

Half Yearly Report

December 31, 2010

Standard
Chartered
Modaraba



Contents

MODARABA INFORMATION	2
DIRECTORS' REVIEW	3
AUDITORS' REVIEW REPORT	5
BALANCE SHEET	6
PROFIT AND LOSS ACCOUNT	7
CASH FLOW STATEMENT	8
STATEMENT OF CHANGES IN EQUITY	9
NOTES TO THE FINANCIAL STATEMENTS	10

Modaraba Information

Directors of Modaraba Company

Mr. Mohsin Ali Nathani
Chairman

Syed Zaheer Mehdi
Managing Director/Chief Executive

Mr. Cyrus J. Masani
Director

Mr. Shariq Saleem
Director

Mr. Imran Sarwar*
Director

Mr. Tufail J. Ahmad
Director

Company Secretary

Mr. Muhammad Siddique

Audit Committee

Mr. Cyrus J. Masani
Chairman

Mr. Imran Sarwar*
Member

Mr. Tufail J. Ahmad
Member

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Bankers / Lending Institutions

Standard Chartered Bank (Pakistan) Limited
Bank Islami Pakistan Limited
Meezan Bank Limited

Legal Advisors

Fazle Ghani Khan & Co.
Mohsin Tayabali & Co.
Orr Dignam & Co.
Sirajul Haque & Co.

Registered and Head Office

Standard Chartered Bank
Main Building
P. O. Box 5556, I. I. Chundrigar Road
Karachi-74000
Phone: 32450000

Branch Offices

Standard Chartered Bank Building
P. O. Box 6131, Tufail Road
Lahore Cantt.
Phone: (042) 36066277-80

Standard Chartered Bank Building
6-A, 2nd Floor,
Union Arcade, F-7 Markaz
Islamabad
Phone: (051) 8342329-30

Registrars & Share Registration Office

Famco Associates (Private) Limited
State Life Building No. 1A, 1st Floor
I. I. Chundrigar Road, Karachi
Phone: (021) 32426597, 32427012

Web Address

www.scmodaraba.com

* Subject to regulatory approval

Directors' Review

For the half year ended December 31, 2010

The Board of Directors of Standard Chartered Services of Pakistan (Private) Limited, the management company of Standard Chartered Modaraba is pleased to present the unaudited accounts for the six months period ended December 31, 2010.

1. Economic Outlook

The year 2010 ended on a challenging note due to the damage caused by the floods but the economy has received a significant boost through record high commodity prices for exports of cotton, rice and wheat. FX reserve position has strengthened to USD 17.2bn by end 2010 compared to 15bn end of 2009, supporting a more stable PKR which depreciated 1.8% in 2010 compared to 8% in 2009 and 28% in 2008. While the recovery has been set back by the damage caused by the floods, estimated at USD 10bn (5.2% of GDP) by the World Bank with 20mn people displaced and significant damage to crops & public infrastructure. However, record high remittances and strong growth in rural incomes due to higher commodity prices (including cotton, wheat and sugar) will sustain private consumption spending and offset impact of floods on the economy.

2. Financial Highlights

Financial results are summarized as under:

	December 31, 2010 (PKR '000')	June 30, 2010 (PKR '000')
Balance Sheet		
Certificate capital	453,835	453,835
Total equity	896,137	928,615
Investment in Ijarah finance and Ijarah Assets	2,973,194	2,905,770
Investments in Diminishing Musharika and Sukuks	288,135	244,720
Redeemable capital	1,980,122	2,068,892
	Six Months ended December 31, 2010 (PKR '000')	Six Months ended December 31, 2009 (PKR '000')
Profit and Loss		
Revenue (net of Ijarah assets depreciation)	190,691	197,204
Financial charges	112,431	120,237
Provisions (net of reversals/recoveries)	3,941	9,387
Operating expenses	23,667	22,080
Profit before management fee	50,652	45,500
Net profit	44,675	38,053

3. Review of Operations

During the period under review the Modaraba's net profit increased by 17.4% to Rs. 44.68 million as compared to Rs. 38.05 million during the corresponding period of last year. Increase in profit is mainly due to increase in disbursement by 23.79%, efficient management of financial charges and less provision during the half year ended December 31, 2010 as compared to corresponding period last year. The portfolio of Ijarah finance, Sukuk investment and Diminishing Musharika finances stood at Rs. 3,261 million compared to Rs. 3,150 million as at June 30, 2010, showing an increase of 3.52% within six months period.

The growth in the business is driven mainly by effective marketing approach with selective clientele operating in stable industrial segments leading to better returns. The asset portfolio has a good mix of multi-nationals, large and medium sized local corporate and selective SME relationships.

Standard Chartered Modaraba has a well diversified asset portfolio comprising of plant & machinery, motor vehicles and equipment. Moreover, Modaraba's sector wise exposure is closely monitored. During the period under review, Modaraba booked fresh disbursements to the tune of Rs. 851.44 million under various segments compared to Rs. 687.82 million during the corresponding period last year.

Your Modaraba, while remaining cautious and prudent during the prevailing economic slow down, is focused to take benefit of good opportunities that add value to all stake holders. Our prudent and proactive risk management approach has always helped us to maintain a leading position in the Modaraba sector. We will continue to place emphasis on customer service with focus on quality clients.

4. Credit Rating

The Pakistan Credit Rating Agency Limited (PACRA) has maintained the ratings of your Modaraba as AA+ (Double A plus) and A1+ (A one plus) for long-term and short-term respectively. These ratings indicate low expectation of credit risk and very strong capacity for timely payment of financial commitments.

5. The Board of Directors

The following change has taken place in the board of directors since the last Directors' report:

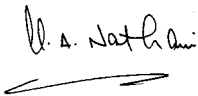
On account of his new assignment with Standard Chartered Group, Mr. Imran Ahad decided to step down and has resigned from the office of Director and member of Audit Committee of Standard Chartered Services of Pakistan (Private) Limited. Mr. Imran Sarwar has been appointed as Director and member of Audit Committee of Standard Chartered Services of Pakistan (Private) Limited in his place subject to due regulatory approval.

The Board places on record its appreciation for the valuable services rendered by Mr. Imran Ahad during his association with the company.

6. Acknowledgement

The Board appreciates the support of regulatory authorities, certificate-holders, customers and business partners and look forward to their support in future.

The Board also acknowledges the commendable efforts of the staff members of Standard Chartered Modaraba without which the Modaraba's success could not have been possible.



Mohsin Ali Nathani
Chairman
Karachi: February 22, 2011

Auditor's Review Report

For the half year ended December 31, 2010

Auditors' Report To The Certificate Holders On Review Of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of Standard Chartered Modaraba as of December 31, 2010 and the related condensed interim profit and loss account, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the accounts for the half year then ended (here-in-after referred to as the "condensed interim financial information"). The Modaraba Management Company (Standard Chartered Services of Pakistan (Private) Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim profit and loss account for the quarters ended December 31, 2009 and 2010 have not been reviewed as we are required to review only the cumulative figures for the half year ended December 31, 2010.

Scope of review

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

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information as of and for the half year ended December 31, 2010 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

A.F. Fergusons & Co.
Chartered Accountants
Engagement Partner: Rashid A. Jafer

Dated: February 22, 2011
Karachi

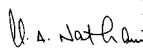
Condensed Interim Balance Sheet (unaudited)

As at December 31, 2010

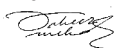
	Note	(Unaudited) December 31, 2010	(Audited) June 30, 2010
-----Rupees-----			
ASSETS			
Current assets			
Cash and bank balances	4	38,226,759	77,803,945
Loans and receivables	5	100,000,000	300,000,000
Ijarah rentals receivable	6	61,952,584	41,082,814
Advances, deposits, prepayments and other receivables		23,418,530	14,699,975
Current portion of investment in Sukuk certificates	7	8,258,932	4,687,503
Current portion of Diminishing Musharika	8	25,793,151	807,110
Current portion of net investment in Ijarah finance	9	384,063,824	675,009,453
Taxation recoverable		23,646,361	17,510,986
Total current assets		665,360,141	1,131,601,786
Non - current assets			
Loans and advances to employees		265,076	200,377
Long-term portion of investment in Sukuk certificates	7	31,975,443	37,890,622
Long-term portion of Diminishing Musharika	8	222,107,655	201,334,660
Long-term portion of net investment in Ijarah finance	9	213,388,498	280,376,512
Ijarah assets	10	2,375,742,104	1,950,383,580
Fixed assets in own use	11	3,451,597	3,277,513
Total non-current assets		2,846,930,373	2,473,463,264
TOTAL ASSETS		3,512,290,514	3,605,065,050
LIABILITIES AND EQUITY			
Current liabilities			
Musharika finance	12	2,665,258	9,472,819
Current maturity of security deposits		77,046,263	95,021,272
Creditors, accrued and other liabilities		126,955,102	132,517,060
Advance Ijarah rentals received		107,716,695	99,642,778
Current portion of redeemable capital		1,939,141,563	1,959,041,753
Unclaimed profit distribution		25,520,482	21,721,026
Total current liabilities		2,279,045,363	2,317,416,708
Non - current liabilities			
Long-term portion of security deposits		296,127,690	249,183,608
Long-term portion of redeemable capital		40,980,000	109,850,000
Total non - current liabilities		337,107,690	359,033,608
TOTAL LIABILITIES		2,616,153,053	2,676,450,316
CERTIFICATE HOLDERS' EQUITY			
Authorised certificate capital			
50,000,000 (June 30, 2010: 50,000,000) certificates of Rs 10 each		500,000,000	500,000,000
Certificate capital			
Issued, subscribed and paid-up certificate capital			
28,500,000 (June 30, 2010: 28,500,000) certificates of Rs. 10 each issued as fully paid in cash		285,000,000	285,000,000
16,883,530 (June 30, 2010: 16,883,530) certificates of Rs. 10 each issued as fully paid bonus certificates		168,835,300	168,835,300
		453,835,300	453,835,300
Reserves		397,224,302	388,289,356
Unappropriated profit		45,077,859	86,490,078
		896,137,461	928,614,734
TOTAL LIABILITIES AND EQUITY		3,512,290,514	3,605,065,050
CONTINGENCIES AND COMMITMENTS			
	13		

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

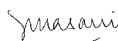
For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)



Mohsin Ali Nathani
Chairman



Syed Zaheer Mehdi
Chief Executive



Cyrus J. Masani
Director

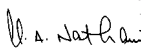
Condensed Interim Profit and Loss Account (unaudited)

For the half year and quarter ended December 31, 2010

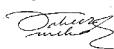
	Note	Half year ended December 31,		Quarter ended December 31,	
		2010	2009	2010	2009
		-----Rupees-----		-----Rupees-----	
Ijarah finance income		47,333,527	103,803,049	19,421,932	52,694,918
Ijarah rentals earned		439,627,810	286,005,859	234,688,230	156,886,908
Profit on Sukuk certificates		402,807	1,471,903	168,719	690,472
Income on Murabaha transactions		-	4,840,932	-	-
Income on Diminishing Musharika transactions		16,691,403	-	8,501,575	-
Income on deposits with bank		10,257,602	3,557,506	3,731,362	2,160,012
		<u>514,313,149</u>	<u>399,679,249</u>	<u>266,511,818</u>	<u>212,432,310</u>
Financial charges		(112,431,388)	(120,237,349)	(55,732,215)	(59,246,906)
Depreciation on assets under Ijarah arrangements		(327,228,734)	(206,028,898)	(173,278,713)	(113,273,176)
		<u>74,653,027</u>	<u>73,413,002</u>	<u>37,500,890</u>	<u>39,912,228</u>
(Provision) / reversal in respect of Ijarah finances - net		(3,940,540)	613,500	(1,982,890)	-
Provision in respect of Sukuk certificates		-	(10,000,000)	-	(9,000,000)
		<u>70,712,487</u>	<u>64,026,502</u>	<u>35,518,000</u>	<u>30,912,228</u>
Other income		3,606,143	3,553,457	1,839,888	2,228,194
Administrative and operating expenses		(23,667,011)	(22,079,598)	(12,763,475)	(12,350,023)
		<u>50,651,619</u>	<u>45,500,361</u>	<u>24,594,413</u>	<u>20,790,399</u>
Modaraba management company fee		(5,065,162)	(4,550,036)	(2,459,441)	(2,079,040)
Provision for workers' welfare fund		(911,729)	(2,896,987)	(442,699)	(2,896,987)
Profit before taxation		<u>44,674,728</u>	<u>38,053,338</u>	<u>21,692,273</u>	<u>15,814,372</u>
Taxation	14	-	-	-	-
Profit after taxation		<u>44,674,728</u>	<u>38,053,338</u>	<u>21,692,273</u>	<u>15,814,372</u>
Other comprehensive income for the period		-	-	-	-
Total comprehensive income for the period		<u>44,674,728</u>	<u>38,053,338</u>	<u>21,692,273</u>	<u>15,814,372</u>
Earnings per certificate		<u>0.98</u>	<u>0.84</u>	<u>0.48</u>	<u>0.35</u>

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

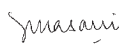
For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)



Mohsin Ali Nathani
Chairman



Syed Zaheer Mehdi
Chief Executive



Cyrus J. Masani
Director

December 2010

Condensed Interim Cash Flow Statement (unaudited)


For the half year ended December 31, 2010

Note	Half year ended December 31, 2010	Half year ended December 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES		
	-----Rupees-----	
Profit before taxation	44,674,728	38,053,338
Adjustment for non cash and other items:		
Depreciation on fixed assets in own use	525,916	489,509
Depreciation on fixed assets under Ijarah arrangements	327,228,734	206,028,898
Loss on disposal of fixed assets	-	71,326
Profit on disposal of assets under Ijarah arrangements	(569,805)	(26,682)
Provision / (reversal) in respect of Ijarah finances	3,940,540	(613,500)
Provision in respect of Sukuk certificates	-	10,000,000
Profit on Sukuk certificates	(402,807)	(1,471,903)
Income on deposits with bank	(10,257,602)	(3,557,506)
Profit on:		
- Redeemable capital	106,779,892	103,982,814
- Murabaha finance	-	10,728,915
- Musharika finances	338,973	2,354,291
	<u>427,583,841</u>	<u>327,986,162</u>
	472,258,569	366,039,500
(Increase) / decrease in assets		
Advances, deposits, prepayments and other receivables	(13,923,048)	37,645,569
Ijarah rentals receivable	(25,053,523)	(22,930,933)
Murabaha finance	-	4,486,686
Diminishing musharika	(45,759,036)	(4,063,047)
Purchase of assets under Ijarah arrangements	(801,443,775)	(725,950,939)
Proceeds from disposal of assets under Ijarah arrangements	49,426,322	11,576,981
Investment in Ijarah finance -net	358,176,856	408,198,841
Loans and advances to employees	(64,699)	69,146
	<u>(478,640,903)</u>	<u>(290,967,696)</u>
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities	9,925,361	5,333,404
Advance Ijarah rentals received	8,073,917	22,400,866
Deferred Murabaha income	-	(4,840,932)
Security deposits	28,969,073	(11,247,199)
	<u>46,968,351</u>	<u>11,646,139</u>
	40,586,017	86,717,943
Profit received / (paid) on:		
- Sukuk certificates	251,137	1,590,151
- Redeemable capital	(121,265,581)	(103,158,336)
- Murabaha finances	-	(8,667,616)
- Musharika finances	(1,340,603)	(13,368,320)
Taxes paid	(6,135,375)	(357,849)
	<u>(128,490,422)</u>	<u>(123,961,970)</u>
Net cash used in operating activities	(87,904,405)	(37,244,027)
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment in Sukuk certificates - net	2,343,750	3,125,000
Fixed capital expenditure	(700,000)	(618,140)
Proceeds from disposal of fixed assets	-	75,000
Income on deposits with bank	15,613,765	3,557,506
Net cash generated from investing activities	17,257,515	6,139,366
CASH FLOWS FROM FINANCING ACTIVITIES		
Redeemable capital less repayments	(88,770,190)	316,102,766
Murabaha finances less repayments	-	(30,000,000)
Profit paid to certificate holders	(73,352,545)	(70,464,012)
Net cash (used in) / generated from financing activities	(162,122,735)	215,638,754
(Decrease) / Increase in cash and cash equivalents	(232,769,625)	184,534,093
Cash and cash equivalents at the beginning of period	368,331,126	(189,773,033)
Cash and cash equivalents at end of the period	15 <u>135,561,501</u>	<u>(5,238,940)</u>

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

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


Mohsin Ali Nathani
Chairman


Syed Zaheer Mehdi
Chief Executive


Cyrus J. Masani
Director

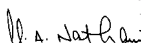
Condensed Interim Statement of Changes In Equity (unaudited)

For the half year ended December 31, 2010

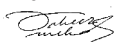
	Certificate capital	Reserves		Unappropriated profit	Total	
		Premium on modaraba certificates	Statutory reserve			Sub-Total
(Rupees)						
Balance as at June 30, 2009	453,835,300	55,384,700	316,928,724	372,313,424	97,469,175	923,617,899
Profit distribution for 2009 @ Rs. 1.65 per certificate	-	-	-	-	(74,882,825)	(74,882,825)
Total comprehensive income for the half year ended December 31, 2009	-	-	-	-	38,053,338	38,053,338
Transfer to statutory reserve	-	-	7,610,668	7,610,668	(7,610,668)	-
Balance as at December 31, 2009	<u>453,835,300</u>	<u>55,384,700</u>	<u>324,539,392</u>	<u>379,924,092</u>	<u>53,029,020</u>	<u>886,788,412</u>
Balance as at June 30, 2010	453,835,300	55,384,700	332,904,656	388,289,356	86,490,078	928,614,734
Profit distribution for 2010 @ Rs. 1.70 per certificate	-	-	-	-	(77,152,001)	(77,152,001)
Total comprehensive income for the half year ended December 31, 2010	-	-	-	-	44,674,728	44,674,728
Transfer to statutory reserve	-	-	8,934,946	8,934,946	(8,934,946)	-
Balance as at December 31, 2010	<u>453,835,300</u>	<u>55,384,700</u>	<u>341,839,602</u>	<u>397,224,302</u>	<u>45,077,859</u>	<u>896,137,461</u>

The annexed notes 1 to 20 form an integral part of these condensed interim financial statements.

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



Mohsin Ali Nathani
Chairman



Syed Zaheer Mehdi
Chief Executive



Cyrus J. Masani
Director

Notes to and forming part of the Condensed Interim Financial Statements (un-audited)

For the half year December 31, 2010

1. STATUS AND NATURE OF BUSINESS

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

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

- a) These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan as are notified under the Companies Ordinance, 1984, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by SECP differ with the requirements of IFRS or IFAS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 or the directives issued by SECP prevail.
- b) The Securities and Exchange Commission of Pakistan notified the Islamic Financial Accounting Standard 1 (IFAS-1) issued by the Institute of Chartered Accountants of Pakistan relating to accounting for Murabaha transaction undertaken by a bank / financial institution, effective for financial periods beginning on or after January 1, 2006. The standard had not been adopted by the Modaraba pending resolutions of certain issues, e.g. invoicing of goods, recording of inventories, etc. However, last year the Modaraba adopted IFAS-1 after obtaining certain clarifications in respect of the afore-mentioned issues from the Shariah advisor of the Modaraba Association of Pakistan.
- c) During the year ended June 30, 2008, Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan which was notified by the Securities and Exchange Commission of Pakistan vide an SRO 431(1)/ 2007 dated May 5, 2007 was adopted. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:
 - Muj`ir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.
 - Costs, including depreciation on the assets given on Ijarah, incurred in earning the Ijarah income shall be recognized as an expense.
 - Ijarah income shall be recognized in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

SECP, vide its letter No. SC/ M/ RW/ SCM /2009 dated March 9, 2009, allowed that in case of Modarabas, IFAS-2 shall be applied for Ijarah transactions executed on or after July 1, 2008.

Accordingly, the Modaraba has accounted for leasing transactions executed before July 01, 2008 as finance leases and has treated the leasing transactions executed on or after July 01, 2008 in accordance with the requirements of IFAS 2.

Notes to and forming part of the Condensed Interim Financial Statements (un-audited)

For the half year ended December 31, 2010

- 2.2 These condensed interim financial statements are un-audited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of International Accounting Standard 34, "Interim Financial Reporting". These do not include all the information and disclosures made in the annual published financial statements and therefore should be read in conjunction with the annual published financial statements of the Modaraba for the year ended June 30, 2010.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND METHODS OF COMPUTATION

The accounting policies and the methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual audited financial statements of the Modaraba for the year ended June 30, 2010.

- 3.1 Standards, interpretations and amendments to published approved accounting standards that are effective from January 1, 2010

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after January 1, 2010 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and are, therefore, not disclosed in these condensed interim financial statements.

- 3.2 Standards, interpretations and amendments to published approved accounting standards, that are not yet effective

The following revised standard has been published and is mandatory for accounting periods beginning on or after January 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Modaraba will apply the revised standard from July 1, 2011. The Modaraba is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are certain other new standards, amendments and interpretations that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or to have any significant effect on the Modaraba's operations and are therefore not detailed in these condensed interim financial statements.

	Note	(Unaudited) December 31, 2010	(Audited) June 30, 2010
4. CASH AND BANK BALANCES		----- (Rupees) -----	
With banks in current accounts		32,697	23,255
With bank in deposit account	4.1 & 4.2	38,174,062	77,774,166
Cash in hand		20,000	6,524
		<u>38,226,759</u>	<u>77,803,945</u>

- 4.1 The balance has been kept in order to comply with the requirement of guidelines issued by the Securities and Exchange Commission of Pakistan (SECP) for maintaining the prescribed liquidity against the Certificates of Musharika issued by the Modaraba.

- 4.2 This represents balance held with the Standard Chartered Bank (Pakistan) Limited (a related party). The deposit account carries expected profit at the rate of 6.29% (June 30, 2010: 6.25%).

	Note	(Unaudited) December 31, 2010	(Audited) June 30, 2010
5. LOANS AND RECEIVABLES		----- (Rupees) -----	
Term deposit receipts	5.1	<u>100,000,000</u>	<u>300,000,000</u>

- 5.1 Term Deposit Receipts as at December 31, 2010 carry profit at the rate of 12.60 % (June 30, 2010: 11.10%).

Notes to and forming part of the Condensed Interim Financial Statements (un-audited)

For the half year December 31, 2010

	(Unaudited) December 31, 2010	(Audited) June 30, 2010
----- (Rupees) -----		
6. IJARAH RENTALS RECEIVABLE		
Ijarah rentals receivable - considered good	68,786,701	41,082,814
Less: allowance for potential Ijarah losses	4,183,753	-
Less: profit held in suspense	2,650,364	-
	<u>61,952,584</u>	<u>41,082,814</u>
7. INVESTMENT IN SUKUK CERTIFICATES - Held to maturity		
Investment in Sukuk Certificates	65,234,375	67,578,125
Less: Provision in respect of Sukuk certificates	25,000,000	25,000,000
	<u>40,234,375</u>	<u>42,578,125</u>
Less : Current portion of investment in Sukuk Certificates	8,258,932	4,687,503
	<u>31,975,443</u>	<u>37,890,622</u>
8. DIMINISHING MUSHARIKA		
- Housing	24,463,306	27,141,770
- Others	223,437,500	175,000,000
	<u>247,900,806</u>	<u>202,141,770</u>
Less: current portion of Diminishing Musharika	25,793,151	807,110
	<u>222,107,655</u>	<u>201,334,660</u>
9. NET INVESTMENT IN IJARAH FINANCE		
Ijarah contracts commencing upto 30 June 2008 - accounted for as finance leases	597,452,322	955,385,965
Less: Current portion of net investment in Ijarah finance	384,063,824	675,009,453
	<u>213,388,498</u>	<u>280,376,512</u>

	December 31, 2010			June 30, 2010		
	Not later than one year	Later than one and less than five years	Total	Not later than one year	Later than one and less than five years	Total
----- (Rupees) -----						
Minimum Ijarah payments receivable	347,690,499	118,096,177	465,786,676	669,765,422	144,443,640	814,209,062
Add: Residual value	86,383,415	102,297,521	188,680,936	103,519,812	144,948,511	248,468,323
Gross investment in Ijarah Finance	434,073,914	220,393,698	654,467,612	773,285,234	289,392,151	1,062,677,385
Less: Unearned finance income	46,566,422	7,005,200	53,571,622	90,103,152	9,015,639	99,118,791
Allowance for potential Ijarah losses	3,438,528	-	3,438,528	3,681,741	-	3,681,741
Mark-up held in suspense	5,140	-	5,140	4,490,888	-	4,490,888
	<u>384,063,824</u>	<u>213,388,498</u>	<u>597,452,322</u>	<u>675,009,453</u>	<u>280,376,512</u>	<u>955,385,965</u>

9.1 Allowance for potential Ijarah losses

	December 31, 2010			June 30, 2010		
	Specific	General	Total	Specific	General	Total
----- Rupees -----						
Opening Balance	130,540	3,551,201	3,681,741	343,415	4,350,624	4,694,039
Charge for the period / year	-	-	-	-	-	-
Reversal during the period / year	-	(243,213)	(243,213)	(127,659)	(799,423)	(927,082)
Amount written off during the period / year	-	-	-	(85,216)	-	(85,216)
Closing Balance	<u>130,540</u>	<u>3,307,988</u>	<u>3,438,528</u>	<u>130,540</u>	<u>3,551,201</u>	<u>3,681,741</u>

Notes to and forming part of the Condensed Interim Financial Statements (un-audited)

For the half year ended December 31, 2010

	(Unaudited) December 31, 2010	(Audited) June 30, 2010
	----- (Rupees) -----	
10. IJARAH ASSETS		
Additions at cost during the period / year		
- Plant, machinery and equipments	462,336,480	546,030,109
- Motor vehicles	339,107,295	767,038,240
	<u>801,443,775</u>	<u>1,313,068,349</u>
Disposals at cost during the period / year		
- Plant, machinery and equipments	5,115,480	258,492,223
- Motor vehicles	63,650,682	57,047,406
	<u>68,766,162</u>	<u>315,539,629</u>
	(Unaudited) December 31, 2010	(Unaudited) December 31, 2009
	----- (Rupees) -----	
11. FIXED ASSETS IN OWN USE		
Additions at cost during the period		
- Computer Software / equipment	700,000	489,400
- Furniture and fittings	-	128,740
	<u>700,000</u>	<u>618,140</u>
Disposals at cost during the period		
- Computer Software / equipment	-	1,315,598
	<u>-</u>	<u>1,315,598</u>
	(Unaudited) December 31, 2010	(Audited) June 30, 2010
	----- (Rupees) -----	
12. MUSHARIKA FINANCE		
Musharika with:		
- an associated undertaking - secured	2,665,258	9,472,819

12.1 The total facility for musharika finance available from Standard Chartered Bank (Pakistan) Limited amounts to Rs. 500 million (June 30, 2010: Rs. 500 million). The estimated share of profit payable on this facility ranges from Re. 0.3638 to Re. 0.3802 (June 30, 2010: Re. 0.3660 to Re. 0.3907) per rupee one thousand per day. The facility is secured against hypothecation over the moveable leased out assets of the Modaraba.

13. CONTINGENCIES AND COMMITMENTS

An agreement was executed between Haleeb Foods and a consortium of financial institutions. As per terms of the agreement, Meezan Bank Limited had to provide Inland Usance L/C facility of PKR 213.6 Million to Haleeb Food Limited on behalf of all the participating institutions for procurement of packaging material from Tetra Pack. The Modaraba's assigned limit was Rs 12 million calculated on the basis of pro rata share. The Modaraba's outstanding balance of this facility was 11.97 Million as at December 31, 2010. The facility will expire in March 2011.

14. TAXATION

As per the Second Schedule to the Income Tax Ordinance, 2001, the income of a non-trading modaraba is exempt from income tax provided that it distributes at least 90% of its profits to its certificate holders for the year after making appropriation for statutory reserves. The Modaraba intends to avail this exemption by distributing 90% of its profits to its certificate holders after making appropriation for statutory reserves. Accordingly, no provision in respect of current and deferred tax has been made in these condensed interim financial statements.

Notes to and forming part of the Condensed Interim Financial Statements (un-audited)

For the half year December 31, 2010

15. CASH AND CASH EQUIVALENTS

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

	(Unaudited) December 31, 2010	(Unaudited) December 31, 2009
	----- (Rupees) -----	
Cash and bank balances	38,226,759	68,978,399
Loans and receivables	100,000,000	-
Musharika finance	(2,665,258)	(74,217,339)
	<u>135,561,501</u>	<u>(5,238,940)</u>

16. RELATED PARTIES TRANSACTIONS

The related parties of the Modaraba include Standard Chartered Bank (Pakistan) Limited, management company, staff retirement funds, directors and key management personnel. Transactions with related parties other than remuneration and benefits to key management personnel (which are employed by the management company) under the terms of their employment are as follows:

	Half year ended December 31,	
	2010	2009
	(Unaudited)	(Unaudited)
	----- (Rupees) -----	
Standard Chartered Bank (Pakistan) Limited		
Lease rentals received	-	4,242,566
Profit on Musharika finance	338,973	2,354,291
Profit on deposit account	10,257,602	3,557,506
Bank charges and commission	5,312,523	3,171,329
Charge for reimbursement of salaries and benefits	3,006,360	2,272,713
Charge for reimbursement of miscellaneous expenses	630,150	-
Staff retirement benefits funds		
Contribution to the staff provident fund	601,604	604,493
Contribution to the staff gratuity fund	499,816	503,553
Management Company		
Management fee	5,065,162	4,550,036
Other related party		
Reimbursement of salaries and benefits	1,289,055	757,788
Key Management Personnel remuneration		
Salaries and benefits	5,695,883	4,774,308
Contribution to the staff provident fund	186,568	174,000
Contribution to the staff gratuity fund	155,416	144,978
No. of persons	4	3

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.

17. SEGMENT INFORMATION

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

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

Notes to and forming part of the Condensed Interim Financial Statements (un-audited)

For the half year ended December 31, 2010

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

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

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

The Modaraba also has a diversified certificate holder population. As at December 31, 2010, there were only three (June 30, 2010: three) certificate holders who each held more than 10% of the Modaraba's certificate capital. Their holdings were 10%, 10% and 11.24% (June 30, 2010: 10%, 10% and 11.24%) respectively.

18. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, whenever necessary, for the purposes of appropriate presentation. No significant reclassifications were made during the current period.

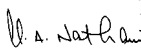
19. GENERAL

Figures have been rounded off to the nearest rupees.

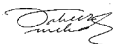
20. DATE OF AUTHORISATION

These financial statements were authorised for issue on February 22, 2011 by the Board of Directors of the Management Company.

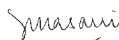
For Standard Chartered Services of Pakistan (Private) Limited
(Management Company)



Mohsin Ali Nathani
Chairman



Syed Zaheer Mehdi
Chief Executive



Cyrus J. Masani
Director

