1,507,807,827</u>
Less: current portion of Diminishing Musharika		(333,498,329)	(271,954,990)
		<u>1,079,189,076</u>	<u>1,235,852,837</u>
8 NET INVESTMENT IN IJARAH FINANCE			
Ijarah contracts commencing on or after July 1, 2008 - accounted for under IFAS 2		4,485,414,553	4,377,628,181
Less: Impairment against Ijarah assets		(3,131,253)	(3,131,253)
		<u>4,482,283,300</u>	<u>4,374,496,928</u>
Ijarah contracts commencing prior to July 1, 2008 - accounted for as finance leases	8.1	410,917	7,244,170
Less: Current portion of net investment in Ijarah finance		(410,917)	(7,244,170)
		-	-

Notes to the Condensed Interim Financial Information (Unaudited) For the half year ended December 31, 2013

8.1	As at December 31, 2013 (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	400,000	-	400,000	5,343,646	-	5,343,646
Gross investment in Ijarah finance	1,675,978	-	1,675,978	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	410,917	-	410,917	7,244,170	-	7,244,170

8.2 The following additions to and disposals of Ijarah assets have been made during the period ended December 31, 2013:

	(Unaudited) December 31, 2013	(Unaudited) December 31, 2012
----- Rupees -----		
IJARAH ASSETS		
Additions at cost during the period		
- Plant, machinery and equipment	535,237,066	395,217,148
- Motor vehicles	543,329,001	564,305,814
	<u>1,078,566,067</u>	<u>959,522,962</u>
Disposals at cost during the period		
- Plant, machinery and equipment	(198,599,985)	322,382,810
- Motor vehicles	(300,754,642)	247,924,769
	<u>(499,354,627)</u>	<u>570,307,579</u>
	(Unaudited) December 31, 2013	(Audited) June 30, 2013
	Note	

9 FIXED ASSETS IN OWN USE

		(Unaudited) December 31, 2013	(Audited) June 30, 2013
----- Rupees -----			
Tangible assets	9.1	678,620	993,974
Intangible assets	9.1	103,430	280,000
Capital work-in-progress	9.2	12,569,089	8,766,491
		<u>13,351,139</u>	<u>10,040,465</u>

9.1 The following additions to and disposals of operating fixed assets have been made during the period ended December 31, 2013:

	(Unaudited) December 31, 2013	(Unaudited) December 31, 2012
----- Rupees -----		
Additions at cost during the period		
- Computers / equipment	-	45,000
- Motor vehicles	-	353,500
- Computer software	-	79,418
	-	<u>477,918</u>
Disposals at cost during the period	-	-

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

	(Unaudited) December 31, 2013	(Audited) June 30, 2013
----- Rupees -----		
10 MUSHARIKA FINANCE		
Musharika with:		
- an associated undertaking - secured	10.1	78,092,001

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. 0.2847 (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 half year ended December 31, 2013

11	MUSHARIKA TERM FINANCE	Note	(Unaudited)	(Audited)
			December 31, 2013	June 30, 2013
			----- Rupees -----	
	Musharika with:			
	- an associated undertaking - secured	11.1	322,941,177	340,000,000
	- others	11.2	824,698,085	39,383,940
			1,147,639,262	379,383,940
	Less: Current portion of musharika term finance		775,416,714	279,383,940
			372,222,548	100,000,000

11.1 Out of the total musharika term finance facility of Rs.1000 million (June 30, 2013: Rs. 1000 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. 0.2813 (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. 0.2813 (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. 30.022 million as at December 31, 2013.

12.2 Commitments

The Modaraba has issued letters of comfort to Soneri Bank Limited equal to an amount of Rs 18.813 million on behalf of Medipak Limited and to Bank Al-Habib Limited for an amount of Rs. 189.54 million on behalf of Continental Plastic Industries out of which Rs.104.25 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 half year ended December 31, 2013

16 CASH AND CASH EQUIVALENTS

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

	Note	(Unaudited) December 31, 2013	(Unaudited) December 31, 2012
----- Rupees -----			
Cash and bank balances	4	320,954,976	394,752,407
Musharika finance	10	(78,092,001)	(6,469,979)
		<u>242,862,975</u>	<u>388,282,428</u>

17 RELATED PARTY 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:

	(Unaudited) December 31, 2013	(Unaudited) December 31, 2012
----- Rupees -----		
Standard Chartered Bank (Pakistan) Limited - Holding Company		
Profit on Musharika finance	17,470,857	20,750,171
Profit on deposit account	877,154	356,175
Bank charges and commission	20,022,740	14,320,158
Charge for reimbursement of miscellaneous expenses	3,755,154	1,997,754
Reimbursement of salaries and benefits	419,830	-
Staff retirement benefits funds		
Contribution to the staff provident fund	1,167,392	1,084,586
Contribution to the staff gratuity fund	972,448	903,458
Standard Chartered Services of Pakistan (Private) Limited - Management Company		
Management company's remuneration	10,102,238	5,801,530
Key management personnel remuneration		
Salaries and benefits	17,034,408	17,073,734
Contribution to the staff provident fund	538,429	531,114
Contribution to the staff gratuity fund	448,513	442,422
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) December 31, 2013	(Audited) June 30, 2013
----- Rupees -----		
Standard Chartered Bank (Pakistan) Limited - Holding Company		
Advances, deposits, prepayments and other receivables	5,890,888	7,398,458
Creditors, accrued and other liabilities	1,080,807	-
Standard Chartered Services of Pakistan (Private) Limited - Management Company		
Management company's remuneration payable	13,439,878	10,599,907

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.

Notes to the Condensed Interim Financial Information (Unaudited) For the half year ended December 31, 2013

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

The Modaraba also has a diversified certificate holder population. As at December 31, 2013, 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 February 20, 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)



Raheel Qamar Ahmad
Chief Executive



Najam Siddiqi
Director



Khurram Shahzad Khan
Director



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