

**Quarterly Report**  
September 30, 2009

Standard  
Chartered  
Modaraba



# Contents

- 02 MODARABA INFORMATION
- 03 DIRECTORS' REVIEW
- 05 BALANCE SHEET
- 06 PROFIT AND LOSS ACCOUNT
- 07 CASH FLOW STATEMENT
- 08 STATEMENT OF CHANGES IN EQUITY
- 09 NOTES TO THE FINANCIAL STATEMENTS

## Modaraba Information

### Director of Modaraba Company

Mr. Badar Kazmi  
Chairman

Syed Zaheer Mehdi  
Managing Director/Chief Executive

Mr. Cyrus J. Masani  
Director

Mr. Shariq Saleem  
Director

Mr. Imran Ahad  
Director

Mr. Tufail J. Ahmad  
Director

### Company Secretary

Mr. Muhammad Siddique

### Audit Committee

Mr. Cyrus J. Masani  
Chairman

Mr. Imran Ahad  
Member

Mr. Tufail J. Ahmad  
Member

### Auditors

AF 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  
P. O. Box 1004  
No. 1 Diplomatic Enclave  
Islamabad  
Phone: (051) 2088209

### 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](http://www.scmodaraba.com)

## Directors' Review

For the period ended September 30, 2009

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 three months ended September 30, 2009.

### 1. Economic Outlook

After a turbulent 2008, Pakistan's economy has seen a steady turnaround in 2009, and all major economic indicators are pointing to greater stability ahead. FX reserves strengthened to USD 14.8bn (4.7 months of import cover) in September 2009 from USD 6.5bn a year earlier, helping to support the Pakistani rupee (PKR). Headline inflation in September 2009 printed 10.1% y/y, the lowest level in 18 months. These developments have restored confidence in the economy, leading S&P to upgrade Pakistan's sovereign rating by one notch to B- from CCC+. Moody's has reaffirmed its B3 sovereign rating and changed the outlook to 'stable' from 'negative'. Pakistan's financial sector has weathered the storm. Financial soundness indicators through the end of June 2009 show that financial institutions remained profitable and well-capitalised.

However, despite greater stability and improved investor confidence, the growth outlook remains weak. The pickup in inflation has forced the central bank to delay plans to ease monetary policy. The central bank kept the policy rate on hold at 13% at its September 2009 meeting, following two consecutive rate cuts at the April 2009 and August 2009 meetings. High lending rates have discouraged private credit growth. In Q1-FY10 (July-September 2009), private credit contracted by 4.8% y/y. The ambitious government stimulus spending plan outlined in the FY10 budget is constrained by declining tax revenues, higher debt servicing costs, and delays in the removal of power subsidies. Evidence to date suggests that there has been significant slippage, forcing the government to borrow PKR 60bn from the central bank during Q1-FY10. This is fuelling inflation and crowding out private investment through high interest rates; at the same time, resource constraints are forcing the government to shelve its own investment spending. We expect GDP growth to remain weak at 2.5% y/y in FY10, vs. the government's 3.3% forecast.

### 2. Financial Highlights

Financial results are summarized as under:

	Three months ended September 30	
	2009	2008
	Rupees in thousand	
Net Investment in Ijarah Finance / Sukuk Certificates	3,238,256	2,932,606
Certificate Holders' Equity	870,874	922,395
Revenues	95,816	99,003
Operating Expenses	9,730	11,122
Financial Charges	60,990	54,454
Net Profit	22,239	30,063

### 3. Review of Operations

During the period under review the Modaraba's net profit reduced by 26.03% to Rs. 22.24 million as compared to Rs. 30.06 million during the corresponding period of last year mainly due to adoption of IFAS-2 "Ijarah" as disclosed in last Annual Accounts. If the Modaraba had continued to account for Ijarah contracts as finance leases its net profit would have been higher by 28.28% as compared to the corresponding period last year. The portfolio of lease and musharika investment stood at Rs. 3,238 million compared to Rs. 2,933 million for the corresponding period last year, showing an increase of 10.42%.

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 and exposure is not beyond 20% in any industrial segment. During the quarter under review, Modaraba

booked fresh disbursements to the tune of Rs. 355 million under various segments. Despite a sizeable business pipeline, your Modaraba adopted a cautious and selective approach given the prevalent market conditions and the anticipated slow down of the economy.

We will continue to place emphasis on customer service with focus on quality clients.

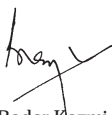
#### 4. Credit Rating

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. 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.



Badar Kazmi  
Chairman

October 26, 2009

Standard Chartered Modaraba  
Condensed Interim Balance Sheet (Unaudited)

As at September 30, 2009

	Note	Unaudited September 30, 2009 Rupees	Audited June 30, 2009 Rupees
<b>ASSETS</b>			
Current assets			
Cash and bank balances		56,143,716	42,741,602
Ijarah rentals receivable		32,268,332	18,870,752
Advances, deposits, prepayments and other receivables		2,896,611	39,881,274
Short-term Murabaha receivable		131,567,123	136,053,809
Current portion of diminishing Musharika		694,960	544,204
Current portion of investment in Sukuk Certificates	3	16,964,287	13,392,858
Current portion of net investment in Ijarah finance	4	732,174,553	762,896,707
Taxation recoverable		8,356,805	8,354,708
Total current assets		<u>981,066,387</u>	<u>1,022,735,914</u>
Loans and advances to executives			
Long-term portion of diminishing Musharika		212,995	274,419
Long-term portion of investment in Sukuk Certificates	3	22,668,176	18,574,983
Long-term portion of net investment in Ijarah finance/ assets under Ijarah arrangements	4	50,785,713	58,482,142
Fixed assets in own use		2,438,331,471	2,333,465,938
Total non-current assets		3,411,330	3,649,699
Total Assets		<u>2,515,409,685</u>	<u>2,414,447,181</u>
		<u>3,496,476,072</u>	<u>3,437,183,095</u>
<b>LIABILITIES AND EQUITY</b>			
Current liabilities			
Musharika finance	5	18,639,740	232,514,635
Murabaha finance		130,000,000	130,000,000
Current maturity of security deposits		67,526,311	69,754,049
Creditors, accrued and other liabilities		122,548,084	127,235,236
Advance Ijarah rentals received		67,699,526	57,219,026
Current portion of redeemable capital		1,697,137,497	1,411,261,852
Deferred Murabaha income		-	4,840,932
Profit distribution payable	6	94,817,959	19,970,920
Total current liabilities		2,198,369,117	2,052,796,650
Long-term portion of security deposits			
Long-term portion of redeemable capital		295,912,915	296,348,546
Total non-current liabilities		131,220,000	164,420,000
Total Liabilities		427,132,915	460,768,546
		<u>2,625,502,032</u>	<u>2,513,565,196</u>
<b>Certificate holders' equity</b>			
Certificate capital		453,835,300	453,835,300
Reserves		376,761,217	372,313,424
Unappropriated profit		40,377,523	97,469,175
Total Equity		870,974,040	923,617,899
Total Liabilities and Equity		<u>3,496,476,072</u>	<u>3,437,183,095</u>

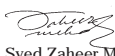
CONTINGENCIES AND COMMITMENTS

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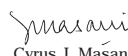
The annexed notes 1 to 11 form an integral part of these financial statements.



Badar Kazmi  
Chairman  
Standard Chartered Services  
of Pakistan (Private) Limited



Syed Zaheer Mehdi  
Chief Executive  
Standard Chartered Services  
of Pakistan (Private) Limited



Cyrus J. Masani  
Director  
Standard Chartered Services  
of Pakistan (Private) Limited

Standard Chartered Modaraba  
Condensed Interim Profit and Loss Account (Unaudited)  
For the three months period ended September 30, 2009

	Three months ended September 30, 2009 Rupees	Three months ended September 30, 2008 Rupees
Ijarah finance income	51,108,131	90,178,684
Ijarah rentals earned	129,118,951	-
Profit on Sukuk Certificates	781,431	2,911,282
Income on Murabaha transactions	4,840,932	4,195,595
Income on deposits with bank	1,397,494	69,960
	<u>187,246,939</u>	<u>97,355,521</u>
Financial charges	(60,990,443)	(54,453,888)
Depreciation on assets under Ijarah arrangements	(92,755,722)	-
	<u>33,500,774</u>	<u>42,901,633</u>
Reversal / (Provision) for doubtful Ijarah finances	613,500	(24,455)
Provision for doubtful Sukuk certificates	(1,000,000)	-
	<u>33,114,274</u>	<u>42,877,178</u>
Other income	1,325,263	1,647,791
Operating expenses	(9,729,575)	(11,121,826)
	<u>24,709,962</u>	<u>33,403,143</u>
Modaraba company's management fee	(2,470,996)	(3,340,314)
Profit for the period	<u>22,238,966</u>	<u>30,062,829</u>
Earnings per certificate	<u>0.49</u>	<u>0.66</u>

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Director  
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of Pakistan (Private) Limited

Standard Chartered Modaraba  
Condensed Interim Cash Flow Statement (Unaudited)  
For the three months period ended September 30, 2009

	Note	Three months ended September 30, 2009 Rupees	Three months ended September 30, 2008 Rupees
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit for the period		22,238,966	30,062,829
Adjustment for:			
Depreciation on fixed assets in own use		238,369	346,995
Depreciation on fixed assets under Ijarah arrangements		92,755,722	-
Profit on disposal of assets under Ijarah arrangements		497,221	-
(Reversal) / Provision for doubtful Ijarah finances		(613,500)	24,455
Provision for doubtful Sukuk certificates		1,000,000	-
Profit on Sukuk certificates		(781,431)	(2,911,282)
Income on deposits with bank		(1,397,494)	(69,960)
Profit on:			
- Redeemable capital		52,246,548	19,095,326
- Murabaha finance		5,290,005	-
- Musharika finances		1,886,344	35,355,422
		151,121,784	51,840,956
		173,360,750	81,903,785
(Increase) / decrease in operating assets			
Advances, deposits, prepayments and other receivables (excluding profit receivable on Sukuk certificates)		36,175,943	88,349,458
Ijarah rentals receivable		(13,397,580)	-
Murabaha finance		4,486,686	(132,963,924)
Diminishing musharika		(4,243,949)	68,284
Investment in Sukuk certificates		3,125,000	-
Investment in Ijarah finance -net		185,168,347	(90,135,577)
Purchase of assets under Ijarah arrangements		(355,281,549)	-
Proceeds from disposal of assets under Ijarah arrangements		3,330,380	-
Loans and advances to executives		61,424	(55,546)
		(140,575,298)	(134,737,305)
Increase / (decrease) in operating liabilities			
Creditors, accrued and other liabilities (excluding profit payable on redeemable capital, Murabaha finance and Musharika finances)		(7,725,956)	5,175,128
Advance Ijarah rentals received		10,480,500	-
Deferred Murabaha income		(4,840,932)	4,710,048
Security deposits		(2,663,370)	10,710,093
		(4,749,758)	20,595,269
		28,035,694	(32,238,251)
Profit received / (paid) on:			
- Sukuk certificates		1,590,151	1,547,158
- Redeemable capital		(44,039,626)	(20,438,692)
- Murabaha finances		(859,890)	-
- Musharika finances		(11,484,576)	(7,703,437)
Tax paid		(2,097)	-
		(54,796,038)	(26,594,971)
Net cash flows from operating activities		(26,760,344)	(58,833,222)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Fixed capital expenditure		-	(169,295)
Income on deposits with bank		1,397,494	69,960
Net cash flows from investing activities		1,397,494	(99,335)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Redeemable capital less repayments		252,675,645	(22,789,743)
Profit paid to certificate holders		(35,786)	(62,857)
Net cash flows from financing activities		252,639,859	(22,852,600)
Increase / (decrease) in cash and cash equivalents		227,277,009	(81,785,157)
Cash and cash equivalents at beginning of period		(189,773,033)	(973,021,280)
Cash and cash equivalents at end period	10	37,503,976	(1,054,806,437)

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Standard Chartered Modaraba  
Condensed Interim Statement of Changes in Equity (Unaudited)  
For the three months period ended September 30, 2009

	Certificate capital	Premium on modaraba certificates	Statutory reserve	Unappropriated profit	Total
	-----Rupees-----				
Balance as at June 30, 2008	453,835,300	55,384,700	296,148,913	86,963,580	892,332,493
Profit for the quarter ended September 30, 2008	-	-	-	30,062,829	30,062,829
Transfer to statutory reserve	-	-	6,012,566	(6,012,566)	-
Balance as at September 30, 2008	<u>453,835,300</u>	<u>55,384,700</u>	<u>302,161,479</u>	<u>111,013,843</u>	<u>922,395,322</u>
Balance as at June 30, 2009	453,835,300	55,384,700	316,928,724	97,469,175	923,617,899
Profit distribution for 2009 @ Rs. 1.65 per certificate	-	-	-	(74,882,825)	(74,882,825)
Profit for the quarter ended September 30, 2009	-	-	-	22,238,966	22,238,966
Transfer to statutory reserve	-	-	4,447,793	(4,447,793)	-
Balance as at September 30, 2009	<u>453,835,300</u>	<u>55,384,700</u>	<u>321,376,517</u>	<u>40,377,523</u>	<u>870,974,040</u>

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Standard Chartered Modaraba  
Notes to the Condensed Interim Financial Statements (Unaudited)

For the three months period ended September 30, 2009

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 there under 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

These financial statements are presented in a condensed form in accordance with the requirements of Approved Accounting Standard as applicable in Pakistan for Interim Financial Reporting. They do not include all of the information required for full annual financial statements and should be read in conjunction with the financial statements of the Modaraba as at and for the year ended June 30, 2009.

The accounting policies adopted for preparation of these financial statements are consistent with those applied for the preparation of preceding audited published accounts.

International Accounting Standard 1 (Revised) 'Presentation of Financial Statements' and IFRS 8 'Operating Segments' became effective for financial periods beginning on or after January 1, 2009. The application of these standards required certain increased disclosures including the Statement of other comprehensive income. Since there is no transaction required to be reported in statement of comprehensive income, consequently, Statement of Comprehensive Income was not presented in the financial statement. Further Modaraba's operations are limited to one segment only, the application of IFRS 8 'Operating Segments' will not have any effect on the Modaraba's financial statements.

3. INVESTMENT IN SUKUK CERTIFICATES - Held to maturity

	September 30, 2009 Rupees	June 30, 2009 Rupees
Investment in Sukuk Certificates	68,750,000	71,875,000
Less : Provision for doubtful Sukuk Certificates	<u>1,000,000</u>	<u>-</u>
	67,750,000	71,875,000
Less : Current portion of investment in Sukuk Certificates	<u>16,964,287</u>	<u>13,392,858</u>
	<u>50,785,713</u>	<u>58,482,142</u>

Name of Company	Rating	Rate	Term	Repayment pattern	Amount
Security Leasing Corporation Limited 5,000 certificates of Rs 5,000 each (June 2009: 5000)	A-	14.6%	5 years	8 equal semi-annual installments commencing from the 18th month from the date of disbursement	18,750,000
Security: First charge over specific leased assets and associated lease receivables with 25% security margin.					
Shahraj Fabrics (Private) Limited 10,000 certificates of Rs 5,000 each (June 2009: 10,000)	Non rated	14.93%	5 years	14 Equal quarterly installment beginning from 21st month from the date of disbursement	50,000,000

Security: First pari passu charge over all present and future plant and machinery of the Company, equivalent to the Facility amount with a 25% margin.

Standard Chartered Modaraba  
Notes to the Condensed Interim Financial Statements (Unaudited)

For the three months period ended September 30, 2009

4 IJARAH FINANCE	September 30, 2009 Rupees	June 30, 2009 Rupees
Ijarah contracts commencing upto 30 June 2008- accounted for as finance leases	1,544,940,897	1,729,495,744
Ijarah contracts commencing 1 July 2008- accounted for under IFAS 2	1,625,565,127	1,366,866,901
	<u>3,170,506,024</u>	<u>3,096,362,645</u>
Less: Current portion of net investment in Ijarah finance	732,174,553	762,896,707
	<u>2,438,331,471</u>	<u>2,333,465,938</u>

4.1 Net Investment in Ijarah Finance

	September 30, 2009			June 30, 2009		
	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					
Instalment contract receivables	811,907,158	656,360,781	1,468,267,939	864,727,156	828,599,478	1,693,326,634
Add: Residual value	94,526,355	241,460,729	335,987,084	102,020,961	258,594,952	360,615,913
	<u>906,433,513</u>	<u>897,821,510</u>	<u>1,804,255,023</u>	<u>966,748,117</u>	<u>1,087,194,430</u>	<u>2,053,942,547</u>
Less: Unearned finance income	166,296,219	85,055,166	251,351,385	196,117,285	120,595,393	316,712,678
Allowance for potential Ijarah losses 4.4	4,080,539	-	4,080,539	4,694,039	-	4,694,039
Mark-up held in Suspense 4.5	3,882,202	-	3,882,202	3,040,086	-	3,040,086
	<u>732,174,553</u>	<u>812,766,344</u>	<u>1,544,940,897</u>	<u>762,896,707</u>	<u>966,599,037</u>	<u>1,729,495,744</u>

4.2 Assets under Ijarah arrangements

The following is a statement of assets leased out:

	COST			ACCUMULATED DEPRECIATION			Net book value as at September 30, 2009	Depreciation rate % per annum
	As at July 1, 2009	Additions/ (deletions)	As at September 30, 2009	As at July 1, 2009	Charge for the period (accumulated depreciation on deletions)	As at September 30, 2009		
	Rupees							
Tangible								
Plant, Machinery and Equipments	930,011,298	134,062,000	1,064,073,298	77,426,634	52,831,105	130,257,739	933,815,559	20 and 33.33
Motor vehicles	566,587,386	221,219,549	783,226,835	52,305,149	39,924,617	91,477,267	691,749,568	20 and 33.33
	(4,580,100)	-	-	(752,499)	-	-	-	
	<u>1,496,598,684</u>	<u>355,281,549</u>	<u>1,847,300,133</u>	<u>129,731,783</u>	<u>92,755,722</u>	<u>221,735,006</u>	<u>1,625,565,127</u>	
	-	(4,580,100)	-	-	(752,499)	-	-	
	As at July 1, 2008	Additions/ (deletions)	As at June 30, 2009	As at July 1, 2008	Charge for the year/ (accumulated depreciation on deletions)	As at June 30, 2009	Net book value as at June 30, 2009	Depreciation rate % per annum
Tangible	Rupees							
Plant, Machinery and Equipments	-	930,636,218	930,011,298	-	77,478,312	77,426,634	852,584,664	20 and 33.33
		(624,920)			(51,678)			
Motor vehicles	-	575,760,456	566,587,386	-	53,129,902	52,305,149	514,282,237	20 and 33.33
		(9,173,070)			(824,753)			
	-	1,506,396,674	1,496,598,684	-	130,608,214	129,731,783	1,366,866,901	
		(9,797,990)			(876,431)			

4.3 There are no Ijarah contracts receivable over five years. The Modaraba's implicit rate of return on Ijarah Finance ranges from 6.85% to 21.83% per annum (June 2009: 6.4% to 20.65% per annum)

4.4 Allowance for potential Ijarah losses

	September 30, 2009 Rupees	June 30, 2009 Rupees
Balance at beginning of the period/ year	4,694,039	2,122,551
Specific provision during the period/ year	(119,259)	(94,206)
General provision / (reversal of provision) during the period/ year	(494,241)	2,665,694
	<u>(613,500)</u>	<u>2,571,488</u>
	<u>4,080,539</u>	<u>4,694,039</u>
Specific provision	224,156	343,415
General provision	3,856,383	4,350,624
	<u>4,080,539</u>	<u>4,694,039</u>

4.5 Mark-up held in suspense

	September 30, 2009 Rupees	June 30, 2009 Rupees
Balance at beginning of the period/ year	3,040,086	3,576
Income suspended during the period/ year	842,116	3,036,510
	<u>3,882,202</u>	<u>3,040,086</u>

4.6 Contractual rentals receivable- Ijarah contracts commencing July 1, 2008

	September 30, 2009			June 30, 2009			
	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	Later than five years	Total
	Rupees						
Rentals receivable	560,069,576	1,442,088,380	2,002,157,956	453,600,176	1,280,727,944	62,904	1,734,391,024
Residual value	586,049	204,996,122	205,582,171	-	147,837,492	-	147,837,492
Total future Ijarah payments receivable	<u>560,655,625</u>	<u>1,647,084,502</u>	<u>2,207,740,127</u>	<u>453,600,176</u>	<u>1,428,565,436</u>	<u>62,904</u>	<u>1,882,228,516</u>

Standard Chartered Modaraba  
Notes to the Condensed Interim Financial Statements (Unaudited)

For the three months period ended September 30, 2009

	September 30, 2009 Rupees	June 30, 2009 Rupees
<b>5. MUSHARIKA FINANCE</b>		
Musharika with :		
- an associated undertaking - secured	<u>18,639,740</u>	<u>232,514,635</u>

The total facility for musharika finance available from Standard Chartered Bank (Pakistan) Limited amounts to Rs. 1,200 million (June 2009: Rs. 1,200 million). The estimated share of profit payable on this facility is Rs. 0.3907 (June 2009: ranges from Rs.0.3918 to Rs. 0.4849) per rupee one thousand per day. The facility is secured against hypothecation over the moveable leased out assets of the Modaraba.

**6. PROFIT DISTRIBUTION PAYABLE**

Unclaimed profit distribution	19,935,134	19,970,920
Profit distribution for year ended June 30, 2009	<u>74,882,825</u>	-
	<u>94,817,959</u>	<u>19,970,920</u>

**7. CONTINGENCIES AND COMMITMENTS**

7.1 During the year 2000-2001, the Sales Tax Department had issued a show cause notice to the Modaraba in which it was alleged that during July 1997 to June 2000, the Modaraba had received a total amount of Rs. 364,882,919 on which sales tax was due. However, no specific amount in respect of the alleged sales tax liability was mentioned in the show cause notice. By an order dated January 29, 2002, the Collector, Collectorate of Customs, Sales Tax and Central Excise decided the case against the Modaraba to the extent that the liabilities towards sales tax should be determined on the basis of amount received after June 16, 1998. The department has not determined the liability under this order and no demand notice has been issued so far. An appeal against this order was filed before the Appellate Tribunal (AT) and after hearing the case AT was pleased to allow the appeal and set aside the order passed against the Modaraba. In view of the decision of the Tribunal in favor of the Modaraba, no provision has, therefore, been made in these financial statements.

7.2 The Finance Act 2008 made certain changes to Workers' Welfare Fund Ordinance, 1971. Through these amendments Workers' Welfare Fund (WWF) is payable @ 2% on the higher of the profit before taxation as per the financial statements or return of income. The management considers that since its income is exempt from tax as explained in note 8, it is not liable to pay WWF. Accordingly no provision has been made in these financial statements for WWF.

**8. TAXATION**

The income of the Modaraba (not being income from trading activity) is exempt from tax, provided that not less than 90% of its profits are distributed to the certificate holders. The Modaraba intends to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liability for the three months period ended September 30, 2009.

Standard Chartered Modaraba  
Notes to the Condensed Interim Financial Statements (Unaudited)  
For the three months period ended September 30, 2009

9. RELATED PARTIES TRANSACTIONS

The related parties of the Modaraba comprise of holding company, management company, fellow subsidiary, 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:

	Three months ended September 30, 2009 Rupees	Three months ended September 30, 2008 Rupees
<b>Holding company</b>		
Lease rentals received	2,056,423	2,102,864
Profit on Musharika finance	1,886,344	35,355,422
Profit on deposit account	1,397,494	69,960
Bank charges and commission	1,567,546	3,140
Charge for reimbursement of salaries and benefits	991,181	1,337,283
<b>Staff retirement benefits funds</b>		
Contribution to the Staff Provident Fund	273,597	253,222
Contribution to the Staff Gratuity Fund	227,910	207,924
<b>Management company</b>		
Management fee	2,470,996	3,340,314
<b>Other related party</b>		
Reimbursement of portion salaries and benefits	378,894	-
<b>Key management personnel remuneration</b>		
Salaries and benefits	950,142	1,825,824
Contribution to the Staff Provident Fund	51,999	78,159
Contribution to the Staff Gratuity Fund	43,317	68,304

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 an arm's length basis. The balances with related parties have been disclosed in the respective note.

10. CASH AND CASH EQUIVALENTS

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

	September 30, 2009	September 30, 2008
Cash and bank balances	56,143,716	15,030,162
Musharika Finance	(18,639,740)	(1,069,836,599)
	<u>37,503,976</u>	<u>(1,054,806,437)</u>

11. DATE OF AUTHORISATION

These financial statements were authorised for issue by the Board of Directors of the Management Company in their meeting held on October 26, 2009.



Badar Kazmi  
Chairman  
Standard Chartered Services  
of Pakistan (Private) Limited



Syed Zaheer Mehdi  
Chief Executive  
Standard Chartered Services  
of Pakistan (Private) Limited



Cyrus J. Masani  
Director  
Standard Chartered Services  
of Pakistan (Private) Limited