

Annual Report
June 30, 2015
Standard Chartered Modaraba



Standard Chartered Modaraba

Annual Report 2015

Vision — Values — Mission

To be preferred provider of Islamic financial products in the market.

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.

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.

Living Our 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.

Contents

MODARABA INFORMATION	04
BOARD OF DIRECTORS	05
NOTICE OF ANNUAL REVIEW MEETING	06
DIRECTORS REPORT	07
PATTERN OF HOLDING OF CERTIFICATES BY THE CERTIFICATE-HOLDERS	12
STATEMENT OF VALUE ADDED	14
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE	15
SHARIAH ADVISOR'S REPORT	17
REVIEW REPORT ON THE STATEMENT OF COMPLIANCE	18
AUDITOR'S REPORT	19
BALANCE SHEET	20
PROFIT & LOSS ACCOUNT	21
CASH FLOW STATEMENT	22
STATEMENT OF CHANGES IN EQUITY	23
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS	24
GRAPHS	60
SIX YEARS' FINANCIAL SUMMARY	61

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

Modaraba Company
Standard Chartered Services of Pakistan (Pvt) Limited.

Directors of Modaraba Company

Mr. Khurram Shahzad Khan
Chairman

Mr. Raheel Qamar Ahmad
Managing Director/ Chief Executive

Syed Zaheer Mehdi
Director

Mr. Salar Hasan Khan
Director

Mr. Najam Siddiqi
Director

Mr. Shezad Arif
Director

Company Secretary
Mr. Muhammad Siddique

Audit Committee

Mr. Salar Hasan Khan
Chairman

Mr. Khurram Shahzad Khan
Member

Mr. Najam Siddiqi
Member

Human Resource and Remuneration (HR&R) Committee

Syed Zaheer Mehdi
Chairman

Mr. Raheel Qamar Ahmad
Member

Mr. Salar Hasan Khan
Member

Shariah Advisor

Mufti Abdul Sattar Laghari

Auditors

KPMG Taseer Hadi & Co.
Chartered Accountants

Bankers/ Financial Institutions

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

Legal Advisors

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



Left to Right: Syed Zaheer Mehdi, Shezad Arif, Raheel Qamar Ahmad, Najam Siddiqi, Salar Khan, Khurram Shahzad Khan

Khurram Shahzad Khan

Chairman/ Director
Member 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 30 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.

Najam Siddiqi

Director
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 has over 17 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.

Salar Khan

Director/ Chairman 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 21 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.

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 24 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 Retail Clients at SCBPL. He has approximately 21 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.

Syed Zaheer Mehdi

Director
Chairman of HR&R Committee

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 26 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 Sixteenth Annual Review Meeting of certificate-holders of Standard Chartered Modaraba (SCM) will be held on Friday, October 30, 2015 at 10:00 a.m. at the Institute of Chartered Accountants of Pakistan (ICAP), Chartered Accountants Avenue, Clifton Karachi. to review the performance of the Modaraba for the year ended June 30, 2015.

On behalf of the Board
Muhammad Siddique
Company Secretary
Standard Chartered Services of Pakistan (Pvt) Ltd
Managers of Standard Chartered Modaraba.
September 11, 2015

Notes:

1. The certificate transfer books shall remain closed from Friday, October 23, 2015 to Friday, October 30, 2015 (both days inclusive). Transfers received in order at the office of the Registrar of SCM viz. FAMCO Associates (Pvt.) Ltd., before the close of business hours on Thursday, October 22, 2015 will be treated as in time for the purpose of entitlement to dividend to the transferees and to attend the Annual Review Meeting.
2. Members are requested to notify change in their address, if any, to the Share Registrars, FAMCO Associates (Pvt.) Ltd, at their address mentioned below.
3. **For attending the Meeting:**
 - i) In case of individuals, the account holder or sub-account holder and/or the person whose securities are in group account and their registration details are uploaded as per the Regulations, shall authenticate his identity by showing his original CNIC or original passport at the time of attending the Meeting.
 - ii) In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature of the nominee shall be produced at the time of the Meeting.
4. In terms of Securities and Exchange Commission of Pakistan's (SECP) S.R.O. 634 (I)/ 2014, the Annual report for the year ended June 30, 2015 will also be placed on Modaraba's website simultaneously with the despatch of the same to the certificate holders.
5. **Deduction of withholding tax on the amount of Dividend**
The Government of Pakistan through Finance Act, 2014 has made certain amendments in section 150 of the Income Tax Ordinance, 2001 whereby different rates are prescribed for deduction of withholding tax on the amount of dividend paid by the companies. The withholding tax rates for tax year 2015-2016 are as under:

- (a) For filers of income tax returns: 12.5%
- (b) For non-filers of income tax returns: 17.5%

To enable the company to make tax deduction on the amount of cash dividend @ 12.5% instead of 17.5%, all the certificate holders whose names are not entered into the Active Tax-payers List (ATL) provided on the website of FBR, despite the fact that they are filers, are advised to make sure that their names are entered into ATL before the start of closed period (referred above) otherwise tax on their cash dividend will be deducted @17.5% instead @12.5%.

For any query/problem/information, the Certificate holders may contact the Share Registrar at below mentioned address.

The corporate certificate holders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical certificate holders should send a copy of their NTN certificate to the Modaraba or its Share Registrar. The certificate holders while sending NTN or NTN certificates, as the case may be, must quote company name and their respective folio numbers.

6. As per the directives issued by the Securities and Exchange Commission of Pakistan ("SECP") vide S.R.O.787(1)2014 dated 08 September 2014, companies are allowed the circulation of Audited Financial Statements along with Notice of Annual Review Meeting to their certificate holders through email. Certificate holders who wish to receive Modaraba's Annual Report via email in future are requested to fill the consent form (available at SCM website) and return it to our Share Registrar at the address mentioned below.

CERTIFICATE HOLDERS AWARENESS ON CNIC REQUIREMENT/ BANK MANDATE

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, 2015 announced by the Board of Directors in their meeting held on September 11, 2015.

Furthermore, the Modaraba encourages its certificate holders to provide dividend mandate of their respective Banks. The benefits associated with this are instant credit of dividends, no chances of dividend warrants getting lost in the post, undelivered or delivered to wrong address, etc. For more information, you may contact our share registrar at below mentioned address:

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

Twenty Ninth Report of the Directors of Modaraba Company

For the year ended June 30, 2015

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 ninth Directors' report of SCM, together with audited financial statements and auditors' report thereon for the year ended June 30, 2015.

1. Economy

The year has seen a clear return to stability in Pakistan's economy. The country's foreign-exchange reserves rose to \$18.7bn by end June 2015, up nearly 33% as compared to FY 14; while inflation declined to 3.2% from 8.2% a year ago. The IMF programme is on track, and expected to conclude by September 2017 with the recent disbursement of USD 506m after successful completion of the 7th Review. Recognising these improvements, Moody's has upgraded Pakistan's bond ratings to 'B3' with a stable outlook.

The SBP has responded to improving macroeconomic indicators by easing monetary policy by 300 basis points since the start of the year. It has also introduced a new target for overnight interest rates in May at 50 basis points below the discount rate. This has meant an effective easing of 350 basis points since November 2014, bringing the policy rate to 6.5%. Going forward, as the lagged impact of monetary policy feeds through, private-sector borrowing is expected to pickup.

The government remains on a path to fiscal consolidation, having cut its deficit from 5.5% of GDP for FY14 to an estimated 5.3% in FY15. Going forward, key energy-sector reforms, including tariff rationalisation and plans to increase revenues by 1% of GDP are expected to reduce this to 4.3% of GDP for the current fiscal year. A significant rise in overseas remittances coupled with declining oil prices has reduced the current account deficit from 1.3% of GDP in FY14 to 0.8% of GDP for FY15 despite deterioration in the trade balance. Reflecting this improvement in external accounts, the Pakistani Rupee (PKR) has remained stable against the USD over FY15.

Looking forward, the government's plans to continue its privatisation drive, including in the power sector, will help address supply-side constraints to growth. Early projects planned under the Pakistan-China Economic Corridor (worth investments of \$ 46 billion) should also help lay the foundations for sustainable economic growth in the coming years. As such the government has set a GDP growth target of 5.5% for FY16, up significantly from FY15 growth of 4.2%.

2. Operating Results and Business Overview

	June 30, 2015	June 30, 2014
	(PKR '000')	(PKR '000')
Balance Sheet		
Certificate capital	453,835	453,835
Total equity	1,152,825	1,093,505
Investment in Ijarah finance and Ijarah Assets	3,539,000	4,194,792
Investments in Diminishing Musharika and Sukuks	1,166,664	1,352,982
Redeemable capital	2,683,945	2,774,405
Profit and Loss		
Revenue (net of Ijarah assets depreciation)	652,683	689,579
Financial charges	313,299	385,704
Provisions/ Impairments (net of reversals/ recoveries)	18,185	6,376
Operating expenses	95,820	87,756
Profit before management fee	225,378	209,743
Net profit	195,470	181,704

	June 30, 2015	June 30, 2014
	(PKR '000')	(PKR '000')
Appropriations		
Net profit for the year	195,470	181,704
Add: Un appropriated profit brought forward	17,126	7,913
Profit available for appropriation	212,596	189,617
Profit distribution @ 33% (2014: @30%)	149,766	136,150
Statutory reserve	39,094	36,341
	188,860	172,491
Unappropriated profit carried forward	23,736	17,126
Earnings per certificate	4.31	4.00

By the Grace of Allah, your Modaraba's performance during the year continued to be exceptional despite challenging and difficult operating environment due to high competition and slow growth in industrial sector. The Modaraba's net profit increased by 7.58% to Rs. 195.47 million as compared to Rs. 181.70 million during the corresponding period year mainly due to consistent efficient management of financial charges. This is the highest profit since the incorporation of the Modaraba. Whilst Gross revenue decreased by 5.35%, financial charges decreased by 18.77% to arrive at this net profit. To arrive at an efficient structure, total assets have reduced by 14.43% to Rs. 5,164 million as against Rs. 6,035 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 11, 2015 has approved the distribution of profit of Rs. 3.30 (33%) per certificate of Rs. 10 each, subject to deduction of zakat and tax at source where applicable, for the year ended June 30, 2015.

An amount of Rs. 39.094 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 KPMG Taseer Hadi & 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. SCM has been maintaining this rating since 2000. These ratings indicate low expectation of credit risk and exceptionally strong capacity for timely payment of financial commitments.

Subsequent to the year end, the Share and Certificate Purchase Agreement (SPA) was finalized and signed between Standard Chartered Bank (Pakistan) Limited (SCBPL) and Orix Leasing Pakistan Limited (OLPL) on September 1, 2015 for divestment of SCBPL shareholding in SCM to OLPL. As normal and routine practice, PACRA has placed the rating of SCM on Rating Watch until culmination of the transaction.

7. Social Responsibility

Your Modaraba believes that an organisation can be about more than the profit it makes. As one of the largest 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 2014-15, 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".

"Seeing is Believing" is a Standard Chartered group's initiative to tackle avoidable blindness with special focus on treatment of cataract 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) and staff from SCM participated in a skill based volunteering activity at the TCF. SCM staff has also participated in volunteering activities at SOS Village, a community in which children live and find support in an attempt to provide every opportunity for the child to develop into a happy, confident and productive person.

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. SCM staff also participated in beach cleaning EV at Seaview, Karachi.

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, 2015 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, 2015 is as follows:

● Provident Fund	Rs. 20.596 million
● Gratuity Fund	Rs. 7.764 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
Khurram S. Khan	06
Raheel Q. Ahmad	06
Najam Siddiqi	06
Shezad Arif	06
Salar H. Khan	06
Syed Zaheer Mehdi	05

- During the year, four (04) meetings of the Audit Committee were held. Attendance by each member was as follows:

Name of Director	No. of Meetings Attended
Salar H. Khan	04
Khurram S. Khan	03
Najam Siddiqi	04

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

- During the year, no meeting was held by Human Resource and Remuneration Committee. However, subsequent to the year end, HR&R committee met on August 19, 2015 to finalize the recommendation for the yearly staff compensation amounts.
- Mr. Shezad Arif (Director) attended the PICG Directors' Training Program duly approved by Securities and Exchange of Pakistan held in September 2015.
- 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

No 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, 2014.

10. Divestment by Standard Chartered Bank (Pakistan) Limited

Subsequent to the year end, 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 on September 1, 2015 SCBPL has entered into a Share and Certificate Purchase Agreement (SPA) with Orix Leasing Pakistan Limited with regard to divestment of its above stake in SCM and 100% stake in the management company of SCM (Standard Chartered Services of Pakistan (Private) Limited).

SCBPL has informed that the transaction and its implementation would be subject to satisfaction of various conditions including regulatory approvals contained in the SPA. SCBPL has also informed that the purchase price will be finalized at the time of completion of the transaction, which price will be subject to post-completion adjustment.

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

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, 2016, 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



Khurram Khan
Chairman
September 11, 2015

Pattern of holding of Certificates by the Certificate-holders as at June 30, 2015

Number of Certificate holders	Certificate holding		Total Certificates held
	From	To	
1,428	1	50	27,376
611	51	100	44,424
3,649	101	500	1,095,483
1,081	501	1,000	828,661
1,253	1,001	5,000	2,770,366
204	5,001	10,000	1,490,849
310	10,001	375,000,000	39,126,371
<u>8,536</u>			<u>45,383,530</u>

Certificate-holders Category	Number of Certificate-holders	Number of Certificate Held	Percentage %
INDIVIDUAL	8,437	20,654,509	45.5110
FINANCIAL INSTITUTIONS *	12	10,339,751	22.7830
INVESTMENT COMPANIES	1	350	0.0008
INSURANCE COMPANIES	10	6,356,621	14.0064
MODARABAS / MODARABA MANAGEMENT COMPANIES**	8	4,679,451	10.3109
JOINT STOCK COMPANIES	42	1,986,868	4.3779
OTHERS			
TRUSTEES OF NEW JUBILEE INS CO.LTD S.P.F	1	212,231	0.4676
TRUSTEES AL-BADER WELFARE TRUST	1	209,031	0.4606
TRUSTEES D.G.KHAN CEMENT CO.LTD.EMP. P.F	1	200,000	0.4407
TRUSTEES ALOO&MINOCHER DINSHAW CHR.TRUST	1	149,595	0.3296
TRUSTEES OF HAJI MOHAMMED WELFARE TRUST	1	129,150	0.2846
TRUSTEE THALL LIMITED- EMPLOYEES PROVIDENT FUND	1	121,880	0.2686
TRUSTEE NATIONAL BANK OF PAKISTAN EMPLOYEES PENSION FUND	1	115,289	0.2540
TRUSTEES MRS.KHORSHED H.DINSHAW &MR.HOSHANG N.E.DINSHAW C.TR	1	68,072	0.1500
TRUSTEES OF SANA IND LTD.EMP GRAT FUND	1	50,000	0.1102
TRUSTEES D.N.E. DINSHAW CHARITY TRUST	1	23,843	0.0525
THE AL-MALIK CHARITABLE TRUST	1	21,553	0.0475
THE TRUSTEES, ZOROASTRIAN CO-OP. HOUSING SOCIETY	1	18,191	0.0401
TRUSTEES, MAMA SCHOOL EMP.GRATUITY FUND.	1	12,127	0.0267
MANG.COM.KARACHI ZARTHOSTI BANU MANDAL	1	9,702	0.0214
TRUSTEES OF FAROUKH&ROSHEN KARANI TRUST	1	6,063	0.0134
TRUSTEES ADAMJEE ENTERPRISES STAFF P.F	1	5,000	0.0110
TRUSTEE THALL LIMITED- EMPLOYEES RETIREMENT BENEFIT FUND	1	4,851	0.0107
TRUSTEE NATIONAL BANK OF PAKISTAN EMP BENEVOLENT FUND TRUST	1	4,045	0.0089
INVESTMENT CORPORATION OF PAK	1	2,555	0.0056
ISLAMIC INV.CO.OF THE GULF (BAHRAIN)	1	872	0.0019
MANAGING COMMITTEE GHAZALI EDUCATION TRUST	1	577	0.0013
TRUSTEE- HAFIZ FOUNDATION	1	500	0.0011
THE NAZIR	1	430	0.0009
UNITED EXCECUTORS & TRUSTEES CO.	1	210	0.0005
PUNJAB COOP BOARD FOR LIQUIDATION	1	171	0.0004
M/S GHULAMAN-E-ABBAS EDUCATIONAL	1	42	0.0001
	<u>8,536</u>	<u>45,383,530</u>	<u>100.0000</u>

* 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, 2015

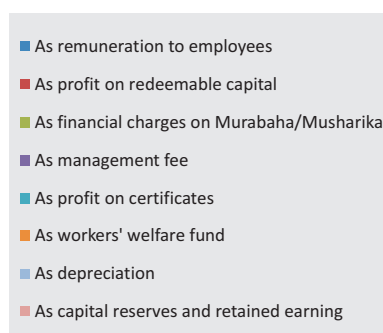
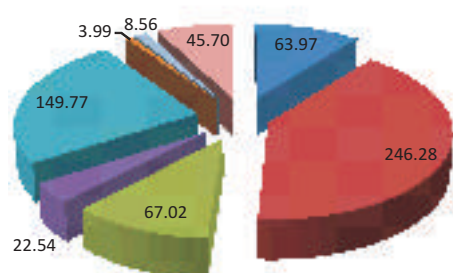
Additional Information as at June 30, 2015

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	3,903,560	8.60
Directors, CEO & their Spouse and Minor Children	-	-	-
Executives	-	-	-
Public Sector Companies and Corporations	5	6,000,997	13.22
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance Companies, Modarabas	21	6,288,674	13.86
Certificate-holders holding five percent or more certificates in the Modaraba (other than those reported above)	-	-	-

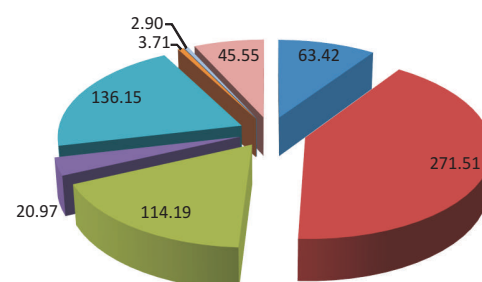
Statement of Value Added

	2015		2014	
	Rupees	%	Rupees	%
Revenue from operations (net of depreciation of Ijarah assets)	586,728,572		654,918,594	
Other Income/ charges	47,768,806		28,284,397	
	634,497,378		683,202,991	
Operating expenses	23,292,939		21,428,026	
Provision for services sales tax on management company's remuneration	3,380,668		3,355,882	
Value Added	607,823,771	100.00	658,419,083	100.00
Distributed as follows:				
To Employees				
As remuneration	63,967,868	10.52	63,424,662	9.63
To finance providers				
As profit on redeemable capital	246,275,725	40.52	271,510,571	41.24
As financial charges on Murabaha/Musharika	67,023,478	11.03	114,193,510	17.34
To Modarib				
As management fee	22,537,787	3.71	20,974,261	3.19
To Certificate-holders				
As profit on certificates	149,765,649	24.64	136,150,590	20.68
To Revenue Authorities				
As workers' welfare fund	3,989,188	0.66	3,708,249	0.56
Retained in Business				
As depreciation	8,559,494	1.41	2,903,610	0.44
As capital reserves and retained earning	45,704,582	7.52	45,553,631	6.92
	607,823,771	100.00	658,419,083	100.00

2015



2014



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 October 31, 2015.
Executive Directors	Mr. Raheel Q. Ahmad
Non-Executive Directors	Mr. Najam Siddiqi Syed Zaheer Mehdi Mr. Khurram S. Khan Mr. Salar H. Khan Mr. Shezad 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 NBF1 or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
- No casual vacancy had occurred on the Board of Directors during the year.
- 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 Management Company.
- 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.
- All Directors are provided with an Orientation Pack on their appointment. Four directors have already completed directors training programs arranged by The Pakistan Institute of Corporate Governance (PICG)

and The Institute of Chartered Accountants of Pakistan (ICAP), whereas one more director has attended the training program since last 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



Khurram Khan
Chairman

Dated: September 11, 2015

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, 2015 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 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 confirm 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: August 13, 2015

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

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Standard Chartered Services Pakistan (Private) Limited, the management Company of Standard Chartered Modaraba for the year ended 30 June 2015 to comply with the requirements of Listing Regulations of Karachi and Lahore Stock Exchanges where the Modaraba is listed.

The responsibility for compliance with the Code 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. 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 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 of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price 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 as applicable to the Modaraba for the year ended 30 June 2015.

KPMG Taseer Hadi & Co.

Chartered Accountants

Dated: 11 September 2015

Karachi

Auditor's Report to the Certificate Holders

We have audited the annexed balance sheet of **Standard Chartered Modaraba** as at 30 June 2015 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 financial 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 company, 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 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, 2015 and of the profit, its cash flows and changes in equity 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.

The financial statements of the Modaraba for the year ended 30 June 2014 were audited by another firm of chartered accountants who have expressed an unmodified opinion thereon dated September 29, 2014.

KPMG Taseer Hadi & Co.
Chartered Accountants
Engagement Partner: **Mohammad Taufiq**
Dated: 11 September 2015
Karachi

BALANCE SHEET AS AT JUNE 30, 2015

	Note	30 June 2015	30 June 2014
------(Rupees)-----			
ASSETS			
Current assets			
Cash and bank balances	4	267,884,031	143,904,857
Ijarah rentals receivable	5	92,594,883	131,590,555
Advances, deposits, prepayments and other receivables	6	93,675,982	179,068,138
Current portion of investment in Sukuk certificates	7	-	-
Current portion of Diminishing Musharika	8	291,075,993	358,882,066
Net investment in Ijarah finance	9	370,000	370,000
Taxation recoverable		5,918,628	9,907,816
Total current assets		751,519,517	823,723,432
Non-current assets			
Long-term portion of investment in sukuk certificates	7	-	-
Long-term portion of Diminishing Musharika	8	875,587,862	994,099,639
Ijarah assets	9	3,538,629,592	4,194,421,958
Fixed assets in own use	10	14,510,870	23,070,364
Total non-current assets		4,428,728,324	5,211,591,961
TOTAL ASSETS		5,180,247,841	6,035,315,393
LIABILITIES AND EQUITY			
Current liabilities			
Musharika finance	11	22,521,193	284,809,178
Current maturity of Musharika term finance arrangements	12	387,091,664	550,597,975
Current maturity of security deposits	13	170,402,000	233,904,836
Creditors, accrued and other liabilities	14	208,722,973	258,161,623
Advance Ijarah rentals received		36,987,366	32,346,428
Current portion of redeemable capital	15	840,805,000	1,123,565,000
Unclaimed profit distribution		33,843,488	30,057,742
Total current liabilities		1,700,373,684	2,513,442,782
Non-current liabilities			
Long-term portion of Musharika term finance arrangements	12	68,545,829	205,637,497
Long-term portion of security deposits	13	415,363,799	571,890,237
Long-term portion of redeemable capital	15	1,843,140,000	1,650,840,000
Total non-current liabilities		2,327,049,628	2,428,367,734
TOTAL LIABILITIES		4,027,423,312	4,941,810,516
CERTIFICATE HOLDERS' EQUITY			
Certificate capital			
Authorised certificate capital			
50,000,000 (2014: 50,000,000) certificates of Rs 10 each	16	500,000,000	500,000,000
Issued, subscribed and paid-up certificate capital			
28,500,000 (2014: 28,500,000) certificates of Rs 10 each fully paid in cash		285,000,000	285,000,000
16,883,530 (2014: 16,883,530) bonus certificates of Rs 10 each	16	168,835,300	168,835,300
		453,835,300	453,835,300
Unappropriated profit		173,502,431	153,276,827
Other reserves	17	525,486,798	486,392,750
		1,152,824,529	1,093,504,877
TOTAL LIABILITIES AND EQUITY		5,180,247,841	6,035,315,393
CONTINGENCIES AND COMMITMENTS			
	18		

The annexed notes 1 to 38 form an integral part of these financial statements.

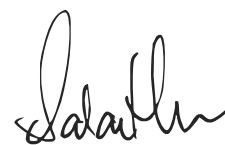
For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)



Khurram Shahzad Khan
Chairman



Raheel Qamar Ahmad
Chief Executive



Salar Khan
Director

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED JUNE 30, 2015

	Note	30 June 2015	30 June 2014
		----- (Rupees) -----	
Ijarah rentals earned		1,881,754,930	2,121,051,836
Income on Diminishing Musharika arrangements		147,905,253	168,419,149
Income on deposits with banks		32,128,346	18,961,916
		2,061,788,529	2,308,432,901
Financial charges	19	(313,299,200)	(385,704,081)
Depreciation on assets under Ijarah arrangements	9.1	(1,475,059,954)	(1,653,514,307)
Impairment on assets under Ijarah arrangements	9.1	(17,360,582)	-
		256,068,793	269,214,513
Provision in respect of Ijarah finances - net		(1,946,165)	(867,108)
Reversal of provision in respect of Diminishing Musharika	8.4	1,121,486	449,485
Provision in respect of Sukuk certificates	7.1.3	-	(5,958,344)
		255,244,114	262,838,546
Other income	20	65,954,067	34,660,363
Administrative and operating expenses	21	(95,820,296)	(87,756,298)
		225,377,885	209,742,611
Management Company's remuneration	22	(22,537,787)	(20,974,261)
Provision for services sales tax on Management Company's remuneration	23	(3,380,668)	(3,355,882)
Provision for Workers' Welfare Fund	24	(3,989,188)	(3,708,249)
Profit for the year before taxation		195,470,242	181,704,219
Taxation	25	-	-
Profit for the year after taxation		195,470,242	181,704,219
Other comprehensive income for the year		-	-
Total comprehensive income for the year		195,470,242	181,704,219
Earnings per certificate - basic and diluted	26	4.31	4.00

The annexed notes 1 to 38 form an integral part of these financial statements.

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



Khurram Shahzad Khan
Chairman



Raheel Qamar Ahmad
Chief Executive



Salar Khan
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

Note	30 June 2015	30 June 2014
------(Rupees)-----		
CASH FLOWS FROM OPERATING ACTIVITIES		
	195,470,242	181,704,219
Profit for the year before taxation		
Adjustments for non-cash and other items:		
	8,559,494	2,903,610
21	Depreciation / amortisation on fixed assets in own use	
9.1	1,475,059,954	1,653,514,307
20	Depreciation on Ijarah assets	(29,064,631)
	(60,863,761)	
9.1	Gain on disposal of Ijarah assets	-
	17,360,582	
	1,946,165	867,108
	Provision in respect of Ijarah finances - net	
7.1.3	Provision in respect of sukuk certificates	5,958,344
	(1,121,486)	(449,485)
	Reversal of provision in respect of Diminishing Musharika	
	(32,128,346)	(18,961,916)
	Income on deposits with bank	
	Profit on:	
19	- Redeemable capital	271,510,571
19	- Murabaha finances	2,830,118
19	- Musharika finance	1,089,157
19	- Musharika term finance arrangements	75,188,526
	Provision for services sales tax on Management Company's remuneration	3,355,882
	Provision for Workers' Welfare Fund	3,708,249
	3,989,188	
	1,703,420,319	1,972,449,840
	1,898,890,561	2,154,154,059
(Increase) / decrease in assets		
	85,461,251	(20,918,942)
	Advances, deposits, prepayments and other receivables	
	37,049,507	(12,979,356)
	Ijarah rentals receivable	
	187,439,336	155,275,607
	Diminishing Musharika	
	(1,722,352,704)	(1,901,385,095)
	Purchase of assets under Ijarah arrangements	
	946,588,295	460,141,642
	Proceeds from disposal of assets under Ijarah arrangements	
	-	5,966,616
	Investment in Ijarah finance - net	
	(465,814,315)	(1,313,899,528)
(Decrease) / increase in liabilities		
	(54,737,561)	(11,705,546)
	Creditors, accrued and other liabilities	
	4,640,938	(12,321,731)
	Advance Ijarah rentals received	
	(220,029,274)	39,324,405
	Security deposits	
	(270,125,897)	15,297,128
	1,162,950,349	855,551,659
	Profit paid on:	
	(237,952,684)	(333,198,994)
	- Redeemable capital	
	-	(6,531,041)
	- Murabaha finances	
	(146,788)	(3,726,291)
	- Musharika finances	
	(47,220,146)	(65,503,170)
	- Musharika term finance arrangements	
	(285,319,618)	(408,959,496)
	Taxes paid	(4,192)
	-	
	Net cash generated from operating activities	446,587,971
	877,630,731	
CASH FLOWS FROM INVESTING ACTIVITIES		
	-	1,015,620
	Investment in Sukuk certificates	
	-	(15,933,509)
	Fixed capital expenditure	
	32,059,251	21,941,468
	Income on deposits with bank	
	Net cash generated from investing activities	7,023,579
	32,059,251	
CASH FLOWS FROM FINANCING ACTIVITIES		
	(90,460,000)	(1,385,070,000)
	Redeemable capital less repayments	
	-	(135,000,000)
	Murabaha finances less repayments	
	(300,597,979)	376,851,532
	Musharika term finance less repayments	
	(132,364,844)	(88,320,426)
	Profit paid to certificate holders	
	Net cash used in financing activities	(1,231,538,894)
	(523,422,823)	
	Net increase / (decrease) in cash and cash equivalents	(777,927,344)
	386,267,159	
	Cash and cash equivalents at the beginning of year	637,023,023
	(140,904,321)	
	Cash and cash equivalents at the end of the year	(140,904,321)
34	245,362,838	

The annexed notes 1 to 38 form an integral part of these financial statements.

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



Khurram Shahzad Khan
Chairman



Raheel Qamar Ahmad
Chief Executive



Salar Khan
Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED JUNE 30, 2015

	Paid-up certificate capital	Reserves			Sub-total	Total
		Premium on issue of modaraba certificates	Statutory reserve	Unappropriated profit		
----- (Rupees) -----						
Balance as at 1 July 2013	453,835,300	55,384,700	394,667,206	98,680,512	548,732,418	1,002,567,718
Total comprehensive income for the year						
- Profit for the year ended 30 June 2014	-	-	-	181,704,219	181,704,219	181,704,219
- Other comprehensive income for the year	-	-	-	-	-	-
	-	-	-	181,704,219	181,704,219	181,704,219
Transactions with owners						
Profit distribution for the year ended 30 June 2013 @ Rs 2 per certificate	-	-	-	(90,767,060)	(90,767,060)	(90,767,060)
Transfer to statutory reserve	-	-	36,340,844	(36,340,844)	-	-
Balance as at 30 June 2014	453,835,300	55,384,700	431,008,050	153,276,827	639,669,577	1,093,504,877
Total comprehensive income for the year						
- Profit for the year ended 30 June 2015	-	-	-	195,470,242	195,470,242	195,470,242
- Other comprehensive income for the year	-	-	-	-	-	-
	-	-	-	195,470,242	195,470,242	195,470,242
Transactions with owners						
Profit distribution for the year ended 30 June 2014 @ Rs 3 per certificate	-	-	-	(136,150,590)	(136,150,590)	(136,150,590)
Transfer to statutory reserve	-	-	39,094,048	(39,094,048)	-	-
Balance as at 30 June 2015	453,835,300	55,384,700	470,102,098	173,502,431	698,989,229	1,152,824,529

The annexed notes 1 to 38 form an integral part of these financial statements.

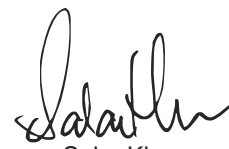
**For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)**



Khurram Shahzad Khan
Chairman



Raheel Qamar Ahmad
Chief Executive



Salar Khan
Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

1 STATUS AND NATURE OF BUSINESS

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

On 2 September 2015, Standard Chartered Bank (Pakistan) Limited has entered into a share and certificate purchase agreement with Orix Leasing Pakistan Limited with regard to proposed divestment of its 100% stake in Standard Chartered Services of Pakistan (Private) Limited (Modaraba's Management Company) and 20% stake (10% directly and 10% through Standard Chartered Services of Pakistan (Private) Limited) in Standard Chartered Modaraba. This transaction and its implementation is subject to satisfaction of various conditions including regulatory approvals contained in the agreements.

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 New and amended standards and interpretations that are not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 July 2015:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

- revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortisation methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue. The amendments are not likely to have an impact on Modaraba's financial statements.
- IFRS 10 'Consolidated Financial Statements' – (effective for annual periods beginning on or after 1 January 2015) replaces the part of IAS 27 'Consolidated and Separate Financial Statements'. IFRS 10 introduces a new approach to determining which investees should be consolidated. The single model to be applied in the control analysis requires that an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. IFRS 10 has made consequential changes to IAS 27 which is now called 'Separate Financial Statements' and will deal with only separate financial statements. Certain further amendments have been made to IFRS 10, IFRS 12 and IAS 28 clarifying the requirements relating to accounting for investment entities and would be effective for annual periods beginning on or after 1 January 2016. The amendments are not likely to have an impact on Modaraba's financial statements.
 - IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2015) replaces IAS 31 'Interests in Joint Ventures'. Firstly, it carves out, from IAS 31 jointly controlled entities, those cases in which although there is a separate vehicle, that separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31 and are now called joint operations. Secondly, the remainder of IAS 31 jointly controlled entities, now called joint ventures, are stripped of the free choice of using the equity method or proportionate consolidation; they must now always use the equity method. IFRS 11 has also made consequential changes in IAS 28 which has now been named 'Investment in Associates and Joint Ventures'. The amendments requiring business combination accounting to be applied to acquisitions of interests in a joint operation that constitutes a business are effective for annual periods beginning on or after 1 January 2016. The adoption of this standard is not likely to have an impact on Modaraba's financial statements.
 - IFRS 12 'Disclosure of Interest in Other Entities' (effective for annual periods beginning on or after 1 January 2015) combines the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, into one place. The adoption of this standard is not likely to have an impact on Modaraba's financial statements.
 - IFRS 13 'Fair Value Measurement' (effective for annual periods beginning on or after 1 January 2015) defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains how to measure fair value when it is required by other IFRSs. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The adoption of this standard is not likely to have an impact on Modaraba's financial statements.
 - Amendment to IAS 27 'Separate Financial Statement' (effective for annual periods beginning on or after 1 January 2016). The amendments to IAS 27 will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28) [effective for annual periods beginning on or after 1 January 2016]. The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognised when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.
- Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 January 2016). The new cycle of improvements contain amendments to the following standards. These are not likely to have an impact on Modaraba's financial statements:
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements are in the scope of its disclosure requirements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

2.4 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 13 February 2004 had deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on Modarabas with effect from 1 July 2003 and advised the management companies of Modarabas that they may continue to prepare

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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 30 June 2008. From 1 July 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 22 May 2007. During the year ended 30 June 2009, SECP vide its letter no. SC/M/RW/SC/2009 dated 9 March 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 1 July 2008. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- Mustajir (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.

Consequently, in preparation of these financial statements the Modaraba has accounted for leasing transactions executed before 1 July 2008 as finance leases consistent with prior years and has treated the leasing transactions executed on or after 1 July 2008 in accordance with the requirements of IFAS 2.

2.5 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, 9.1 and 10.1);
- 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 25).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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:

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 ljarah 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,

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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 expired. Any gain or loss arising on derecognition of financial assets and financial liabilities is taken to the profit and loss account.

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.

3.2.5 Redeemable Capital

The Modaraba offers only one deposit product, "Certificates of Musharika (COM)" under a scheme duly approved by the Securities and Exchange Commission of Pakistan vide its letter no.7(04) Reg-Mod/95-449 dated 4 April 1995. The Scheme of COM has been formulated under the parameters laid down for this purpose by the Securities and Exchange Commission of Pakistan ("SECP") in its "Guidelines for Issue of Certificates of Musharika for Modarabas" (the "Guidelines") issued on 7th September 1994.

As per requirements of the Guidelines, the scheme of COM is based on the concept of "Musharika", hence it is classified as redeemable capital in accordance with the provision of the Companies Ordinance, 1984. The salient features of the COM are as follows:

- This is a return based certificate wherein a deposit is placed with the Modaraba for a definite period of time.
- Total Profits after charging all expenses, provisions/impairments and management company's remuneration of the Modaraba are shared by the COM holders and the Modaraba in accordance with ratio declared by the Modaraba and accepted by the COM holders. In the absence of such declaration, the total profits shall be shared between the COM holders and the Modaraba in proportion to their contribution in the Funds.
- The amount of profit allocated to the COM holders shall be shared among different category/tiers of the COM holders on the basis of predetermined weightages announced by the Modaraba at

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

the beginning of each quarter

- In the event of Loss, such loss shall be shared between the COM holders and the Modaraba in proportion to their fund

3.3 Net investment in Ijarah finance

Lease transactions entered into by the Modaraba prior to 1 July 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 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.

3.5 Fixed assets

3.5.1 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 profit or loss account 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.

Ijarah assets

Assets leased out under Ijarah on or after 1 July 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

3.5.2 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 off, 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.

3.5.3 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.

3.6 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.

3.7 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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.

3.8 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.

3.9 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.

3.10 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.

3.11 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.

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

3.12 Revenue recognition

- The Modaraba follows the finance method for recognising income on Ijarah contracts commencing prior to 1 July 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,

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

- 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 (lessor).
- For Ijarah arrangements commencing on or after 1 July, 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.

3.13 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.

3.14 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.

3.15 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.

3.16 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

3.17 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.

4 CASH AND BANK BALANCES	Note	30 June 2015	30 June 2014
----- (Rupees) -----			
Balances with banks:			
- in current accounts		20,003,470	20,006,905
- in deposit accounts	4.1	247,866,152	123,880,688
Cash in hand		14,409	17,264
		267,884,031	143,904,857

4.1 These include balances maintained with Standard Chartered Bank (Pakistan) Limited (a related party) amounting to Rs 35.577 million (2014: 3.458 million) and carry profit at rate ranging between 4.21% - 5.65% per annum (2014: 4.63% - 6.00%). 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.

5 IJARAH RENTALS RECEIVABLE	Note	30 June 2015	30 June 2014
----- (Rupees) -----			
Ijarah rentals receivable - considered good	5.1	88,351,245	119,231,742
Ijarah rentals receivable - considered bad or doubtful		58,195,219	67,869,835
Less: Allowance for potential Ijarah losses	5.2	(37,267,892)	(35,321,727)
Less: Profit held in suspense	5.3	(16,683,689)	(20,189,295)
		4,243,638	12,358,813
		92,594,883	131,590,555

5.1 This includes an amounts due from key management personnel as at June 30, 2015 aggregated to Rs 17,157 (2014: Rs 65,648).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	Note	30 June 2015	30 June 2014
------(Rupees)-----			
5.2 Allowance for potential Ijarah losses			
Opening balance		35,321,727	36,414,673
Charge for the year		1,946,165	(40,446)
Amount written off during the year		-	(1,052,500)
Closing balance		37,267,892	35,321,727
5.3 Profit held in suspense			
Opening balance		20,189,295	15,452,388
Income suspended during the year - net		(3,505,606)	6,344,784
Income write off during the year		-	(1,607,877)
Closing balance		16,683,689	20,189,295
6 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Advances to suppliers and others		57,000	73,000
Deposits to Central Depository Company (CDC)		50,000	50,000
Prepayments	6.2	55,005,705	25,729,527
Accrued profit on savings and term deposits		912,444	843,349
Accrued profit on Diminishing Musharika	6.3	9,804,908	16,129,491
Advance against assets under Ijarah arrangements		26,308,375	132,678,000
Others	6.4	1,537,550	3,564,771
		93,675,982	179,068,138
6.1 Accrued profit on sukuk certificates		37,250,258	37,250,258
Less: Profit held in suspense		(37,250,258)	(37,250,258)
		-	-
6.2 This represent amount paid to Standard Chartered Bank (Pakistan) Limited in respect of commission for the sale of certificate of Musharaka.			
6.3 Accrued profit on Diminishing Musharika		22,972,311	24,999,491
Less: Profit held in suspense		(13,167,403)	(8,870,000)
		9,804,908	16,129,491
6.4 Amount due from Standard Chartered Services of Pakistan (Private) Limited at June 30, 2015 aggregated to Rs 189,447 (2014:Nil).			

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

7 INVESTMENT IN SUKUK CERTIFICATES

	Note	30 June 2015	30 June 2014
----- (Rupees) -----			
<i>Held-to-maturity investments</i>			
Investment in Sukuk certificates	7.1	57,701,835	57,701,835
Less: Provision in respect of Sukuk certificates	7.1.3	(57,701,835)	(57,701,835)
		-	-
Less: Current portion of investment in sukuk certificates		-	-
		-	-

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 30 June 2015	Provision held as at 30 June 2015	Carrying amount as at 30 June 2015
	As at 1 July 2014	Purchases during the year	Sales during the year	As at 30 June 2015						
----- (Rupees) -----										

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 a 25% 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 18 March 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 19 March 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 30 June 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 19 February 2012. The outstanding balance has been fully provided as on 30 June 2015.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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 30 June 2015.

	Note	30 June 2015	30 June 2014
------(Rupees)-----			
7.1.3 Movement in provision against sukuk certificates			
Opening balance		57,701,835	51,743,491
Provision for the year		-	5,958,344
Closing balance		57,701,835	57,701,835

8 DIMINISHING MUSHARIKA

Staff			
- Housing finance		33,237,567	31,259,413
- Others		1,614,549	1,641,974
	8.1 & 8.2	34,852,116	32,901,387
Others			
- Housing finance - Other individuals (including ex-employees)		623,803,308	450,594,356
- Others - corporate customers	8.3	531,091,460	893,690,477
Less: Provision in respect of Diminishing Musharika	8.4	(23,083,029)	(24,204,515)
		508,008,431	869,485,962
		1,166,663,855	1,352,981,705
Less: Current portion of Diminishing Musharika		(291,075,993)	(358,882,066)
		875,587,862	994,099,639

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 9.76% and 12.46% (2014: 13.11% and 13.21%) per annum and are repayable on monthly basis over a maximum period of 20 years (2014: 20 years). The maximum aggregate amounts due from officers and employees at the end of any month during the year was Rs 38.049 million (2014: Rs 39.693 million).

This includes diminishing musharika facility availed by key management personnel with respect to housing finance and personal finance amounted to Rs 26.010 million (2014:Rs 26.761 million) and Rs 0.53 million (2014:Rs 0.88 million) respectively.

	Note	30 June 2015	30 June 2014
------(Rupees)-----			
8.2 Reconciliation of carrying amounts of finance provided to employees and officers under diminishing musharika arrangement			
Opening balance		32,901,387	35,202,467
Disbursements during the year		4,005,966	18,274,158
Receipts during the year		(2,055,237)	(17,941,380)
Transfer to diminishing musharika - others		-	(2,633,858)
Closing balance		34,852,116	32,901,387

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

- 8.3 This includes an amount of Rs 115.415 million (2014: 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 10 August 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 30 June 2015.

	Note	30 June 2015	30 June 2014
------(Rupees)-----			
8.4 Movement in provision against Diminishing Musharika			
Opening balance		24,204,515	24,654,000
Reversal for the year		(1,121,486)	(449,485)
Closing balance		23,083,029	24,204,515

9 IJARAH FINANCE

Ijarah contracts commencing on or after 1 July 2008
- accounted for under IFAS 2

9.1 & 9.2 **3,538,629,592** 4,194,421,958

Ijarah contracts prior to 1 July 2008
- accounted for as finance leases

Less: Current portion of net investment in Ijarah finance

9.3 **370,000** 370,000
(370,000) (370,000)

- -

9.1 Assets under Ijarah arrangements

Year ended 30 June 2015

The following is a statement of Ijarah assets:

	Ijarah assets		
	Plant, machinery and equipment	Motor vehicles	Total
------(Rupees)-----			
At 01 July 2014			
Cost	3,920,477,598	3,560,121,024	7,480,598,622
Accumulated depreciation	<u>(1,741,941,436)</u>	<u>(1,544,235,228)</u>	<u>(3,286,176,664)</u>
Net book value	2,178,536,162	2,015,885,796	4,194,421,958
Additions	811,021,904	911,330,800	1,722,352,704
Disposals			
Cost	<u>(1,498,916,701)</u>	<u>(1,272,382,716)</u>	<u>(2,771,299,417)</u>
Depreciation	965,750,382	919,824,501	1,885,574,883
	(533,166,319)	(352,558,215)	(885,724,534)
Depreciation charge for the year	(804,391,376)	(670,668,578)	(1,475,059,954)
Impairment during the year	<u>(17,360,582)</u>	-	<u>(17,360,582)</u>
Closing net book value	<u>1,634,639,789</u>	<u>1,903,989,803</u>	<u>3,538,629,592</u>
At 30 June 2015			
Cost	3,232,582,801	3,199,069,108	6,431,651,909
Accumulated depreciation	(1,580,582,430)	(1,295,079,305)	(2,875,661,735)
Impairment against Ijarah assets	<u>(17,360,582)</u>	-	<u>(17,360,582)</u>
Net book value	<u>1,634,639,789</u>	<u>1,903,989,803</u>	<u>3,538,629,592</u>
Depreciation rate (% per annum)	16.67% to 50%	16.67% to 50%	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	Year ended 30 June 2014		
	Ijarah assets		
	Plant, machinery and equipment	Motor vehicles	Total
	----- (Rupees) -----		
At 01 July 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 30 June 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>
Depreciation rate (% per annum)	16.67% to 50%	16.67% to 50%	

9.2 The Modaraba has entered into various Ijarah agreements for periods ranging from 2 to 6 years (2014: 2 to 6 years). Security deposits ranging between 0% and 50% (2014: 0% and 50%) are obtained at the time of disbursement. The rate of profit implicit in Ijarah finance ranges between 7.97% and 16.25% (2014: 10.58% and 18.24%) per annum.

9.3 Net investment in Ijarah finance

Note	As at 30 June 2015			As at 30 June 2014		
	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	1,264,599	-	1,264,599
Add: Residual value	370,000	-	370,000	370,000	-	370,000
Gross investment in Ijarah finance	1,634,599	-	1,634,599	1,634,599	-	1,634,599
Less: Unearned finance income	-	-	-	-	-	-
Allowance for potential Ijarah losses	9.4 1,134,443	-	1,134,443	1,134,443	-	1,134,443
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>370,000</u>	<u>-</u>	<u>370,000</u>

9.4 Allowance for potential Ijarah losses

	30 June 2015			30 June 2014		
	Specific	General	Total	Specific	General	Total
	----- (Rupees) -----					
Opening balance	1,134,443	-	1,134,443	226,889	-	226,889
Charge for the year	-	-	-	907,554	-	907,554
Reversal during the year	-	-	-	-	-	-
Closing balance	<u>1,134,443</u>	<u>-</u>	<u>1,134,443</u>	<u>1,134,443</u>	<u>-</u>	<u>1,134,443</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

As at 30 June 2015, Ijarahs with outstanding principal amounting to Rs 1.134 million (2014: 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.

	30 June 2015	30 June 2014
	------(Rupees)-----	
9.5 Suspended income - net investment in Ijarah finance		
Balance at the beginning of the year	130,156	130,156
Income suspended during the year	-	-
Reversals during the year	-	-
	130,156	130,156

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

	As at 30 June 2015				As at 30 June 2014			
	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	1,682,676,122	1,972,222,509	27,086	3,654,925,717	1,926,423,096	2,447,755,256	309,368	4,374,487,720
Residual value	189,713,126	526,727,600	80,000	716,520,726	255,494,413	700,394,474	350,000	956,238,887
Total future Ijarah payments receivable	1,872,389,248	2,498,950,109	107,086	4,371,446,443	2,181,917,509	3,148,149,730	659,368	5,330,726,607

	Note	30 June 2015	30 June 2014
		------(Rupees)-----	
10 FIXED ASSETS IN OWN USE			
Tangible assets	10.1	93,908	393,598
Intangible assets	10.1	14,416,962	22,676,766
		14,510,870	23,070,364

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

	Year ended 30 June 2015				
	Tangible assets			Total	Intangible assets
	Furniture and fittings	Office equipment, appliances and computer systems	Motor vehicles		Computer software
	(Rupees)				
At 01 July 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
Additions	-	-	-	-	-
Disposals					
Cost	-	-	-	-	-
Depreciation / amortisation	-	-	-	-	-
Depreciation / amortisation charge for the year	(15,286)	(166,576)	(117,828)	(299,690)	(8,259,804)
Closing net book value	-	44,802	49,106	93,908	14,416,962
At 30 June 2015					
Cost	1,589,442	5,801,798	353,500	7,744,740	28,133,807
Accumulated depreciation / amortisation	(1,589,442)	(5,756,996)	(304,394)	(7,650,832)	(13,716,845)
Net book value	-	44,802	49,106	93,908	14,416,962
Depreciation / amortisation rate (% per annum)	33.33	20 and 33.33	33.33		33.33
	Year ended 30 June 2014				
	Tangible assets			Total	Intangible assets
	Furniture and fittings	Office equipment, appliances and computer systems	Motor vehicles		Computer software
	(Rupees)				
At 01 July 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 30 June 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

10.2 During the years ended 30 June 2015 and 2014, there were no disposals of fixed assets having net book value exceeding 50,000 individually.

	Note	30 June 2015	30 June 2014
		------(Rupees)-----	
11 MUSHARIKA FINANCE			
Musharika with an associated undertaking - secured	11.1	22,521,193	284,809,178

11.1 The total facility for musharika finance available from Standard Chartered Bank (Pakistan) Limited amounts to Rs 500 million (2014: Rs 500 million) and carries profit of Re 0.2453 (2014: Re 0.3053) per rupee one thousand per day. The facility is secured against a specific charge over moveable leased out assets of the Modaraba along with the associated receivables and is due to mature on December 31, 2015.

	Note	30 June 2015	30 June 2014
		------(Rupees)-----	
12 MUSHARIKA TERM FINANCE ARRANGEMENTS			
Musharika with:			
- an associated undertaking - secured	12.1	-	158,823,531
- others	12.2	455,637,493	597,411,941
		455,637,493	756,235,472
Less: Current portion of musharika finance		(387,091,664)	(550,597,975)
		68,545,829	205,637,497

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

12.2 Musharika Term Finance - Others

Bank	Limit in Rupees	Profit rate (per rupee one thousand per day)	Frequency of mark-up payment	Tenor	30 June 2015	30 June 2014
					------(Rupees)-----	
Habib Bank Limited	250,000,000	NA	NA	NA	-	250,000,000
Meezan Bank limited	1,000,000,000	0.2033	Quarterly	3 years	205,637,493	342,729,166
Bank Islami Pakistan Limited	250,000,000	0.1918	Monthly	1 year	250,000,000	4,682,775
					455,637,493	597,411,941

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

13 SECURITY DEPOSITS

	As on 30 June 2015			As on 30 June 2014		
	Finance lease	Ijarah	Total	Finance lease	Ijarah	Total
	----- (Rupees) -----					
Security deposits (note 13.1)	370,000	585,395,799	585,765,799	370,000	805,425,073	805,795,073
Less: Repayable / adjustable						
after one year	-	415,363,799	415,363,799	-	571,890,237	571,890,237
Current portion	370,000	170,032,000	170,402,000	370,000	233,534,836	233,904,836

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

	Note	30 June	30 June
		2015	2014
		----- (Rupees) -----	
Management Company's remuneration payable	14.1	22,537,787	10,872,023
Profit payable on:			
- Redeemable capital		41,361,303	33,038,264
- Musharika finance		-	66,950
- Musharika term finance arrangements		3,821,161	10,159,007
Accrued expenses	14.2	16,906,154	26,685,251
Amounts refundable to lessees	14.3	65,502,673	89,216,729
Amount received against Certificates of Musharika		-	54,816,713
Penalty payable to charity		6,938,489	6,938,489
Commission payable on certificate of musharika	14.4	15,981,920	-
Others	14.2	35,673,486	26,368,197
		208,722,973	258,161,623

14.1 Amounts due to Standard Chartered Services of Pakistan (Private) Limited at 30 June 2015 aggregated to Rs 22.489 million (2014: Rs 10.87 million).

14.2 Amounts due to Standard Chartered bank at 30 June 2015 aggregated to Rs 2.379 million (2014: Rs 0.837 million).

14.3 This includes Rs 14.934 million (2014: 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

14.4 This includes an amounts due to associated undertakings at 30 June 2015 aggregated to Rs 15.982 million (2014: Rs 27.547 million).

15 REDEEMABLE CAPITAL - PARTICIPATORY AND UNSECURED	Note	30 June 2015	30 June 2014
------(Rupees)-----			
Certificates of Musharika	15.1	2,683,945,000	2,774,405,000
Less: Current portion of redeemable capital		(840,805,000)	(1,123,565,000)
		<u>1,843,140,000</u>	<u>1,650,840,000</u>

15.1 These carry estimated share of profit payable ranging between Re 0.1808 to Re 0.2137 (2014: Re 0.2863 to Re 0.20) per thousand per day and are due to mature latest by 2 December 2017 (2014: 24 June 2017).

15.2 During the year profit allocated to different categories/tiers of the COM holders ranges from Re 0.1808 to Re 0.2493 (2014: Re 0.20 to Re 0.4247) per thousand per day.

16 CERTIFICATE CAPITAL

Authorised certificate capital

30 June 2015	30 June 2014		30 June 2015	30 June 2014
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>

16.1 As at 30 June 2015, Standard Chartered Services of Pakistan (Private) Limited (the Management Company) and Standard Chartered Bank (Pakistan) Limited held 4,538,353 (2014: 4,538,353) and 4,538,353 (2014: 4,538,353) certificates of Rs 10 each respectively.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

17 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 39.094 million (2014: Rs 36.341 million) which represents 20% (2014: 20%) of the profit after taxation for the year.

18 CONTINGENCIES AND COMMITMENTS

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 34.171 million as at 30 June 2015.

19 FINANCIAL CHARGES

	30 June 2015	30 June 2014
	----- (Rupees) -----	
Profit on redeemable capital	246,275,723	271,510,571
Profit on Musharika term finance arrangements	40,882,300	75,188,526
Profit on Musharika finance	79,838	1,089,157
Profit on Murabaha finances	-	2,830,118
Commission and Others	26,003,950	35,019,928
Bank charges	57,389	65,781
	<u>313,299,200</u>	<u>385,704,081</u>

20 OTHER INCOME

Gain on disposal of Ijarah assets	60,863,761	29,064,631
Documentation fee	4,586,412	4,108,845
Others	503,894	1,486,887
	<u>65,954,067</u>	<u>34,660,363</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	Note	30 June 2015	30 June 2014
21 ADMINISTRATIVE AND OPERATING EXPENSES		------(Rupees)-----	
Salaries and other staff benefits	21.2 & 27	63,967,868	63,424,662
Depreciation / amortisation on fixed assets in own use	10.1	8,559,494	2,903,610
Advertising, travelling and entertainment		1,470,270	1,657,792
Postage		582,831	873,184
Telecommunication		227,060	230,425
Printing and stationery		1,648,608	1,970,812
Legal and professional		3,193,074	3,264,554
Repairs and maintenance		4,303,866	3,054,864
Charges by associated undertaking	21.1	8,212,818	6,744,972
Subscriptions		1,038,933	821,419
Auditors' remuneration	21.3	851,116	900,000
Certificate of Musharika trustee fee		764,265	817,135
Insurance - own assets		54,382	124,985
Sundry expenses		945,711	967,884
		95,820,296	87,756,298

21.1 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.

21.2 Salaries and other staff benefits include Rs 2.303 million and Rs 1.892 million (2014: Rs 2.264 million and Rs 1.893 million) on account of the Modaraba's contribution to the staff provident fund and staff gratuity fund respectively.

21.3 Auditors' remuneration

	30 June 2015	30 June 2014
	------(Rupees)-----	
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	86,116	135,000
	851,116	900,000

22 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 30 June 2015 has been recognised at 10% (2014: 10%) of the profit for the year before charging such remuneration.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

23 PROVISION FOR SERVICES SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

Pursuant to Order number SRB-COM-I/AC-V/Mgt/SCSOP/5878/2012 of the Sindh Revenue Board (SRB) dated 22 April 2013, the Modaraba has recorded a provision in respect of Sindh sales tax on Management Company's remuneration at the rate of 15% per annum, with effect from 1 November 2011. The Management Company has filed an appeal before the Appellate Tribunal SRB against this order.

24 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.

25 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 36, no provision for taxation has been made in these financial statements during the current year.

26 EARNINGS PER CERTIFICATE - BASIC AND DILUTED	30 June 2015	30 June 2014
	------(Rupees)-----	
Basic		
Profit for the year after taxation	<u>195,470,242</u>	<u>181,704,219</u>
	------(Number)-----	
Weighted average number of certificates outstanding during the year	<u>45,383,530</u>	<u>45,383,530</u>
	------(Rupees)-----	
Earnings per certificate	<u>4.31</u>	<u>4.00</u>
Diluted		

Diluted earnings per certificate has not been presented as the Modaraba does not have any convertible instruments in issue as at 30 June 2015 and 2014 which would have any effect on the earnings per certificate if the option to convert is exercised.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	Note	30 June 2015	30 June 2014
27 REMUNERATION OF OFFICERS		----- (Rupees) -----	
Remuneration and staff retirement benefits		62,131,510	61,614,582
Medical expenses		582,250	617,538
Other benefits		1,254,108	1,192,542
	27.1	63,967,868	63,424,662
		----- (Number) -----	
Number of employees at the end of the year			
- Permanent		22	27
- On contractual basis		7	5
		29	32

27.1 It includes remuneration paid to all executives other than Chief Executive who is in employment with Standard Chartered Services of Pakistan (Private) Limited, the Management Company of Modaraba.

28 FINANCIAL RISK MANAGEMENT

The Company has exposures to the following risks from its use of financial instruments:

- Market risk
- Credit risk
- Liquidity risk

The Board of Directors of the management company have overall responsibility for the establishment and oversight of Modaraba risk framework. The Board of management company is also responsible for developing and monitoring the modaraba risk management policies.

28.1 Market risk

Market risk is the risk that changes in market price, such as foreign exchange rates, interest rates will effect the Modaraba's income or the value of its holdings of financial instruments.

28.1.1 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 30 June 2015 financial liabilities of Rs. 1.2 million (2014: Rs10.564 million) are payable in US dollars which are exposed to foreign currency risk.

As at 30 June 2015, 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.

28.1.2 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:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

		As at 30 June 2015						
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 variable rate financial instruments								
Financial assets								
Cash and bank balances	4.33% - 5.65%	267,884,031	247,866,152	-	-	-	-	20,017,879
Ijarah rentals receivable	-	92,594,883	-	-	-	-	-	92,594,883
Advances, deposits and other receivables	-	38,670,277	-	-	-	-	-	38,670,277
Diminishing Musharika	8.24%-12.66%	1,166,663,855	35,952,598	49,487,553	205,635,842	327,645,863	547,941,999	-
Investment in Sukuk certificates	-	-	-	-	-	-	-	-
Total		1,565,813,046	283,818,750	49,487,553	205,635,842	327,645,863	547,941,999	151,283,039
Financial liabilities								
Musharika finance	8.95%	22,521,193	22,521,193	-	-	-	-	-
Musharika term finance arrangements	7% - 7.42%	455,637,493	20,833,333	75,939,582	290,318,749	68,545,829	-	-
Security deposits	-	585,765,799	25,763,595	24,278,177	120,360,228	415,283,799	80,000	-
Creditors, accrued and other liabilities	-	198,070,938	198,070,938	-	-	-	-	-
Redeemable capital	6.6% - 7.8%	2,683,945,000	112,950,000	42,960,000	684,895,000	1,843,140,000	-	-
Unclaimed profit distribution	-	33,843,488	-	-	-	-	-	33,843,488
Total		3,979,783,911	380,139,059	143,177,759	1,095,573,977	2,326,969,628	80,000	33,843,488
On-balance sheet gap (a)			(96,320,309)	(93,690,206)	(889,938,135)	(1,999,323,765)	547,861,999	

		As at 30 June 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	-	153,338,611	-	-	-	-	-	153,338,611
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		1,781,815,728	158,642,341	58,663,750	265,456,663	569,865,932	424,233,707	304,953,335
Financial liabilities								
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	86,138,661	31,095,943	116,670,232	571,540,237	350,000	-
Creditors, accrued and other liabilities	-	247,415,315	247,415,315	-	-	-	-	-
Redeemable capital	7.3% - 10.45%	2,774,405,000	276,445,000	232,785,000	614,335,000	1,650,840,000	-	-
Unclaimed profit distribution	-	30,057,742	-	-	-	-	-	30,057,742
Total		4,898,717,780	924,502,485	382,554,072	1,133,235,747	2,428,017,734	350,000	30,057,742
On-balance sheet gap (a)			(765,860,144)	(323,890,322)	(867,779,084)	(1,858,151,802)	423,883,707	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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 30 June 2015		As at 30 June 2014	
	Increase of 100 basis points	Decrease of 100 basis points	Increase of 100 basis points	Decrease of 100 basis points
	------(Rupees)-----		------(Rupees)-----	
Variable rate financial assets	49,384,179	(49,384,179)	55,888,124	(55,888,124)
Variable rate financial liabilities	(35,150,584)	35,150,584	(42,308,428)	42,308,428
Net effect on profit and loss	<u>14,233,595</u>	<u>(14,233,595)</u>	<u>13,579,696</u>	<u>(13,579,696)</u>

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 30 June 2015 is not necessarily indicative of the effect on the Modaraba's profit and loss and reserves due to changes in profit rates.

There are no fixed rate financial instruments at 30 June 2015 and 30 June 2014.

28.1.3 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 30 June 2015 and 30 June 2014, the Modaraba did not hold any instruments which exposed it to price risk.

28.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Modaraba by failing to discharge an obligation. The risk is generally limited to principal amounts and 'accrued interest thereon, if any. The Modaraba's policy is to enter into financial contracts in accordance with the internal risk management policies and the requirements of the Modaraba rules and regulations. The carrying amount of financial assets represents the maximum credit exposure at the reporting date.

	Note	30 June 2015	30 June 2014
		------(Rupees)-----	
Financial Assets			
Cash and bank balances		267,869,622	143,887,593
Ijarah rentals receivable	28.2.1	92,594,883	131,590,555
Advances, deposits and other receivables		38,381,163	152,385,068
Diminishing musharika		1,166,663,855	1,352,981,705
		<u>1,565,509,523</u>	<u>1,780,844,921</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

28.2.1 As at 30 June 2015 and 30 June 2014, Ijarah rental receivables are pledged as collateral against musharika finance and musharika term finance.

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's net investment in Ijarah finance are secured against leased assets. In a few cases, additional collateral is also obtained in the form of mortgage 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 summarized as follows:

	30 June 2015	30 June 2014
	----- (Rupees) -----	
Bank balances		
A-1+	232,286,749	140,425,222
A-1+	1,919	3,662
A1+	35,579,403	3,458,709

Impairment losses and past due balances

An analysis of the age of significant unimpaired financial assets are as under:

	As at 30 June 2015			As at 30 June 2014		
	Not Past Due Amount	Past Due Amount (1-179 Days)	Total outstanding amount	Not Past Due Amount	Past Due Amount (1-179 Days)	Total outstanding amount
	----- (Rupees) -----					
Ijarah rentals receivable	53,823,301	34,527,944	88,351,245	68,045,926	51,185,815	119,231,741

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

28.2.2 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 30 June 2015					
	Other Assets Especially Mentioned	Substandard	Doubtful	Loss	Total
----- (Rupees) -----					
Ijarah rentals receivable (being principal outstanding)	-	-	21,991,170	43,632,902	65,624,072
Net investment in Ijarah finance	-	-	-	1,134,443	1,134,443
Diminishing Musharika	-	115,415,146	-	-	115,415,146
Sukuk Certificates	-	-	-	57,701,835	57,701,835

As at 30 June 2014					
	Other Assets Especially Mentioned	Substandard	Doubtful	Loss	Total
----- (Rupees) -----					
Ijarah rentals receivable	-	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

Impairment is recognised by the Modaraba based on the provisioning requirements of the Prudential Regulation 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.

28.2.3 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 Modaraba's 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

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

Sectors	30 June 2015		30 June 2014	
	(Rupees)	%	(Rupees)	%
Confectionery	108,762,531	2.58%	200,630,262	4.16%
Fast Moving Consumer Goods (FMCGs) / Food and Allied	99,487,914	2.36%	92,456,221	1.92%
Services	430,815,914	10.21%	187,291,200	3.88%
Fertilizers	53,881,994	1.28%	76,886,704	1.59%
Chemicals	177,944,680	4.22%	301,160,933	6.24%
Sugar	233,810,694	5.54%	298,982,599	6.20%
Bottlers	46,465,202	1.10%	104,329,516	2.16%
Communication	23,843,427	0.57%	57,140,896	1.18%
Textile	304,804,567	7.22%	472,703,824	9.80%
Travel, transport, storage	221,434,694	5.25%	325,390,644	6.74%
Printing, publishing and packages	25,500,903	0.60%	1,952,397	0.04%
Individuals	913,270,355	21.65%	658,884,995	13.66%
Automobile	10,293,498	0.24%	65,365,993	1.35%
Financial institutions	68,654,528	1.63%	165,876,172	3.44%
Power, energy, water	245,694,743	5.82%	390,209,272	8.09%
Gas	75,680,671	1.79%	36,344,050	0.75%
Pharmaceuticals	109,148,737	2.59%	106,998,931	2.22%
Steel	245,000	0.01%	7,595,000	0.16%
Engineering	34,138,854	0.81%	51,075,720	1.06%
Plastic	385,520,992	9.14%	362,153,110	7.51%
Distribution	6,045,780	0.11%	-	0.00%
Builders / Construction	243,571	0.01%	1,313,546	0.03%
Dairy, Farming and Allied	134,080,651	3.18%	148,421,486	3.08%
Leather / Tyre and Rubber	132,716,899	3.15%	206,102,743	4.27%
Poultry / Poultry Feeds	170,401,454	4.04%	235,718,192	4.89%
Petroleum and Allied	113,717,556	2.70%	133,713,597	2.77%
Others	92,701,884	2.20%	136,451,536	2.83%
	<u>4,219,307,693</u>	<u>100.00%</u>	<u>4,825,149,539</u>	<u>100.00%</u>

	Note	30 June 2015 ------(Rupees)-----	30 June 2014
Investment in Ijarah finance / assets under Ijarah arrangements		3,538,999,592	4,194,791,958
Less: Security deposits held	13	(585,765,799)	(805,795,073)
Add: Impairment against Ijarah assets	9.1	17,360,582	-
Add: Allowance for potential Ijarah losses	9.4	1,134,443	1,134,443
Add: Mark-up held in suspense	9.5	130,156	130,156
		2,971,858,974	3,390,261,484
Investment in Sukuk certificates	7	-	-
Add: Provision in respect of sukuk certificates	7	57,701,835	57,701,835
		57,701,835	57,701,835
Investment in Diminishing Musharika	8	1,166,663,855	1,352,981,705
Add: Provision in respect of Diminishing Musharika	8	23,083,029	24,204,515
		1,189,746,884	1,377,186,220
		4,219,307,693	4,825,149,539

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

28.3 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 following are the contractual maturities of financial liabilities, including interest payments:

	Carrying Amount	Contractual cash flows	2015				
			Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years
----- (Rupees) -----							
Financial liabilities							
Musharika finance	22,521,193	(22,521,193)	(22,521,193)	-	-	-	-
Musharika term finance arrangements	455,637,493	(478,565,571)	(22,271,689)	(82,386,538)	(303,438,551)	(70,468,793)	-
Security deposits	585,765,799	(585,765,799)	(25,763,596)	(24,278,176)	(120,360,228)	(415,283,799)	(80,000)
Creditors, accrued and other liabilities	208,722,973	(208,722,973)	(208,722,973)	-	-	-	-
Redeemable capital	2,683,945,000	(2,991,512,828)	(132,528,714)	(69,217,141)	(793,324,617)	(1,996,442,356)	-
		<u>(4,287,088,364)</u>	<u>(411,808,165)</u>	<u>(175,881,855)</u>	<u>(1,217,123,396)</u>	<u>(2,482,194,948)</u>	<u>(80,000)</u>

	Carrying Amount	Contractual cash flows	2014				
			Up to 1 month	Over 1 month to 3 months	Over 3 months to 1 year	Over 1 year to 5 years	Over 5 years
----- (Rupees) -----							
Financial liabilities							
Musharika finance	284,809,178	(284,809,178)	(284,809,178)	-	-	-	-
Musharika term finance arrangements	756,235,472	(836,046,283)	(33,444,907)	(99,969,443)	(478,312,803)	(224,319,130)	-
Security deposits	805,795,073	(805,795,073)	(86,138,661)	(31,095,943)	(116,670,232)	(571,540,237)	(350,000)
Creditors, accrued and other liabilities	258,161,623	(258,161,623)	(258,161,623)	-	-	-	-
Redeemable capital	2,774,405,000	(3,202,767,513)	(282,172,028)	(269,600,466)	(736,283,296)	(1,914,711,723)	-
		<u>(5,387,579,670)</u>	<u>(944,726,397)</u>	<u>(400,665,852)</u>	<u>(1,331,266,331)</u>	<u>(2,710,571,090)</u>	<u>(350,000)</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

28.3.1 As disclosed in note 11 and 12, the short term and long term musharika finance is secured that contains a certain covenants. A future breach of such covenants may require the Modaraba to repay the finance earlier than indicated above.

The profit payments on musharika finance as above reflect the current market profit rates at reporting date and these may change as the market profit rates change.

29 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 30 June 2015		
	Loans and receivables	Held to maturity	Total
ASSETS	----- (Rupees) -----		
Cash and bank balances	267,869,622	-	267,869,622
Ijarah rentals receivable	92,594,883	-	92,594,883
Advances, deposits and other receivables	38,381,163	-	38,381,163
Diminishing musharika	1,166,663,855	-	1,166,663,855
Investment in sukuk certificates	-	-	-
	<u>1,565,509,523</u>	<u>-</u>	<u>1,565,509,523</u>
	----- (Rupees) -----		
	As at 30 June 2015		
	At fair value through profit or loss	Other financial liabilities	Total
LIABILITIES	----- (Rupees) -----		
Musharika finance	-	22,521,193	22,521,193
Musharika term finance	-	455,637,493	455,637,493
Security deposits	-	585,765,799	585,765,799
Creditors, accrued and other liabilities	-	198,070,938	198,070,938
Redeemable capital	-	2,683,945,000	2,683,945,000
	<u>-</u>	<u>3,945,940,423</u>	<u>3,945,940,423</u>
	----- (Rupees) -----		
	As at 30 June 2014		
	Loans and receivables	Held to maturity	Total
ASSETS	----- (Rupees) -----		
Cash and bank balances	143,887,593	-	143,887,593
Ijarah rentals receivable	131,590,555	-	131,590,555
Advances, deposits and other receivables	152,385,068	-	152,385,068
Diminishing musharika	1,352,981,705	-	1,352,981,705
Investment in sukuk certificates	-	-	-
	<u>1,780,844,921</u>	<u>-</u>	<u>1,780,844,921</u>
	----- (Rupees) -----		
	As at 30 June 2014		
	At fair value through profit or loss	Other financial liabilities	Total
LIABILITIES	----- (Rupees) -----		
Murabaha 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
	<u>-</u>	<u>4,868,660,038</u>	<u>4,868,660,038</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

30 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.

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 30 June 2015 and 30 June 2014, there were no financial instruments which were measured at fair values in the financial statements.

31 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.

	30 June 2015	30 June 2014
	----- (Rupees) -----	
Total borrowings	3,162,103,686	3,815,449,650
Less: cash and bank balances	267,884,031	143,904,857
Net debt	2,894,219,655	3,671,544,793
Total equity	1,152,824,529	1,093,504,877
Total capital	4,047,044,184	4,765,049,670
Gearing ratio	71.51%	77.05%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

32 SEGMENT INFORMATION

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

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

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

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

The Modaraba also has a diversified certificate holder population. As at 30 June 2015, there were only two (2014: two) certificate holders who each held equal to or more than 10% of the Modaraba's certificate capital. Their holdings were 10% and 10% (2014: 10% and 10%) respectively.

33 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 those which have been specifically disclosed elsewhere in the financial statements and remuneration and benefits to key management personnel (which are employed by the management company) under the terms of their employment are as follows:

	30 June 2015	30 June 2014
	------(Rupees)-----	
Standard Chartered Bank (Pakistan) Limited		
- Holding Company of the Management Company		
Profit on Musharika finance	79,838	1,089,157
Profit on Musharika term finance	4,632,427	29,290,800
Profit on deposit account	4,544,616	3,457,281
Bank charges and commission	28,326,267	33,593,848
Service level agreement against rent and IT	8,212,818	6,744,972
Reimbursement of salaries and benefits	-	419,830
Dividend	13,615,059	9,076,706

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

	30 June 2015	30 June 2014
	------(Rupees)-----	
Standard Chartered Services of Pakistan (Private) Limited		
- Management Company		
Profit and Loss		
Management Company's remuneration	22,537,787	20,974,261
Dividend	13,615,059	9,076,706
Staff retirement benefits funds		
Contribution to the staff provident fund	2,302,923	2,263,783
Contribution to the staff gratuity fund	1,892,040	1,885,731
Refund from the staff gratuity fund	1,122,953	-
Key management personnel		
Salaries and benefits	29,479,024	29,103,385
Contributions to staff provident fund	1,081,027	1,076,857
Contributions to the staff gratuity fund	900,385	897,024
Income earned on DM finances to key management personnel	3,297,653	2,576,774
Ijarah rental earned on Ijarah finances to key management personnel	2,070,091	2,101,436
Number of persons	7	8

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.

34 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	30 June 2015	30 June 2014
		------(Rupees)-----	
Cash and bank balances	4	267,884,031	143,904,857
Musharika finance	11	(22,521,193)	(284,809,178)
		<u>245,362,838</u>	<u>(140,904,321)</u>

35 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2015

36 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company in their meeting held on September 11, 2015 approved a cash distribution of Rs 3.3 (2014: Rs 3) per certificate. The financial statements of the Modaraba for the year ended 30 June 2015 do not include the effect of this distribution which will be accounted for in the financial statements of the Modaraba for the year ending 30 June 2016.

37 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 11, 2015 by the Board of Directors of the Management Company.

38 GENERAL

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

38.2 The Modaraba has set up provident fund for its permanent employees and the contributions are made by the Modaraba to the fund. The total contribution made to the provident fund for the year ended 30 June 2015 was Rs.2.303 million (2014: Rs. 2.264 million). The audit of the provident fund for the year ended 30 June 2015 is in progress. The net assets based on audited financial statements of Provident Fund as at 30 June 2014 was Rs. 21.965 million out of which 98.34% was invested in different financial instruments categories. Currently all assets of the fund are valued at amortised cost. The cost and fair value of investments amount to Rs. 13.46 and Rs. 21.6 million respectively.

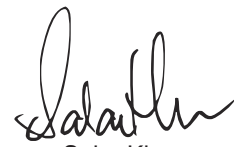
**For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)**



Khurram Shahzad Khan
Chairman



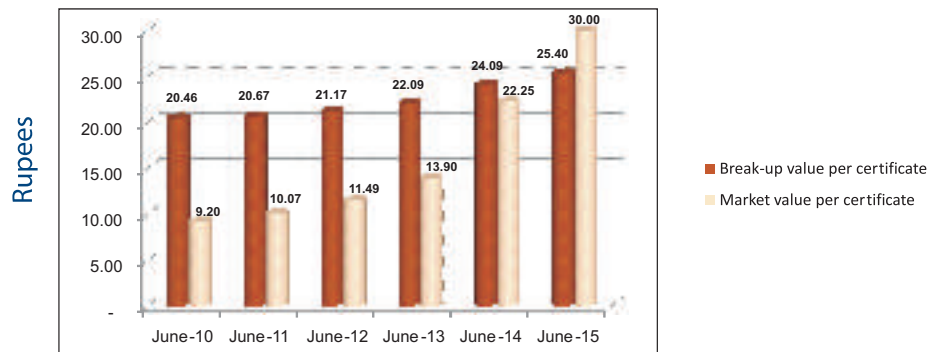
Raheel Qamar Ahmad
Chief Executive



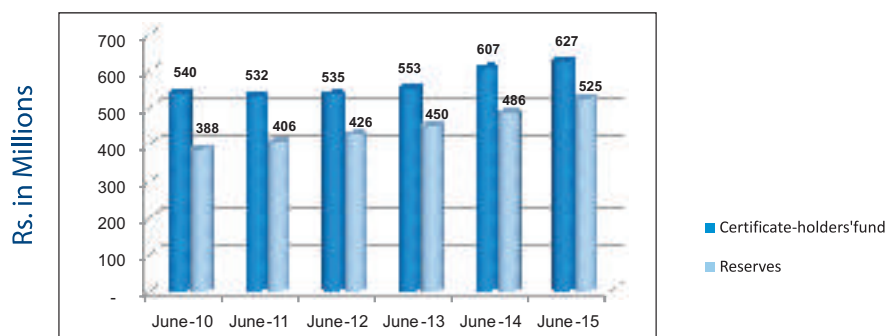
Salar Khan
Director

Graphs

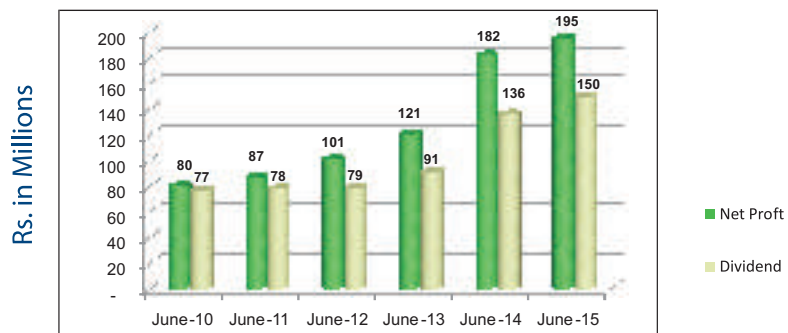
Break-up and Market value per certificate



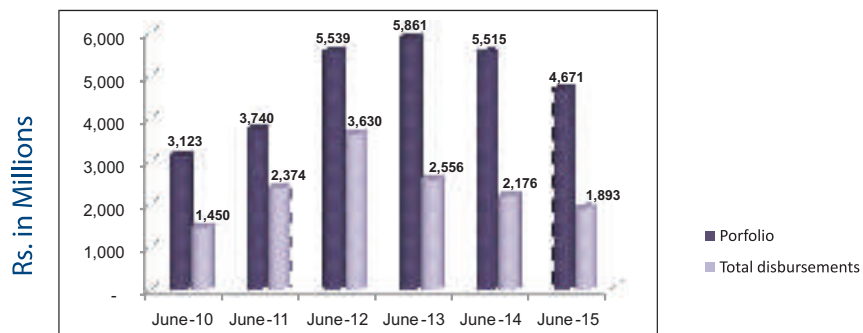
Certificate-holder's equity



Year wise Net Profit and Dividend Distribution



Year wise Disbursements and Portfolio



Six Years' Financial Summary

Jun-10 Jun-11 Jun-12 Jun-13 Jun-14 Jun-15

Key Financial Figures (Rs. In millions)

Profit & Loss Account

Revenues from operations*	408	404	556	696	690	653
Financial charges	244	224	348	439	386	313
Impairment loss against doubtful debts	24	28	26	34	6	18
Net Profit	80	87	101	121	182	195
Dividend	77	78	79	91	136	150

* Net of depreciation of Ijarah assets

Balance Sheet

Certificate-holders' fund (cum dividend)	540	532	535	553	607	627
Reserves	388	406	426	450	486	525
Financing from financial institutions	9	457	1,025	514	1,041	478
Redeemable capital and deposits	2,413	2,493	3,857	4,926	3,580	3,270
Portfolio (other than staff finances)	3,123	3,740	5,539	5,861	5,515	4,671
Total disbursements	1,450	2,374	3,630	2,556	2,176	1,893

Key Financial Ratios

Return on equity (%)	8.60	9.23	10.50	12.10	16.62	16.96
Financial charges cover ratio	3.05	2.59	3.45	3.62	2.12	1.60
Net profit ratio (%)	20.91	22.22	19.20	18.55	27.74	33.32
Income / Expense ratio	1.26	1.30	1.24	1.22	1.36	1.45
Debt / Equity ratio	2.24	2.65	4.36	4.66	3.49	2.74

Shares and Earnings

Break-up value per certificate	20.46	20.67	21.17	22.09	24.09	25.40
Market value per certificate*	9.20	10.07	11.49	13.90	22.25	30.00
Earning per certificate	1.76	1.91	2.22	2.67	4.00	4.31
Cash dividend per certificate	1.70	1.73	1.75	2.00	3.00	3.30
Price earning ratio	5.23	5.28	5.17	5.20	5.56	6.97








*as at Balance Sheet date










**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

-  Licensed Entities Verification
-  Scam meter*
-  Jamapunji games*
-  Tax credit calculator*
-  Company Verification
-  Insurance & Investment Checklist
-  FAQs Answered

-  Stock trading simulator
(based on live feed from KSE)
-  Knowledge center
-  Risk profiler*
-  Financial calculator
-  Subscription to Alerts (event notifications, corporate and regulatory actions)
-  Jamapunji application for mobile device
-  Online Quizzes



Jama Punji is an Investor Education Initiative of Securities and Exchange Commission of Pakistan

 jamapunji.pk

 @jamapunji_pk

*Mobile apps are also available for download for android and ios devices

