

Quarterly Report

September 30, 2006

Standard
Chartered
Modaraba



Quarterly Report

September 30, 2006 [Unaudited]

Contents

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

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 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 September 30, 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 three months ended September 30, 2006.

1. Financial Highlights

Financial results are summarized as under:

	Three months ended September 30, 2006 Rupees in thousand	Three months ended September 30, 2005 Rupees in thousand
Net Investment in Ijarah Finance / Musharika Investment	2,404,004	2,555,505
Certificate Holders' Equity	793,836	772,497
Revenues	62,867	62,981
Operating Expenses	9,389	7,692
Financial Charges	37,191	36,413
Net profit	16,165	17,044

2. Review of Operations

During the period under review the portfolio of lease and musharika investment has decreased by 6%. Despite this decrease in portfolio, gross revenue of the Modaraba remained at 62.8 million due to higher yield on the lease and musharika assets as compared to corresponding period last year. The cost of borrowings also increased due to rise in Karachi Inter Bank Offer Rate (KIBOR).

3. Economic Outlook and Future Prospects

During the first quarter of the current fiscal year, State Bank of Pakistan has increased the SLR and CR requirements for the Banks. This has resulted in upward movement in KIBOR rates.

Your Modaraba is cautiously looking at the rising interest rates and its impact on the growth of the Modaraba. However, Modaraba will continue to focus on its core strength with enhanced service quality and focus on quality of service and assets. Efforts to expand the product range are under way and we constantly out for increased business opportunities.

4. Board of Directors

The following changes have taken place since the last Director's report.

- Mr. Shariq Saleem resigned from the office of Managing Director / Chief Executive and Mr. Arjumand Ahmed Minai was appointed in his place:

5. Acknowledgement

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

The Board also appreciates 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

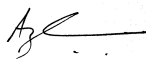
October 30, 2006

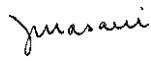
Balance Sheet as at September 30, 2006

	Unaudited September 30, 2006 Rupees	Audited June 30, 2006 Rupees
ASSETS		
Current Assets		
Cash and bank balances	46,515,428	62,611,485
Advances, deposits, prepayments and other receivables	7,735,354	7,266,813
Consumer Morabaha finance	42,468	50,864
Current portion of diminishing Musharika	388,440	386,673
Current portion of Musharika arrangement	200,000,000	200,000,000
Current portion of Net Investment in Ijarah finance (Note 3)	924,305,940	922,348,604
Taxation recoverable	8,126,073	8,126,073
Total Current Assets	1,187,113,703	1,200,790,512
Loans and advances to executives		
Long-term portion of diminishing Musharika	65,581	16,885
Long-term portion of Net Investment in Ijarah finance (note 3)	10,625,319	10,722,429
Fixed Assets (note 4)	1,279,698,599	1,340,352,594
	5,318,498	5,783,533
Total Non-Current Assets	1,295,707,997	1,356,875,441
Total Assets	2,482,821,700	2,557,665,953
LIABILITIES		
Current Liabilities		
Musharika finance (note 5)	410,023,685	477,365,344
Current maturity of Morabaha finance	100,000,000	100,000,000
Current maturity of security deposits	44,920,453	35,553,543
Creditors, accrued and other liabilities	59,415,516	48,079,216
Current portion of redeemable capital	685,008,160	610,131,978
Unclaimed profit distribution	16,980,179	17,032,164
Profit distribution	39,293,100	-
Total Current liabilities	1,355,641,093	1,288,162,245
Long-term portion of Morabaha finance		
Long-term portion of security deposits	-	100,000,000
Redeemable capital and accrued profit thereon	135,194,475	150,209,067
	198,150,000	202,330,000
Total Non-Current Liabilities	333,344,475	452,539,067
Total Liabilities	1,688,985,568	1,740,701,312
Certificate-holders' equity		
Certificate capital	392,931,000	392,931,000
Reserves	376,539,000	376,539,000
Unappropriated profit	24,366,132	47,494,641
	793,836,132	816,964,641
Contingencies and Commitments (note 6)	2,482,821,700	2,557,665,953

The annexed notes 1 to 10 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

Profit and Loss Account

For the quarter ended September 30, 2006 (Unaudited)

	September 30, 2006 Rupees	September 30, 2005 Rupees
Ijarah finance income	53,188,083	53,400,521
Profit on Musharika arrangement	9,575,620	9,575,622
Income on Morabaha finance	2,218	3,603
Income on deposits with bank	101,343	1,556
	<u>62,867,264</u>	<u>62,981,302</u>
Financial charges	37,190,971	36,412,696
	<u>25,676,293</u>	<u>26,568,606</u>
Other income	1,673,272	61,232
Operating expenses	(9,388,908)	(7,691,735)
	<u>(7,715,636)</u>	<u>(7,630,503)</u>
	17,960,657	18,938,103
Modaraba company's management fee	1,796,066	1,893,810
Profit for the quarter	<u>16,164,591</u>	<u>17,044,293</u>
Earnings per certificate	0.41	0.43

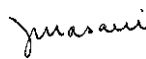
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Statement of Changes in Equity

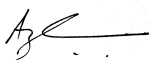
For the period July 1, 2006 to September 30, 2006 (Unaudited)

	Certificate capital Rupees	CAPITAL RESERVES			Total Rupees
		Premium on modaraba certificates Rupees	Statutory Rupees	Unappropriated profit Rupees	
Balance as at June 30, 2005 as previously reported	374,220,000	135,000,000	242,250,000	3,982,674	755,452,674
Change in accounting policy with respect to profit distribution	-	-	-	74,844,000	74,844,000
Balance as at June 30, 2005 as restated	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 September 30, 2005	-	-	-	17,044,293	17,044,293
Balance as at September 30, 2005	392,931,000	116,289,000	242,250,000	21,026,967	772,496,967
Profit for the period October 1, 2005 to June 30, 2006	-	-	-	44,467,674	44,467,674
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
Profit distribution for 2006 @ Re. 1 per certificate	-	-	-	(39,293,100)	(39,293,100)
Profit for the period July 1, 2006 to September 30, 2006	-	-	-	16,164,591	16,164,591
Balance as at September 30, 2006	392,931,000	116,289,000	260,250,000	24,366,132	793,836,132

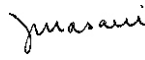
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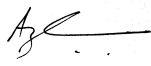
Cash Flow Statement

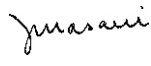
For the quarter ended September 30, 2006 (unaudited)

	September 30, 2006 Rupees	September 30, 2005 Rupees
Cash Flow from Operating Activities		
Profit for the period	16,164,591	17,044,293
Adjustment for:		
Depreciation / Amortisation	342,948	398,225
Loss on disposal of assets in own use	115,588	-
Profit on Musharika arrangements	(9,575,620)	(9,575,622)
Income on deposit with bank	(101,343)	(1,556)
Profit on:		
- redeemable capital	7,620,630	6,331,399
- musharika finances	9,004,448	11,976,335
- morabaha finances	3,778,556	3,782,522
	11,185,207	12,911,303
	27,349,798	29,955,596
(Increase) / decrease in current assets		
Receivables from terminated / matured contracts	-	22,700,000
Advances, deposits, prepayments, and other receivables	(468,544)	(74,982)
	(468,544)	22,625,018
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities (excluding profit payable on redeemable capital, morabaha and musharika finances)	16,254,338	(9,465,473)
	43,135,592	43,115,141
Increase / (decrease) in:		
Investment in Ijarah finance -net	58,696,659	92,369,590
Profit received on Musharika arrangements	9,575,622	9,575,622
Loans and advances to executives	(48,696)	81,267
Consumer Morabaha finance	8,396	7,011
Diminishing Musharika	95,343	(3,933,062)
Security deposits	(5,647,682)	(7,195,360)
Profit paid on:	62,679,642	90,905,068
- redeemable capital	(6,916,377)	(5,036,818)
- morabaha finances	(8,948,291)	(5,999,343)
- musharika finances	(9,457,004)	(9,202,643)
Tax refund received	-	18,854,470
	(25,321,672)	(1,384,334)
Net cash flows from operating activities	80,493,562	132,635,875
Cash Flow from Investing Activities		
Fixed capital expenditure	-	(72,450)
Proceeds on disposal of assets in own use	6,500	-
Income on deposits with bank	101,343	1,556
Net cash inflows from investing activities	107,843	(70,894)
Cash Flow from Financing Activities		
Redeemable capital less repayments	70,696,182	129,659,486
Morabaha finances less repayments	(100,000,000)	(100,000,000)
Musharika finances less repayments	(67,341,659)	(150,356,425)
Profits paid to certificate holders	(51,985)	27,257
Net cash (outflow) from financing activities	(96,697,462)	(120,669,682)
Net increase / (decrease) in cash and cash equivalents	(16,096,057)	11,895,299
Cash and bank balances at July 1	62,611,485	13,485,555
Cash and bank balances at September 30	46,515,428	25,380,854

The annexed notes 1 to 10 form an integral part of these financial statements.


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of Pakistan (Private) Limited

Notes to the Accounts

For the quarter ended September 30, 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. 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 unaudited and have been prepared in accordance with 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) [‘the Modaraba Regulations’] together with the approved accounting standards comprise of such International Accounting Standard (IASs) as notified under the provision of the Companies Ordinance, 1984 and made applicable to Modarabas under the ‘the Modaraba Regulations’. Wherever the requirements of the ‘the Modaraba Regulations’ differ from the requirements of these standards, the requirements of ‘the Modaraba Regulations’ take precedence. The disclosure made in these financial statements have, however, been limited based on the requirements of the International Accounting Standard 34, Interim Financial Reporting.

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 September 30, 2006			Total	Audited June 30, 2006		Total
	Not later than one year	Later than one and less than five years			Not later than one year	Later than one and less than five years	
Instalment contract receivables	1,047,753,118	1,148,779,492	2,196,532,610	1,056,408,251	1,158,269,170	2,214,677,421	
Add: Residual value	30,534,720	271,324,483	301,859,203	37,607,328	331,726,403	369,333,731	
	1,078,287,838	1,420,103,975	2,498,391,813	1,094,015,579	1,489,995,573	2,584,011,152	
Less: Unearned finance income	152,745,075	140,405,376	293,150,451	170,430,152	149,642,979	320,073,131	
Allowance for potential Ijarah losses	1,236,823	-	1,236,823	1,236,823	-	1,236,823	
	924,305,940	1,279,698,599	2,204,004,539	922,348,604	1,340,352,594	2,262,701,198	

4. Assets in Own Use

	Three months ended September 30, 2006 Rupees	Three months ended September 30, 2005 Rupees
Additions during the period		
Office equipment, appliances	-	-
Disposals during the period		
Office equipment, appliances	(523,233)	(5,300)
Motor Vehicles	-	(1,626,500)
	(523,233)	(1,631,800)

5. Musharika Finance

	September 30, 2006 Rupees	June 30, 2006 Rupees
With an associated undertaking	410,023,685	477,365,344

5.1 The total facility for musharika available from a bank amounts to Rs. 800 million (June 2006: 800 million). The estimated share of profit payable on this facility ranges from Re. 0.2474 to Re. 0.2797 (June 2006: Re. 0.2510 to Re. 0.2753) per rupees one thousand per day.

6. Contingencies and Commitments

6.1 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 and was fixed for hearing on August 26, 2004. 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 Modarab, no provision has, therefore, been made in these financial statements.

	September 30, 2006 Rupees	June 30, 2006 Rupees
6.2 Commitment in respect of lease disbursements	-	-

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 quarter ended September 30, 2006.

8. Related parties transactions

The related parties of the Modaraba comprise associated companies, management company, staff retirement funds, directors and key management personnel. Transactions with related parties other than remuneration and benefits to key management personnel under the terms of their employment are as follows:

	Three months ended September 30, 2006 Rupees	Three months ended September 30, 2005 Rupees
Lease contracts entered into during the quarter	-	-
Lease rentals received	8,492,936	8,550,102
Profit on Musharika finance	9,004,448	11,976,335
Profit on deposit account	101,343	1,556
Bank charges and commission	1,096	1,731
Contribution to the Staff Provident Fund	180,423	226,894
Contribution to the Staff Gratuity Fund	149,160	35,990
Management fee for the quarter	1,796,066	1,893,810
Charge for reimbursement of actual salaries and benefits	1,774,307	900,219

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. Corresponding Figures

Corresponding figures have been rearranged, wherever necessary, for the purpose of comparison.

10. Date of Authorisation

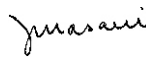
These financial statements were authorised for issue on October 30, 2006 by the Board of Directors of the Management Company.



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



Arjumand A Minai
Chief Executive
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AA+ Long-term A+ Short-term

The image displays two credit ratings side-by-side. On the left, the rating 'AA+' is shown in green, with the 'A's in a serif font and the '+' in a sans-serif font. Below it, the text 'Long-term' is written in a smaller green font. On the right, the rating 'A+' is shown in blue, with the 'A' in a serif font and the '+' in a sans-serif font. Below it, the text 'Short-term' is written in a smaller blue font. The background is split vertically: white on the left and blue on the right.

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

Rating by:
PACRA