



Standard Chartered Modaraba

Annual Report 2014

Vision

To be preferred provider of Islamic financial products in the market

Mission

To create exceptional value for our clients, investors and staff; through market leadership in providing innovative Shariah compliant products and solutions, and by adopting and living our core values

We bring our brand promise to life every day by living the values in how we work with our customers, colleagues and local communities.

Our brand promise Here for good, is at the heart of who we are as a Modaraba and sets us apart from the competition.

Our Values:

Living Our Values:

- Courageous** - we stand up for what we believe is right. We accept accountability and take calculated risks.
- Responsive** - we deliver thoughtful, timely, high quality solutions. We listen to our customers and colleagues and built strong relationships based on mutual respect. We work quickly, thoughtfully and effectively to deliver the best solution.
- International** - we value our diversity and collaborate as one team. We share standards and best practices. We work together, as one team across the Modaraba, for the benefit of our customers.
- Creative** - we continuously improve the way we work, making it simpler, better and faster.
- Trustworthy** - we are reliable, open and honest so that we deliver on our promises and work to high standards.

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Rating by: PACRA

AA+ Long-Term

A1+ Short-Term

These ratings indicate low expectation of credit risk and a very strong capacity for timely payment of financial commitments.

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

A.F. Ferguson & Co.
Chartered Accountants

Bankers/ Financial Institutions

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

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

Board of Directors



Najam Siddiqi

Chairman/ Director/
Chairman of HR&R Committee
Member of Audit Committee

Najam Siddiqi was appointed to the Board on April 26, 2011, he is also a director of Standard Chartered Leasing Limited and Price Solution Pakistan (Private) Limited. He joined SCBPL as Financial Controller and is currently the Chief Financial Officer in SCBPL. He has over 16 years of prolific professional experience at senior level in finance and risk management positions in various banks and a leading audit firm. He has been instrumental in managing crisis and implementing turn around strategies. He has also worked on assignments with CEO Europe in Standard Chartered UK. He was Head of Finance & Internal Audit in Oman International Bank SAOG. Then moved to KASB Bank Limited as Financial Controller & Head of Risk Management. Before joining SCBPL, he was a Chief Financial Officer in Samba Bank Limited.



Raheel Qamar Ahmad

Managing Director/ Chief Executive/
Member of HR&R Committee

Raheel Q. Ahmad was appointed as Managing Director/ Chief Executive of Standard Chartered Services of Pakistan (Private) Limited with effect from June 01, 2011. He has 23 years of diversified corporate and investment banking experience with both local and international organisations. He is an Engineer from UET Lahore and has completed MBA from Illinois Institute of Technology, Chicago, USA. He has held senior positions in Mashreqbank psc, United Bank Limited and Allied Bank Limited. Prior to this assignment, he was heading the Local Corporates segment in Origination and Client Coverage (OCC) SCBPL from January 2009.



Shezad Arif

Director

Shezad Arif was appointed to the Board on December 14, 2011 as a Director. He holds the position of Head of Distribution at SCBPL. He has approximately 20 years of corporate banking experience with foreign as well as local banks. He holds a MBA degree from Southeastern University. Shezad started his professional career with Emirates Bank International and then moved to United Bank Limited. At UBL, he was a part of the team that set up the Corporate Banking Department in UBL and thereafter led the department as Unit head. He joined SCBPL in August 2005 as Head of Commodity Corporates and Islamic Banking Group. He later became the Head of Global Corporates SCBPL in April 2008 and then moved on to SME in the Consumer Bank.



Khurram Shahzad Khan

Director/ Chairman of Audit Committee

Khurram S. Khan was appointed to the Board on June 30, 2011, he is also a director of Standard Chartered Leasing Limited and holds the position of Country Chief Risk Officer (CCRO) at SCBPL. He holds an MBA degree from the University of Rochester, USA. He has an overall professional experience of over 29 years mostly in Risk and Corporate banking and has been associated with SCBPL since 1996. He joined SCBPL in Corporate Banking, Lahore. Subsequently, he became GSAM Head, Pakistan. He then spent six years in Bangladesh and Thailand as Senior Credit Officer. He returned back to Pakistan in early 2008 for a second stint as Head GSAM Pakistan. Prior to joining SCBPL, he has worked in Corporate and Investment Banking for Banque Indosuez/ Credit Agricole. Before joining banking, he spent over three years consulting in Nespak.



Salar Khan

Director/ Member of Audit Committee
Member of HR&R Committee

Salar Khan was appointed to the Board of Directors on February 18, 2013. He currently holds the position of Head of Origination & Client Coverage at SCBPL. His last assignment was with Standard Chartered UAE where he was the Head of Local Corporates, Origination and Client Coverage. Salar joined the Bank in 1997 in Karachi and is a seasoned banker with over 20 years of banking experience most of which were with Standard Chartered where he has held various positions across the MENAP region including risk. He has played a key role in building a large and sustainable Local Corporates business in UAE.



Syed Zaheer Mehdi

Director

Appointed to the Board on May 09, 2014, he currently holds position of General Manager - North at Standard Chartered Bank (Pakistan) Limited. Prior to this assignment with Bank, he was Managing Director/ Chief Executive of Standard Chartered Modaraba for three years. He is a business graduate from USA having an extensive experience of over 25 years in corporate banking both locally and internationally. Prior to joining the Standard Chartered Group, he has held senior positions with Union Bank Limited, Faysal Bank Limited, National Bank of Oman and Mashreq Bank, Nairobi.

Notice of Annual Review Meeting

Notice is hereby given that the Fifteenth Annual Review Meeting of certificate-holders of Standard Chartered Modaraba (SCM) will be held on Tuesday, October 28, 2014 at 02:00 p.m. at the Institute of Bankers, Moulvi Tamizuddin Khan Road, Karachi to review the performance of the Modaraba for the year ended June 30, 2014.

The certificate-holders whose names appear on the Register of certificate-holders of SCM as on October 20, 2014 will be eligible to attend the Annual Review Meeting.

On behalf of the Board



Muhammad Siddique

Company Secretary

Standard Chartered Services of Pakistan (Pvt) Ltd

Managers of Standard Chartered Modaraba.

September 23, 2014

Note: CDC account holders will have to follow the undermentioned guidelines as laid down in Circular-1 dated January 26, 2000 issued by the Securities and Exchange Commission of Pakistan:

- In case of individuals the account holder and/or person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate their identity by showing original Computerized National Identity Card (CNIC) or original passport at the time of attending the meeting, (CDC account holders are also requested to bring their participant ID no. and account no in CDS).
- In case of corporate entity the board of directors' resolution/ power of attorney with specimen signature of the nominee shall be produced (unless it has been provided earlier) at the time of the meeting.

REQUEST TO CERTIFICATE HOLDERS

Pursuant to the directives of the Securities and Exchange Commission of Pakistan, CNIC number is mandatorily required to be mentioned on dividend warrants, **all Certificate Holders** are therefore requested to submit a copy of valid CNIC (only Physical Certificate holders), if not already provided to Standard Chartered Modaraba or to our share registrar, at below mentioned address. In case of non-receipt of the copy of valid CNIC, **STANDARD CHARTERED MODARABA** would be unable to comply with SRO 831(1)/2012 dated 5 July 2012 of SECP and therefore may be constrained under Section 251(2)(a) of the Companies Ordinance, 1984 to withhold dispatch of dividend warrants of such shareholders for the year ended June 30, 2013 announced by the Board of Directors in their meeting held on September 16, 2013.

FAMCO ASSOCIATES (PVT) LIMITED: 8-F, Next to Hotel Faran, Nursery, Block-6, P.E.C.H.S., Shahra-e-Faisal, Karachi.

Twenty Eighth Report of the Directors of Modaraba Company

For the year ended June 30, 2014

The Board of Directors of Standard Chartered Services of Pakistan (Private) Limited, the Management Company of Standard Chartered Modaraba (SCM), is pleased to present the twenty eighth Directors' report of SCM, together with audited financial statements and auditors' report thereon for the year ended June 30, 2014.

1. Economy

The year started on a positive note for the economy with pick up in private sector credit growth and higher manufacturing output. Improved energy supply compared to before has led to higher output in the petroleum, fertiliser, and food and beverages sectors. Private-sector credit growth has also enhanced, rising by PKR 308bn during the first nine months of FY14, after declining by PKR 20bn in FY13. Credit growth may accelerate as the government reins in the large fiscal deficit under the IMF stabilisation programme.

Key tax and energy sector reforms targeted under the IMF program are expected to reduce the fiscal deficit to 5.8% of GDP in FY14 vs. 8% of GDP in FY13, helping to reduce the buildup in debt and improving the credit metrics. Progress on these reforms gave confidence to the government which launched new Eurobonds in the international credit market and raised USD 2bn against the target of USD 500mn. Pakistan Rupee (PKR) has also strengthened nearly 9% to 98.8 by end of June 2014 on higher FX aid and investment inflows while inflation remains within the comfort zone and these have given space for SBP to keep rates on hold at 10%.

However the security environment and energy shortfall continue to be the key risks to the economy which is dragging the economic activity. Moreover, a weak external position is also a concern for investors.

2. Operating Results and Business Overview

	June 30, 2014 (PKR '000')	June 30, 2013 (PKR '000')
Balance Sheet		
Certificate capital	453,835	453,835
Total equity	1,093,505	1,002,568
Investment in Ijarah finance and Ijarah Assets	4,194,792	4,381,741
Investments in Diminishing Musharika and Sukuks	1,352,982	1,514,782
Redeemable capital	2,774,405	4,159,475
Profit and Loss		
Revenue (net of Ijarah assets depreciation)	689,579	696,438
Financial charges	385,704	438,947
Provisions/Impairments(net of reversals/recoveries)	6,376	33,617
Operating expenses	87,756	82,483
Profit before management fee	209,743	141,391
Net profit	181,704	121,294
Appropriations		
Net profit for the year	181,704	121,294
Add: Un appropriated profit brought forward	7,913	1,645
Profit available for appropriation	189,617	122,939
Profit distribution@30% (2013 @20%)	136,150	90,767
Statutory reserve	36,341	24,259
	172,491	115,026
Unappropriated profit carried forward	17,126	7,913
Earnings per certificate	4.00	2.67

By the Grace of Allah, your Modaraba's performance during the year has been very strong resulting in achieving historical profitability of Rs. 181.70 million as compared to Rs. 121.29 million during the corresponding period last year. This is the highest profit since incorporation of Modaraba and has mainly been due to efficient management of financial charges which has reduced by more than 10%. Modaraba's investment in Ijarah finance, Ijarah assets, Diminishing Musharika including House Finance Diminishing Musharika have decreased by 5.91% to Rs. 5,548 million as against Rs. 5,897 million last year. To arrive at an efficient structure, total assets have reduced by 11.76% to Rs. 6,035 million as against Rs. 6,840 million last year.

The business has been driven mainly by deepening relationships with selective clientele and initiating relationships with good names. The asset portfolio has a good mix of multi-nationals, large and medium sized local corporate and selective SME relationships.

Standard Chartered Modaraba manages and monitors risk exposure very prudently. The evaluation of borrower's credit profile including repayment ability is made at the time of grant of facility and regular oversight thereon. Further, there are Portfolio Management and Early Alert committees which are responsible to ensure portfolio monitoring and timely alerts for possible untoward scenarios.

3. Outlook

Your Modaraba, while remaining cautious and prudent during the prevailing economic uncertainty, is focused to take benefit of good opportunities that add value of all stake holders. Our sensible 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. Profit Distribution

The Board in its meeting held on September 23, 2014 has approved the distribution of profit of Rs. 3.00 (30%) per certificate of Rs. 10 each, subject to deduction of zakat and tax at source where applicable, for the year ended June 30, 2014.

An amount of Rs. 36.34 million has been transferred to statutory reserve in compliance with the Prudential Regulations for Modarabas which require that not less than 20% and not more than 50% of the Modaraba's after tax profit be transferred to such reserve till such time as the reserve equals 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

5. External Annual Audit

The financial statements of SCM have been audited without any qualification by the auditors namely M/s A.F. Ferguson & Co., Chartered Accountants.

6. Entity Ratings

Your Modaraba continues to maintain entity ratings of AA+ (Double A plus) and A1+ (Single A one plus) for long-term and short-term respectively. These ratings are the highest in the entire modaraba and leasing sectors and have been assigned by Pakistan Credit Rating Agency (Private) Limited. These ratings indicate low expectation of credit risk and exceptionally strong capacity for timely payment of financial commitments.

7. Social Responsibility

Your Modaraba believes that an organisation can be about more than the profit it makes. As the biggest modaraba operating in Pakistan, by doing things the right way, we can have a positive social and

economic impact where we operate. We remain committed to building a sustainable business, simultaneously creating value for our certificate-holders, supporting our clients and customers and contributing to the communities where we live and work.

Throughout 2013-14, SCM continued to implement corporate social responsibility (CSR) strategy comprising of financial and practical support for charitable and social organizations following our group's brand promise, "Here for good". SCM staff completed two man days of volunteering per employee during the year ended June 30, 2014.

"Seeing is Believing" is a Standard Chartered group's initiative to tackle avoidable blindness. SCM partners with a leading eye-care organisation in the country-Layton Rahmatulla Benevolent Trust Hospital (LRBT). During the year, SCM staff participated in volunteering activities at LRBT in Karachi.

In the Education sector, SCM partners with The Citizen's Foundation (TCF) amongst other Community Investment partners. Staff from SCM participated in a skill based volunteering activity at the TCF. SCM staff has also participated at IDA RIEU, a school for blind, deaf and dumb and engaged with the school children.

SCM believes that respect for the environment is essential and ensures that paper and energy supplies are used sparingly. Accordingly a log of paper usage is maintained and employees with less usage are encouraged. Further, staff members from SCM were also engaged in tree plantation in an effort to make the country greener.

It is pertinent to mention that SCM allows its employees three paid leaves in the year to participate in volunteering activities.

8. Corporate and Financial Reporting Framework

- The financial statements, prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements, Accounting estimates used are based on reasonable and prudent judgment.
- International Financial Reporting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements and any departures there from have been adequately disclosed.
- The system of internal control, which is in place is sound in design and has been effectively implemented and monitored.
- There is no doubt upon the Modaraba's ability to continue as a going concern.
- Board is satisfied with the Modaraba's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in the listing regulations.
- Key operating and financial data for the last six years in summarized form is included in this annual report.

- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2014 except for those disclosed in the financial statements.
- The value of investments made by staff retirement benefit funds based on their respective un-audited accounts as at June 30, 2014 is as follows:

Provident Fund	Rs. 21.600 million
Gratuity Fund	Rs. 10.014 million

- During the year, six (06) meetings of the Board of Directors were held. Attendance by each director was as follows:

Name of Director	No. of Meetings Attended
Mohsin A. Nathani (resigned on February 12, 2014)	03
Khalid Elgibaly (resigned on April 11, 2014)	01
Najam Siddiqi	06
Raheel Q. Ahmad	06
Khurram S. Khan	06
Shezad Arif	06
Salar H. Khan	06
Syed Zaheer Mehdi (appointed on May 9, 2014)	-

Leave of absence was granted to directors who could not attend some of the board meetings.

- During the year, six (06) meetings of the Audit Committee were held. Attendance by each member was as follows:

Name of Member	No. of Meetings Attended
Najam Siddiqi	06
Khurram S. Khan	06
Salar H. Khan	02

- During the year, no meeting was held by Human Resource and Remuneration Committee.
- During the year, Mr. Khurram Shahzad Khan attended the ICAP Directors' Training Program duly approved by Securities and Exchange of Pakistan held in May 2014.
- The pattern of holding of certificates by the certificate-holders is included in this annual report.
- The Directors, CEO, CFO/ Company Secretary and their spouses and minor children did not carry out any transaction in the certificates of Modaraba during the year.

9. The Board of Directors

The following changes have taken place in board of directors of the Standard Chartered Services of Pakistan (Private) Limited (the Company), the management company of Standard Chartered Modaraba since the Directors' report for the year ended June 30, 2013:

- Mr. Mohsin A. Nathani resigned from the office of Chairman/ Director and member of Human Resource and Remuneration Committee and Mr. Khalid Elgibaly was appointed in his place, on February 12, 2014.
- Mr. Khalid Elgibaly resigned from the office of Chairman/ Director and member of Human Resource and Remuneration Committee of the Company on April 11, 2014.
- Consequent upon the expiry of the term of directors of the Company, fresh elections were held on May 09, 2014. Accordingly, Six persons have been duly elected / re-elected as the directors whose consent were received by the Company namely Messrs. Najam Siddiqi, Raheel Q. Ahmad, Khurram Shahzad Khan, Salar Hasan Khan, Shezad Arif and Syed Zaheer Mehdi. Mr. Najam Siddiqi has

been subsequently appointed as the Chairman of the Company for a period of three years in the meeting of Board of Directors held on May 12, 2014. Further, Mr. Raheel Q. Ahmad was appointed as the Chief Executive Officer / Managing Director for a period of three years in the same Board meeting.

The Board wishes to place on record its appreciation and gratitude for the valuable contributions made to the outgoing directors and extends a warm welcome and cooperation to the newly appointed directors in performing their fiduciary responsibility.

10. Prospective divestment by Standard Chartered Bank (Pakistan) Limited

Subsequent to the Balance Sheet date, Standard Chartered Bank (Pakistan) Limited (“SCBPL”) which owns a 20% stake in the Modaraba (10% directly and 10% through Standard Chartered Services of Pakistan (Private) Limited), informed us that SCBPL has entered into a non-binding Memorandum of Understanding (“MOU”) with ORIX Leasing Pakistan Limited (“OLPL”) with regard to a prospective divestment of its stake in the Modaraba. The prospective divestment will also include the sale of SCBPL’s 100% stake in the management company of Standard Chartered Modaraba, i.e. Standard Chartered Services of Pakistan (Private) Limited. There is no certainty the MOU will result in a binding transaction.

11. Our People

People at SCM are crucial to the delivery of its sustainable business model. In our continuous drive to make SCM a great place to work, focus is on attracting the best talent across our footprint and employee engagement. At SCM we believe high performance is not just about generating high profits; it is about living our values, demonstrating the many ways that we are Here for good.

The Board places on record its appreciation of the services rendered by the staff members responsible for SCM affairs. Modaraba’s record of achievements would not have been possible without the efforts of every employee. It is indeed the dedication and hard work of each one of them that has brought SCM to where it stands now. We will continue to invest in our Human Resources.

12. Auditors

The present auditors, Messrs A. F. Ferguson & Co., Chartered Accountants, retired. As per requirement of clause xxxvii of Code of Corporate Governance, Modarabas have to change their external auditors every five year. As Messrs A. F. Ferguson & Co., Chartered Accountants has been appointed as auditors of the Modaraba since last five years, consequently on the recommendation of Audit Committee, the Board has approved the appointment of the Messrs. KPMG Taseer Hadi & Co., Chartered Accountants, as auditors for the year ending June 30, 2015, subject to approval by the Registrar of Modaraba Companies and Modarabas.

13. Acknowledgment

The Board would like to thank the SECP for its continued guidance and support.

The Board would also like to thank its valued customers and investors for their continued trust and support.

On behalf of the Board



Najam Siddiqi,

Chairman

September 23, 2014

Pattern of holding of Certificates by the Certificate-holders as at June 30, 2014

Number of Certificate holders	Certificate holding		Total Certificates held
	From	To	
1,407	1	50	27,003
612	51	100	44,400
3,713	101	500	1,116,321
1,103	501	1,000	843,887
1,288	1,001	5,000	2,850,612
209	5,001	10,000	1,531,318
315	10,001	375,000,000	38,969,989
8,647			45,383,530

Certificate-holders Category	Number of Certificate-holders	Number of Certificate Held	Percentage %
INDIVIDUAL	8,541	20,438,157	45.0343
FINANCIAL INSTITUTIONS *	12	10,548,751	23.2436
INVESTMENT COMPANIES	1	350	0.0008
INSURANCE COMPANIES	10	6,356,626	14.0065
MODARABAS / MODARABA MANAGEMENT COMPANIES**	8	4,679,451	10.3109
JOINT STOCK COMPANIES	44	1,894,560	4.1746
OTHERS			
- PUNJAB COOP BOARD FOR LIQUIDATION	1	171	0.0004
- UNITED EXECUTORS & TRUSTEES CO.	1	210	0.0005
- INVESTMENT CORPORATION OF PAK	1	2,555	0.0056
- ISLAMIC INV.CO.OF THE GULF (BAHRAIN)	1	872	0.0019
- THE NAZIR	1	430	0.0009
- M/S GHULAMAN-E-ABBAS EDUCATIONAL	1	42	0.0001
- TRUSTEES OF NEW JUBILEE INS CO.LTD S.P.F	1	212,231	0.4676
- TRUSTEES ALOO&MINOCHER DINSHAW CHR.TRUST	1	149,595	0.3296
- TRUSTEES OF FAROUKH&ROSHEN KARANI TRUST	1	6,063	0.0134
- MANG.COM.KARACHI ZARTHOSTI BANU MANDAL	1	9,702	0.0214
- TRUSTEES ADAMJEE ENTERPRISES STAFF P.F	1	5,000	0.0110
- TRUSTEES QAMARUNNISA SHARIF WEL.TRUST	1	75,000	0.1653
- MANAGING COMM.OF BISMILLAH TAQEE FOUND	1	21,829	0.0481
- TRUSTEES OF SANA IND LTD.EMP GRAT FUND	1	50,000	0.1102
- TRUSTEES OF HAJI MOHAMMED WELFARE TRUST	1	129,150	0.2846
- TRUSTEES AL-BADER WELFARE TRUST	1	209,031	0.4606
- TRUSTEE GUL AHMED TEXTILE MILLS LTD EMP P.F	1	1,183	0.0026
- TRUSTEES MRS.KHORSHED H.DINSHAW &MR.HOSHANG N.E.DINSHAW C.TR	1	68,072	0.1500
- TRUSTEES D.N.E. DINSHAW CHARITY TRUST	1	23,843	0.0525
- TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	115,289	0.2540
- TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	1	4,045	0.0089
- TRUSTEES D.G.KHAN CEMENT CO.LTD.EMP. P.F	1	200,000	0.4407
- MANAGING COMMITTEE GHAZALI EDUCATION TRUST	1	577	0.0013
- THE AL-MALIK CHARITABLE TRUST	1	21,553	0.0475
- TRUSTEE- HAFIZ FOUNDATION	1	500	0.0011
- TRUSTEE CRESCENT LEASING CORP. LTD. P.F	1	143	0.0003
- CRESCENT MODARABA MANAGEMENT COMPANY LIMITED	1	1,500	0.0033
- TRUSTEE THALL LIMITED- EMPLOYEES RETIREMENT BENEFIT FUND	1	4,851	0.0107
- TRUSTEE THALL LIMITED- EMPLOYEES PROVIDENT FUND	1	121,880	0.2686
- THE TRUSTEES, ZOROASTRIAN CO-OP. HOUSING SOCIETY	1	18,191	0.0401
- TRUSTEES, MAMA SCHOOL EMP.GRATUITY FUND.	1	12,127	0.0267
	8,647	45,383,530	100.0000

* Includes Standard Chartered Bank (Pakistan) Limited (4,538,353 certificates).

** Includes Standard Chartered Services of Pakistan (Private) Limited (4,538,353 certificates).

Pattern of holding of Certificates by the Certificate-holders as at June 30, 2014

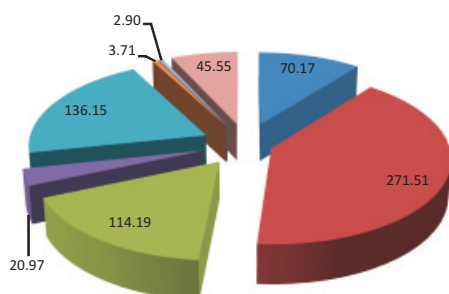
Additional Information as at June 30, 2014

Categories of Certificate-holders	Number	Certificates held	Percentage
Associated Companies, Undertakings and Related Parties			
STANDARD CHARTERED SERVICES OF PAKISTAN (PVT) LTD		4,538,353	10.00
STANDARD CHARTERED BANK (PAKISTAN) LIMITED.		4,538,353	10.00
Mutual Funds	2	9,076,706	20.00
CDC - TRUSTEE NATIONAL INVESTMENT (UNIT) TRUST	1	4,023,560	8.87
Directors, CEO & their Spouse and Minor Children	-	-	-
Executives	-	-	-
Public Sector Companies and Corporations	5	6,089,997	13.42
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas	21	6,408,679	14.12
Certificate-holders holding five percent or more certificates in the Modaraba (other than those reported above)	-	-	-

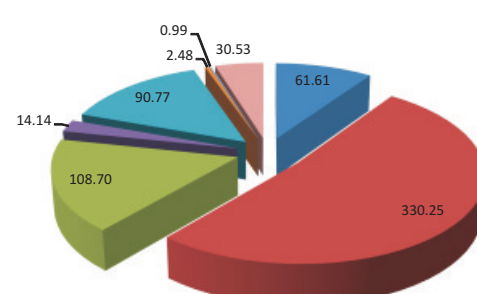
Statement of Value Added

	2014		2013	
	Rupees	%	Rupees	%
Revenue from operations (net of depreciation of Ijarah assets)	654,918,594		653,748,809	
Other Income/ charges	28,284,397		9,072,252	
	683,202,991		662,821,061	
Operating expenses	14,683,054		19,877,230	
Provision for services sales tax on management company's remuneration	3,355,882		3,482,662	
Value Added	665,164,054	100.00	639,461,169	100.00
Distributed as follows:				
To Employees				
As remuneration	70,169,634	10.55	61,612,616	9.64
To finance providers				
As profit on redeemable capital	271,510,571	40.82	330,250,034	51.65
As financial charges on Murabaha/Musharika	114,193,510	17.17	108,696,799	17.00
To Modarib				
As management fee	20,974,261	3.15	14,139,170	2.21
To Certificate-holders				
As profit on certificates	136,150,590	20.47	90,767,060	14.19
To Revenue Authorities				
As workers' welfare fund	3,708,249	0.56	2,475,397	0.39
Retained in Business				
As depreciation	2,903,610	0.44	992,686	0.16
As capital reserves and retained earning	45,553,629	6.85	30,527,407	4.77
	665,164,054	100.00	639,461,169	100.00

2014



2013



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance (Code) contained in Regulation Number 35 of the listing regulations of the Karachi Stock Exchange Limited and the Lahore Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Modaraba is managed in compliance with the best practices of corporate governance.

Regardless of the fact that Standard Chartered Services of Pakistan (Private) Limited, the Management Company of Standard Chartered Modaraba, is a private limited company, the Board of Directors of the management company are pleased to confirm that the Code is being complied with in all material respects (pertaining to the operations of the Modaraba).

The Modaraba management company (hereafter referred to as the Company) has applied the principles contained in the Code in the following manner:

- At present the Board comprises of six directors of which five are non-executives and only the Chief Executive Officer (CEO) is an executive director. None of the directors is an independent director.

Category	Names
Independent Directors	Securities and Exchange Commission of Pakistan has granted relaxation from the appointment of Independent director to the Company till December 31, 2014.
Executive Directors	Mr. Raheel Q. Ahmad
Non-Executive Directors	Mr. Najam Siddiqi Syed Zaheer Mehdi Mr. Khurram S. Khan Mr. Salar H. Khan Mr. Shehzad Arif

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this company.
- All the resident directors of the company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- Casual vacancy occurring on the board on February 12, 2014 was filled up by the directors within ninety days. However, casual vacancy occurring on April 11, 2014 was subsequently filled in the election of directors held on May 09, 2014.
- The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.
- The board has developed a vision/ mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer of the Company have been taken by the board. The terms of appointment and remuneration package of non-executive directors are not approved by the board as they are nominees of Standard Chartered Bank (Pakistan) limited which is the Holding company of the Management Company.

8. The meetings of the board were presided over by the Chairman and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The board has arranged training program for one of its directors during the year.
10. No new appointment of Head of Internal Audit, Chief Financial Officer and Company Secretary has been made during the year.
11. The directors' report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the board.
13. The directors, Chief Executive Officer and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of certificate holding.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the Code.
15. The board has formed an Audit Committee. It presently comprises of three members who are non-executive directors including the chairman of the committee.
16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Modaraba as required by the Code. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee (HR&R). It comprises three members of whom two are non-executive directors and the chairman of the committee is a non-executive director.
18. The board has set up an effective internal audit function whose head is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Modaraba.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/ final results, and business decisions, which may materially affect the market price of Modaraba's securities, was determined and intimated to directors, employees and stock exchanges.
22. Material/ price sensitive information has been disseminated among all market participants at once through the stock exchanges.
23. We confirm that all other material principles contained in the Code have been complied with.

On behalf of the Board



Najam Siddiqi
Chairman
September 23, 2014

Shariah Advisor's Report

I have conducted the Shariah review of Standard Chartered Modaraba managed by Standard Chartered Services of Pakistan (Private) Limited, Modaraba Management Company for the year ended June 30, 2014 in accordance with the requirements of the **Shariah Compliance and Shariah Audit Mechanism for Modarabas** and report that except the observations as reported hereunder, in my opinion:

- i. Standard Chartered Modaraba has introduced a mechanism which has strengthened the Shariah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shariah principles.
- ii. No major developments took place during the period.
- iii. The agreements entered into by the Modaraba are Shariah compliant and the financing agreements have been executed on the formats as approved by the Religious Board and the related conditions have been met.
- iv. To the best of my information and according to the explanations given to me, the business transactions undertaken by Standard Chartered Modaraba and other matters incidental thereto are in conformity with the Shariah requirements as well as the requirements of the Prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulations for Modarabas.
- v. Profit sharing ratios, profits relating to deposit raising product conform to the basis and principles of scheme approved by SECP religious board.
- vi. During the period, no earnings were realized from the sources or by means prohibited by Shariah. Accordingly, no amount was credited to charity account.

Observations

1. Standard Chartered Modaraba has its major portfolio of assets insured through commercial insurance companies.
2. The senior management and staff of Standard Chartered Modaraba are well intentioned and cooperative in observing Shariah compliance in its true spirit.
3. Standard Chartered Modaraba has no investment in shares.

Recommendation

1. It has been recommended that SCM insures its assets through Takaful.

Conclusion

In my opinion and best of my knowledge and information provided by Standard Chartered Modaraba management with relevant explanation, I am of the view that during the period overall business operations of the Modaraba are Shariah Compliant.

And Allah Taala knows Better & Perfect



Signature
Stamp of the Shariah Advisor
Dated: September 11, 2014

REVIEW REPORT ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Standard Chartered Services of Pakistan (Private) Limited, the Management Company of **Standard Chartered Modaraba**, to comply with the requirements (Chapter XI) of the Listing Regulations of the Karachi Stock Exchange Limited and the Lahore Stock Exchange Limited where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Modaraba. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and conditions, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, Sub-Regulation (X) of the Listing Regulation No. 35 of the Karachi Stock Exchange Limited and the Lahore Stock Exchange Limited requires the Management Company to place before the Board of Directors for their consideration and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices recording proper justification for using such alternate pricing mechanism. Further, such transactions are required to be separately placed before the Audit Committee. We are only required and have ensured compliance of the requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Modaraba's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2014.

A. F. Ferguson & Co.

Chartered Accountants

Dated: September 23, 2014

Karachi

Auditor's Report to the Certificate Holders

We have audited the annexed balance sheet of **Standard Chartered Modaraba** as at June 30, 2014 and the related profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the modaraba management company's (Standard Chartered Services of Pakistan (Private) Limited) responsibility which is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the modaraba management company in respect of Standard Chartered Modaraba, as well as, evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

- (a) in our opinion, proper books of accounts have been kept by the modaraba management company in respect of Standard Chartered Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981;
- (b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in accordance with accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and
 - iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;
- (c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2014 and of the profit, its cash flows and changes in equity and cash flows for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

A. F. Ferguson & Co.
Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: September 29, 2014
Karachi

BALANCE SHEET AS AT JUNE 30, 2014

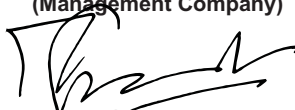
	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
ASSETS			
Current assets			
Cash and bank balances	4	143,904,857	487,023,023
Term deposit receipts		-	150,000,000
Ijarah rentals receivable	5	131,590,555	121,702,006
Advances, deposits, prepayments and other receivables	6	179,068,138	161,128,748
Current portion of investment in Sukuk certificates	7	-	1,015,620
Current portion of Diminishing Musharika	8	358,882,066	271,954,990
Net investment in Ijarah finance	9	370,000	7,244,170
Taxation recoverable		9,907,816	13,611,873
Total current assets		823,723,432	1,213,680,430
Non-current assets			
Long-term portion of investment in sukuk certificates	7	-	5,958,344
Long-term portion of Diminishing Musharika	8	994,099,639	1,235,852,837
Ijarah assets	9	4,194,421,958	4,374,496,928
Fixed assets in own use	10	23,070,364	10,040,465
Total non-current assets		5,211,591,961	5,626,348,574
TOTAL ASSETS		6,035,315,393	6,840,029,004
LIABILITIES AND EQUITY			
Current liabilities			
Musharika finance	11	284,809,178	-
Murabaha finance	12	-	135,000,000
Current maturity of Musharika term finance arrangements	13	550,597,975	279,383,940
Current maturity of security deposits	14	233,904,836	157,862,818
Creditors, accrued and other liabilities	15	258,161,623	324,852,411
Advance Ijarah rentals received		32,346,428	44,668,159
Current portion of redeemable capital	16	1,123,565,000	4,132,265,000
Unclaimed profit distribution		30,057,742	27,611,108
Total current liabilities		2,513,442,782	5,101,643,436
Non-current liabilities			
Long-term portion of Musharika term finance arrangements	13	205,637,497	100,000,000
Long-term portion of security deposits	14	571,890,237	608,607,850
Long-term portion of redeemable capital	16	1,650,840,000	27,210,000
Total non-current liabilities		2,428,367,734	735,817,850
TOTAL LIABILITIES		4,941,810,516	5,837,461,286
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
50,000,000 (2013: 50,000,000) certificates of Rs 10 each	17	500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital			
28,500,000 (2013: 28,500,000) certificates of Rs 10 each fully paid in cash		285,000,000	285,000,000
16,883,530 (2013: 16,883,530) bonus certificates of Rs 10 each	17	168,835,300	168,835,300
		453,835,300	453,835,300
Unappropriated profit		153,276,827	98,680,512
Other reserves	18	486,392,750	450,051,906
		1,093,504,877	1,002,567,718
TOTAL LIABILITIES AND EQUITY		6,035,315,393	6,840,029,004
CONTINGENCIES AND COMMITMENTS			
	19		

The annexed notes 1 to 39 form an integral part of these financial statements.

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



Najam Siddiqi
Chairman



Raheel Qamar Ahmad
Chief Executive



Syed Zaheer Mehdi
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
Ijarah finance income		-	2,658,747
Ijarah rentals earned		2,121,051,836	2,011,722,238
Income on Diminishing Musharika arrangements		168,419,149	159,338,299
Income on deposits with banks		18,961,916	18,195,885
		<u>2,308,432,901</u>	<u>2,191,915,169</u>
Financial charges	20	(385,704,081)	(438,946,833)
Depreciation on assets under Ijarah arrangements	9.1	(1,653,514,307)	(1,538,166,360)
		<u>269,214,513</u>	<u>214,801,976</u>
Provision in respect of Ijarah finances - net		(867,108)	(34,166,077)
Reversal of provision in respect of Diminishing Musharika	8.4	449,485	346,000
(Provision) / reversal of provision in respect of Sukuk certificates	7.1.3	(5,958,344)	203,124
		<u>262,838,546</u>	<u>181,185,023</u>
Other income	21	34,660,363	42,689,205
Administrative and operating expenses	22	(87,756,298)	(82,482,532)
		<u>209,742,611</u>	<u>141,391,696</u>
Management Company's remuneration	23	(20,974,261)	(14,139,170)
Provision for services sales tax on Management Company's remuneration	24	(3,355,882)	(3,482,662)
Provision for Workers' Welfare Fund	25	(3,708,249)	(2,475,397)
Profit for the year before taxation		<u>181,704,219</u>	<u>121,294,467</u>
Taxation	26	-	-
Profit for the year after taxation		<u>181,704,219</u>	<u>121,294,467</u>
Other comprehensive income for the year		-	-
Total comprehensive income for the year		<u>181,704,219</u>	<u>121,294,467</u>
Earnings per certificate - basic and diluted	27	<u>4.00</u>	<u>2.67</u>

The annexed notes 1 to 39 form an integral part of these financial statements.

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



Najam Siddiqi
Chairman



Raheel Qamar Ahmad
Chief Executive



Syed Zaheer Mehdi
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before taxation		181,704,219	121,294,467
Adjustments for non-cash and other items:			
Depreciation / amortisation on fixed assets in own use	22	2,903,610	992,686
Depreciation on Ijarah assets	9.1	1,653,514,307	1,538,166,360
Gain on disposal of fixed assets in own use	21	-	(857,850)
Gain on disposal of Ijarah assets	21	(29,064,631)	(29,820,742)
Provision in respect of Ijarah finances - net		867,108	34,166,077
Provision / (reversal of provision) in respect of sukuk certificates	7.1.3	5,958,344	(203,124)
(Reversal of provision) / provision in respect of Diminishing Musharika		(449,485)	(346,000)
Income on deposits with bank		(18,961,916)	(18,195,885)
Profit on:			
- Redeemable capital	20	271,510,571	330,250,034
- Murabaha finances	20	2,830,118	29,228,999
- Musharika finance	20	1,089,157	19,155,742
- Musharika term finance arrangements	20	75,188,526	28,150,911
Provision for services sales tax on Management Company's remuneration		3,355,882	3,482,662
Provision for Workers' Welfare Fund		3,708,249	2,475,397
		1,972,449,840	1,936,645,267
		2,154,154,059	2,057,939,734
(Increase) / decrease in assets			
Advances, deposits, prepayments and other receivables		(20,918,942)	80,834,427
Ijarah rentals receivable		(12,979,356)	(20,992,184)
Diminishing Musharika		155,275,607	(356,107,439)
Purchase of assets under Ijarah arrangements		(1,901,385,095)	(2,116,451,865)
Proceeds from disposal of assets under Ijarah arrangements		460,141,642	568,329,514
Investment in Ijarah finance - net		5,966,616	78,176,383
Loans and advances to employees		-	315,390
		(1,313,899,528)	(1,765,895,774)
Increase / (decrease) in liabilities			
Creditors, accrued and other liabilities		(11,705,546)	115,858,673
Advance Ijarah rentals received		(12,321,731)	2,981,816
Security deposits		39,324,405	73,207,381
		15,297,128	192,047,870
Profit paid on		855,551,659	484,091,830
- Redeemable capital		(333,198,994)	(345,038,961)
- Murabaha finances		(6,531,041)	(25,970,450)
- Musharika finances		(3,726,291)	(24,310,223)
- Musharika term finance arrangements		(65,503,170)	(27,677,260)
		(408,959,496)	(422,996,894)
Taxes paid		(4,192)	-
Net cash generated from operating activities		446,587,971	61,094,936
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment in Sukuk certificates		1,015,620	1,015,620
Fixed capital expenditure		(15,933,509)	(9,386,909)
Proceeds from disposal of fixed assets		-	857,850
Income on deposits with bank		21,941,468	15,336,782
Net cash generated from investing activities		7,023,579	7,823,343
CASH FLOWS FROM FINANCING ACTIVITIES			
Redeemable capital less repayments		(1,385,070,000)	996,026,580
Murabaha finances less repayments		(135,000,000)	(395,967,500)
Musharika term finance less repayments		376,851,532	379,383,940
Profit paid to certificate holders		(88,320,426)	(77,286,682)
Net cash (used in) / generated from financing activities		(1,231,538,894)	902,156,338
Net (Decrease) / increase in cash and cash equivalents		(777,927,344)	971,074,617
Cash and cash equivalents at the beginning of year		637,023,023	(334,051,594)
Cash and cash equivalents at the end of the year	35	(140,904,321)	637,023,023

The annexed notes 1 to 39 form an integral part of these financial statements.

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



Najam Siddiqi
Chairman



Raheel Qamar Ahmad
Chief Executive



Syed Zaheer Mehdi
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2014

	Paid-up certificate capital	Reserves			Sub-total	Total
		Premium on issue of modaraba certificates	Statutory reserve	Unappropriated profit		
----- Rupees -----						
Balance as at June 30, 2012	453,835,300	55,384,700	370,408,313	81,066,116	506,859,129	960,694,429
Profit distribution for the year ended June 30, 2012 @ Rs 1.75 per certificate	-	-	-	(79,421,178)	(79,421,178)	(79,421,178)
Total comprehensive income for the year ended June 30, 2013	-	-	-	121,294,467	121,294,467	121,294,467
Transfer to statutory reserve	-	-	24,258,893	(24,258,893)	-	-
Balance as at June 30, 2013	<u>453,835,300</u>	<u>55,384,700</u>	<u>394,667,206</u>	<u>98,680,512</u>	<u>548,732,418</u>	<u>1,002,567,718</u>
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 year ended June 30, 2014	-	-	-	181,704,219	181,704,219	181,704,219
Transfer to statutory reserve	-	-	36,340,844	(36,340,844)	-	-
Balance as at June 30, 2014	<u>453,835,300</u>	<u>55,384,700</u>	<u>431,008,050</u>	<u>153,276,827</u>	<u>639,669,577</u>	<u>1,093,504,877</u>

The annexed notes 1 to 39 form an integral part of these financial statements.

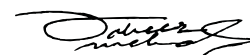
**For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)**



Najam Siddiqi
Chairman



Raheel Qamar Ahmad
Chief Executive



Syed Zaheer Mehdi
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 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 registered office is situated at Standard Chartered Bank Building, I.I. Chundrigar Road, Karachi, Pakistan.

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

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 AND MEASUREMENT

2.1 Statement of compliance

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

2.2 Accounting convention

These financial statements have been prepared under the historical cost convention.

2.3 Amendments to approved accounting standards that are effective in the current year

The following amendments to approved accounting standards have been published and are mandatory for the Modaraba's accounting period beginning on or after July 1, 2013:

- Amendment to IAS 16, 'Property, plant and equipment' (effective for annual periods beginning on or after January 1, 2013). The amendment clarifies that spare parts and servicing equipment are classified as property, plant and equipment rather than inventory when they meet the definition of property, plant and equipment. The amendment will not have any impact on these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

- Amendment to IAS 32, 'Financial Instruments: Presentation' (effective for annual periods beginning on or after January 1, 2013). The amendment clarifies that income tax related to distributions is recognised in the profit and loss account and income tax related to the costs of equity transactions is recognised in equity. The amendment will not have any impact on these financial statements.

There are certain other amendments and new standards and interpretations that have been published and 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 these financial statements.

2.4 New and amended standards and interpretations that are not yet effective

There are certain new and amended standards and interpretations that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any material effect on the Modaraba's operations and are, therefore, not detailed in these financial statements.

2.5 Applicability of International Accounting Standard (IAS) 17 'Leases' and Islamic Financial Accounting Standard (IFAS) 2 'Ijarah'

SECP vide its circular no. 10 of 2004 dated February 13, 2004 had deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on Modarabas with effect from July 1, 2003 and advised the management companies of Modarabas that they may continue to prepare the financial statements of the Modarabas without applying the requirements of IAS 17 to the Modarabas. However, the requirements of IAS 17 were considered for the purpose of leasing transactions (net investment in finance lease, assets given on finance lease, liabilities against assets subject to finance lease, and assets obtained on finance lease entered into by the Modaraba upto June 30, 2008. From July 1, 2008, all new lease transactions (both for assets given and assets obtained) are being accounted for in accordance with the requirements of IFAS 2 as explained hereunder.

Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the Securities and Exchange Commission of Pakistan (the SECP) vide SRO 431(1)/ 2007 dated May 22, 2007. During the year ended June 30, 2009, SECP vide its letter no. SC/M/RW/SC/2009 dated March 9, 2009, directed that the Modaraba Management Companies may apply the accounting treatment of IFAS 2, only to the leasing (Ijarah) transactions entered on or after July 1, 2008. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- Muj`ir (lessors) presents 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 are recognised as expenses.
- Ijarah income is 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Consequently, in preparation of these financial statements the Modaraba has accounted for leasing transactions executed before July 01, 2008 as finance leases consistent with prior years and has treated the leasing transactions executed on or after July 01, 2008 in accordance with the requirements of IFAS 2.

2.6 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of the Modaraba's accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in the application of accounting policies are as follows:

- i) estimates of residual values, useful lives and depreciation methods of fixed assets in own use and Ijarah assets (notes 3.6, 9 and 10);
- ii) provision against non-performing leasing portfolio, investments, trade debts and other receivables (notes 3.2.1.4, 5, 6.1, 6.2, 7.1.3, 8.4 and 9.4); and
- iii) provision for taxation (note 3.8 and 26).

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been applied consistently to all years presented unless otherwise stated.

3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. These include cash in hand and balances with banks in current and deposit accounts, musharika finance and other short-term highly liquid investments with original maturities of three months or less.

3.2 Financial instruments

3.2.1 Financial assets

3.2.1.1 Classification

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

a) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

b) Held -to- maturity investments

These are financial assets with fixed or determinable payments and fixed maturity with the Modaraba having positive intent and ability to hold to maturity.

3.2.1.2 Initial recognition and measurement

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

3.2.1.3 Subsequent measurement

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

3.2.1.4 Impairment (including provision for potential Ijarah losses and write offs)

The carrying amount of the Modaraba's assets are reviewed at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such an indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the profit and loss account. For loans and receivables, a provision for impairment is established when there is objective evidence that the Modaraba will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective profit rate.

Provision for non-performing leases, if any, is made in accordance with the requirements of the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP) and is charged to the profit and loss account in the current period. Outstanding balances in net investment in Ijarah finance are written off when there is no realistic prospect of recovery.

3.2.2 Financial liabilities

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

3.2.3 Derecognition

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

3.2.4 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.3 Net investment in Ijarah finance

Lease transactions entered into by the Modaraba prior to July 1, 2008 are accounted for as finance leases whereby assets under Ijarah arrangements are presented as receivable at an amount equal to the present value of the minimum Ijarah payments, including estimated residual value, if any. Unearned income i.e. excess of aggregate rentals over the cost of the asset is recorded at the inception of the Ijarah and is amortised over the term of the Ijarah so as to produce a constant rate of return on net investment in Ijarah. Allowances for non-performing leases are made in accordance with the Prudential Regulations for Modarabas.

3.4 Receivable from terminated / matured contracts

These are stated net of impairment loss. Impairment loss is recognised for doubtful receivables on the basis of Prudential Regulations for Modarabas issued by the SECP or is based on the judgment of management, whichever is higher. Bad debts are written off when identified.

3.5 Murabaha transactions

Under murabaha financing, funds disbursed for the purchase of goods are recorded as 'advance for murabaha'. On culmination of murabaha i.e. sale of goods to customers, murabaha financings are recorded at the deferred sale price net of profit. Goods purchased but remaining unsold at the reporting date are recorded as inventories.

3.6 Fixed assets

3.6.1 Tangible fixed assets

Owned assets

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Modaraba and the cost of the items can be measured reliably. All other repairs and maintenance expenses are charged to the profit and loss account as and when incurred.

Depreciation on all fixed assets is charged to income on a straight-line basis in accordance with the rates specified in note 10 to these financial statements and after taking into account residual values, if any. The residual values, useful lives and depreciation methods are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

Gains and losses on disposals are determined by comparing the sale proceeds with the carrying amounts. These are recorded in the profit and loss account in the period in which these arise.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Ijarah assets

Assets leased out under Ijarah on or after July 1, 2008 are recorded as Ijarah assets and are stated at cost less accumulated depreciation and accumulated impairment losses (if any). Depreciation is charged to income by applying the straight line method whereby the cost of an asset less salvage value is written off over the lease term, which is considered to be the estimated useful life of the asset.

3.6.2 Intangible assets

Intangible assets having a finite useful life are stated at cost less accumulated amortisation and accumulated impairment losses, if any. Subsequent costs are included in the assets' carrying amounts or recognised as separate assets, as appropriate, only where it is probable that the future economic benefits associated with the assets will flow to the Modaraba and the cost of the items can be measured reliably. Amortisation is charged to income using the straight line method in accordance with the rates specified in note 10 to these financial statements. The useful lives and amortisation method are reviewed and adjusted, as appropriate, at each reporting date. Amortisation is charged from the month the asset is available for use while in the case of assets disposed of, it is charged till the month preceding the month of disposal.

Intangible assets having an indefinite useful life are stated at cost less accumulated impairment losses, if any.

Gain or loss on disposal of intangible assets, if any, is taken to the profit and loss account in the period in which these arise.

3.6.3 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost less accumulated impairment losses, if any, and represents expenditure on fixed assets in the course of construction and installation and advances for capital expenditure. Transfers are made to the relevant category of tangible / intangible assets as and when the assets are available for intended use.

3.7 Loans, advances and other receivables

These are stated at cost less estimates made for doubtful receivables based on a review of all outstanding amounts at the reporting date. Balances considered bad and irrecoverable are written off when identified.

3.8 Taxation

Current

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases and carrying amounts of assets and liabilities appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date. However, the Modaraba has not recognised any amount in respect of deferred tax in these financial statements as the Modaraba intends to continue availing the tax exemption in future years by distributing at least 90% of its profits to its certificate holders every year.

3.9 Impairment of non-financial assets

The carrying amounts of the Modaraba's assets are reviewed at each reporting date to determine whether there is any indication of impairment loss. If such an indication exists, the assets' recoverable amounts are estimated in order to determine the extent of impairment loss. The resulting impairment loss is recognised in the profit and loss account.

3.10 Creditors, accrued and other liabilities

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

3.11 Provisions

Provisions are recognised when the Modaraba has a present, legal or constructive obligation as a result of past obligating events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimates.

3.12 Staff retirement benefits

The Modaraba operates:

- i) a recognised provident fund for all eligible employees; and
- ii) an approved funded defined contribution gratuity scheme for all permanent employees. Gratuity is payable to employees on completion of the prescribed qualifying period of service under the scheme.

Contributions to the provident fund and gratuity fund are made at the rate of 10% and 8.33% respectively, of the basic salaries of employees.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Obligation for contribution to defined contribution plans are recognised as an employee benefit expense in the profit and loss account when these are due.

3.13 Revenue recognition

- The Modaraba follows the finance method for recognising income on Ijarah contracts commencing prior to July 1, 2008 and accounted for as finance leases. Under this method the unearned income i.e. the excess of aggregate Ijarah rentals (including residual value) over the cost of the asset under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah. Gains / losses on termination of Ijarah contracts are recognised as income on receipt basis. Income on Ijarah is recognised from the date of delivery of the respective assets to the mustajir.
- For Ijarah arrangements commencing on or after July 1, 2008, Ijarah rentals are recognised as income on accrual basis, as and when rentals become due. In case of Ijarah arrangements with staggered rentals, the income is recognised on a straight line basis over the Ijarah term.
- Income in respect of non-performing Ijarah finance is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations for Modarabas issued by the SECP.
- Documentation charges, front end fees and other Ijarah related income are taken to the profit and loss account when these are realised.
- Profit on Diminishing Musharika arrangements is recognised under the effective mark-up rate method based on the amount outstanding.
- Mark-up / return on deposits / investments is recognised on accrual basis using the effective profit rate method.
- Income from shariah non-compliant avenues is not recognised in the profit and loss account and is classified as charity payable.
- Other income is recognised on an accrual basis.

3.14 Proposed profit distribution to certificate holders and transfers between reserves

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such dividends are declared / transfers are made.

3.15 Earnings per certificate

Basic earnings per certificate is calculated by dividing the profit after taxation for the year by the weighted average number of certificates outstanding during the year. Diluted earnings per certificate is determined by adjusting the profit or loss attributable to ordinary certificate holders by taking into account the conversion of any dilutive potential ordinary certificates.

3.16 Functional and presentational currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Modaraba operates. The financial statements are presented in Pakistani rupees, which is the Modaraba's functional and presentational currency.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

3.17 Foreign currency transactions

Transactions in foreign currencies are converted into Pakistani rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani rupees at the rate of exchange prevailing at the reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates are recognised in the profit and loss account.

3.18 Segment reporting

As per IFRS 8: "Operating Segments", segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer 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.

	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
4 CASH AND BANK BALANCES			
Balances with banks:			
- in current accounts	4.1	20,006,905	48,462,628
- in deposit accounts	4.2	123,880,688	438,545,620
Cash in hand		17,264	14,775
		143,904,857	487,023,023

4.1 These include Nil balance (2013: Rs 48.162 million) maintained with the Standard Chartered Bank (Pakistan) Limited (a related party).

4.2 These include balances maintained with Standard Chartered Bank (Pakistan) Limited (a related party) amounting to Rs 3.458 million (2013: 67.6 million) and carry profit at rate ranging between 4.63% - 6.00% per annum (2013: 6.00% to 8.50%). 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	June 30, 2014	June 30, 2013
----- Rupees -----			
5 IJARAH RENTALS RECEIVABLE			
Ijarah rentals receivable - considered good		119,231,742	120,137,791
Ijarah rentals receivable - considered bad or doubtful		67,869,835	53,431,276
Less: allowance for potential Ijarah losses	5.1	(35,321,727)	(36,414,673)
Less: profit held in suspense	5.2	(20,189,295)	(15,452,388)
		12,358,813	1,564,215
		131,590,555	121,702,006

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013
		----- Rupees -----	
5.1 Allowance for potential Ijarah losses			
Opening balance		36,414,673	2,475,485
Charge for the year		(40,446)	33,939,188
Amount written off during the year		(1,052,500)	-
Closing balance		<u>35,321,727</u>	<u>36,414,673</u>
5.2 Profit held in suspense			
Opening balance		15,452,388	2,445,250
Income suspended during the year - net		6,344,784	13,007,138
Income written off during the year		(1,607,877)	-
Closing balance		<u>20,189,295</u>	<u>15,452,388</u>
6 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
	Note	June 30, 2014	June 30, 2013
		----- Rupees -----	
Advances to suppliers and others		73,000	131,640
Deposits		50,000	50,000
Prepayments	6.3	25,729,527	7,432,656
Accrued profit on sukuk certificates	6.1	-	-
Accrued profit on savings and term deposits		843,349	3,822,901
Accrued profit on Diminishing Musharika	6.2	16,129,491	20,388,519
Advance against assets under Ijarah arrangements		132,678,000	127,299,677
Others		3,564,771	2,003,355
		<u>179,068,138</u>	<u>161,128,748</u>
6.1 Accrued profit on sukuk certificates		<u>37,250,258</u>	37,250,258
Less: Profit held in suspense		<u>(37,250,258)</u>	<u>(37,250,258)</u>
		-	-
6.2 Accrued profit on Diminishing Musharika		<u>24,999,491</u>	25,468,549
Less: Profit held in suspense		<u>(8,870,000)</u>	<u>(5,080,030)</u>
		<u>16,129,491</u>	<u>20,388,519</u>
6.3 Amounts due to associated undertakings at June 30, 2014 aggregated to Rs 24.815 million (2013: Rs 6.1 million).			

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
7 INVESTMENT IN SUKUK CERTIFICATES			
Held-to-maturity investments			
Investment in Sukuk certificates	7.1	57,701,835	58,717,455
Less: Provision in respect of Sukuk certificates	7.1.3	(57,701,835)	(51,743,491)
		-	6,973,964
Less: Current portion of investment in sukuk certificates		-	(1,015,620)
		-	<u>5,958,344</u>

7.1 Particulars of Investment in Sukuk Certificates

Name of the Investee Company	Number of certificates				Profit / mark-up rate	Terms	Security	Principal amount outstanding as at June 30, 2014	Provision held as at June 30, 2014	Carrying amount as at June 30, 2014
	As at July 01, 2013	Purchases during the year	Sales during the year	As at June 30, 2014						
Sukuk certificates of Rs.5,000 each unless stated otherwise										
Security Leasing Corporation Limited (note 7.1.1)	5,000	-	-	5,000	-	10 years	First charge over specific leased assets and associated lease receivables with 25% security margin	7,701,835	(7,701,835)	-
Shahraj Fabrics (Private) Limited (note 7.1.2)	10,000	-	-	10,000	11.52%	5 years	First pari passu charge over all present and future plant and machinery of the Company, equivalent to the Facility amount with a 25% margin	50,000,000	(50,000,000)	-

7.1.1 On March 18, 2010, the terms of the redemption of principal outstanding balance and payment of profit thereon were restructured. Under the revised terms, principal redemptions were to commence from April 2010 in 48 equal monthly instalments payable in arrears, and profit was to be payable at the rate of 6% for the first eighteen months commencing from the date of restructuring and at the rate of 1 month KIBOR thereafter. The revised agreement was restructured with effect from March 19, 2011 under which, all future profit payments as per the first restructuring agreement were waived and the redemptions of the outstanding principal balance were to be continued to be made as per the original restructuring agreement. During the year ended June 30, 2012, the terms of the agreement were revised for the third time, whereby, the remaining principal became payable in 120 equal monthly instalments commencing from February 19, 2012. Although Security Leasing Corporation Limited has, subsequently, been paying the principal amounts on the due dates, the outstanding balance has been fully provided as on June 30, 2014.

7.1.2 As per the terms of the sukuk agreement, the principal was to be repaid in 14 equal quarterly instalments beginning from the 21st month following the date of disbursement, whereas, profit was payable semi-annually in arrears. However, principal payments have been overdue since 2008 and, accordingly, the sukuk has been classified under the 'loss' category of non-performing assets as per the requirements of the Prudential Regulations for Modarabas. Consequently, the management has retained a provision at the rate of 100 percent in respect of the said investment and has suspended the accrued profit upto June 30, 2014.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
7.1.3 Movement in provision against sukuk certificates			
Opening balance		51,743,491	51,946,615
Provision / (reversal) for the year		5,958,344	(203,124)
Closing balance		57,701,835	51,743,491

8 DIMINISHING MUSHARIKA

Staff			
- Housing finance		31,259,413	33,591,635
- Others		1,641,974	1,610,832
	8.1 & 8.2	32,901,387	35,202,467
Others			
- Housing finance - Other individuals (including ex-employees)		450,594,356	368,708,898
- Others - corporate customers	8.3	893,690,477	1,128,550,462
Less: Provision in respect of Diminishing Musharika	8.4	(24,204,515)	(24,654,000)
		869,485,962	1,103,896,462
		1,352,981,705	1,507,807,827
Less: Current portion of Diminishing Musharika		(358,882,066)	(271,954,990)
		994,099,639	1,235,852,837

8.1 These represent finance provided to employees and officers of the Modaraba under diminishing musharika arrangement for renovation, construction and purchase of house and other consumer durables. These carry profit at rates ranging between 13.11% and 13.21% (2013: 12.37% and 12.61%) per annum and are repayable on monthly basis over a maximum period of 20 years (2013: 20 years). The maximum aggregate amounts due from officers and employees at the end of any month during the year was Rs 39.693 million (2013: Rs 43.071 million).

		June 30, 2014	June 30, 2013
----- Rupees -----			
8.2 Reconciliation of carrying amounts of finance provided to employees and officers under diminishing musharika arrangement			
Opening balance		35,202,467	39,800,642
Disbursements during the year		18,274,158	3,826,200
Receipts during the year		(17,941,380)	(9,164,895)
Transfer to diminishing musharika - others		(2,633,858)	740,520
Closing balance		32,901,387	35,202,467

8.3 This includes an amount of Rs 121.023 million due from a customer which was restructured and converted into a diminishing musharika facility. Under the revised terms, the customer is required to make principal payments in nineteen quarterly instalments commencing from August 10, 2012. Considering the financial position of the customer, the management has maintained a provision at the rate of 20 percent of the outstanding principal as on June 30, 2014.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013
8.4	Movement in provision against Diminishing Musharika	----- Rupees -----	
	Opening balance	24,654,000	25,000,000
	Reversal for the year	(449,485)	(346,000)
	Closing balance	<u>24,204,515</u>	<u>24,654,000</u>

9 IJARAH FINANCE

	Note	June 30, 2014	June 30, 2013
		----- Rupees -----	
Ijarah contracts commencing on or after July 1, 2008 - accounted for under IFAS 2	9.1 & 9.2	<u>4,194,421,958</u>	<u>4,374,496,928</u>
Ijarah contracts prior to July 1, 2008 - accounted for as finance leases		370,000	7,244,170
Less: Current portion of net investment in Ijarah finance		<u>(370,000)</u>	<u>(7,244,170)</u>
		<u>-</u>	<u>-</u>

9.1 Assets under Ijarah arrangements

The following is a statement of Ijarah assets:

	----- Year ended June 30, 2014 -----		
	Ijarah assets		
	Plant, machinery and equipment	Motor vehicles	Total
	----- Rupees -----		
At July 01, 2013			
Cost	3,568,569,871	3,449,824,399	7,018,394,270
Accumulated depreciation	(1,353,950,028)	(1,286,816,061)	(2,640,766,089)
Impairment against Ijarah assets	(3,131,253)	-	(3,131,253)
Net book value	<u>2,211,488,590</u>	<u>2,163,008,338</u>	<u>4,374,496,928</u>
Additions	936,065,832	965,319,263	1,901,385,095
Disposals			
Cost	(584,158,105)	(855,022,638)	(1,439,180,743)
Depreciation	475,629,691	532,474,041	1,008,103,732
	(108,528,414)	(322,548,597)	(431,077,011)
Depreciation charge for the year	(863,621,099)	(789,893,208)	(1,653,514,307)
Impairment written off during the year	3,131,253	-	3,131,253
Closing net book value	<u>2,178,536,162</u>	<u>2,015,885,796</u>	<u>4,194,421,958</u>
At June 30, 2014			
Cost	3,920,477,598	3,560,121,024	7,480,598,622
Accumulated depreciation	(1,741,941,436)	(1,544,235,228)	(3,286,176,664)
Net book value	<u>2,178,536,162</u>	<u>2,015,885,796</u>	<u>4,194,421,958</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

----- Year ended June 30, 2013 -----

The following is a statement of Ijarah assets:

	Ijarah assets		
	Plant, machinery and equipment	Motor vehicles	Total
	----- Rupees -----		
At July 01, 2012			
Cost	3,444,641,380	2,785,854,302	6,230,495,682
Accumulated depreciation	(1,028,663,358)	(863,980,876)	(1,892,644,234)
Impairment against Ijarah assets	(3,131,253)	-	(3,131,253)
Net book value	<u>2,412,846,769</u>	<u>1,921,873,426</u>	<u>4,334,720,195</u>
Additions	935,322,258	1,181,129,607	2,116,451,865
Disposals			
Cost	(811,393,767)	(517,159,510)	(1,328,553,277)
Depreciation	486,822,866	303,221,639	790,044,505
	(324,570,901)	(213,937,871)	(538,508,772)
Depreciation charge for the year	(812,109,536)	(726,056,824)	(1,538,166,360)
Closing net book value	<u>2,211,488,590</u>	<u>2,163,008,338</u>	<u>4,374,496,928</u>
At June 30, 2013			
Cost	3,568,569,871	3,449,824,399	7,018,394,270
Accumulated depreciation	(1,353,950,028)	(1,286,816,061)	(2,640,766,089)
Impairment against Ijarah assets	(3,131,253)	-	(3,131,253)
Net book value	<u>2,211,488,590</u>	<u>2,163,008,338</u>	<u>4,374,496,928</u>

9.2 The Modaraba has entered into various Ijarah agreements for periods ranging from 2 to 6 years (2013: 2 to 6 years). Security deposits ranging between 0% and 50% (2013: 0% and 50%) are obtained at the time of disbursement. The rate of profit implicit in Ijarah finance ranges between 10.58% and 18.24% (2013: 10.19% and 21%) per annum.

9.3 Net investment in Ijarah finance

Note	As at June 30, 2014			As at June 30, 2013		
	Not later than one year	Later than one year and less than five years	Total	Not later than one year	Later than one year and less than five years	Total
	----- Rupees -----					
Minimum Ijarah payments receivable	1,264,599	-	1,264,599	2,257,685	-	2,257,685
Add: Residual value	370,000	-	370,000	5,343,646	-	5,343,646
Gross investment in Ijarah finance	<u>1,634,599</u>	<u>-</u>	<u>1,634,599</u>	<u>7,601,331</u>	<u>-</u>	<u>7,601,331</u>
Less: Unearned finance income	-	-	-	116	-	116
Allowance for potential Ijarah losses	9.4 1,134,443	-	1,134,443	226,889	-	226,889
Suspended income	9.5 130,156	-	130,156	130,156	-	130,156
Net Investment in Ijarah finance	<u>370,000</u>	<u>-</u>	<u>370,000</u>	<u>7,244,170</u>	<u>-</u>	<u>7,244,170</u>

9.4 Allowance for potential Ijarah losses

	June 30, 2014			June 30, 2013		
	Specific	General	Total	Specific	General	Total
	----- Rupees -----					
Opening balance	226,889	-	226,889	-	-	-
Charge for the year	907,554	-	907,554	226,889	-	226,889
Reversal during the year	-	-	-	-	-	-
Closing balance	<u>1,134,443</u>	<u>-</u>	<u>1,134,443</u>	<u>226,889</u>	<u>-</u>	<u>226,889</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

As at June 30, 2014, Ijarahs with outstanding principal amounting to Rs 1.134 million (2013: Rs 1.134 million) have been classified as non-performing as per the requirements of the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan.

	June 30, 2014	June 30, 2013
	-----Rupees-----	
9.5 Suspended income - net investment in Ijarah finance		
Balance at the beginning of the year	130,156	-
Income suspended during the year	-	130,156
Reversals during the year	-	-
	<u>130,156</u>	<u>130,156</u>

9.6 Contractual rentals receivable - Ijarah contracts commencing on or after July 1, 2008

	As at June 30, 2014				As at June 30, 2013			
	Not later than one year	Later than one and not later than five years	Later than five years	Total	Not later than one year	Later than one and not later than five years	Later than five years	Total
	-----Rupees-----							
Rentals receivable	1,926,423,096	2,447,755,256	309,368	4,374,487,720	2,047,786,124	2,736,205,332	436,693	4,784,428,149
Residual value	255,494,413	700,394,474	350,000	956,238,887	177,323,509	746,662,779	-	923,986,288
Total future Ijarah payments receivable	<u>2,181,917,509</u>	<u>3,148,149,730</u>	<u>659,368</u>	<u>5,330,726,607</u>	<u>2,225,109,633</u>	<u>3,482,868,111</u>	<u>436,693</u>	<u>5,708,414,437</u>

10 FIXED ASSETS IN OWN USE

	Note	June 30, 2014	June 30, 2013
		-----Rupees-----	
Tangible assets	10.1	393,598	993,974
Intangible assets	10.1	22,676,766	280,000
Capital work-in-progress		-	8,766,491
		<u>23,070,364</u>	<u>10,040,465</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

10.1 The following is a statement of tangible and intangible assets:

	Year ended June 30, 2014				
	Tangible assets			Total	Intangible assets
	Furniture and fittings	Office equipment, appliances and computer systems	Motor vehicles		
	Rupees				
At July 01, 2013					
Cost	1,589,442	5,801,798	353,500	7,744,740	3,433,807
Accumulated depreciation / amortisation	(1,405,828)	(5,276,205)	(68,733)	(6,750,766)	(3,153,807)
Net book value	183,614	525,593	284,767	993,974	280,000
Additions	-	-	-	-	24,700,000
Disposals					
Cost	-	-	-	-	-
Depreciation / amortisation	-	-	-	-	-
Depreciation / amortisation charge for the year	(168,328)	(314,215)	(117,833)	(600,376)	(2,303,234)
Closing net book value	15,286	211,378	166,934	393,598	22,676,766
At June 30, 2014					
Cost	1,589,442	5,801,798	353,500	7,744,740	28,133,807
Accumulated depreciation / amortisation	(1,574,156)	(5,590,420)	(186,566)	(7,351,142)	(5,457,041)
Net book value	15,286	211,378	166,934	393,598	22,676,766
Depreciation / amortisation rate (% per annum)	33.33	20 and 33.33	33.33		33.33
Year ended June 30, 2013					
	Tangible assets			Total	Intangible assets
	Furniture and fittings	Office equipment, appliances and computer systems	Motor vehicles		
	Rupees				
At July 01, 2012					
Cost	1,589,442	5,614,298	879,000	8,082,740	3,354,389
Accumulated depreciation / amortisation	(1,171,116)	(4,967,962)	(879,000)	(7,018,078)	(2,772,809)
Net book value	418,326	646,336	-	1,064,662	581,580
Additions	-	187,500	353,500	541,000	79,418
Disposals					
Cost	-	-	(879,000)	(879,000)	-
Depreciation / amortisation	-	-	879,000	879,000	-
Depreciation / amortisation charge for the year	(234,712)	(308,243)	(68,733)	(611,688)	(380,998)
Closing net book value	183,614	525,593	284,767	993,974	280,000
At June 30, 2013					
Cost	1,589,442	5,801,798	353,500	7,744,740	3,433,807
Accumulated depreciation / amortisation	(1,405,828)	(5,276,205)	(68,733)	(6,750,766)	(3,153,807)
Net book value	183,614	525,593	284,767	993,974	280,000
Depreciation / amortisation rate (% per annum)	33.33	20 and 33.33	33.33		33.33

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

10.2 During the years ended June 30, 2014 and 2013, there were no disposals of fixed assets having net book value exceeding 50,000 individually.

	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
11 MUSHARIKA FINANCE			
Musharika with an associated undertaking - secured	11.1	284,809,178	-

11.1 The total facility for musharika finance available from Standard Chartered Bank (Pakistan) Limited amounts to Rs 500 million (2013: Rs 800 million) and carries profit of 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 December 31, 2014.

	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
12 MURABAHA FINANCE			
Murabaha with other banks - secured			
Murabaha payable - gross	12.1	-	141,531,041
Less: Deferred murabaha expense		-	(2,830,118)
Murabaha profit payable shown in other liabilities		-	(3,700,923)
		<u>-</u>	<u>135,000,000</u>

12.1 The total facility from Meezan Bank Limited is limited to Rs 1,000 million (2013: Rs 1,000 million) as mentioned in note 13.2. A sub-limit of this facility is available in the form of Murabaha financing. The estimated rate of profit payable on the facility utilised amounts to Re Nil (2013: Re 0.2688) per rupee one thousand per day. The facility is secured against hypothecation over the moveable leased out assets of the Modaraba.

	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
13 MUSHARIKA TERM FINANCE ARRANGEMENTS			
Musharika with:			
- an associated undertaking - secured	13.1	158,823,531	340,000,000
- others	13.2	597,411,941	39,383,940
		<u>756,235,472</u>	<u>379,383,940</u>
Less: Current portion of musharika finance		(550,597,975)	279,383,940
		<u>205,637,497</u>	<u>100,000,000</u>

13.1 This facility was obtained from Standard Chartered Bank (Pakistan) Limited with a limit of Rs 1,000 million (2013: 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, out of which 20 monthly repayments have been made till June 30, 2014. The second tranche was obtained amounting to Rs 125 million in September 2013 of which 9 out of a total of 17 equal monthly instalments have been paid till June 30, 2014. The estimated share of profit payable on this facility amounts to Re 0.2844 (2013: Re 0.2578 to Re. 0.2748) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

13.2 Musharika Term Finance - Others

Bank	Limit in Rupees	Profit rate (per rupee one thousand per day)	Frequency of mark-up payment	Tenor	June 30, 2014	June 30, 2013
					----- Rupees -----	
Habib Bank Limited	250,000,000	0.2855	Quarterly	1 year	250,000,000	-
Meezan Bank limited	1,000,000,000	0.2830	Quarterly	3 years	342,729,166	-
BankIslami Pakistan Limited	250,000,000	0.2849	Monthly	1 year	4,682,775	39,383,940
					<u>597,411,941</u>	<u>39,383,940</u>

13.3 The aforementioned facilities are secured against exclusive hypothecation over specific movable leased out assets and the rentals receivable in respect of such assets.

14 SECURITY DEPOSITS

	-----As on June 30, 2014-----			-----As on June 30, 2013-----		
	Finance lease	Ijarah	Total	Finance lease	Ijarah	Total
	----- Rupees -----					
Security deposits (note 14.1)	370,000	805,425,073	805,795,073	3,242,656	763,228,012	766,470,668
Less: Repayable / adjustable after one year	-	571,890,237	571,890,237	-	608,607,850	608,607,850
Current portion	<u>370,000</u>	<u>233,534,836</u>	<u>233,904,836</u>	<u>3,242,656</u>	<u>154,620,162</u>	<u>157,862,818</u>

14.1 This represents amounts received under Ijarah finance repayable / adjustable at the expiry of the lease period.

15 CREDITORS, ACCRUED AND OTHER LIABILITIES

	Note	June 30, 2014	June 30, 2013
		----- Rupees -----	
Management Company's remuneration payable		10,872,023	10,599,907
Profit payable on:			
- Redeemable capital		33,038,264	94,726,687
- Musharika finance		66,950	2,704,084
- Musharika term finance arrangements		10,159,007	473,651
- Murabaha finance		-	3,700,923
Accrued expenses		26,685,251	13,184,814
Amounts refundable to lessees	15.2	89,216,729	75,172,403
Amount received against Certificates of Musharika		54,816,713	86,796,300
Penalty payable to charity		6,938,489	7,032,347
Others		26,368,197	30,461,295
		<u>258,161,623</u>	<u>324,852,411</u>

15.1 Amounts due to associated undertakings at June 30, 2014 aggregated to Rs 11.709 million (2013: Rs 14.181 million).

15.2 This includes Rs 14.934 million (2013: Rs 14.934 million) refundable to Ijarah customers in respect of withholding tax deposited by the customers pertaining to Ijarah vehicles. The amount will be refunded only if the Modaraba receives the refund from the tax department.

16 REDEEMABLE CAPITAL - PARTICIPATORY AND UNSECURED

	Note	June 30, 2014	June 30, 2013
		----- Rupees -----	
Certificates of Musharika	16.1	2,774,405,000	4,159,475,000
Less: Current portion of redeemable capital		(1,123,565,000)	(4,132,265,000)
		<u>1,650,840,000</u>	<u>27,210,000</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

- 16.1 These carry estimated share of profit payable ranging between Re 0.1438 to Re 0.4247 (2013: Re 0.2041 to Re 0.4247) per thousand per day and are due to mature latest by June 24, 2017 (2013: November 27, 2014).

17 CERTIFICATE CAPITAL

Authorised certificate capital

June 30, 2014	June 30, 2013		June 30, 2014	June 30, 2013
Number of certificates			----- Rupees -----	
<u>50,000,000</u>	<u>50,000,000</u>	Modaraba certificates of Rs 10 each	<u>500,000,000</u>	<u>500,000,000</u>

Issued, subscribed and paid-up capital

<u>28,500,000</u>	28,500,000	Modaraba certificates of Rs 10 each fully paid in cash	<u>285,000,000</u>	285,000,000
<u>16,883,530</u>	16,883,530	Modaraba certificates of Rs 10 each issued as fully paid bonus certificates	<u>168,835,300</u>	168,835,300
<u>45,383,530</u>	<u>45,383,530</u>		<u>453,835,300</u>	<u>453,835,300</u>

- 17.1 As at June 30, 2014, Standard Chartered Services of Pakistan (Private) Limited (the Management Company) and Standard Chartered Bank (Pakistan) Limited held 4,538,353 (2013: 4,538,353) and 4,538,353 (2013: 4,538,353) certificates of Rs 10 each respectively.

18 RESERVES

Reserves include statutory reserves which represent profits set aside by the Modaraba to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require the Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equal 100% of the paid up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

During the current year, the Modaraba has transferred an amount of Rs 36.341 million (2013: Rs 24.259 million) which represents 20% (2013: 20%) of the profit after taxation for the year.

19 CONTINGENCIES AND COMMITMENTS

19.1 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 39.33 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 37.822 million as at June 30, 2014.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

19.2 Commitments

The Modaraba has issued letters of comfort to Soneri Bank Limited equal to an amount of Rs 18.814 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 56.862 million is, currently, outstanding.

	Note	June 30, 2014	June 30, 2013
		----- Rupees -----	
20 FINANCIAL CHARGES			
Profit on redeemable capital		271,510,571	330,250,034
Profit on Musharika term finance arrangements		75,188,526	28,150,911
Profit on Musharika finance		1,089,157	19,155,742
Profit on Murabaha finances		2,830,118	29,228,999
Bank commission and charges		65,781	29,629,819
Others		35,019,928	2,531,328
		385,704,081	438,946,833
21 OTHER INCOME			
Gain on disposal of Ijarah assets		29,064,631	29,820,742
Gain on premature termination of Ijarah		-	157,913
Documentation fee		4,108,845	3,837,852
Gain on disposal of fixed assets in own use		-	857,850
Others		1,486,887	8,014,848
		34,660,363	42,689,205
22 ADMINISTRATIVE AND OPERATING EXPENSES			
Salaries and other staff benefits	22.2 & 28	63,424,662	61,612,616
Depreciation / amortisation on fixed assets in own use	10	2,903,610	992,686
Advertising, travelling and entertainment		1,657,792	1,567,483
Postage		873,184	1,217,271
Telecommunication		230,425	333,086
Printing and stationery		1,970,812	1,928,894
Legal and professional		3,264,554	3,828,811
Repairs and maintenance		3,054,864	2,492,774
Charges by associated undertakings	22.1	6,744,972	5,366,136
Subscriptions		821,419	779,665
Auditors' remuneration	22.3	900,000	825,000
Certificate of Musharika trustee fee		817,135	878,024
Insurance - own assets		124,985	133,119
Sundry expenses		967,884	526,967
		87,756,298	82,482,532

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

22.1 These represent information technology related charges, utilities and other general expenses reimbursable to Standard Chartered Bank (Pakistan) Limited by the Modaraba under a Service Level Agreement. Office space and related expenditure are borne by Standard Chartered Services of Pakistan (Private) Limited.

22.2 Salaries and other staff benefits include Rs 2.264 million and Rs 1.893 million (2013: Rs 2.195 million and Rs 1.827 million) on account of the Modaraba's contribution to the staff provident fund and staff gratuity fund respectively.

June 30, **June 30,**
2014 **2013**
----- **Rupees** -----

22.3 Auditors' remuneration

Statutory audit fee	525,000	525,000
Half yearly review fee	150,000	150,000
Fee for review of compliance with the Code of Corporate Governance	50,000	50,000
Fee for other certifications	40,000	40,000
Out of pocket expenses	135,000	60,000
	900,000	<u>825,000</u>

23 MANAGEMENT COMPANY'S REMUNERATION

The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of the net annual profits of the Modaraba. The remuneration for the year ended June 2014 has been recognised at 10% (2013: 10%) of the profit for the year before charging such remuneration.

24 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 Management Company's remuneration at the rate of 16% per annum with effect from November 1, 2011, which is pending adjudication. The Management Company has filed an appeal before the Appellate Tribunal SRB against this order.

Considering the view that the amount is a profit sharing rather than a fixed fee against rendering of management services by the Management Company, the NBF and Modaraba Association, on behalf of a number of modarabas, has filed a constitutional petition in the Honourable High Court of Sindh (SHC). Subsequently, the SHC 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 remuneration of the Modaraba Management Companies till the final decision of the SHC.

25 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

26 TAXATION

The income of non-trading modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders. As the Management Company of the Modaraba, subsequent to the year end, has approved the required distribution as detailed in note 37, no provision for taxation has been made in these financial statements during the current year.

27 EARNINGS PER CERTIFICATE - BASIC AND DILUTED

Basic

Profit for the year after taxation

**June 30,
2014** **June 30,
2013**
----- Rupees -----

	181,704,219	121,294,467
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	Number	Number
--	---------------	---------------

Weighted average number of certificates outstanding during the year

	45,383,530	45,383,530
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----- Rupees -----

Earnings per certificate

	4.00	2.67
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Diluted

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at June 30, 2014 and 2013 which would have any effect on the earnings per certificate if the option to convert is exercised.

**June 30,
2014** **June 30,
2013**
----- Rupees -----

28 REMUNERATION OF OFFICERS

Remuneration and staff retirement benefits

Medical expenses

Other benefits

	61,614,582	59,800,008
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	617,538	655,459
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	1,192,542	1,157,149
--	------------------	-----------

	63,424,662	61,612,616
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	Number	Number
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Number of employees at the end of the year

	27	30
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29 FINANCIAL RISK MANAGEMENT

The activities of the Modaraba expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Board of Directors of the Management Company has the overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

29.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices. Market risk comprises of three types of risks: currency risk, profit rate risk and other price risk.

29.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Foreign currency risk arises mainly where receivables and payables exist in foreign currencies. As at June 30, 2014 financial liabilities of Rs10.564 million are payable in foreign currencies which are exposed to foreign currency risk.

As at June 30, 2014, if the Pakistani Rupee had weakened / strengthened by 5% against foreign currencies with all other variables held constant, there would not have been a significant impact on profit for the year after taxation.

29.1.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in the market profit rates. The Modaraba has adopted appropriate policies to minimise its exposure to this risk. The profit rate profile of the Modaraba's significant profit bearing financial instruments and the periods in which these will mature are as follows:

----- As at June 30, 2014 -----								
Effective yield / profit rate %	Total	Exposed to yield / profit rate risk					Not exposed to yield / profit rate risk	
		Upto one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years		
----- Rupees -----								
On-balance sheet financial instruments								
Financial assets								
Cash and bank balances	6.00%	143,904,857	123,880,688	-	-	-	-	20,024,169
Ijarah rentals receivable	-	131,590,555	-	-	-	-	-	131,590,555
Advances, deposits and other receivables	-	153,265,611	-	-	-	-	-	153,265,611
Diminishing Musharika	10.66% - 13.81%	1,352,981,705	34,761,653	58,663,750	265,456,663	569,865,932	424,233,707	-
Investment in Sukuk certificates	-	-	-	-	-	-	-	-
Total		1,781,742,728	158,642,341	58,663,750	265,456,663	569,865,932	424,233,707	304,880,335
Financial liabilities								
Murabaha finance	-	-	-	-	-	-	-	-
Musharika finance	11.14%	284,809,178	284,809,178	-	-	-	-	-
Musharika term finance arrangements	10.33% - 10.42%	756,235,472	29,694,331	118,673,129	402,230,515	205,637,497	-	-
Security deposits	-	805,795,073	-	-	-	-	-	805,795,073
Creditors, accrued and other liabilities	-	247,415,315	247,415,315	-	-	-	-	-
Redeemable capital	5.25%-15.5%	2,774,405,000	276,445,000	232,785,000	614,335,000	1,650,840,000	-	-
Total		4,868,660,038	838,363,824	351,458,129	1,016,565,515	1,856,477,497	-	805,795,073
On-balance sheet gap (a)			(679,721,483)	(292,794,379)	(751,108,852)	(1,286,611,565)	424,233,707	
Off-balance sheet financial instrument								
Off-balance sheet financial instrument gap (b)			-	-	-	-	-	
Total interest rate sensitivity gap (a+b)			(679,721,483)	(292,794,379)	(751,108,852)	(1,286,611,565)	424,233,707	
Cumulative yield / profit risk sensitivity gap			(679,721,483)	(972,515,862)	(1,723,624,714)	(3,010,236,279)	(2,586,002,572)	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

----- As at June 30, 2013 -----								
Effective yield / profit rate %	Total	Exposed to yield / profit rate risk					Not exposed to yield / profit rate risk	
		Upto one month	Over one month to three months	Over three months to one year	Over one year to five years	Over five years		
----- Rupees -----								
On-balance sheet financial instruments								
Financial assets								
Cash and bank balances	6.00% - 8.50%	487,023,023	438,545,620	-	-	-	-	48,477,403
Term deposit receipts	9.00%	150,000,000	-	150,000,000	-	-	-	-
Ijarah rentals receivable	-	121,702,006	-	-	-	-	-	121,702,006
Advances, deposits and other receivables	-	153,564,452	127,299,677	-	-	-	-	26,264,775
Diminishing Musharika	10.05% - 12.61%	1,507,807,827	15,465,646	50,438,042	206,051,302	842,382,547	393,470,290	-
Investment in Sukuk certificates	0% - 14.13%	6,973,964	84,635	169,270	761,715	4,062,480	1,895,864	-
Total		2,427,071,272	581,395,578	200,607,312	206,813,017	846,445,027	395,366,154	196,444,184
Financial liabilities								
Murabaha finance	12.31% - 12.39%	135,000,000	-	135,000,000	-	-	-	-
Musharika term finance	9.49% - 9.51%	379,383,940	23,281,995	46,563,990	209,537,955	100,000,000	-	-
Security deposits	-	766,470,668	-	-	-	-	-	766,470,668
Creditors, accrued and other liabilities	-	314,543,059	-	-	-	-	-	314,543,059
Redeemable capital	7.45% - 15.5%	4,159,475,000	454,780,000	631,740,000	3,045,745,000	27,210,000	-	-
Total		5,754,872,667	478,061,995	813,303,990	3,255,282,955	127,210,000	-	1,081,013,727
On-balance sheet gap (a)		103,333,583	(612,696,678)	(3,048,469,938)	719,235,027	395,366,154		
Off-balance sheet financial instrument								
Off-balance sheet financial instrument gap (b)		-	-	-	-	-		
Total interest rate sensitivity gap (a+b)		103,333,583	(612,696,678)	(3,048,469,938)	719,235,027	395,366,154		
Cumulative interest rate sensitivity gap		103,333,583	(509,363,095)	(3,557,833,033)	(2,838,598,006)	(2,443,231,852)		

Cash flow sensitivity analysis for variable rate instruments

In case of 100 basis points increase / decrease in profit rates on the last repricing date of variable rate instruments (other than savings deposits) with all other variables held constant, the following will be the impact on the profit and loss account and the equity of the Modaraba:

	As at June 30, 2014		As at June 30, 2013	
	Increase of 100 basis points	Decrease of 100 basis points	Increase of 100 basis points	Decrease of 100 basis points
----- Rupees -----				
Variable rate financial assets	55,888,124	(55,888,124)	54,835,275	(54,835,275)
Variable rate financial liabilities	(42,308,428)	42,308,428	(43,245,846)	43,245,846
Net effect on profit and loss	13,579,696	(13,579,696)	11,589,429	(11,589,429)

The composition of the Modaraba's portfolio of financial instruments and profit rates are expected to change over time. Therefore, the sensitivity analysis prepared as of June 30, 2014 is not necessarily indicative of the effect on the Modaraba's profit and loss and reserves due to changes in profit rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

29.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As on June 30, 2014 and June 30, 2013, the Modaraba did not hold any instruments which exposed it to price risk.

29.2 Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The risk generally emanates from balances with banks, Ijarah rentals receivable, investments in Sukuks and Diminishing Musharika arrangements, deposits and other receivables.

The maximum exposure to credit risk at the end of the reporting period without taking into account any collateral held or other credit enhancement amounts in aggregate of Rs 1,781.725 million (2013: 2,427.056 million).

As at June 30, 2014 and June 30, 2013, there were no financial assets which were pledged as collateral for liabilities or contingent liabilities of the Modaraba.

Management of credit risk

The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Prudential Regulations (PRs) for Modarabas issued by the SECP. The Modaraba seeks to manage its credit risk exposure through diversification of its Ijarah and Diminishing Musharika arrangements to avoid undue concentration of risks with individuals or groups of customers in specific locations or businesses.

The outstanding amount of Modaraba net investment in Ijarah finance are secured against leased assets. In a few cases, additional collateral is also obtained in the form of mortgages of property. The Modaraba is entitled to repossess and sell these assets in case of default by the customers. During the current year, the Modaraba has not repossessed any assets.

Credit risk ratings

The Modaraba maintains balances with banks having reasonably high credit ratings which are summarised as follows:

	June 30, 2014	June 30, 2013
	----- Rupees -----	
Bank balances		
A-1+	140,425,222	371,202,928
A1	3,662	4,062
A1+	3,458,709	115,801,258
Term deposit receipts		
AA+	-	150,000,000

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

Impairment losses and past due balances

An analysis of the age of significant financial assets that are past due but not impaired are as under:

	As at June 30, 2014		As at June 30, 2013	
	Total outstanding amount	Payment overdue (in days)	Total outstanding amount	Payment overdue (in days)
	----- Rupees -----		----- Rupees -----	
Net investment in Ijarah finance	-	1-179 days	965,648	1-179 days
Ijarah rentals receivable	66,981,399	1-179 days	59,804,943	1-179 days

29.2.1 An analysis of the portfolio of the Modaraba that is classified as non-performing as per the requirements of the PRs for Modarabas is as follows:

	As at June 30, 2014				
	Other Assets Especially Mentioned	Substandard	Doubtful	Loss	Total
	----- Rupees -----				
Ijarah rentals receivable (being principal outstanding)	-	45,153,421	45,923,445	3,329,320	94,406,186
Net investment in Ijarah finance	-	-	-	1,134,443	1,134,443
Diminishing Musharika	-	121,022,574	-	-	121,022,574
Sukuk Certificates	-	-	-	57,701,835	57,701,835

	As at June 30, 2013				
	Other Assets Especially Mentioned	Substandard	Doubtful	Loss	Total
	----- Rupees -----				
Ijarah rentals receivable	-	1,134,443	70,724,346	4,189,466	76,048,255
Net investment in Ijarah finance	-	-	-	226,889	226,889
Diminishing Musharika	-	123,270,002	-	-	123,270,002
Sukuk Certificates	-	8,717,455	-	50,000,000	58,717,455

Impairment is recognised by the Modaraba based on the provisioning requirements of the PRs for Modarabas issued by the SECP which includes subjective evaluation of the portfolio of the Modaraba on an on-going basis. The Modaraba also performs a subjective evaluation of performing and non-performing advances / loans / lease portfolio based on past experience, repayment patterns and consideration of financial positions of counter parties and has the option of to downgrade the category of classification determined on the basis of PRs. A reconciliation of provision made during the year in respect of financial assets is given in notes 7.1.3, 8.4 and 9.4.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

29.2.2 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Modarabas total credit exposure. Concentrations of credit risk indicate the relative sensitivity of the Modarabas performance to developments affecting a particular industry.

The Modaraba manages credit risks and its concentration through diversification of activities to avoid undue concentration of risk with individuals, groups or specific industry segments. For this purpose, the Modaraba has established exposure limits for individuals and industrial sectors.

Details of the industrial sector analysis of gross investment portfolio are as follows:

Sectors	June 30, 2014		June 30, 2013	
	(Rupees)	%	(Rupees)	%
Confectionery	200,630,262	4.16%	199,970,450	3.84%
Fast Moving Consumer Goods (FMCGs) / Food and Allied	92,456,221	1.92%	136,613,631	2.62%
Services	187,291,200	3.88%	143,668,749	2.76%
Fertilizers	76,886,704	1.59%	183,415,346	3.52%
Chemicals	301,160,933	6.24%	361,760,056	6.94%
Sugar	298,982,599	6.20%	405,962,492	7.79%
Bottlers	104,329,516	2.16%	160,872,599	3.09%
Communication	57,140,896	1.18%	121,035,133	2.32%
Textile	472,703,824	9.80%	511,432,580	9.82%
Travel, transport, storage	325,390,644	6.74%	375,366,681	7.20%
Printing, publishing and packages	1,952,397	0.04%	741	0.00%
Individuals	658,884,995	13.66%	570,688,310	10.95%
Automobile	65,365,993	1.35%	120,486,190	2.31%
Financial institutions	165,876,172	3.44%	225,087,200	4.32%
Power, energy, water	390,209,272	8.09%	469,343,055	9.01%
Gas	36,344,050	0.75%	7,316,847	0.14%
Pharmaceuticals	106,998,931	2.22%	67,493,821	1.30%
Steel	7,595,000	0.16%	41,541,303	0.80%
Engineering	51,075,720	1.06%	53,779,436	1.03%
Plastic	362,153,110	7.51%	160,823,333	3.09%
Cement	-	0.00%	25,000,000	0.48%
Builders / Construction	1,313,546	0.03%	3,172,722	0.06%
Dairy, Farming and Allied	148,421,486	3.08%	124,363,227	2.39%
Leather / Tyre and Rubber	206,102,743	4.27%	217,717,893	4.18%
Poultry / Poultry Feeds	235,718,192	4.89%	282,857,871	5.43%
Petroleum and Allied	133,713,597	2.77%	117,851,483	2.26%
Others	136,451,536	2.83%	122,316,861	2.35%
	<u>4,825,149,539</u>	<u>100.00%</u>	<u>5,209,938,010</u>	<u>100.00%</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
Investment in Ijarah finance / assets under Ijarah arrangements		4,194,791,958	4,381,741,098
Less: Security deposits held	14	(805,795,073)	(766,470,668)
Add: Impairment against Ijarah assets	9.1	-	3,131,253
Add: Allowance for potential Ijarah losses	9.4	1,134,443	226,889
Add: Mark-up held in suspense	9.5	130,156	130,156
		3,390,261,484	3,618,758,728
Investment in Sukuk certificates	7	-	6,973,964
Add: Provision in respect of sukuk certificates	7	57,701,835	51,743,491
		57,701,835	58,717,455
Investment in Diminishing Musharika	8	1,352,981,705	1,507,807,827
Add: Provision in respect of Diminishing Musharika	8	24,204,515	24,654,000
		1,377,186,220	1,532,461,827
		4,825,149,539	5,209,938,010

29.3 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Modaraba will be required to pay its liabilities earlier than expected or will face difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation.

The maturity profile of the Modaraba's financial liabilities based on contractual maturities is disclosed in note 29.1.2 to these financial statements.

30 FINANCIAL INSTRUMENTS BY CATEGORY

	----- As at June 30, 2014 -----		
	Loans and receivables	Held to maturity	Total
----- Rupees -----			
ASSETS			
Cash and bank balances	143,904,857	-	143,904,857
Ijarah rentals receivable	131,590,555	-	131,590,555
Advances, deposits and other receivables	153,265,611	-	153,265,611
Diminishing musharika	1,352,981,705	-	1,352,981,705
Investment in sukuk certificates	-	-	-
	1,781,742,728	-	1,781,742,728

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

	----- As at June 30, 2014 -----		
	At fair value through profit or loss	Other financial liabilities	Total
LIABILITIES	----- Rupees -----		
Musharika finance	-	284,809,178	284,809,178
Musharika term finance	-	756,235,472	756,235,472
Security deposits	-	805,795,073	805,795,073
Creditors, accrued and other liabilities	-	247,415,315	247,415,315
Redeemable capital	-	2,774,405,000	2,774,405,000
	-	4,868,660,038	4,868,660,038

	----- As at June 30, 2013 -----		
	Loans and receivables	Held to maturity	Total
ASSETS	----- Rupees -----		
Cash and bank balances	487,023,023	-	487,023,023
Term deposit receipts	150,000,000	-	150,000,000
Ijarah rentals receivable	121,702,006	-	121,702,006
Advances, deposits and other receivables	153,564,452	-	153,564,452
Diminishing musharika	1,507,807,827	-	1,507,807,827
Investment in sukuk certificates	-	6,973,964	6,973,964
	2,420,097,308	6,973,964	2,427,071,272

	----- As at June 30, 2013 -----		
	At fair value through profit or loss	Other financial liabilities	Total
LIABILITIES	----- Rupees -----		
Murabaha finance	-	135,000,000	135,000,000
Musharika term finance	-	379,383,940	379,383,940
Security deposits	-	766,470,668	766,470,668
Creditors, accrued and other liabilities	-	314,543,059	314,543,059
Redeemable capital	-	4,159,475,000	4,159,475,000
	-	5,754,872,667	5,754,872,667

31 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

International Financial Reporting Standard (IFRS) 7, 'Financial Instruments: Disclosures' requires the Modaraba to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e, derived from prices) (level 2); and
- inputs for the assets or liability that are not based on observable market data (i.e, unobservable inputs) (level 3).

As at June 30, 2014 and June 30, 2013, there were no financial instruments which were measured at fair values in the financial statements

32 CAPITAL RISK MANAGEMENT

The Modaraba's prime objective when managing capital is to safeguard its ability to continue as a going concern in order to provide adequate returns for certificate holders and benefits for other stakeholders and to maintain an optimal capital structure so as to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profits / distributions paid to certificate holders, issue new certificates or sell assets to reduce debt.

Consistent with others in the industry, the Modaraba monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total Certificates of Musharika, Musharika Finance, Murabaha Finance and borrowings less cash and bank balances. Total capital is calculated as equity as shown in the balance sheet plus net debt.

	June 30, 2014	June 30, 2013
	----- Rupees -----	
Total borrowings	3,815,449,650	4,673,858,940
Less: cash and bank balances	143,904,857	487,023,023
Net debt	3,671,544,793	4,186,835,917
Total equity	1,093,504,877	1,002,567,718
Total capital	4,765,049,670	5,189,403,635
Gearing ratio	77.05%	80.68%

33 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

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

34 RELATED PARTY TRANSACTIONS

The related parties of the Modaraba comprise of the management company and its holding company, other associated companies, staff retirement funds, directors and key management personnel. 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:

	June 30, 2014	June 30, 2013
	----- Rupees -----	
Standard Chartered Bank (Pakistan) Limited - Holding Company of the Management Company		
Profit on Musharika finance	1,089,157	19,155,742
Profit on Musharika term finance	29,290,800	28,120,192
Profit on deposit account	3,457,281	875,067
Bank charges and commission	33,593,848	29,629,819
Charge for reimbursement of miscellaneous expenses	6,744,972	5,366,136
Reimbursement of salaries and benefits	419,830	-
Standard Chartered Services of Pakistan (Private) Limited - Management Company		
Management Company's remuneration	20,974,261	14,139,170
Staff retirement benefits funds		
Contribution to the staff provident fund	2,263,783	2,194,627
Contribution to the staff gratuity fund	1,885,731	1,826,723
Key management personnel		
Salaries and benefits	29,103,385	27,946,363
Contributions to staff provident fund	1,076,857	1,132,206
Contributions to the staff gratuity fund	897,024	865,906
Number of persons	8	9

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2014

The Modaraba enters into transactions with related parties for lease of assets, 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 have been disclosed in the respective notes.

35 CASH AND CASH EQUIVALENTS

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

	Note	June 30, 2014	June 30, 2013
----- Rupees -----			
Cash and bank balances	4	143,904,857	487,023,023
Term deposit receipts		-	150,000,000
Musharika finance	11	(284,809,178)	-
		<u>(140,904,321)</u>	<u>637,023,023</u>

36 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purposes of comparison and better presentation. No significant rearrangements or reclassifications have been made in these financial statements during the current year.

37 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on September 23, 2014 approved a cash distribution of Rs. 3 (2013: Rs. 2) per certificate. The financial statements of the Modaraba for the year ended June 30, 2014 do not include the effect of this distribution which will be accounted for in the financial statements of the Modaraba for the year ending June 30, 2015.

38 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 23, 2014 by the Board of Directors of the Management Company.

39 GENERAL

Figures have been rounded off to the nearest rupee unless otherwise stated.

For Standard Chartered Services of Pakistan (Private) Limited

(Management Company)



Najam Siddiqi
Chairman



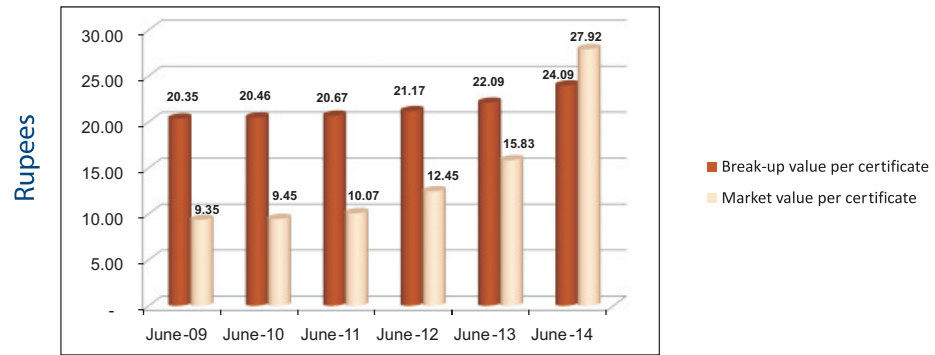
Raheel Qamar Ahmad
Chief Executive



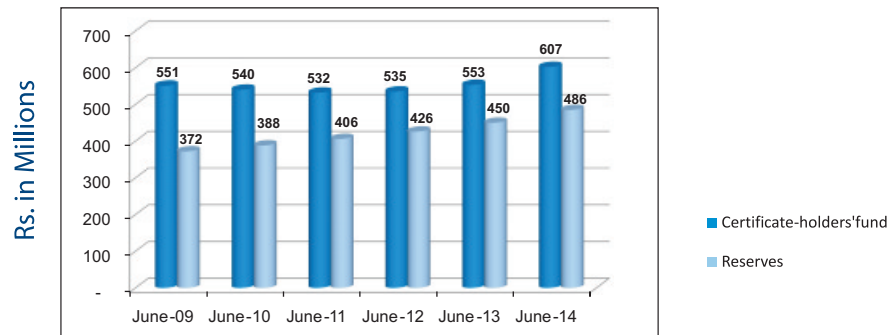
Syed Zaheer Mehdi
Director

Graphs

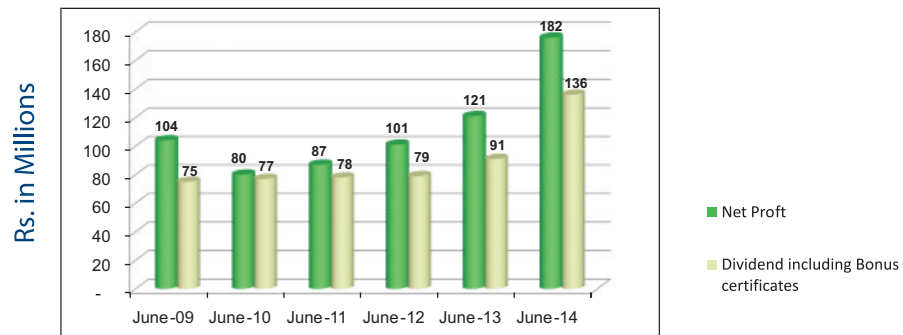
Break-up and Market value per certificate



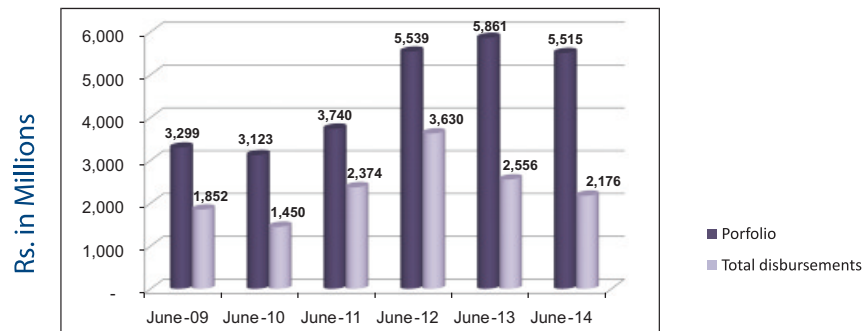
Certificate-holder's equity



Year wise Net Profit and Dividend Distribution



Year wise Disbursements and Portfolio



Six Years' Financial Summary

	Jun-09	Jun-10	Jun-11	Jun-12	Jun-13	Jun-14
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Key Financial Figures (Rs. In millions)

Profit & Loss Account

Revenues from operations	397	408	404	556	696	690
Financial charges	237	244	224	348	439	386
Impairment loss against doubtful debts	3	24	28	26	34	6
Net Profit	104	80	87	101	121	182
Dividend including Bonus certificates	75	77	78	79	91	136

Balance Sheet

Certificate-holders' fund (cum dividend)	551	540	532	535	553	607
Reserves	372	388	406	426	450	486
Financing from financial institutions	363	9	457	1,025	514	1,041
Redeemable capital and deposits	1,942	2,413	2,493	3,857	4,926	3,580
Portfolio (other than staff finances)	3,299	3,123	3,740	5,539	5,861	5,515
Total disbursements	1,852	1,450	2,374	3,630	2,556	2,176

Key Financial Ratios

Return on equity (%)	11.25	8.60	9.23	10.50	12.10	16.62
Financial charges cover ratio	2.28	3.05	2.59	3.45	3.62	2.12
Net profit ratio (%)	27.15	20.91	22.22	19.20	18.55	27.74
Income / Expense ratio	1.36	1.26	1.30	1.24	1.22	1.36
Debt / Equity ratio	2.10	2.24	2.65	4.36	4.66	3.49

Shares and Earnings

Break-up value per certificate	20.35	20.46	20.67	21.17	22.09	24.09
Market value per certificate	9.35	9.45	10.07	12.45	15.83	27.92
Earning per certificate	2.29	1.76	1.91	2.22	2.67	4.00
Cash dividend per certificate	1.65	1.70	1.73	1.75	2.00	3.00
Price earning ratio	4.08	5.37	5.28	5.60	5.92	3.95

