

Half Yearly Report

December 31, 2006

Standard
Chartered
Modaraba



Half Yearly Report

December 31, 2006 [Unaudited]

Contents

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

Modaraba Information

Directors of Modaraba Company	Mr. Badar Kazmi Chairman Mr. Arjumand A. Minai Managing Director/Chief Executive Mr. Cyrus J. Masani Director Mr. Muhammad Afaq Khan Director Mr. Imran Ahad Director Mr. Arslan Nayeem Director
Company Secretary	Mr. Asif Iqbal Alam
Audit Committee	Mr. Cyrus J. Masani Chairman Mr. Imran Ahad Member Mr. Arslan Nayeem Member
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants
Bankers / Lending Institutions	Standard Chartered Bank (Pakistan) Ltd. MCB Bank Limited
Legal Advisors	Fazle Ghani Khan & Co. Mohsin Tayebali & 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: 2450000
Branch Offices	Standard Chartered Bank Building P. O. Box 6131, Tufail Road Lahore Cantt. Phone: (042) 6066277-80 Standard Chartered Bank Building P. O. Box 1004 No. 1 Diplomatic Enclave Islamabad Phone: (051) 2088209
Registrars and Share Registration Office	Ferguson Associates (Pvt.) Ltd. P. O. Box 4716 State Life Building 1-A Off. I. I. Chundrigar Road Karachi-74000
Web Address	scmodaraba.com

Directors' Review

For the period ended December 31, 2006

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 ended December 31, 2006.

1. Financial Highlights

Financial results are summarized as under:

	Six months ended December 31, 2006 Rupees in thousand	Six months ended December 31, 2005 Rupees in thousand
Net Investment in Ijarah Finance / Musharika Investment	2,247,494	2,283,647
Certificate Holders' Equity	813,686	787,929
Revenues	127,144	125,570
Operating Expenses	18,921	16,655
Financial Charges	73,079	75,196
Net profit	36,015	32,476

2. Review of Operations

During the period under review the portfolio of lease and musharika investment has decreased by 9%. Despite this decrease in portfolio, gross revenue of the Modaraba increased by about 3% to Rs. 127.14 million due to higher yield on the lease and musharika assets as compared to corresponding period last year. The borrowing cost also decreased by 3% to Rs. 73.08 million. These have resulted in overall increase in profits of 10.9% amounting to Rs. 36 million.

3. Economic Outlook and Future Prospects

During the six months of the current fiscal year, State Bank of Pakistan(SBP) has increased the daily minimum cash reserve requirement of time and demand liabilities to 2% and 6% from 1% and 4%. This measure is expected to enhance the efficiency in money market management and reduce the volatility in KIBOR rates.

Your Modaraba is cautiously looking at the impact of new SBP requirements on the growth of the Modaraba. However, Modaraba will continue to focus on its core strength with enhanced service quality and on quality of assets. Efforts to expand the product range are under way and we constantly explore the new business opportunities.

4. Acknowledgement

The Board appreciates the support of regulatory authorities, certificate-holders, customers and business partners and looks forward to the continuation of 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

February 20, 2007

Auditors' Review Report

For the six months period ended December 31, 2006

We have reviewed the annexed condensed interim balance sheet of Standard Chartered Modaraba as at December 31, 2006 and the related condensed interim profit and loss account, condensed interim cash flow statement and condensed interim statement of changes in equity together with the notes forming part thereof (here-in-after referred to as "the financial statements") for the six months period then ended. These financial statements are the responsibility of the Modaraba Company's [Standard Chartered Services of Pakistan (Private) Limited] management. Our responsibility is to issue a report on these financial statements based on our review.

We conducted our review in accordance with International Standard on Review Engagements 2400. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the financial statements are free of material misstatement. A review is limited primarily to inquiries of the Modaraba Company's personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the annexed financial statements are not presented fairly, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

The figures for the quarter ended December 31, 2006 in the condensed interim profit and loss account have not been reviewed and we do not express an opinion on them.



KPMG Taseer Hadi & Co.

Chartered Accountants

Karachi

February 20, 2007


Condensed Interim Balance Sheet

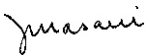
As at December 31, 2006

	Unaudited December 31, 2006 Rupees	Audited June 30, 2006 Rupees
ASSETS		
Current Assets		
Cash and bank balances	118,403,130	62,611,485
Advances, deposits, prepayments and other receivables	4,971,581	7,266,813
Consumer Morabaha finance	33,381	50,864
Current portion of diminishing Musharika	373,292	386,673
Current portion of Musharika arrangement	100,000,000	200,000,000
Current portion of Net Investment in Ijarah finance (Note 3)	1,029,607,962	922,348,604
Taxation recoverable	8,126,073	8,126,073
Total Current Assets	1,261,515,419	1,200,790,512
Non-Current Assets		
Loans and advances to executives	50,664	16,885
Long-term portion of diminishing Musharika	12,655,736	10,722,429
Long-term portion of Net Investment in Ijarah finance (note 3)	1,116,732,104	1,340,352,594
Fixed Assets (note 4)	5,213,483	5,783,533
Total Non-Current Assets	1,134,651,987	1,356,875,441
Total Assets	2,396,167,406	2,557,665,953
LIABILITIES		
Current Liabilities		
Musharika finance (note 5)	523,450,979	477,365,344
Current maturity of Morabaha finance	100,000,000	100,000,000
Current maturity of security deposits	53,519,444	35,553,543
Creditors, accrued and other liabilities	34,559,351	48,079,216
Current portion of redeemable capital	506,293,303	610,131,978
Unclaimed profit distribution	19,861,431	17,032,164
Total Current liabilities	1,237,684,508	1,288,162,245
Non-Current Liabilities		
Long-term portion of Morabaha finance	-	100,000,000
Long-term portion of security deposits	129,496,656	150,209,067
Redeemable capital and accrued profit thereon	215,300,000	202,330,000
Total Non-Current Liabilities	344,796,656	452,539,067
Total Liabilities	1,582,481,164	1,740,701,312
Certificate-holders' equity		
Certificate capital	432,224,100	392,931,000
Reserves	344,495,900	376,539,000
Unappropriated profit	36,966,242	47,494,641
	813,686,242	816,964,641
Contingencies and Commitments (note 6)		
	2,396,167,406	2,557,665,953

The annexed notes 1 to 9 form an integral part of these financial statements.


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


Arjumand A. Minai
 Chief Executive
 Standard Chartered Services
 of Pakistan (Private) Limited


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

Condensed Interim Profit and Loss Account (unaudited)

For the six months period ended December 31, 2006

	Three Months ended December 31,2006 Rupees	Three Months ended December 31,2005 Rupees	Six Months ended December 31,2006 Rupees	Six Months ended December 31,2005 Rupees
Ijarah finance income	56,015,474	50,895,618	109,203,557	104,296,139
Profit on Musharika arrangement	8,088,916	9,680,501	17,664,536	19,256,123
Income on Morabaha finance	1,527	4,272	3,745	7,875
Income on deposits with bank	170,378	136,350	271,721	137,906
	64,276,295	60,716,741	127,143,559	123,698,043
Financial charges	35,887,769	38,783,461	73,078,740	75,196,157
	28,388,526	21,933,280	54,064,819	48,501,886
Reversals of impairment loss	83,325	2,365,239	83,325	2,365,239
	28,471,851	24,298,519	54,148,144	50,867,125
Gain / loss on disposal of fixed assets	-	-	(115,588)	-
Other income	3,115,872	1,810,825	4,904,732	1,872,057
Operating expenses	(9,532,045)	(8,963,136)	(18,920,953)	(16,654,871)
	22,055,678	17,146,208	40,016,335	36,084,311
Modaraba company's management fee	2,205,568	1,714,621	4,001,634	3,608,431
Profit for the period	19,850,110	15,431,587	36,014,701	32,475,880
Earnings per certificate	0.46	0.36	0.83	0.75

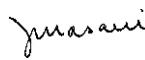
The annexed notes 1 to 9 form an integral part of these financial statements.



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



Arjumand A. Minai
Chief Executive
Standard Chartered Services
of Pakistan (Private) Limited



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

Condensed Interim Statement of Changes in Equity

For the six months period ended December 31, 2006 (Unaudited)

	Certificate capital Rupees	CAPITAL RESERVES			Total Rupees
		Premium on modaraba certificates Rupees	Statutory Rupees	Unappropriated profit Rupees	
Balance as at June 30, 2005	374,220,000	135,000,000	242,250,000	78,826,674	830,296,674
Issue of bonus certificate @ 5%	18,711,000	(18,711,000)	-	-	-
Profit distribution for 2005 @ Rs. 2 per certificate	-	-	-	(74,844,000)	(74,844,000)
Profit for the period July 1, 2005 to December 31, 2005	-	-	-	32,475,880	32,475,880
Balance as at December 31, 2005	392,931,000	116,289,000	242,250,000	36,458,554	787,928,554
Profit for the period January 1, 2006 to June 30, 2006	-	-	-	29,036,087	29,036,087
Transfer to statutory reserve	-	-	18,000,000	(18,000,000)	-
Balance as at June 30, 2006	392,931,000	116,289,000	260,250,000	47,494,641	816,964,641
Issue of bonus certificate @ 10%	39,293,100	(39,293,100)	-	-	-
Profit distribution for 2006 @ Re. 1 per certificate	-	-	-	(39,293,100)	(39,293,100)
Profit for the period July 1, 2006 to December 31, 2006	-	-	-	36,014,701	36,014,701
Transfer to statutory reserve	-	-	7,250,000	(7,250,000)	-
Balance as at December 31, 2006	432,224,100	76,995,900	267,500,000	36,966,242	813,686,242

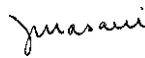
The annexed notes 1 to 9 form an integral part of these financial statements.



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



Arjumand A. Minai
Chief Executive
Standard Chartered Services
of Pakistan (Private) Limited



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

Condensed Interim Cash Flow Statement (unaudited)

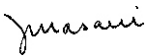
For the six months period ended December 31, 2006

	December 31, 2006 Rupees	December 31, 2005 Rupees
Cash Flow from Operating Activities		
Profit for the period	36,014,701	32,475,880
Adjustment for:		
Depreciation / Amortisation	668,593	1,361,103
Loss on disposal of assets in own use	115,588	-
Reversal of impairment loss	(83,325)	(2,365,239)
Profit on Musharika arrangements	(17,664,536)	(19,256,123)
Income on deposit with bank	(271,721)	(137,906)
Profit on:		
- redeemable capital	15,717,455	13,654,027
- musharika finances	18,739,848	23,736,261
- morabaha finances	7,043,159	8,522,832
	24,265,061	25,514,955
	60,279,762	57,990,835
(Increase) / decrease in current assets		
Receivables from terminated / matured contracts	-	22,700,000
Advances, deposits, prepayments, and other receivables	808,522	(3,439,965)
	808,522	19,260,035
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities (excluding profit payable on redeemable capital, morabaha and musharika finances)	(14,529,363)	(13,977,510)
	46,558,921	63,273,360
Increase / (decrease) in:		
Investment in Ijarah finance -net	116,444,457	166,592,797
Musharika arrangements less repayments	100,000,000	-
Profit received on Musharika arrangements	19,151,245	19,151,244
Loans and advances to executives	(33,779)	53,705
Consumer Morabaha finance	17,483	13,353
Diminishing Musharika	(1,919,926)	(3,940,261)
Security deposits	(2,746,510)	(5,652,730)
Profit paid on:	230,912,970	176,218,108
- redeemable capital	(12,724,837)	(10,661,549)
- morabaha finances	(9,480,621)	(5,999,343)
- musharika finances	(18,285,506)	(19,969,974)
Tax refund received	-	18,854,397
	(40,490,964)	(17,776,469)
Net cash flows from operating activities	236,980,927	221,714,999
Cash Flow from Investing Activities		
Fixed capital expenditure	(220,630)	(593,120)
Proceeds on disposal of assets in own use	6,500	-
Income on deposits with bank	271,721	137,906
Net cash inflows from investing activities	57,591	(455,214)
Cash Flow from Financing Activities		
Redeemable capital less repayments	(90,868,675)	146,597,318
Morabaha finances less repayments	(100,000,000)	(100,000,000)
Musharika finances less repayments	46,085,635	(190,355,906)
Profits paid to certificate holders	(36,463,833)	(71,787,553)
Net cash (outflow) from financing activities	(181,246,873)	(215,546,141)
Net increase / (decrease) in cash and bank balances	55,791,645	5,713,644
Cash and bank balances at July 1, 2006	62,611,485	13,485,555
Cash and bank balances at December 31, 2006	118,403,130	19,199,199

The annexed notes 1 to 9 form an integral part of these financial statements.


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


Arjumand A Minai
 Chief Executive
 Standard Chartered Services
 of Pakistan (Private) Limited


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

Notes to the Condensed Interim Financial Statements

For the six months period ended December 31, 2006 (Unaudited)

1. Legal 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 vehicle (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 International Accounting Standard 34, Interim Financial Reporting.

During 2005, the Securities and Exchange Commission of Pakistan notified the Islamic Financial Accounting Standard 1 issued by the Institute of Chartered Accountants of Pakistan relating to accounting for Murabaha transactions undertaken by a bank / financial institution, effective for financial periods beginning on or after January 1 2006. The standard has not been adopted by the Modaraba pending resolution of certain issues, e.g., invoicing of goods, recording of inventories, concurrent application with other approved accounting standards in place for conventional banks, etc.

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

3. Net Investment in Ijarah Finance

	Unaudited			Audited		
	December 31, 2006			June 30, 2006		
	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
Instalment contract receivables	1,008,955,622	1,093,107,550	2,102,063,172	1,056,408,251	1,158,269,170	2,214,677,421
Add: Residual value	170,533,902	184,757,280	355,291,182	37,607,328	331,726,403	369,333,731
	1,179,489,524	1,277,864,830	2,457,354,354	1,094,015,579	1,489,995,573	2,584,011,152
Less: Unearned finance income	(148,728,064)	(161,132,726)	(309,860,790)	(170,430,152)	(149,642,979)	(320,073,131)
Allowance for potential Ijarah losses	(1,153,498)	-	(1,153,498)	(1,236,823)	-	(1,236,823)
	1,029,607,962	1,116,732,104	2,146,340,066	922,348,604	1,340,352,594	2,262,701,198

4. Assets in Own Use

	Six months ended December 31, 2006 Rupees	Three months ended December 31, 2006 Rupees
Additions during the period		
Office equipment, appliances	220,630	220,630
Disposals during the period		
Office equipment, appliances	523,233	-

5. Musharika Finance

	December 31, 2006 Rupees	June 30, 2006 Rupees
With an associated undertaking	523,450,979	477,365,344

5.1 The total facility for musharika available from Standard Chartered Bank (Pakistan) Ltd. amounts to Rs. 800 million (June 30, 2006: 800 million). The estimated share of profit payable on this facility ranges from Re. 0.2671 to Re. 0.2947 (June 30, 2006: Re. 0.2468 to Re. 0.2504) per rupees one thousand per day.

6. Contingencies and Commitments

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 and the Tribunal after hearing the case was pleased to allow the appeal and set aside the order passed against the Modaraba. In view of the decision of the Tribunal in favour of the Modaraba, no provision has, therefore, been made in these financial statements.

7. 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 six months period ended December 31, 2006.

8. Related parties transactions

The related parties of the Modaraba comprise of holding company, management company, staff retirement funds, directors and key management personnel. Transactions with related parties are as follows:

	Three months ended December 31, 2006 Rupees	Three months ended December 31, 2005 Rupees	Six months ended December 31, 2006 Rupees	Six months ended December 31, 2005 Rupees
Holding Company				
Lease rentals received	2,528,099	8,550,102	11,021,035	17,100,204
Profit on Musharika finance	9,735,400	11,759,926	18,739,848	23,736,261
Profit on deposit account	170,378	134,794	271,721	136,350
Bank charges and commission	31,088	53,157	32,184	54,888
Charge for reimbursement of actual salaries and benefits	2,116,968	2,297,568	3,891,275	3,197,787
Management fee	2,205,568	1,714,621	4,001,634	3,608,431
Retirement benefit funds				
Contribution to the staff Provident Fund	208,593	195,416	389,016	422,310
Contribution to the staff Gratuity Fund	168,535	159,504	317,695	195,494
Key Management Personnel remuneration				
Salaries and benefits	403,200	929,604	806,400	1,794,891
Contribution to the staff Provident Fund	26,880	49,920	53,760	95,553
Contribution to the staff Gratuity Fund	22,391	41,583	44,782	79,596

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.

9. Date of Authorisation

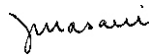
These financial statements were authorised in meeting of the Board of Directors of the Management Company held on February 20, 2007.



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



Arjumand A. Minai
Chief Executive
Standard Chartered Services
of Pakistan (Private) Limited



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

The image shows the long-term credit rating 'A A+'. The first 'A' is a solid green color, and the second 'A' is white with a green outline. The '+' sign is also white with a green outline.

Long-term

The image shows the short-term credit rating 'A+'. The 'A' is white with a blue outline, and the '+' sign is also white with a blue outline.

Short-term

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

Rating by:
PACRA