



Annual Report | **2012**







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our vision

To be the market leader through Innovative and Reliable Equipment Rental Solutions of Caterpillar range of products.

To provide best value to our customers through innovative and reliable Power Generation, Earth Moving and Material Handling Equipment Rental solutions.

To Maintain the market leadership in Power Generation Equipment Rental through continuous growth of Rental Fleet.

To continuously strive for Modaraba Certificate Holders' value by aggressively pursuing growth and profit opportunities that leverage our engineering and financial services expertise.

To pursue profitable growth opportunities in Caterpillar Earth Moving, Material Handling and other Equipment Rental Solutions, diversifying our portfolio to other areas of Equipment Rental solutions.

To provide its countrywide workforce with an environment that stimulates innovation, teamwork, continuous learning and improvement.





No document Allied Rental Modaraba has published is more important than our Code of Conduct. From time to time we may revise its words to reflect our constantly evolving enterprise, but the code's basic principle OUR INTEGRITY has never changed.

Modaraba's reputation for integrity is our most valuable asset, Integrity encompasses all that defines and sustains us as a Modaraba - the values we believe in, the high ethical standards we live by, our honesty and behavior in dealing with others, and our commitment to deliver on the promises we make to customers, certificate holders and each other.

Business Ethics

As Modaraba employees, we believe in the importance of working and living according to strong ethical values, As a company and as individuals, we hold ourselves to the highest standard of integrity and ethical behavior. We must always tell the truth.

Human Relationship

Modaraba's continued success requires that we continually seek ways to do our jobs and make our products and services better. Using our individual skills and talents, we must each take personal responsibility for meeting our shared goals and keeping our commitments. We must always consider an "enterprise point of view" that promotes the best results for our Modaraba as a whole.

Business Practices

We know that we can achieve long term business success only when everyone involved behaves honestly and responsibly. We guide our business practices by this principle and expect everyone who does business with us to do the same.

Social Responsibility

Wherever we conduct business or invest our resources, we know that our commitment to Financial success must also take into account social, economic, political and environmental priorities. We believe that our success should also contribute to the quality of life and the prosperity of communities where we work and live.

Living by the Code

With the commitment of all Modaraba employees to guide their professional and personal behavior according to our Code of Conduct, its principles become only words. Each of us must accept personal responsibility to read the Code, understand what it means, and apply it consistently.



Rental is a global phenomenon in today's world, yet not an "easy industry" to understand for everyone. Its ups & downs & potential may only be understood, once you start riding the roller coaster. Today, as per safe estimates, only power generation rental industry stands at about \$7

Billion worldwide & enormously growing. A new research report from a U.S based Research Company (M&M) reveals that by 2017, the worldwide rental power market will be more than double in size to about \$17 Billion. The report adds that the power rental sector will see compound annual growth rates of 17% over the next five years. The growing trend is witnessed mainly because of increasing power demand, lack of grid stability, and a general tendency towards rental away from buying.

The researcher said that economic development in Asia, Africa and the Middle East had led to electricity demand exceeding the installed power plant capacity. "To support developments in those economies temporary power is used, which has created a tremendous market for power rental companies", said M&M, "Aging permanent power plants is another factor which will increase the market size significantly by 2017".

According to the report, North America is the largest market followed by Middle East and then Asia Pacific, with the Middle East being the fastest growing. M&M said the utility sector is the largest user of temporary power, followed by oil and gas and then the industrial sector. It said the industrial sector and events were the fastest growing end user businesses. Apart from above demand for rental power equipment, it's worth mentioning that a huge & separate rental market segment for "Events" also exists, for example FIFA Worldcup, Asian Games, Olympics & International political gatherings. Besides, crises like Japan earthquake, floods & post conflict reconstruction activities in Iraq, Congo & Afghanistan have also been overwhelming opportunities for the international rental service suppliers.

Seeing on the Globe, U.K based world's largest rental company, United rentals, has made a total turnover of \$ 3 bn during the year 2011-12, with an acquisition of RSC equipment rental (U.S Based company) in April, 2012, whose revenues have been standing at \$1.85 bn. The acquisition will boost United Rental's exposure to the industrial sector, where RSC was very strong, and give it a total market share in North America of around 12-13%.

On the other hand, world's rental power giant Aggreko has enjoyed revenues of \$2.2 bn during the year 2011, serving almost 43,000 customers' assignments worldwide from 165 locations. The company generated huge revenues of \$136 M, only from the sporting events in 2011, followed by recent London Olympics whose numbers are also quite enticing. The very recent financials (half yearly report ending June 2012) from Aggreko shows a huge international rental equipment deployment with 357 MW in Africa & Middle east, 196 MW in Asia & 116 MW in Latin America with a trading profit growth of more than 20% from past. The company has doubled its Gas Fired Power equipment capacity during these recent 6 month time, showing expanding demand of Natural Gas rental Power Generation worldwide. Recent news from this rental service provider also shows an acquisition of Brazilian rental power company, Poit Energia.

Caterpillar, another main stream player of the industry, is also increasing its rental fleet worldwide through its dealership network, prominent among them are Energy International, Ring Power, Al-Taaqa (Zahid Tractors), APAC & Energyst. CAT has made a common consortium of IPPs through these dealerships & plan to invest for almost 1GW by the end year 2012. Ashtead Group, another U.K based construction equipment Rental Company, also made good revenues during 2011-12 with total of \$1.8 bn, followed by Coates Hire Ltd. of Australia ending up at about \$1.65 bn. The company has been investing heavily in its fleet partly in response to demand from Australia's mining and oil and gas sectors.

On the other hand, we also witness few interesting & surprising numbers, if we analyze the growth of international rental equipment suppliers in terms of percentage, where top of the line is Energy APR with enormous revenue growth of 75% during 2011-12.

APR energy is also one of the major competitors of Aggreko in International Power Projects. Atlas Copco specialty rental & RSS (rental solutions & services) have accelerated their revenues by 53% & 50% respectively, followed by number of other rental organizations ranging percentage growth from 48% to 29%. More or less, following last year's trend of shrinking business in Europe, the international rental services providers are still focusing on Markets of Saudia Arabia, Qatar, Africa, North & South America & Asia.



Talking about our own energy situation, Pakistan has been also suffering from all time worst power shortage today, ranging an overall generation shortfall of more than 6000 MW. The problem itches more not because the country doesn't have the generation capacity, rather there are number of economic & political issues which keep on strangling the state in finding an enduring solution to the problem. Top of the list are increasing fuel prices, circular debt, massive electricity thefts, lack of political willingness & consensus. The power outage durations have exceeded even 20 hours/day, sparking vicious protests in number of areas. However, amid all the hue & cry, opportunities knock for rental power suppliers, where the industry witnessed sharp rise in overall demand of power equipment for the year 2012. It's worth mentioning that the demand rise is noticeable for diesel power generation only, reason being depletion & shortage of Natural Gas in the region, causing the customer to opt for an expensive but "available" power source. Punjab has been badly suffered in terms of Gas shortage or outages in last 5 years, varying from 5 days a week to minimum of 2 days where customers don't find the cheaper energy source available. The situation becomes even dreadful when there is "no gas" available during the winters. Southern region, in

contrast & by far, has been enjoying least natural gas outages round the year. This unpredictable situation leads majority of the industrialists to keep an alternate power source in parallel to their prime power source which is either Utility source or Natural Gas being the cheaper options. This "dual power" trend opens new doors for the rental companies leading to more investments in the business. Allied Rental Modaraba, being the acknowledged market leader in the industry & carrying country's biggest rental equipment fleet, has also witnessed a revenue growth of 50% during the financial year ending June 2012, with total revenues of about Rs. 1.54 bn. The company not only managed to play a vital role in soothing power shortage in the local industry but also introduced new products & services within the rental domain, following its core philosophy of business diversification & value proposition. There are number of other players, both organized & unorganized ones, who are also contributing to cope with the ever growing power demand with total rental market equipment of around 400-450 MW for the industrial sector only. Worth to mention that there is a separate & different rental market in the country, where rental power is supplied to the national grid by selling it to the Government, under certain policy framework.

Although the word "Rental" still doesn't have a wide acceptance among the business sector because of conventional perceptions of being "expensive" & "temporary solution", but mindsets are being changed rapidly due to benefits like convenience, no capital blockage, better efficiencies & trouble free operations. Thus, today local industry is looking to the rental service providers for saving the economic wheel from complete seizure.

Apart from all evens & odds, the rental industry is anticipating a massive & revolutionary outrun for world's energy demand, creating loads of opportunities for those, who gear up themselves today!

Modaraba Association of Pakistan

Best Performing Award in Modaraba sector
(1st Position) for the financial year 2011





Mr. Muhammad Ali, Chairman SECP presenting First Position Award to Mr. Murtaza Ahmed Ali, CEO Allied Rental Modaraba for Best Performance in Modaraba Sector for the financial year 2011.



Mr. Murtaza Ahmed Ali (Vice chairman - NBFI & Modaraba Association) and Mr. Basheer A. Chowdry (Chairman - NBFI & Modaraba Association) presenting a memento to Mr. Javed Hussain (Registrar Modarabas SECP)



ARM JOIN HANDS WITH FAMILY EDUCATIONAL SERVICES FOUNDATION (FESF)

As a CSR initiative, ARM has joined hands with Family Educational Services Foundation (FESF), a non-profit educational organization working for education and development of disadvantaged people in the country. In this regard, ARM has employed 7 persons who are hard of hearing. They are deputed at different positions according to their individual skill set and interest.

be given a chance to discover and exploit this in the most productive manner. We hope this step will go a long way enabling them acquiring practical knowledge, hands on experience and a respectful earning while working with experts in the field,” said Murtaza Ahmed Ali, CEO Allied Rental Modaraba.

“At ARM, we feel every individual is gifted with unique talent and potential and should



Directors of Modaraba

Mr. Khwaja Asif Rahman
Chairman

Mr. Murtaza Ahmed Ali
Chief Executive

Syed Feisal Ali
Non Executive Director

Mr. Raees A. Khan
Non Executive Director

Mr. Ali Akber
Non Executive Director

Mr. Tajdar A. Shah
Non Executive Director

Mr. Hassan Shehzad Abidi
Non Executive Director

Audit Committee

Syed Feisal Ali
Chairman

Mr. Murtaza Ahmed Ali
Member

Mr. Ali Akber
Member

Chief Financial Officer

Mr. Naveed Shaheen

Company Secretary

Mr. Salman Sabir

Head of Internal Audit & Secretary to Audit Committee

Mr. Ilyas Asif

Human Resource & Remuneration Committee

Mr. Khwaja Asif Rahman
Chairman

Syed Feisal Ali
Member

Mr. Murtaza Ahmed Ali
Member

Strategic Management

Mr. Rashid Jehangiri
Head of Operations - North

Mr. Hazoor Bux Memon
Head of Operations - South

Mr. Ali Ahsan
Regional Manager Technical - South

Mr. Naveed Akhter
Regional Manager Technical - North

Mr. Hammad Iftikhar
Regional Sales Manager - North

Mr. Raghbir Waqas
Regional Sales Manager - South

Mr. Zeeshan Kazmi
Manager Special Projects

Mr. Ali Ammar
Business Administrator

Bankers & Lending Institutions

Habib Bank Limited
National Bank of Pakistan Limited
Standard Chartered Bank (Pakistan) Limited
Faysal Bank Limited
BankIslami (Pakistan) Limited
Soneri Bank Limited
Standard Chartered Modaraba
First Habib Modaraba
Habib Metropolitan Bank

Auditors

A.F. Ferguson & Co. Chartered Accountants

Credit Rating Appraiser

JCR -VIS Credit Rating Company Limited

Shari'ah Advisor

Mufti Irshad Ahmed Aijaz

Legal Advisor

Mr. Khalil Ahmed Siddiqui, Advocate

Registered & Head office

21/3 Sector 22, Korangi Industrial Area,
Karachi-74900. UAN: 111-250-250

Registrar & Certificate Transfer Office

Noble Computer Services (Pvt) Limited
Mezzanine Floor, House of Habib Building
3-Jinnah Cooperative Society, Shahra-e-Faisal
Karachi-75350.
Tel: 021 34325482-87
Fax: 021 34325442

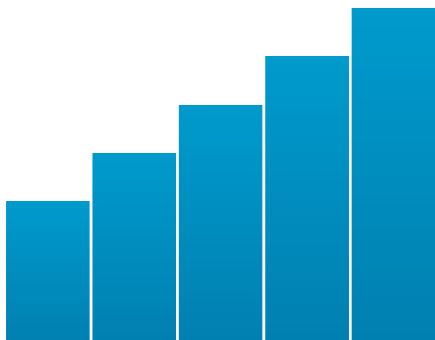
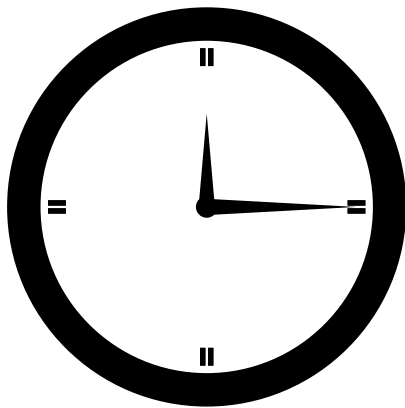
Website

www.arm.com.pk



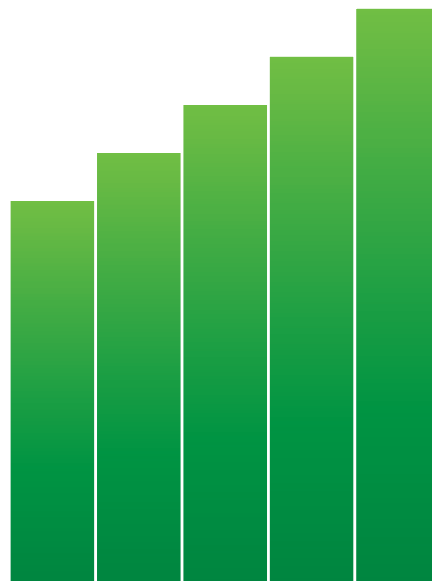
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Short Term



A

Long Term



Press Release

JCR-VIS Assigns Positive Outlook to Allied Rental Modaraba

Karachi, July 4, 2012: JCR-VIS Credit Rating Company Limited has maintained the entity ratings of Allied Rental Modaraba (ARM) at 'A/A-2' (Single A/A-Two). Outlook on the ratings has been revised from 'Stable' to 'Positive'.

Managed by Allied Engineering Management Company (Private) Limited, a wholly owned subsidiary of Allied Engineering Services Limited (AESL), ARM is the market leader in generator rental business. Support from AESL, the sole dealer of Caterpillar (CAT) products in Pakistan, remains a key rating factor.

The ratings take into account growth in revenues and profitability on the back of increase in operating assets. Concentration in revenues is high and the management plans to diversify revenue streams by enhanced focus on the logistics business, where a number of top-tier clients have been added recently. Moreover focus on earth moving equipment for construction and infrastructure related projects will also increase once the operating environment becomes enabling.

Liquidity profile is considered strong in view of the sustained cash flow from operations. With stable internal capital generation since inception, capitalization levels have strengthened over the years resulting in low leverage. Going forward, rapid expansion in operating assets is planned which is projected to be funded through a mix of debt and internal cash flows. Ability to maintain leverage at moderate levels while pursuing growth related objectives will remain important. The governance framework can be further strengthened by enhancing the level of independence on the board and formally documenting checks and controls in the client selection process.

Jamal Abbas Zaidi
Deputy CEO

Power Generation Equipment

Allied Rental offers a wide range of Caterpillar power generation equipment to meet the most specific power requirements for various types of applications. Our Rental fleet comprising both Gas and Diesel fired Generators ranging from 100 - 2450 kVA, offers the widest power range in the industry. Our Generators can be rented on daily, weekly, monthly or yearly basis with flexible pricing options depending on specific requirement of our customers. ARM also offers long term BOT (Build, Operate and Transfer) solutions where equipment is supplied and operated by ARM for a certain period of time and ownership is transferred to the customer at the end of the contract tenure.



Powerhouse Operation and Maintenance (O&M Contracts)

Besides Power Generation Rental Services, the company also provides unmatched and exclusive CATERPILLAR powerhouse Operation and Maintenance (O&M) services. With its professionally trained technical staff having rich experience in CATERPILLAR Generators and effective back up support system with Allied Engineering and Services (Private) Limited, ARM offers total powerhouse management including complete Operation and maintenance for the customer owned equipment.



Inbound Logistics / Material Handling Solutions

The essence of our MHE services solution is “Total Outsourcing Concept” where all aspects of Equipment Ownership, Operation, Maintenance and Management are handled through one window, keeping in view customer's unique and customized requirement thus relieving the customer to concentrate on his core business activity. The result is the maximum efficiency and peace of mind for our customers for all of their inbound logistics. Our MHE fleet comprises of Forklifts, Reach Trucks, Telehandlers, Power Pallets, Skid Steer Loaders etc.



Trucking Logistics Solution

ARM offers a wide array of freight services and logistics solutions through Rigid Trucks and Prime Movers with Semi Trailers for Long and Short hauling. Customized design and Vehicle selection is Hallmark of our Logistics business. Our

dedicated workforce continuously strives for on-time delivery in the most cost efficient manner.

Our professional teams can evaluate logistics requirements and recommend the optimal strategy for business and timeframes. All of our trucks have state of the art satellite equipment which allows complete tracking of freight from the time it is loaded until it reaches the final destination.



Load Bank Rental

Whether you are Commissioning newly installed generators, Performing maintenance testing on equipment, testing your mission critical UPS or you're in need of portable load for testing of your emergency power systems, we provide Load Banks of up to 1050 kW to meet all your load testing requirements.

Crane Services

Our Cranes Fleet comprises of quality equipment from world renowned crane manufacturers. Specially designed dual purpose 10 tons Crane mounted Trucks not only lift load, but also transport the load to desired location providing one window



solution for both lifting and transportation jobs. Our Brand new 25 tons Sany Truck Cranes enhance our operation capabilities in Logistics business enabling us providing superior Crane services through “Certified” and “Reliable” equipment.



Construction Machines Rental

Caterpillar machines are leaders in Earth moving applications. The construction machines fleet includes Wheel Loaders, Soil Compactors and Motor Graders. Robustness, fitness and reliability are the hallmarks of our machines rental services.

These are ensured by strict compliance of manufacturer's recommendations regarding operation and maintenance of machines by our technical experts.



Cement Quarry Operations

Allied Rental also offers Cement Quarry handling solutions with specialized Caterpillar Machines to deliver lowest cost per ton. The offered equipment includes Off-highway Trucks, Wheel Loaders, Dozers and Motor Graders. Ancillary equipment to support the quarry logistics is also provided in order to maximize the production in most efficient manner.



Lighting Towers

Our Lighting towers are a quick fix solution pertaining temporary lighting problems at various sites and situations. The utility of this equipment spans to Process Industries, Event Management, Construction sites, Oil and Gas fields, Outdoor Games, Exhibitions Shopping Malls etc. Ease of setup and Mobility is a key feature of our plug and play mobile units. The use of Caterpillar Engine in these lighting towers ensures reliability, performance and enhanced safety in an environment friendly manner.



staff activities

Allied annual function 2012



Inter Regional Cricket Series 2012



Annual Table Tennis Championship 2012



key financial data

		2012	2011	2010	2009	2008	2007
Total Assets	Rs. Million	2,711	2,111	1,511	1,273	976	707
Current Assets	Rs. Million	353	228	205	183	223	168
Current Liabilities	Rs. Million	645	658	317	203	283	182
Paid-up capital	Rs. Million	750	600	600	600	300	300
Reserves	Rs. Million	913	703	550	178	90	26
Stock holder's equity	Rs. Million	1,663	1,303	1,150	962	456	358
Gross Profit	Rs. Million	595	379	338	253	188	85
Net Profit	Rs. Million	499	288	278	176	128	58
Profit after Tax Ratio	%	32	28	34	28	28	33
Return on Asset	%	21	16	20	16	15	16
Return on Equity	%	34	24	26	25	31	32
Return on Capital employed	%	24	20	22	17	18	22
Expense Ratio	%	66	70	66	72	72	73
Current Ratio	times	0.55 : 1	0.35 : 1	0.65 : 1	0.90 : 1	0.79 : 1	0.92 : 1
Price Earning Ratio	times	4.85	3.64	3.24	3.75	5.04	5.96
Earning per certificate - basic and diluted	Rs.	6.65	4.80	4.63	3.60	3.37	1.93
Dividend yield Ratio	%	9	13	12	9	13	9
Dividend Pay out ratio	%	45	48	49	42	59	52
Cash dividend	%	30	23	23	15	20	10
Stock dividend	%	10	25	-	-	-	-
Cash dividend per certificate	Rs.	3.00	2.30	2.25	1.50	2.00	1.00
Book Value per certificate	Rs.	22.17	21.72	19.16	16.03	15.18	11.93
Market Value per certificate	Rs.	32.25	17.50	15.00	13.50	17.00	11.50

summary of cash flows

	2012	2011	2010	2009	2008	2007
	(Rupees in '000)					
Profit for the year	498,792	288,294	277,973	176,141	127,576	57,962
Adjustments For Non-Cash And Other Items	252,124	236,098	157,643	153,218	131,254	43,238
Decrease / (increase) in operating assets	(92,287)	(582,063)	39,157	(1,429)	(101,500)	(81,811)
Increase / (decrease) in operating liabilities	(71,862)	430,299	55,322	(52,742)	39,884	93,986
Cash generated from operations	(164,149)	(151,764)	94,479	(54,171)	(61,616)	12,175
Cash Flows From Operating Activities	586,767	372,628	530,095	275,188	197,214	113,375
Cash Flows From Investing Activities	(695,388)	(241,358)	(366,131)	(490,899)	(193,155)	(561,986)
Cash Flows From Financing Activities	164,743	(157,404)	(111,319)	130,636	37,321	527,285
Net Cash increase / (decrease) during the period	56,122	(26,134)	52,645	(85,075)	41,380	78,674
Cash and cash equivalents at beginning of the period	61,490	87,624	34,979	120,054	78,674	-
Cash and cash equivalents at end of the period	117,612	61,490	87,624	34,979	120,054	78,674



value added statement

VALUE ADDED

Revenue from Operation
Profit on Ijarah Finance
Other Income

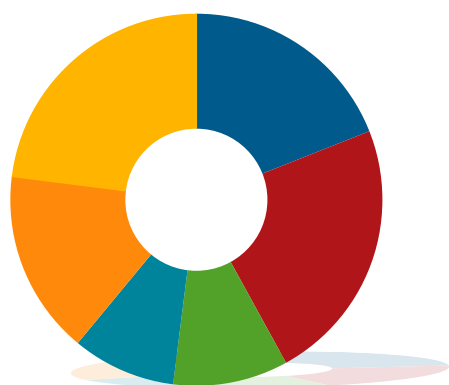
2012		2011	
Rs. in '000	(%)	Rs. in '000	(%)
1,532,147	97	1,020,811	97
11,772	1	12,928	1
27,996	2	16,728	2
1,571,915	100	1,050,467	100

VALUE ALLOCATED

Employees
Operating Expenses
Providers of Finance
Modaraba Management Fee
Certificate Holders
Expansion & Growth
As Depreciation
As Reserve and Retained Earnings

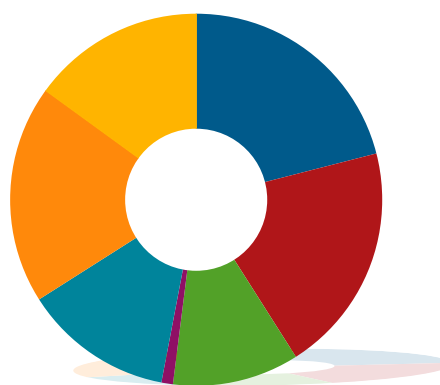
292,351	19	224,372	21
362,246	23	213,806	20
156,649	10	115,646	11
4,988	0.32	7,392	1
138,000	9	135,000	13
256,888	16	200,957	19
360,793	23	153,294	15
1,571,915	100	1,050,467	100

Value Allocated 2012



Employee	(19%)
Operating Expenses	(23%)
Providers of Finance	(10%)
Modaraba Management Fee	(0%)
Certificate Holders	(9%)
As Depreciation	(16%)
As Reserve and Retained Earnings	(23%)

Value Allocated 2011

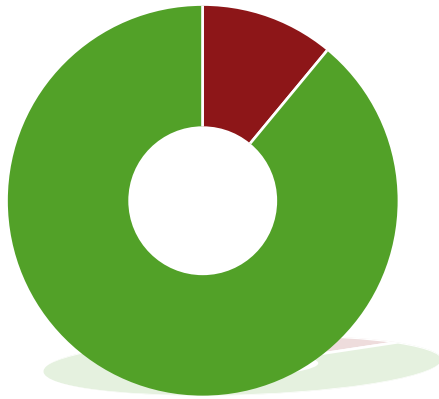


Employee	(21%)
Operating Expenses	(20%)
Providers of Finance	(11%)
Modaraba Management Fee	(1%)
Certificate Holders	(13%)
As Depreciation	(19%)
As Reserve and Retained Earnings	(15%)

balance sheet composition

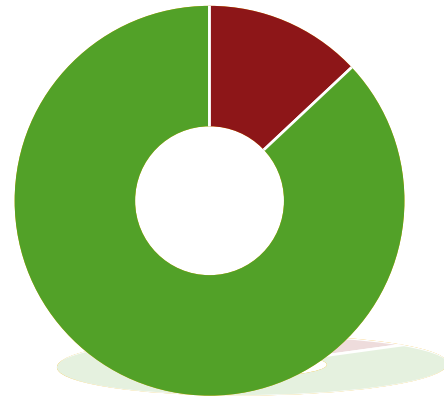
Assets

2012



■ Total current Assets	352,993,419	(13%)
■ Total Non-current Assets	2,358,076,663	(87%)

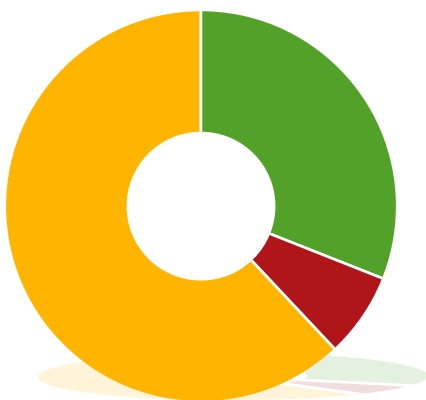
2011



■ Total current Assets	228,459,890	(11%)
■ Total Non-current Assets	1,882,335,408	(89%)

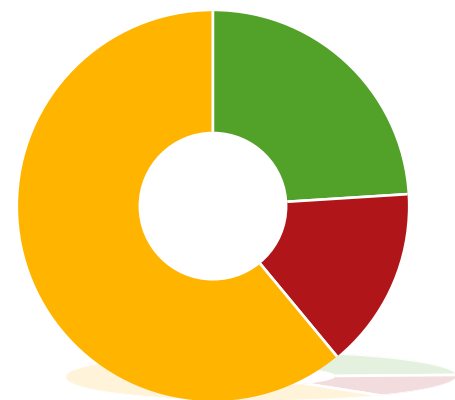
Equity & Liabilities

2012



■ Total Current Liabilities	644,908,684	(24%)
■ Total Long term Liabilities	403,323,783	(15%)
■ Certificate holders' Equity	1,662,837,615	(61%)

2011



■ Total Current Liabilities	658,069,747	(31%)
■ Total Long term Liabilities	149,779,615	(7%)
■ Certificate holders' Equity	1,302,945,936	(62%)

BALANCE SHEET

ASSETS

Current Assets

	2012	2011	2010	2009	2008
Cash and bank balances	3%	3%	6%	3%	12%
Short-term investments	1%	0%	0%	0%	0%
Ijarah rentals receivable	6%	5%	4%	5%	6%
Operation and maintenance income receivable	1%	1%	1%	1%	1%
Advances, deposits, prepayments and other receivable	1%	1%	1%	2%	1%
Spare parts	1%	1%	0%	0%	0%
Current portion of net investment in Ijarah finance	0%	0%	1%	4%	3%
	13%	11%	14%	14%	23%

Non-Current Assets

Net investment in Ijarah finance	2%	3%	5%	7%	12%
Long-term security deposits	2%	1%	1%	2%	4%
Fixed assets in own use - tangible	2%	2%	1%	2%	2%
Ijarah assets	79%	84%	78%	74%	59%
Capital work-in-progress	3%	0%	1%	1%	1%
	87%	89%	86%	86%	77%
	100%	100%	100%	100%	100%

LIABILITIES AND EQUITY

Current Liabilities

Creditors, accrued and other liabilities	16%	25%	9%	6%	8%
Borrowing from an associated company - unsecured	0%	0%	0%	0%	6%
Remuneration payable to the Modaraba Management Company	0%	0%	1%	0%	0%
Current portion of Diminishing Musharakah financing payable	7%	5%	8%	0%	0%
Current portion of liabilities against assets subject to finance lease	0%	1%	4%	10%	15%
	24%	31%	21%	16%	29%

Long Term and Deferred Liabilities

Diminishing Musharakah financing payable	12%	5%	0%	0%	0%
Liabilities against assets subject to finance lease	0%	0%	2%	8%	23%
Deferred liabilities - staff gratuity	1%	1%	1%	1%	1%
Other long-term employee benefits - compensated absences	0%	0%	0%	0%	0%
Security deposits	2%	2%	0%	0%	1%
	15%	7%	3%	8%	24%

Equity

Issued, subscribed and paid-up certificate capital	28%	28%	40%	47%	31%
Premium on issue of right certificates	3%	4%	6%	7%	0%
Statutory (mandatory) reserve	21%	22%	21%	14%	9%
Unappropriated profit	10%	7%	9%	7%	7%
	61%	62%	76%	76%	47%
	100%	100%	100%	100%	100%

PROFIT AND LOSS ACCOUNT

Ijarah rentals	87%	82%	77%	74%	71%
Operation and maintenance income	10%	15%	18%	21%	23%
Profit on Ijarah finance	1%	1%	2%	3%	5%
Other income	2%	2%	3%	3%	1%
Gross Revenue	100%	100%	100%	100%	100%

Operating expenses	60%	62%	57%	58%	58%
Administrative and distribution expenses	4%	5%	5%	7%	6%
Provision against potential Ijarah losses	0%	0%	1%	0%	0%
Finance costs	3%	3%	2%	7%	7%
Workers' welfare fund	1%	1%	1%	0%	0%
Total Expenses	68%	72%	67%	73%	72%
Modaraba Management Fee	0%	1%	1%	0%	0%
Sindh Sales Tax on Management Company's remuneration	0%	0%	0%	0%	0%
Profit Margin	32%	27%	32%	27%	28%

BALANCE SHEET

ASSETS

Current Assets

	2012	2011	2010	2009	2008
Cash and bank balances	34%	-30%	151%	-71%	53%
Short-term investments	100%	0%	0%	0%	0%
Ijarah rentals receivable	33%	89%	-12%	12%	137%
Operation and maintenance income receivable	-3%	-7%	103%	0%	-7%
Advances, deposits, prepayments and other receivable	32%	-17%	-5%	242%	71%
Spare parts	192%	100%	0%	0%	0%
Current portion of net investment in Ijarah finance	20%	-62%	-66%	84%	199%
	55%	13%	12%	-18%	33%

Non-Current Assets

Net investment in Ijarah finance	-12%	-11%	-17%	-30%	319%
Long-term security deposits	148%	8%	-35%	-29%	134%
Fixed assets in own use - tangible	44%	76%	-4%	9%	52%
Ijarah assets	21%	49%	25%	66%	19%
Capital work-in-progress	2491%	-82%	21%	141%	200%
	25%	44%	20%	45%	40%
	28%	40%	19%	30%	38%

LIABILITIES AND EQUITY

Current Liabilities

Creditors, accrued and other liabilities	-15%	308%	57%	8%	12%
Borrowing from an associated company - unsecured	0%	0%	0%	-100%	187%
Remuneration payable to the Modaraba Management Company	-37%	-16%	4110%	-88%	-77%
Current portion of Diminishing Musharakah financing payable	106%	-16%	100%	0%	0%
Current portion of liabilities against assets subject to finance lease	-100%	-54%	-46%	-18%	79%
	-2%	108%	56%	-28%	55%

Long Term and Deferred Liabilities

Diminishing Musharakah financing payable	240%	100%	0%	0%	-100%
Liabilities against assets subject to finance lease	0%	-100%	-69%	-56%	45%
Deferred liabilities - staff gratuity	28%	30%	26%	26%	1350%
Other long-term employee benefits - compensated absences	35%	6%	100%	0%	0%
Security deposits	43%	100%	-100%	-82%	382%
	169%	236%	-59%	-55%	43%

Equity

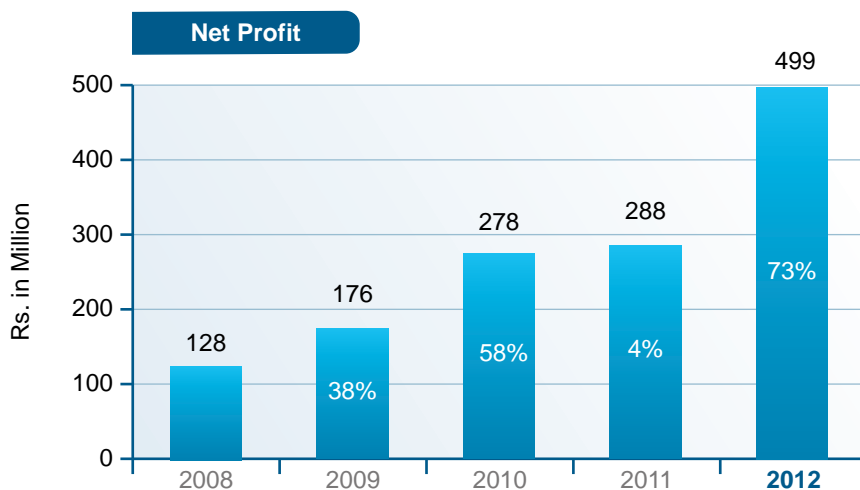
Issued, subscribed and paid-up certificate capital	25%	0%	0%	100%	0%
Premium on issue of right certificates	0%	0%	0%	100%	0%
Statutory (mandatory) reserve	22%	45%	78%	98%	245%
Unappropriated profit	73%	6%	52%	43%	106%
	28%	13%	20%	111%	27%
	28%	40%	19%	30%	38%

PROFIT AND LOSS ACCOUNT

Ijarah rentals	59%	30%	38%	47%	131%
Operation and maintenance income	1%	5%	12%	25%	238%
Profit on Ijarah finance	-9%	-18%	-19%	-21%	1158%
Other income	67%	-39%	65%	304%	-62%
Gross Revenue	50%	23%	32%	41%	149%
Operating expenses	45%	33%	29%	41%	201%
Administrative and distribution expenses	7%	23%	-5%	59%	30%
Provision against potential Ijarah losses	2%	-1%	46%	50%	55%
Finance costs	31%	65%	-52%	32%	212%
Workers' welfare fund	77%	-36%	100%	0%	0%
Total Expenses	41%	32%	20%	42%	169%
Modaraba Management Fee	-33%	-14%	100%	0%	-100%
Sindh Sales Tax on Management Company's remuneration	100%	0%	0%	0%	0%
Profit Margin	73%	4%	58%	38%	120%



financial summary at a glance





notice of annual review meeting

Notice is hereby given that the 6th Annual Review Meeting of the Certificate Holders will be held on Wednesday, October 31, 2012 at 04:00 PM at the registered office 21/3, sector 22, Korangi Industrial Area, Karachi, to review the performance of the Modaraba for the year ended June 30, 2012.

The Certificate Holders whose names appear on the Register of Certificate Holders of Allied Rental Modaraba as on October 24, 2012, will be eligible to attend the Annual Review Meeting.

By order of the Board

Salman Sabir Advocate
Company Secretary
October 01, 2012

Note:

1. The Certificate Transfer Book will remain closed from October 25, 2012 to October 31, 2012 (both days inclusive) for the purposes of Cash Dividends, Bonus Entitlement and attending Annual Review Meeting. All transfer received in order up to close of business on October 24, 2012 at our Registrar's Office M/s Noble Computer Services (Pvt.) Limited, 1st Floor, House of Habib Building (Siddiqsons Tower) 3-JCHS, main Shakra-e-Faisal, Karachi-75350, will be considered in time.
2. CDC Certificate Holders desiring to attend the meeting are requested to bring their original CNIC, Account and Participant ID number for identification purpose.

الحمد لله رب العالمين، والصلاة والسلام على رسوله الكريم، وعلى آله واصحابه اجمعين، وبعد

I have conducted the Shari'ah review of Allied Rental Modaraba managed by Allied Engineering Management Company (Pvt.) Limited for the financial year ended June 30, 2012 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that except the observations as reported hereunder, in my opinion:

1. the Modaraba has introduced a mechanism which has strengthened the Shari'ah compliance, in letter and spirit and the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
2. following were the major developments that took place during the year:
 - a) Training and Development: A representative from ARM has attended the extensive training on Shari'ah compliance and audit arranged by Modaraba association;
3. the agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed in accordance with the formats approved by the Religious Board and all the related conditions have been met;
4. to the best of my information and according to the explanations given to me, the business transactions undertaken by the Modaraba and all other matters incidental thereto are in conformity with the Shari'ah requirements and the Shari'ah Compliance and Shari'ah Audit Regulations for Modarabas;

5. the earnings that have been realized from the sources or by means prohibited by Shari'ah have been credited to charity accounts.

Observation(s):

1. ARM maintains its account with Islamic and conventional banks both. During review it has been observed that a savings account is maintained with a conventional Bank for administrative reasons. However the interest received on this account has been given to charity;

Recommendation(s):

1. Accounts with conventional bank(s) should be closed or converted into current status in case of business need;
2. The management should continue its endeavors to comply with rulings of Shari'ah in its business operation and future transactions;

Conclusion:

Based on the above mentioned facts I am of the view that the business operations of ARM are Shari'ah compliant up to the best of my knowledge.

وَصَلَّى اللَّهُ عَلَى نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلَّمَ



Irshad Ahmed Aijaz
Shari'ah Adviser
Dated: September 14, 2012



directors' report

for the year ended June 30, 2012

The Board of Directors of Allied Engineering Management Company (Pvt.) Limited, the management company of Allied Rental Modaraba, is pleased to present to its certificate holders the Directors' Report together with Audited Financial Statements of the Modaraba for the year ended June 30, 2012.

Financial Highlights	(Rupees in '000)
Sales Revenue	1,543,919
Profit for the year	498,792
Un-appropriated profit brought forward	12,971
Available for Appropriation	511,763
Transfer to Statutory (mandatory) Reserve @ 50% of profit for the year	249,396
Proposed cash dividend @ 30% (Rs. 3 per certificate)	225,000
Bonus Certificate @ 10% (1 certificate per every 10 certificates held)	75,000
Right Issue @ 20% (1 certificate for every 5 certificates held)	150,000
Premium on Right issue @ Rs. 9 per certificate	135,000
Un-appropriated profit carried forward	37,367
Net profit margin	32 %
Return on equity	34 %
Earning per certificate	Rs. 6.65
Break-up value per Certificate	Rs. 22.17



Business Review

The Management is pleased to report that the year witnessed remarkable growth in terms of revenue, profits, investment in the rental assets and expansion of the rental business to other growth sectors of the rental business of the country.

Modaraba is continuously achieving new heights of growth and achieved sales revenue of Rs.1.5 BILLION, compared to Rs. 1 Billion of last year, 50%, increase, consistent double digit growth recorded since its floatation in 2007. The overall asset size of the Modaraba also touched a new peak of Rs. 2.7 Billion, four times the size of Rs. 707 million in June 2007. The NET WORTH of the Modaraba now stands at Rs. 1.7 Billion compared to Rs. 358 million in June 2007. The Breakup Value of the Modaraba certificate now stands at Rs. 22.17 per certificate. This growth in the NET WORTH of the Modaraba was made possible by reinvesting the profits in the business by retaining maximum profits for expansion and growth of Rental Assets, despite consistent double digit dividend payout since its floatation.

The profits also jumped to Rs. 499 million as against Rs. 288 million earned during last year, 73% plus last year. The growth in the profits was made possible due to better deployment, premium pricing compared to our competitors due to new and reliable CAT Equipment, diversification to other sectors of the economy and better and effective control over expenditure despite inflationary pressures. The operating expenses include Rs. 111 million charges of Ijarah rentals under IFAS-

2 compared to Rs. 81 million charged to Profit and Loss Account last year. The depreciation charge also went up from Rs. 201 million in previous year to Rs. 257 million in the current year. The charge for Staff costs went up by 31% in line with the growth of Rental business; however due to strong monitoring and control, staff costs remained under control. The financial charges also registered an increase of 31% from Rs. 35 million in the previous year to Rs. 45 million in the current year.



During the year, the Modaraba repaid Rs. 275 Million of the suppliers Credit of Rs. 375 Million received from its sponsor, M/s. Allied Engineering and Services (Pvt.) Limited for the purchase of Gas engines for the expansion of its Rental Asset portfolio.

During the year, the Gas Engine Rental segment continuously remained under pressure due to non availability of Gas, especially in the northern part of the country. The Government needs to address the availability of Gas to Captive Power Plants, mostly in the textile business to ensure that they remain competitive in the international market and generate export revenue for the country. The Government also needs to study the high value added sectors for the consumption of Gas so that this precious resource of the country is used in optimum manner in the high value added sectors of the economy.

Rental Power remains the main driver of growth, both in the Diesel and Gas Engine Power Rental business.

The Modaraba is continuously expanding its Fleet by inducting new CATERPILLAR ENGINES, offering fuel efficiencies and compliance to better environmental standards. The fuel efficiency is crucial due to rising fuel prices, both Gas and Diesel. This fuel efficiency gives competitive edge to the Modaraba and generates premium on its price offering to its customers.

The construction rental business remained low due to lower investment in the infrastructure projects. We feel that there is excess capacity available in the country, both with the construction companies and investor cum operator unorganized sector. Therefore, presently the Management has no plans to make any new investment in this sector of its Rental portfolio.

On the inbound logistics segment, the Modaraba is successful in offering complete 360° solution to its customers, specially in the bottling industry with efficient and cost effective solutions through its CAT Forklifts.

The Management feels that logistics is the future potential area of investment and growth for the Modaraba. Pakistan is still in the primitive ages when road logistics are concerned. The lack of investment in the sector, roadside engineering practices and overall lack of infrastructure have created many inefficiencies resulting into higher transportation costs. With the rising fuel prices, time has come to make new investment and implement good engineering practices to ensure better fuel economies and as such reduce our fuel import bill for the country. Modaraba has entered into rental agreements for the transportation contracts with leading FMCG brands, which portrays the confidence of our customers on our ability to deliver on our commitments despite being new in the business. We see huge potential for growth in the sector with some leading FMCG brands, where we have developed our relationship by offering rental solutions to them, both in the Power Rental and Logistics Rental businesses.

Dividend

The Board is pleased to announce a cash dividend of 30% i.e. Rs. 3/- per Certificate of Rs. 10/- each.

In addition, the Board is also pleased to declare bonus issue of 10 % i.e. one certificate for every ten certificates (1:10) held.

Right Issue

The Management is continuously expanding its Rental Fleet, both in Power Generation Rental business and logistics business, where it sees potential for investment and growth. The plans are to invest around Rs. ONE BILLION in new Rental Assets to ensure that Modaraba remains the leader in the Power Engine Rental business and catches on the opportunity in the logistics business with blue chip companies. This growth will be financed from internal cash generation through retention of profits, financing from Islamic Banks, Modarabas and Islamic window of the conventional banks. However, we feel that there is an opportunity for our Certificate holders also to invest in this growth of the Modaraba and accordingly the Board has decided to issue 20% Right Certificates i.e. one new certificate for every five Certificate held at a premium of Rs. 9 per Certificate. The premium is worked out on the basis of Break-up Value of the Certificate as at June 30, 2012 as per audited financial statements.

Keeping in view the fact that presently the investment opportunities are limited in the country, this Right Issue offers excellent opportunity to our Certificate holders. The track record of the Modaraba itself depicts the potential benefit that the Right issue offers to Certificate holders. In addition, the Right Issue will also qualify for investment rebate in terms of section 62 of the Income Tax Ordinance, 2001.



Credit Rating

The Management of the Modaraba is pleased to inform that JCR-VIS Credit Rating Company Limited has maintained the entity ratings of Allied Rental Modaraba (ARM) at "A" (single A) for long term & "A-2" (Single A-Two) for short term. Outlook on the ratings has been revised from 'Stable' to 'Positive'.

Future Outlook

The phenomenal strength of the Caterpillar 'BRAND NAME' and our strategies make us feel confident to achieve our plans for upcoming year 2013. By applying prudent policies and discipline in our business operations, we are confident that the targets set for the year will be achieved. We see year 2013 as an opportunity to increase our market share in the Power Rental business, however, we are quite aware of the challenges ahead because uncertainty still persists about the political and economic scenario of the country.

Despite the challenges facing the country, we feel that our country is blessed with resources, all the way from Karakoram mountains to the hilly areas of Balochistan. We are a country rich in natural resources, have vast agricultural resources available to grow Cotton, Rice, Wheat, Maize, Potato, Fruits and Vegetables. With over 175 Million population we see our country as big market for all sorts of investment, whether industrial investment for rising Power Generation demand or investment in the logistics sector by partnering with leading FMCG brands.

We feel our commitment to the country and our customers and shall continue to work with them in all sectors of the economy to meet their Rental needs. We feel that there is demand and we must not let these opportunities lapse and must continue to make new investments in all sorts of Rental products by offering Islamic Ijarah Rental products and work with our customers for their rental needs.

OUR COMMITMENT TO REGULATORS AND CERTIFICATE HOLDERS

As a responsible corporate entity, we shall continue to conduct our business in a transparent way, working

closely with the regulator to ensure compliance in all discipline of our business including complete Shari'ah compliance.

We feel that we must fulfill our promise to our Certificate holders by

- a) complying with Islamic Shari'ah principles in our business;
- b) generating fair returns on their investment through cash dividends; and
- c) developing long term growth for the business which is reflected in the continuous upward revision in the TOTAL VALUE OF THE MODARABA through continuous increase in the value of the Modaraba Certificates at the Stock Exchange.

Governance framework

Our governance framework is designed to ensure that the Modaraba lives up to its core values and principles, institutionalizing excellence in everything we do. Driven by the highest governance standards of integrity, transparency and zeal to protect stakeholders' value, Modaraba has aligned its governance framework to the industry's best practices. The Board of Directors and senior management place significant emphasis on internal controls, which trickles down to each and every employee of the Modaraba.

The Board of Directors is committed to open, ethical, knowledgeable and comprehensive management and to developing and implementing good Corporate Governance as a means of achieving success and effectiveness. In short, good Corporate Governance is a tool for enhancing the value of the Modaraba and its sustainable growth. The work of developing good Corporate Governance is ongoing, and aims to incorporate standards universally practiced.

Control Activities

The Modaraba has determined a number of control activities that accord with the nature of its business operations, and assigned responsibilities in such a way that mutual supervision is in effect.

Review

The Board meets at-least once each quarter to consider Modarabas financial performance, financial and operating budgets and forecasts, business growth and development plans, capital expenditure proposals and other key performance indicators. Post completion reviews are performed on all material investment expenditures.



Audit

The Head of Internal Audit functionally reports to the Board Audit Committee. The Internal Audit function carries out reviews on the financial, operational and compliance controls, and report findings to the Board Audit Committee, Chief Executive and the concerned department management. The Office of Internal Audit provides assurance to the Audit Committee concerning the adequacy of disclosure, transparency of data, internal controls, and risk management. The emphasis is on preventive, creative investigation and auditing that conforms to international standards and good Corporate Governance. The Board Audit Committee receives reports on the system of internal controls from internal and external auditors and reviews the process for monitoring the effectiveness of controls. The audit department also remains in close contact with Shari'ah Advisor and seeks guidance on compliance to Shari'ah principles in all areas of its business activities.

Whistle Blower Mechanism

The Board has developed the Whistle Blower Mechanism in line with the requirements of the new Code of Corporate Governance. There may sometimes be circumstances in which people feel uncomfortable raising issues directly with their managers. Hence we plan to provide a confidential "whistle blowing" mechanism throughout the Modaraba which the employees will be able to use. The policy encourages open discussion of these issues and no one will be disadvantaged as a result of raising in good faith any concerns about compliance with the Modaraba's Code of Conduct. Under the policy, all disclosures are kept confidential and the identity of the individual making the allegation may be kept confidential so long as it does not hinder or aggravate any investigation. However, the investigation process may reveal the source of the information and the individual making the disclosure may need to provide a statement as part of the evidence required.

If an employee needs to make a disclosure he/she should first raise the issue to his/her Department Head (unless he/she is the potential transgressor), in which case he can write to the Audit committee in the following format for the purpose of recording and monitoring.

- o The background and history of the concern (with relevant dates)
- o The reason why they are particularly concerned about the situation.

Alternative Complaints Methods:

Independent Hotline:

An independent compliance hotline, operated by an external agency gives employees the opportunity to report potential improprieties in financial reporting or other matters. The hotline is available to all and callers can remain anonymous if they wish.

Directors

The Structure of the Board of Directors

The Board of Directors consists of qualified individuals possessing knowledge, experience, and skill in various

professions, with the leadership and vision necessary to act in the best interests of the Modaraba. The Board of Directors plays a major role in deciding corporate policy, and with senior executives making plans for the short term and long-term operations of the Modaraba.



The Board of Directors presently comprises 07 individuals, composition of which is as follows:

- o Six non-executive directors representing Allied Group of companies, the majority shareholder; and
- o One executive director being the CEO of the management company, managing the affairs of the Modaraba.

Non executive directors are qualified individuals and possess required expertise, knowledge and the skill to effectively provide guidance to the Senior Management and control the affairs of the Modaraba, the attributes required by the SECP. The Chairman of the Board is other than the CEO. Meetings of the Board of Directors are held regularly to take notice of the results of business operations and their management and to make decisions concerning the Modaraba's business activities. Meetings also take place to consider business trends and operational plans of the Modaraba. Various planning scenarios are deliberated on, as well as the Modarabas' annual business plan.

Four Board meetings took place during the year. Attendance of each of the director was as follows.

Mr. Khwaja Asif Rahman	2
Mr. Murtaza Ahmed Ali	4
Syed Feisal Ali	4
Mr. Ali Akbar	4
Mr. Hassan Shahzad Abedi	4
Mr. Tajdar A. Shah	1
Mr. Raees Akhtar Khan	0

Leave of absence was granted to directors who could not attend the above meetings.

Development of Directors

It is the Management Company's policy to encourage directors, executives, and personnel concerned with corporate governance to take part in seminars and courses that could aid them in the performance of their duties and enhance their effectiveness. In relation to this, Modaraba is also planning that its Directors attend



courses / training programs as required under the new Code of Corporate Governance - revised 2012. The Chairman, Mr. Khwaja Asif Rahman has more than 15 years of experience on the Board of various listed companies and is therefore exempt from the director training program under the revised Code of Corporate Governance 2012.

Newly appointed directors are given induction training that introduces them to their role, duties, and responsibilities, as well as knowledge of the Modaraba, their legal obligations, and the regulations that apply to them as directors of a listed entity.

Compliance with Corporate Governance

The Board of Directors reviews all significant matters of the Modaraba. These include Modaraba's strategic direction, annual business plans and targets, decision on long term investments and borrowings. The Board of Directors is committed to maintain high standards of Corporate Governance.

The Board of Directors is pleased to report that:

- o The financial statements prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- o Proper books of accounts of the Modaraba have been maintained
- o Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- o International Accounting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements.
- o The system of internal control, which is in place, is being continuously reviewed by internal audit and other such procedures. The process of review will continue and any weakness in controls will be removed.
- o There are no significant doubts upon the Modarabas ability to continue as a going concern.
- o There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
- o A summary of key operating and financial data for the last six years is included in this annual report.
- o There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2012 except for those disclosed in the financial statements.

- o The trading in certificates carried out by the Directors, CEO, CFO, Company Secretary, their spouses and minor children is reported as under.

Name & Designation	Purchase	Bonus	Sale
Mr. Murtaza Ahmed Ali Chief Executive Officer	1,900	40,850	-
Syed Feisal Ali Non executive director	-	153,000	-
Mr. Ali Akbar Non executive director	-	7,500	-
Mr. Tajdar A. Shah Non executive director	-	15,000	-
Mr. Raees A Khan Non executive director	-	40,000	-
Mr. Hassan Shahzad Abidi Non executive director	-	500	-

- o The value of investments in Employee's Provident Funds based on the audited financial statements of the Fund as at December 31 , 2011 is Rs. 23,564,428/-

Auditors

On the recommendation of the Audit Committee, the Board has approved the re-appointment of the present auditors Messrs. A.F.Ferguson & Co. Chartered Accountants as auditors for the year ending June 30, 2013 subject to the approval of Registrar Modarabas, SECP.

Shari'ah Advisor

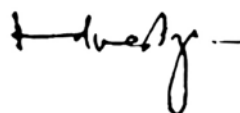
During the year, Shari'ah Audit and Compliance Mechanism was developed by Registrar Modaraba in consultation with the Modaraba members of NBF1 and Modaraba Association of Pakistan. Various meetings and deliberations took place between the Regulator and members of the Association for the development and its effective implementation. We are thankful to

the Registrar Modarabas and his team for the patient hearing of our views and making suitable amendments in the Mechanism. Allied Rental Modaraba already had the structure in place for ensuring that all business of the Modaraba is Shari'ah compliant and regular guidance and advice is sought from Mufti Irshad Ahmed Aijaz and Mufti Laghari, Shari'ah Advisor of the Association. We are pleased to report the appointment of Mufti Irshad Ahmed Aijaz as the Shari'ah Advisor of the Modaraba for the tenure of three years in line with the Shari'ah Audit and Compliance Mechanism implemented by the Registrar Modarabas. The appointment is approved by the office of Registrar Modarabas, SECP.

Acknowledgement

Our people are the key driver behind the sustained growth of the Modaraba. The Directors acknowledge the contribution of each and every employee of the Modaraba. We would also like to express our sincere gratitude to the Registrar Modaraba, Religious Board, financial institutions and our business partners for their continued support and guidance; and our customers for their continued patronage and business. We are also grateful to our certificate holders for their support and confidence in our management.

On behalf of the Board



Murtaza Ahmed Ali
Chief Executive
September 19, 2012

statement of compliance

with the code of corporate governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in the Listing Regulations of the Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed Modaraba is managed in compliance with the best practices of corporate governance.

Allied Engineering Management Company (Private) Limited (Modaraba Company) is not listed. However, Allied Rental Modaraba is listed at Karachi Stock Exchange. The Board of Directors of the Modaraba Management Company is responsible for managing the affairs of the Modaraba.

Allied Rental Modaraba has applied principles contained in CCG in the following manner:

1. The Management Company encourages representation of non-executive directors on its Board of Directors. At present, the Board comprise of seven Directors as follows:

Category	Names
Independent Directors	Due in next election of Directors to be held in October 2013
Executive Directors	Mr. Murtaza Ahmed Ali
Non - Executive Directors	Mr. Khwaja Asif Rahman Syed Feisal Ali Mr. Raees A. Khan Mr. Ali Akber Mr. Tajdar A. Shah Mr. Hassan Shehzad Abidi

All the Director's appointment have been duly approved by the Registrar Modarabas, Securities and Exchange Commission of Pakistan (SECP).

2. The Directors have confirmed that none of them is serving as Director in more than seven listed companies, including this Management Company.
3. All the resident directors of the Modaraba Management Company are registered as tax

payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as defaulter by that stock exchange.

4. During the year, no casual vacancy occurred on the Board of Directors.
5. The Modaraba has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of the particulars of these significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer of the Modaraba Management Company, other executive and non - executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a Director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. The Modaraba will arrange for certification required under the CCG for their Directors to acquaint them with their duties and responsibilities as per timelines provided by the Securities and Exchange Commission of Pakistan. Mr. Khwaja Asif Rahman, Chairman of the Board of Directors is exempt

under clause (xi) as he has been on the Board of various listed companies for more than 15 years.

10. The Board has approved appointment of CFO, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.
12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of holding of certificates.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It presently comprise of three members majority of whom being two, are non-executive directors including Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Modaraba as required by the CCG. The Terms of Reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of three members, of whom being two are non-executive directors and the chairman of the committee is a non-executive director.
18. The Board has set-up an effective internal audit function including Shari'ah compliance mechanism as required under circular 8 issued by Registrar Modarabas, Securities and Exchange Commission of Pakistan. They are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba and are involved in the internal audit function on a full time basis.

19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the person associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to Directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors on quarterly basis.
24. We confirm that all other material principles contained in the CCG have been complied with.

On behalf of the Board



Murtaza Ahmed Ali
Chief Executive
September 19, 2012



review report

to the certificate



holders on statement of compliance with the Code of Corporate Governance for the year ended June 30, 2012

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Allied Engineering Management Company (Private) Limited (the Modaraba Management Company) for and on behalf of Allied Rental Modaraba to comply with the requirements of Chapter XI of the Listing Regulations of the Karachi Stock Exchange where the Modaraba is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Modaraba. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Modaraba's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether

the Board's statement on internal control covers all controls and the effectiveness of such internal controls. Sub-regulation (x) of Listing Regulation No. 35 requires the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Modaraba, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2012.

Dated: September 28, 2012
Karachi

A.F.Ferguson & Co.
Chartered Accountants

We have audited the annexed balance sheet of Allied Rental Modaraba as at June 30, 2012 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

These financial statements are the modaraba management company's responsibility (Allied Engineering Management Company (Private) Limited) which is also responsible to establish and maintain a system of internal control, and prepare and present the above said statements in conformity with the approved accounting standards as applicable in Pakistan and the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with the auditing standards as applicable in Pakistan. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the above said statements are free of any material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the above said statements. An audit also includes assessing the accounting policies and significant estimates made by the modaraba management company in respect of Allied Rental Modaraba as well as, evaluating the overall presentation of the above said statements. We believe that our audit provides a reasonable basis for our opinion and, after due verification, we report that:

(a) in our opinion, proper books of account have been kept by the management company in respect of Allied Rental Modaraba as required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981;

(b) in our opinion:

i) the balance sheet and profit and loss account together with the notes thereon, have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of account and are further in accordance with accounting policies consistently applied;

ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and

iii) the business conducted, investments made and the expenditure incurred during the year were in accordance with the objects, terms and conditions of the Modaraba;

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2012 and of the profit, comprehensive income, its changes in equity and cash flows for the year then ended; and

(d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980, was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

The financial statements of the Modaraba for the year ended June 30, 2011 were audited by another firm of Chartered Accountants whose report dated September 21, 2011 expressed an unmodified opinion on those financial statements.

Dated: September 28, 2012
Karachi



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

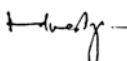
balance sheet

as at June 30, 2012

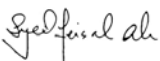
	Note	2012	2011	2010
			(Re-stated)	Note 38
(Rupees)				
ASSETS				
Current assets				
Cash and bank balances	3	82,611,666	61,489,976	87,624,137
Short-term investments	4	36,031,718	-	-
Ijarah rentals receivable	5	150,563,401	112,782,938	59,594,939
Operation and maintenance income receivable	5	17,214,164	17,749,708	19,149,599
Advances, deposits, prepayments and other receivable	6	23,956,150	18,146,069	21,807,837
Spare parts		35,172,863	12,063,676	-
Current portion of net investment in Ijarah finance	7	7,443,457	6,227,523	16,423,270
		352,993,419	228,459,890	204,599,782
Non-current assets				
Net investment in Ijarah finance	7	54,607,348	62,050,804	68,278,325
Long-term security deposits	8	45,110,757	18,204,957	16,893,843
Fixed assets in own use - tangible	9	50,570,080	35,144,170	20,003,735
Ijarah assets	10	2,136,652,576	1,764,190,218	1,185,599,247
Capital work-in-progress	11	71,135,902	2,745,259	15,496,603
		2,358,076,663	1,882,335,408	1,306,271,753
Total assets		2,711,070,082	2,110,795,298	1,510,871,535
LIABILITIES				
Current liabilities				
Creditors, accrued and other liabilities	12	444,060,796	524,988,793	128,598,742
Remuneration payable to the Modaraba Management Company	13	4,580,860	7,302,054	8,668,096
Current portion of Diminishing Musharakah financing payable	14	196,267,028	95,359,870	113,331,152
Current portion of liabilities against assets subject to finance lease	15	-	30,419,030	66,035,916
		644,908,684	658,069,747	316,633,906
Non-current liabilities				
Diminishing Musharakah financing payable	14	330,201,803	97,046,306	-
Liabilities against assets subject to finance lease	15	-	-	30,343,016
Deferred liabilities - staff gratuity	16	16,450,329	12,878,677	9,909,326
Other long-term employee benefits - compensated absences	17	6,171,651	4,579,632	4,332,865
Security deposits	18	50,500,000	35,275,000	-
		403,323,783	149,779,615	44,585,207
Total liabilities		1,048,232,467	807,849,362	361,219,113
NET ASSETS		1,662,837,615	1,302,945,936	1,149,652,422
FINANCED BY : CAPITAL AND RESERVES				
Authorised certificate capital				
75,000,000 modaraba certificates of Rs.10 each		750,000,000	750,000,000	750,000,000
Issued, subscribed and paid-up certificate capital	19	750,000,000	600,000,000	600,000,000
Premium on issue of right certificates		90,000,000	90,000,000	90,000,000
Statutory (mandatory) reserve	20	560,470,691	461,074,852	316,928,095
Unappropriated profit		262,366,924	151,871,084	142,724,327
CONTINGENCIES AND COMMITMENTS	21			
		1,662,837,615	1,302,945,936	1,149,652,422

The annexed notes 1 to 39 form an integral part of these financial statements.

**For Allied Engineering Management Company (Private) Limited
(Management Company)**


Murtaza Ahmed Ali
Chief Executive


Khwaja Asif Rahman
Chairman


Syed Feisal Ali
Director

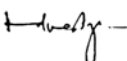
profit & loss account

for the year ended June 30, 2012

	Note	2012	2011
(Rupees)			
Ijarah rentals		1,371,942,711	862,313,326
Operation and maintenance income		160,203,765	158,497,571
Profit on Ijarah finance		11,772,477	12,928,396
		1,543,918,953	1,033,739,293
Operating expenses	22	(948,701,267)	(654,912,296)
Gross profit		595,217,686	378,826,997
Administrative and distribution expenses	23	(58,867,229)	(55,124,937)
Provision against potential Ijarah losses	5.3	(4,412,591)	(4,338,208)
Finance costs	24	(45,442,461)	(34,639,881)
Other income	25	27,995,657	16,727,554
		(80,726,624)	(77,375,472)
		514,491,062	301,451,525
Modaraba Management Company's remuneration	13	(4,987,917)	(7,392,141)
Sindh Sales Tax on Management Company's remuneration		(532,044)	-
		508,971,101	294,059,384
Workers' welfare fund		(10,179,422)	(5,765,870)
Profit before taxation		498,791,679	288,293,514
Taxation	26	-	-
Profit after taxation		498,791,679	288,293,514
			(Re-stated)
Earnings per certificate - basic & diluted	27	6.65	3.84

The annexed notes 1 to 39 form an integral part of these financial statements.

For Allied Engineering Management Company (Private) Limited
(Management Company)


Murtaza Ahmed Ali
Chief Executive


Khwaja Asif Rahman
Chairman


Syed Feisal Ali
Director

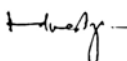
statement of comprehensive income

for the year ended June 30, 2012

Note	2012	2011
	(Rupees)	
Profit for the year	498,791,679	288,293,514
Other comprehensive income	-	-
Total comprehensive income for the year	498,791,679	288,293,514

The annexed notes 1 to 39 form an integral part of these financial statements.

For Allied Engineering Management Company (Private) Limited
(Management Company)


Murtaza Ahmed Ali
Chief Executive


Khwaja Asif Rahman
Chairman


Syed Feisal Ali
Director

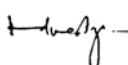
cash flow statement

for the year ended June 30, 2012

Note	2012	2011
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	498,791,679	288,293,514
Adjustments for non-cash charges and other items:		
Depreciation	256,887,704	200,957,039
Provision for potential Ijarah losses	4,412,591	4,338,208
Provision for deferred liabilities - gratuity	3,653,470	2,969,351
Provision for compensated absences	1,774,812	246,767
Financial charges including bank charges	45,442,461	34,639,881
Profit on disposal of fixed assets in own use	(567,135)	(101,234)
Profit on disposal of Ijarah assets	(10,093,888)	(6,910,122)
Profit on disposal of scrap	(7,117,115)	(3,375,526)
	793,184,579	521,057,878
(Increase) / decrease in current assets		
Short-term investment	(1,031,718)	-
Ijarah rentals receivable	(42,193,054)	(57,526,207)
Operation and maintenance income receivable	535,544	1,399,891
Advances, deposits and other receivable	(5,810,081)	3,661,768
Spare parts	(23,109,187)	(12,063,676)
Net investment in Ijarah finance	6,227,522	16,423,268
Long-term security deposits	(26,905,800)	35,275,000
	(92,286,774)	(12,829,956)
Increase / (decrease) in current liabilities		
Creditors, accrued and other liabilities (excluding accrued financial charges)	(84,366,050)	396,390,051
Remuneration payable to the Modaraba Management Company	(2,721,194)	(1,366,042)
Security Deposits	15,225,000	-
	(71,862,244)	395,024,009
Cash (utilised in) / generated from operations	(164,149,018)	382,194,053
Gratuity paid	(81,818)	-
Compensated absence paid	(182,793)	-
Financial charges paid	(42,004,408)	(34,494,982)
Net cash flows from operating activities	586,766,542	868,756,949
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(768,149,603)	(814,490,951)
Proceeds from disposal of Ijarah assets	62,326,200	36,591,023
Proceed from disposal of fixed assets in own use	3,317,811	2,974,182
Proceed from disposal of scrap	7,117,115	3,375,526
Net cash flows from investing activities	(695,388,477)	(771,550,220)
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid to certificate holders	(138,000,000)	(135,000,000)
Diminishing Musharakah availed financing	422,624,677	169,085,750
Expenses against issuance of bonus certificates	(900,000)	-
Repayment of Diminishing Musharakah financing	(88,562,022)	(90,010,729)
Repayment of liabilities against assets subject to finance lease	(30,419,030)	(67,415,911)
Net cash flows from financing activities	164,743,625	(123,340,890)
Net increase / (decrease) in cash and cash equivalents	56,121,690	(26,134,161)
Cash and cash equivalents at the beginning of the year	61,489,976	87,624,137
Cash and cash equivalents at the end of the year	117,611,666	61,489,976

The annexed notes 1 to 39 form an integral part of these financial statements.

For Allied Engineering Management Company (Private) Limited
(Management Company)


Murtaza Ahmed Ali
Chief Executive


Khwaja Asif Rahman
Chairman


Syed Feisal Ali
Director

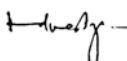
statement of changes in equity

for the year ended June 30, 2012


	Paid up Certificate Capital	Premium on Issue of right certificates	Statutory (Mandatory) reserve	Un-appropriated profit	Total
	(Rupees)				
Balance as at June 30, 2010	600,000,000	90,000,000	316,928,095	142,724,327	1,149,652,422
Profit distribution for the year ended June 30, 2010 @ Rs. 2.25 per certificate declared subsequent to year end	-	-	-	(135,000,000)	(135,000,000)
Total comprehensive income for the year ended June 30, 2011	-	-	-	288,293,514	288,293,514
Transfer to statutory (mandatory) reserve	-	-	144,146,757	(144,146,757)	-
Balance as at June 30, 2011	600,000,000	90,000,000	461,074,852	151,871,084	1,302,945,936
Profit distribution for the year ended June 30, 2011 @ Rs. 2.30 per certificate declared subsequent to year end	-	-	-	(138,000,000)	(138,000,000)
Bonus issue for the year ended June 30, 2011 @ 25% i.e. 1 certificate for every 4 certificate held, made subsequent to the year end.	150,000,000	-	(150,000,000)	-	-
Expenses against issuance of bonus certificates	-	-	-	(900,000)	(900,000)
Total comprehensive income for the year ended June 30, 2012	-	-	-	498,791,679	498,791,679
Transfer to statutory (mandatory) reserve	-	-	249,395,839	(249,395,839)	-
Balance as at June 30, 2012	750,000,000	90,000,000	560,470,691	262,366,924	1,662,837,615

The annexed notes 1 to 39 form an integral part of these financial statements.

For Allied Engineering Management Company (Private) Limited
(Management Company)


Murtaza Ahmed Ali
Chief Executive


Khwaja Asif Rahman
Chairman


Syed Feisal Ali
Director



notes to the financial statements

for the year ended June 30, 2012

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Allied Rental Modaraba was formed under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and the Rules framed thereunder and is managed by the Allied Engineering Management Company (Private) Limited (the 'Modaraba Management Company'), which is a wholly owned subsidiary of Allied Engineering and Services (Private) Limited. The Modaraba Management Company is incorporated in Pakistan under the Companies Ordinance, 1984 and is registered with the Registrar of Modaraba Companies and Modarabas under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980.

The Securities and Exchange Commission of Pakistan (the 'SECP'), vide its certificate No. SC/M/RW/ARM/2006-166 dated May 10, 2006, authorised Allied Engineering Management Company (Private) Limited to float Allied Rental Modaraba (the Modaraba).

The Modaraba is a perpetual Modaraba and is engaged in rental, Ijarah (leasing under operating and finance lease arrangements) and operation and maintenance of Caterpillar and other equipment (i.e. generators, forklifts, compactors etc.). The registered office of the Modaraba is located at 21/3, Sector 22, Korangi Industrial Area, Karachi. The Modaraba is listed on the Karachi Stock Exchange. The Modaraba commenced its operations on January 10, 2007.

- 1.2 Effective from January 10, 2007, the Modaraba took over the rental business transactions and the related equipments of Allied Rental Services (Private) Limited (ARSL - an associated undertaking). The assets and liabilities acquired by the Modaraba comprise of certain fixed assets, net investment in Ijarah finance (note 7) and the related lease liabilities. These were taken over under a prospectus floated by the Modaraba and approved by the SECP.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Statement of Compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, Islamic Financial Accounting Standards (IFAS) issued by the Institute of Chartered Accountants of Pakistan, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and 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, Islamic Financial Accounting Standards (IFAS), Modaraba Companies and Modaraba Rules, 1981 and directives issued by the SECP differ with the requirements of the IFRS, the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Islamic Financial Accounting Standards (IFAS), Modaraba Companies and Modaraba Rules, 1981 or the directives issued by the SECP prevail.

2.1.2 Accounting Convention

These financial statements have been prepared under historical cost convention except that certain investments classified as financial assets 'at fair value through profit or loss' have been marked to market and certain staff retirement benefits are carried at present value of defined benefit obligation.

2.1.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the functional currency of the Modaraba. All information presented has been rounded off to the nearest Rupee.

2.1.4 New and amended standards and interpretations that are effective in the current year

The following standards, amendments and interpretations to approved accounting standards have been published and are mandatory for the Modaraba's accounting period beginning on or after July 1, 2011:

- a) IFRS 7, 'Financial Instruments: Disclosures'. This amendment is effective from January 1, 2011. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment did not have any significant impact on the Modaraba's financial statements.
- b) IFRS 7, 'Financial instruments: Disclosures'. This amendment is effective from July 1, 2011. The amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the Modaraba's financial statements.
- c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any impact on the Modaraba's financial statements as currently no items are being reported in other comprehensive income.
- d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. 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 revised standard does not have any impact on the Modaraba's financial statements.
- e) IAS 34, 'Interim financial reporting' (effective January 1, 2011). The amendment provides guidance to illustrate how to apply disclosure principles in IAS 34 and adds disclosure requirements around:
 - The circumstances likely to affect fair values of financial instruments and their classification;
 - Transfers of financial instruments between different levels of the fair value hierarchy;
 - Changes in classification of financial assets; and
 - Changes in contingent liabilities and assets.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and are therefore, not detailed in these financial statements.

2.1.5 New and amended standards and interpretations that are not yet effective

The following are the new and amended standards and interpretations that have been published and are mandatory for the Modaraba's accounting period beginning on or after July 1, 2012.

- a) IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented under 'other comprehensive income' (OCI) in the profit and loss account on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendment will not have any significant effect on the Modaraba's financial statements as currently no items are being reported in other comprehensive income.

- b) IAS 19, 'Employee benefits' was amended in June 2011 applicable for periods beginning on or after January 1, 2013. The amendment has resulted in the following changes: eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur; to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The management is in the process of assessing the impact of the amendments.
- c) IAS 12, 'Income taxes' (effective January 1, 2012), currently requires an entity to measure the deferred tax relating to an asset depending on whether the entity expects to recover the carrying amount of the asset through use or sale. It can be difficult and subjective to assess whether recovery will be through use or through sale when the asset is measured using the fair value model in IAS 40, 'Investment property'. This amendment therefore introduces an exception to the existing principle for the measurement of deferred tax assets or liabilities arising on investment property measured at fair value. As a result of the amendments, SIC 21, 'Income taxes - recovery of revalued non-depreciable assets', will no longer apply to investment properties carried at fair value. The amendments also incorporate into IAS 12 the remaining guidance previously contained in SIC 21, which is withdrawn. The amendment will not have any impact on the Modaraba's financial statements as currently the Modaraba does not have any investment property categorised under IAS 40.
- d) IAS 32, 'Financial instruments: Presentation', (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Modaraba is in the process of assessing the impact of this amendment on the Modaraba's financial statements.

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 but are considered not to be relevant or do not have any significant effect on the Modaraba's operations and are, therefore, not detailed in these financial statements.

2.2 Applicability of International Accounting Standard 17 'Leases'

SECP vide its circular No. 10 of 2004 dated February 13, 2004 had deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on Modarabas with effect from July 1, 2003 and advised the management companies of Modarabas that they may continue to prepare the financial statements of the Modarabas without applying the requirements of IAS 17 to the Modarabas. However, the requirements of IAS 17 were considered for the purpose of leasing transactions (net investment in finance lease - assets given on finance lease and liabilities against asset subject to finance lease - assets obtained on finance lease) entered into by the Modaraba upto June 30, 2008. From July 1, 2008, all new lease transactions (both for assets given and assets obtained) are being accounted for in accordance with the requirements of IFAS 2 as explained in note 2.3. As allowed by the SECP, lease transactions which were accounted for as finance lease in accordance with IAS 17 till June 30, 2008 continue to be accounted for as finance leases.

2.3 Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the Securities and Exchange Commission of Pakistan (the SECP) vide SRO 431(1)/ 2007 dated May 5, 2007. During the year ended June 30, 2009, SECP vide its letter no. SC/M/RW/SCM/2009 dated March 9, 2009, directed that the Modaraba Management Companies may apply the accounting treatment of IFAS-2, only to the leasing (Ijarah) transactions entered on or after July 1, 2008. 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 recognised as an expense.

- Ijarah income shall be recognised in income on an accrual basis as and when the rental becomes due, unless another systematic basis is more representative of the time pattern in which the benefit of the use derived from the leased asset is diminished.

Consequently, in preparation of these financial statements the Modaraba has accounted for leasing transactions executed upto June 30, 2008 as finance leases consistent with prior years and has treated the leasing transactions executed on or after July 01, 2008 in accordance with the requirements of IFAS2.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Modaraba's accounting policies. Management makes estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. Estimates and judgments are continually evaluated and are based on historical experience, including expectation of future events that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both the current and future periods. The areas where various assumptions and estimates are significant to the Modaraba's financial statements or where judgment was exercised in application of accounting policies are as follows:

i) Fixed assets in own use and assets held under Ijarah arrangements (notes 2.13, 2.14, 9 and 10);

The Modaraba's management determines the useful lives and related depreciation charge and the residual values of its fixed assets in own use and assets held under Ijarah arrangements on a regular basis.

These are reviewed at the end of each reporting period and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets and the residual values, the same is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimate in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

ii) Provision against non-performing leasing portfolio, trade debts and other receivables (notes 2.6.1.4, 2.9, 5 and 7)

The Modaraba reviews its loan portfolio of lease (Ijarah finance), net investment in Ijarah finance, operation and maintenance income receivable and other receivables on each reporting date to assess the amount of non-performing portfolio / balances and provision required thereagainst on a regular basis. A change of circumstances may require the Modaraba to recognize a provision for impairment against these balances which may then be recognised in the period in which these circumstances have changed. Currently, management believes that there is no change in circumstances that may change the outcome of estimate and accordingly, will not have material affect on the financial statements.

iii) Staff retirement benefits (notes 2.20 and 16);

The Modaraba has post retirement benefit obligations, which are determined through actuarial valuations carried out by an independent actuary using various assumptions as disclosed in note 16 to these financial statements. Changes in these assumptions in future years may affect the liability under these schemes in those years.

iv) Income taxes (notes 2.16 and 26);

No provision has been made in these financial statements for income taxes (both current and deferred) as the Modaraba expects to distribute at least 90% of its profits (after appropriation to mandatory

reserves as required under the Modaraba Ordinance) to the certificate holders in current and future years.

For the above purposes, and also in respect of making an estimate for income tax currently payable by the Modaraba (if so required), the management considers the current income tax laws and the decisions of the appellate authorities on certain issues.

v) Spare Parts (note 2.12)

The Modaraba reviews the net realizable value of spare parts to assess any diminution in the respective carrying values. Any change in the estimates in future years might affect the carrying amounts of spare parts with a corresponding effect on the profit and loss account of those future years.

2.5 Cash and cash equivalents

Cash and cash equivalents are carried at cost. For the purpose of cash flow statement cash and cash equivalents include cash and balances with banks in current and savings accounts, cash in hand and other short-term highly liquid investments with original maturities of three months or less. The cash and cash equivalents are readily convertible into known amount of cash and therefore, subject to insignificant risk of change in value.

2.6 Financial instruments

2.6.1 Financial assets

2.6.1.1 Classification

The management of the Modaraba determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial instruments: Recognition and Measurement', at the time of acquisition of financial assets and re-evaluates this classification on a regular basis. The financial assets of the Modaraba have been classified in the following categories:

a) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Modaraba's loans and receivables comprise of rentals receivable, loans and advances, deposits, cash and bank balances and other receivables in the balance sheet.

b) Held-to-maturity

These are financial assets with fixed or determinable payments and fixed maturity with the Modaraba having positive intent and ability to hold to maturity.

c) Financial assets 'at fair value through profit or loss'

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as financial assets 'at fair value through profit or loss' category. The assets classified as at 'fair value through profit or loss' include investments in mutual fund units.

d) Available for sale financial assets

Financial assets intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in equity prices, are classified as 'available for sale'. Available for sale financial instruments are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held to maturity and (c) financial assets 'at fair value through profit or loss'.

2.6.1.2 Initial recognition and measurement

All financial assets are recognised at the time the Modaraba becomes a party to the contractual provisions of the instrument. Regular purchases and sales of financial assets are recognised on the trade date - the date on which the management commits to purchase or sell the assets. Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value while the transaction costs associated with these financial assets are taken directly to the profit and loss account.

2.6.1.3 Subsequent measurement

Subsequent to initial recognition, financial assets are valued as follows:

a) Financial asset 'at fair value through profit or loss' and 'available for sale'

Financial assets 'at fair value through profit or loss' are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are taken to the profit and loss account in the period in which these arise.

'Available for sale' financial assets are marked to market using the closing market rates and are carried on the balance sheet at fair value. Net gains and losses arising on changes in fair values of these financial assets are recognised in other comprehensive income.

b) Financial assets classified as 'Loans and receivables' and 'held to maturity'

Loans and receivables and held to maturity financial assets are subsequently carried at amortised cost.

2.6.1.4 Impairment (including provision for potential Ijarah losses and write offs)

The carrying amount of the Modaraba's assets are reviewed at each balance sheet date to determine whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant difficulty or default in payments, the debtor will not be able to pay all amounts due according to the original terms, the probability that they will enter bankruptcy, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the profit and loss account.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Modaraba may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit and loss account.

Provision for non-performing leases / Ijarah rental receivable, if any, is made in accordance with the requirements of the Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP) and is charged to the profit and loss account in the current period. Outstanding balances in net investment in Ijarah finance are written off when there is no realistic prospect of recovery.

2.6.1.5 Collateral

Cash collateral provided by the Modaraba is identified in the balance sheet as margin cash and is not included as a component of cash and cash equivalents. For collateral other than cash, if the party to whom the collateral is provided has the right by contract or custom to sell or re-pledge the collateral, the Modaraba classifies that asset in its balance sheet separately from other assets and identifies the asset as pledged collateral. Where the party to whom the collateral is provided does not have the right to sell or re-pledge, a disclosure of the collateral provided is made in the notes to the financial statements.

2.6.2 Financial liabilities

All financial liabilities are recognised at the time when the Modaraba becomes a party to the contractual provisions of the instrument. Financial liabilities include Diminishing Musharakah financing payable, unclaimed profit distribution, creditors and accrued and other liabilities. They are initially recognised at fair value and subsequently stated at amortised cost.

2.6.3 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial asset have expired or have been realised or transferred and the Modaraba has transferred substantially all risks and rewards of ownership.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

2.6.4 Offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the financial statements only when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

2.7 Derivative financial instruments and hedge accounting

The Modaraba designates derivative financial instruments as either fair value hedge or cash flow hedge.

Fair value hedge

Fair value hedge represents hedges of the fair value of recognised assets or liabilities or a firm commitment. Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit and loss account, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. The carrying value of the hedged item is adjusted accordingly.

Cash flow hedge

Cash flow hedge represents hedges of a highly probable forecast transaction. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit and loss account.

2.8 **Ijarah rental and operation and maintenance income receivable**

These are stated at amount receivable net of provision. The provision is recognised in accordance with the Prudential Regulations for Modarabas.

2.9 **Net investment in Ijarah finance**

Lease transactions entered into by the Modaraba prior to July 1, 2008 is accounted for as a finance lease whereby assets under Ijarah arrangements are presented as receivable at an amount equal to the present value of the minimum Ijarah payments, including estimated residual value, if any. Unearned income i.e. excess of aggregate rentals over the cost of the asset is recorded at the inception of the Ijarah and is amortised over the term of the Ijarah so as to produce a constant rate of return on net investment in Ijarah. Allowance for non-performing lease is made in accordance with the Prudential Regulations for Modarabas as mentioned in note 2.6.1.4.

2.10 **Receivable from terminated / matured contracts**

These are stated net of impairment loss. Impairment loss is recognised for doubtful receivables on the basis of Prudential Regulations for Modarabas issued by the SECP or based on the judgment of management, whichever is higher. Bad debts are written off when identified.

2.11 **Advances, deposits and other receivables**

These are stated at cost less estimates made for doubtful receivables based on a review of all outstanding amounts at the balance sheet date. Balances considered bad and irrecoverable are written off when identified.

2.12 **Spare parts**

Spare parts are valued at lower of cost determined on weighted average basis and net realizable value. Cost comprises invoice value and other cost incurred in bringing the inventories to their present location and condition.

Net realizable value comprises of the estimated selling price in the ordinary course of business less costs which are necessarily incurred in order to make the sale.

2.13 **Ijarah assets**

2.13.1 **Owned assets**

Assets leased out under Ijarah arrangements on or after July 1, 2008 are recorded as Ijarah assets and are stated at cost less accumulated depreciation and accumulated impairment losses. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation is charged to income applying the straight line method whereby the cost of an asset less salvage value is written off over the lease period, which is considered to be the estimated useful life of the asset.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit and loss account, in the period in which they arise.

2.13.2 **Leased assets**

Assets acquired by way of finance lease (IAS -17) are stated at an amount equal to the lower of their fair value and the present value of minimum lease payments at the inception of lease less accumulated depreciation and impairment losses, if any. Finance charge on lease obligation is recognised in the profit and loss account over the lease term in a manner so as to provide a constant periodic rate of charge on the outstanding balance.

Depreciation, repair and maintenance, overhaul costs and gain on disposal of assets subject to finance lease is recognised in the same manner as for fixed asset in own use - tangible.

2.13.3 Change in accounting estimate

During the year the Modaraba has reviewed the residual values of generators as required by International Accounting Standard 16 "Property, Plant and Equipment" (refer note 2.13.1). This review has resulted in upward revision of the residual value of the generators. This revision has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the effect of this change in accounting estimate has been recognised prospectively in the profit and loss account from the current year. Had there been no change in the accounting estimate, the carrying amount of these assets, profit for the year and equity as at June 30, 2012 would have been lower by Rs. 27.068 million.

2.14 Fixed assets in own use - tangible

These are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Modaraba and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit and loss account as and when incurred.

Depreciation on all fixed assets is charged to income applying the straight-line method in accordance with the rates specified in note 9 to the financial statements and after taking into account residual value, if significant. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date. Depreciation is charged on additions from the month the asset is available for use and on disposals upto the month preceding the month of disposal.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These are included in the profit and loss account, in the period in which they arise.

2.15 Capital work-in-progress

Capital work-in-progress, if any, is stated at cost less accumulated impairment losses, if any, and represents expenditure on fixed assets in the course of construction and installation and advances for capital expenditure. Transfers are made to relevant fixed assets / Ijarah assets category as and when the assets are available for intended use.

2.16 Taxation

2.16.1 Current

Provision for current taxation is based on taxable income for the year at the current rates of taxation after taking into account applicable tax credits, rebates and exemptions available, if any.

The income of non-trading modarabas is exempt from tax subject to the condition that not less than ninety per cent of its total profits in the year as reduced by the amount transferred to a mandatory reserve, required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed amongst the shareholders. The Modaraba has decided to continue availing the tax exemption and hence no provision has been made in these financial statements for tax liability in the current year.

2.16.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial

statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax asset is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Deferred tax asset and liability is measured at the tax rate that is expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantially enacted by the balance sheet date. However, the Modaraba has not recognized any amount in respect of deferred tax in these financial statements as the Modaraba intends to continue availing the tax exemption in future years by distributing at least 90% of its profits as reduced by transfer to mandatory reserve, to its certificate holders every year.

2.17 Creditors, accrued and other liabilities

These are carried at cost, which is the fair value of the consideration to be paid in the future for goods and services.

2.18 Compensated absences

The Modaraba also makes provision in the financial statements for its liability towards compensated absences based on the leaves accumulated up to the balance sheet date in accordance with the service rules (and accumulated up to a specified limit).

2.19 Provisions

Provisions are recognised when the Modaraba has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

2.20 Staff retirement benefits

2.20.1 Unfunded gratuity scheme

The Modaraba operates an unfunded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. Annual provision in respect of the Modaraba's liability is made on the basis of actuarial recommendations. The actuarial valuations are carried out using the Projected Unit Credit method. Cumulative net unrecognised actuarial gains and losses at the end of the previous year which exceed 10% of the higher of the present value of the Modaraba's gratuity obligation are amortised over the expected average remaining working lives of the employees.

2.20.2 Staff Provident fund - defined contribution plan

The Modaraba also operates an approved contributory provident fund scheme for employees eligible under the scheme. Equal monthly contributions are made both by the Modaraba and the employees at 10% of the basic salary.

2.21 Diminishing Musharakah financing payable

Diminishing Musharakah financing is recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, this is stated at original cost less principal repayments.

2.22 Liabilities against assets subject to finance lease / assets obtained under Ijarah finance (IFAS - 2)

lease obligations against assets subject to finance lease up to June 30, 2008 are accounted for by

recording the asset and corresponding liability thereagainst determined on the basis of discounted value of total minimum lease payment. Financial charges are recognised in the profit and loss account using the effective mark-up method (refer note 2.13.2 also). Ijarah arrangements commencing on or after July 1, 2008 are accounted for under Islamic Financial Accounting Standard 2- Ijarah. Rental payments due under these arrangements are recognised as an expense in the profit and loss account on a straight line basis over the Ijarah (lease) term under the accrual basis.

2.23 Revenue recognition

2.23.1 Net investment in Ijarah finance (under IAS - 17)

The Modaraba follows the finance method for recognising income on Finance lease. Under this method the unearned income i.e. the excess of aggregate lease rentals (including residual value) over the net investment (cost of finance lease) outstanding is deferred and then amortised over the term of the lease, so as to produce a constant periodic rate of return on net investment in the lease. Documentation charges, front-end fee and other lease income are recognised as income on receipt basis.

2.23.2 Ijarah rentals (under IFAS 2)

Income on Ijarah is recognised on an accrual basis. In case of Ijarah arrangements with staggered rentals, the income is recognised on a straight line basis over the Ijarah term.

2.23.3 Non-performing Ijarah rentals / net investment in Ijarah finance

Unrealised income in respect of non-performing Ijarah finance is held in suspense account, where necessary, in accordance with the requirements of Prudential Regulations for Modarabas issued by the SECP.

2.23.4 Operation and maintenance services

Revenue from operation and maintenance services is recognised when the related services have been rendered.

2.23.5 Income on savings accounts with banks

Return on savings accounts is recognised on accrual basis.

2.24 Impairment on non-financial assets

The carrying amounts of the non-financial assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. Impairment losses are recognised as expense in the profit and loss account. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

2.25 Foreign currency transactions

Transactions in foreign currencies are converted into Pakistani Rupees at the rate of exchange prevailing on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rate of exchange prevailing at the balance sheet date. All exchange differences arising on translations are included in the profit and loss account currently.

2.26 Segment reporting

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 has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

A business segment is a distinguishable component of the Modaraba that is engaged in providing related products or services and which is subject to risks and rewards that are different from those of other segments. The Modaraba's primary format for segment reporting is based on 'business segments' as the Modaraba conducts its operations only in Pakistan.

The Chief Executive Officer is responsible for the Modaraba's entire product portfolio and considers the business to have two operating segments. The Modaraba's asset allocation decisions are based on an integrated investment strategy. The Modaraba's performance is evaluated with respect to the two operating segments.

2.27 Earnings per certificate

Earnings per certificate is calculated by dividing the profit after taxation for the year by the weighted average number of certificates outstanding during the year.

2.28 Proposed profit distribution to certificate holder

Profit distribution to certificate holders is recognised as a liability in the period in which such distribution is announced.

3	CASH AND BANK BALANCES	Note	2012	2011
			(Rupees)	
	Cash with banks in:			
	- current accounts		1,036,110	12,456,513
	- savings accounts	3.1	81,156,725	48,763,862
			82,192,835	61,220,375
	Cash in hand		418,831	269,601
			82,611,666	61,489,976

3.1 These accounts carry profit at rates ranging from 6% to 10% (2011: 5% to 10%).

4 SHORT-TERM INVESTMENTS

Financial assets 'at fair value through profit or loss'				
- held for trading				
- Open ended mutual fund units	4.1	1,031,718	-	
Loans and receivables - fixed rate				
- Certificate of Musharakah	4.2	35,000,000	-	
		36,031,718	-	

4.1 Financial asset - 'at fair value through profit or loss' - held for trading.

Name of Investee	Number of Units				Balance as at June 30, 2012			
	As at July 1, 2011	Purchase during the year	Bonus units	Redemption / sale during the year	As at June 30, 2012	Cost	Carrying value	Market value
UBL Islamic Sovereign fund	-	9,845	444	-	10,289	1,000,000	1,000,000	1,031,718

4.2 Fixed rate - Certificate of Musharakh

Particular	Purchase date	Maturity date	Profit rate	Closing balance as at June 30, 2012	Profit accrued upto June 30, 2012
Standard Chartered Modaraba	1-Jun-12	1-Sep-12	11.35%	35,000,000	326,507

5 RENTAL RECEIVABLES

	Note	2012	2011
(Rupees)			
Ijarah rentals receivables - considered good		120,372,520	98,229,378
Ijarah rentals receivables - considered doubtful (classified portfolio)	5.1	39,612,473	21,069,125
	5.2	159,984,993	119,298,503
Less: Provision against potential Ijarah losses	5.3	(9,421,592)	(6,515,565)
		150,563,401	112,782,938
Operation and maintenance income receivable		17,214,164	17,749,708
		167,777,565	130,532,646

5.1 Category of classification

	2012		2011	
	Balance outstanding	Provision held	Balance outstanding	Provision held
(Rupees)				
OAEM	10,155,646	-	18,020,436	5,364,713
Substandard	18,517,851	3,703,570	1,840,338	293,912
Doubtful	10,441,909	5,220,955	702,821	351,410
Loss	497,067	497,067	505,530	505,530
	39,612,473	9,421,592	21,069,125	6,515,565

During the year the Modaraba has changed its method for computation of provision against potential Ijarah losses on the recommendation of the SECP. Uptill June 30, 2011, the Modaraba determined provision based on individual rentals as they fall due, classified under the categories as defined in the Prudential Regulations for Modarabas, rather than total rental receivable from the classified customers. With effect from July 1, 2011, the Modaraba has changed its method to comply with the recommendations of the SECP and to bring it more in line with the requirements of the Prudential Regulations for Modarabas. The provision is calculated on the total rental receivable rather than on individual rental basis. Had the Modaraba continued to account for the potential Ijarah losses on the previous basis, the profit for the period would have been higher by Rs 6.998 million.

5.2 The Ijarah financing is secured by way of cash deposits amounting to Rs. 50.500 million (2011: Rs. 35.275 million).

5.3 Provision against potential Ijarah losses

	2012	2011
(Rupees)		
Opening balance	6,515,565	3,737,594
Charged during the year	4,412,591	4,338,208
Write-offs during the year	(1,506,564)	(1,560,237)
Closing balance	9,421,592	6,515,565

6 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2012	2011
(Rupees)			
Income tax recoverable	6.1	15,216,001	5,928,453
Advances (unsecured)			
- to contractor		774,758	624,284
- to suppliers		687,252	1,232,721
- to employees against salary		587,836	355,749
- to employees for expenses	6.2	549,407	130,313
		17,815,254	8,271,520
Insurance claim receivable		681,104	-
Security deposit	6.3	2,814,242	9,846,549
Accrued income	6.4	441,060	28,000
L/C margin and others	6.5	2,204,490	-
		23,956,150	18,146,069

6.1 This represents tax collected at source at import stage by the Collector of Customs and deducted from various payments made to the Modaraba.

6.2 This represents advance given to employees for expenses. The maximum amount receivable at the end of any month during the year was Rs. 0.549 million (2011: Rs. 0.412 million).

6.3 This includes current portion of long-term security deposits (note 8) amounting to Rs. 2.078 (2011: Rs. 9.667 million) paid against Ijarah finance contracts (IFAS - 2) and are refundable / adjustable on the expiry of lease period which is within one year.

6.4 The details of accrued income are as follows:

Term Deposit Receipt	34,334	-
Certificate of Musharakah	326,507	-
Savings accounts	80,219	28,000
	441,060	28,000

6.5 This includes Rs 1.872 million provided as cash collateral against bank guarantee and carries profit at the rate of 7.5% with maturity of 6 months.

7 NET INVESTMENT IN IJARAH FINANCE

Ijarah contracts commencing upto June 30, 2008 accounted for as finance lease under IAS 17

Current portion of net investment in Ijarah finance

	62,050,805	68,278,327
	(7,443,457)	(6,227,523)
	54,607,348	62,050,804

7.1 Investment in Ijarah finance

	2012			
	Due within one year	Due after one year but within five years	Due after five years	Total
	(Rupees)			
Minimum lease payments receivable	18,000,000	72,000,000	7,500,000	97,500,000
Residual value of leased assets	-	-	-	-
Lease contract receivables	18,000,000	72,000,000	7,500,000	97,500,000
Unearned lease income	(10,556,543)	(24,567,164)	(325,488)	(35,449,195)
	7,443,457	47,432,836	7,174,512	62,050,805

	2011			
	Due within one year	Due after one year but within five years	Due after five years	Total
	(Rupees)			
Minimum lease payments receivable	18,000,000	72,000,000	25,500,000	115,500,000
Residual value of leased assets	-	-	-	-
Lease contract receivables	18,000,000	72,000,000	25,500,000	115,500,000
Unearned lease income	(11,772,477)	(32,315,608)	(3,133,588)	(47,221,673)
	6,227,523	39,684,392	22,366,412	68,278,327

7.2 The Modaraba has entered into lease agreement at profit rate of 17.97% (2011: 17.97%) per annum. The agreement is for a period of 10 years and will mature in November 2017. The counterparty to the agreement has an option to purchase the leased asset at 50% of the original cost on completion of five years of the lease term. No security deposit is held against this Ijarah finance.

8 LONG-TERM SECURITY DEPOSITS

	Note	2012	2011
		(Rupees)	
Security deposits receivable in respect of assets obtained under Ijarah arrangements (IFAS - 2)	6.3	47,189,197	27,873,656
Repayable / adjustable within one year		(2,078,440)	(9,668,699)
		45,110,757	18,204,957

9 FIXED ASSETS IN OWN USE

9.1	50,570,080	35,144,170
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9.1 Fixed assets in own use

	2012									
	Cost				Depreciation				Written down value as at June 30, 2012	Life (years)
	For the period				As at July 1, 2011	For the year	(Disposals) / transfers	As at June 30, 2012		
As at July 1, 2011	Additions/ transfers	(Disposals) transfers	As at June 30, 2012							
Furniture, fixtures & office equipment	3,917,404	1,540,463	(75,860)	5,382,007	1,564,291	545,496	(60,688)	2,049,099	3,332,908	3 to 8
Vehicles	41,841,625	22,123,307	(4,340,050)	59,624,882	9,050,568	4,941,688	(1,604,546)	12,387,710	47,237,172	6 to 8
	45,759,029	23,663,770	(4,415,910)	65,006,889	10,614,859	5,487,184	(1,665,234)	14,436,809	50,570,080	

	2011									
	Cost				Depreciation				Written down value as at June 30, 2011	Life (years)
	For the period				As at July 1, 2010	For the year	(Disposals) / transfers	As at June 30, 2011		
As at July 1, 2010	Additions/ transfers	(Disposals) transfers	As at June 30, 2011							
Furniture, fixtures & office equipment	2,614,698	1,302,706	-	3,917,404	1,194,262	370,029	-	1,564,291	2,353,113	3 to 8
Vehicles	25,591,625	20,825,900	(4,575,900)	41,841,625	7,008,326	3,745,194	(1,702,952)	9,050,568	32,791,057	6 to 8
	28,206,323	22,128,606	(4,575,900)	45,759,029	8,202,588	4,115,223	(1,702,952)	10,614,859	35,144,170	

9.2 Details of disposal of fixed assets in own use are as follows:

Particular	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
(Rupees)							
Vehicles - Car	510,000	174,250	335,750	510,000	174,250	Company's Policy	Mr. Muhammad Yousuf (Employee)
Vehicles - Car	438,000	296,867	141,133	431,000	289,867	Negotiation	Mr. Farrukh Jameel
Vehicles - Car	433,750	224,104	209,646	385,000	175,354	Negotiation	Mr. Zubair
Vehicles - Car	715,000	101,292	613,708	715,007	101,299	Company's Policy	Mr. Asif Memon (Employee)
Vehicles - Car	712,000	201,733	510,267	409,455	(100,812)	Company's Policy	Mr. Naveed Akhtar (Employee)
Vehicles - Car	535,800	209,855	325,945	298,480	(27,465)	Company's Policy	Mr. Umair Ashfaq (Employee)
Vehicles - Car	925,000	362,292	562,708	525,895	(36,813)	Company's Policy	Mr. Hammad Iftikhar (Employee)
Vehicles - Motorcycle	20,000	13,111	6,889	16,000	9,111	Negotiation	Mr. M.Iqbal
Vehicles - Motorcycle	50,500	21,042	29,458	18,624	(10,834)	Company's Policy	Mr. Rizwan (Employee)
Office equipment - Computer	33,260	26,608	6,652	3,000	(3,652)	Negotiation	Mr. Zeeshan Rafiq
Office equipment - Computer	37,600	30,080	7,520	4,200	(3,320)	Negotiation	Mr. Munaf (Employee)
Office equipment - Computer	5,000	4,000	1,000	1,150	150	Negotiation	Mr. Raghb (Employee)
2012	4,415,910	1,665,234	2,750,676	3,317,811	567,135		
2011	4,575,900	1,702,952	2,872,948	2,974,182	101,234		

9.3 The depreciation charge has been allocated as under:

	Note	2012	2011
		(Rupees)	
Operating expenses (representing depreciation on Ijarah assets - note 10.1)	22	251,400,520	196,841,816
Administrative and distribution expenses (representing depreciation on fixed assets in own use - note 9.1)	23	5,487,184	4,115,223
		256,887,704	200,957,039

Ijarah assets at cost less accumulated depreciation	10.1	2,136,652,576	1,764,190,218
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10.1 Ijarah assets - at cost less accumulated depreciation

	2012									Life (years)
	Cost				Depreciation				Written down value as at June 30, 2012	
	As at July 1, 2011	Additions/transfers	(Disposals) transfers*	As at June 30, 2012	As at July 1, 2011	For the year	(Disposals) / transfers*	As at June 30, 2012		
	(Rupees)									
Owned:										
Generators, forklifts and related parts	1,986,559,452	668,667,052 96,740,620*	(79,992,018)	2,671,975,106	452,874,288	238,721,677	(27,759,706) 29,945,331 *	693,781,590	1,978,193,516	1 to 9
Machines	188,843,211	7,428,138	(4,200,000)	192,071,349	26,014,181	11,798,108	(4,200,000)	33,612,289	158,459,060	4 to 7
	2,175,402,663	772,835,810	(84,192,018)	2,864,046,455	478,888,469	250,519,785	(2,014,375)	727,393,879	2,136,652,576	
Leased: (note 15)										
Generators	96,740,620	-	-	-	29,064,596	880,735	-	-	-	3 to 10
	-	(96,740,620)*	-	-	-	-	(29,945,331)*	-	-	
Machines	-	-	-	-	-	-	-	-	-	2 to 5
	96,740,620	(96,740,620)	-	-	29,064,596	880,735	(29,945,331)	-	-	
	2,272,143,283	676,095,190	(84,192,018)	2,864,046,455	507,953,065	251,400,520	(31,959,706)	727,393,879	2,136,652,576	

	2011									Life (years)
	Cost				Depreciation				Written down value as at June 30, 2011	
	As at July 1, 2010	Additions/transfers	(Disposals) transfers*	As at June 30, 2011	As at July 1, 2010	For the year	(Disposals) / transfers*	As at June 30, 2011		
	(Rupees)									
Owned:										
Generators, forklifts and related parts	1,289,509,890	724,152,278 5,928,746*	(33,031,462)	1,986,559,452	287,499,164	177,288,724	(12,214,934) 301,334 *	452,874,288	1,533,685,164	1 to 9
Machines	91,874,416	80,961,410 25,654,130**	(9,646,745)	188,843,211	13,838,241	12,652,835	(2,630,441) 2,153,546**	26,014,181	162,829,030	4 to 7
	1,381,384,306	836,696,564	(42,678,207)	2,175,402,663	301,337,405	189,941,559	(12,390,495)	478,888,469	1,696,514,194	
Leased: (note 15)										
Generators	105,412,030	-	(2,742,664)	96,740,620	23,360,268	6,900,257	(894,595) (301,334) *	29,064,596	67,676,024	3 to 10
	-	(5,928,746)*	-	-	-	-	-	-	-	
Machines	25,654,130	-	-	-	2,153,546	-	-	-	-	2 to 5
	-	(25,654,130)**	-	-	-	-	(2,153,546)**	-	-	
	131,066,160	(31,582,876)	(2,742,664)	96,740,620	25,513,814	6,900,257	(3,349,475)	29,064,596	67,676,024	
	1,512,450,466	805,113,688	(45,420,871)	2,272,143,283	326,851,219	196,841,816	(15,739,970)	507,953,065	1,764,190,218	

10.2 During the year, the Modaraba acquired certain equipments and parts amounting to Rs. 84.389 million (2011: Rs. 408.63 million) from Allied Engineering and Services (Private) limited (a related party). Out of the total assets acquired from AESL during the year, assets for Rs. 41.897 million (2011: Rs. 169.085 million), have been hypothecated with banks and modarabas as security for Diminishing Musharakah financing payable (note 8) in favour of banks and Modaraba (note 14).

10.3 Additions to Ijarah assets during the year include assets amounting to Rs. 443.851 million acquired under Diminishing Musharakah financing. The Modaraba holds title to these assets. As at June 30, 2012 total assets acquired by the Modaraba under Diminishing Musharakah financing payable amounts to Rs. 624.987 million.

10.4 As at June 30, 2012, cost of total assets acquired under Ijarah arrangements (IFAS - 2) amounts to Rs. 517.788 million (June 30, 2011 : Rs. 288.112 million) which do not form part of the assets of the Modaraba in accordance with the requirements of IFAS - 2. These assets have been sub-let by the Modaraba under Ijarah arrangements (IFAS - 2). During the year assets amounting to Rs. 278.565 have been acquired under Ijarah arrangements.

During the year, assets acquired under Ijarah arrangements (IFAS - 2) amounting to Rs. 4.356 million have been transferred / sold to the Modaraba after expiry of the respective Ijarah agreement and are included in additions during the year.

10.5 Details of disposal of ijarah assets are as follows:

Particulars	Cost of Assets	Accumulated Depreciation	Carrying Value	Sales Proceeds	Gain/(Loss) on Disposal	Mode of Disposal	Purchaser
	(Rupees)						
Genset	3,188,000	-	3,188,000	4,350,000	1,162,000	Negotiation	Pepsi-Cola Riaz Bottlers, 32-N, Gulberg li, Lahore
Sound Proof Canopy	117,000	71,500	45,500	-	(45,500)		
Genset	4,275,000	162,673	4,112,327	4,350,000	237,673	Negotiation	Pepsi-Cola Riaz Bottlers, 32-N, Gulberg li, Lahore
Sound Proof Canopy	626,750	383,014	243,736	-	(243,736)		
Genset	7,146,000	726,647	6,419,353	5,850,000	(569,353)	Negotiation	Pepsi-Cola Riaz Bottlers, 32-N, Gulberg li, Lahore
Genset	3,371,119	1,258,079	2,113,040	1,500,000	(613,040)	Negotiation	Iqbal Engineering Plot # D-9, Hafiz Textile Nauras Chowrangi, S.I.T.E, Karachi.
Genset	363,065	-	363,065	4,600,000	4,236,935	Negotiation	Shafi Texcel 18 Km, Multan Road, Lahore.
Sound Proof Canopy	351,000	90,675	260,325	-	(260,325)		
Genset	4,399,558	1,225,725	3,173,833	1,800,000	(1,373,833)	Negotiation	Insight Engineering B-36 Irshad Qadri Road, S.I.T.E, Karachi.
Sound Proof Canopy	100,000	63,333	36,667	40,000	3,333	Negotiation	Shakoor Brothers Plot # Sa-6 St-4 Sector 27, Korangi Industrial Area, Karachi
Sound Proof Canopy	161,000	101,967	59,033	65,000	5,967	Negotiation	Shakoor Brothers Plot # Sa-6 St-4 Sector 27, Korangi Industrial Area, Karachi
Genset	1,612,480	703,040	909,440	1,516,200	606,760	Negotiation	M.J Textile F-610, S.I.T.E, Karachi.
Genset	913,996	313,996	600,000	850,000	250,000	Negotiation	Nazar Industries E-55 Estate Aevue, Site Karachi
Sound Proof Canopy	132,250	48,492	83,758	-	(83,758)		
Genset	2,227,866	1,022,633	1,205,233	1,430,000	224,767	Negotiation	A1 Fish Meals 203, Anum Estate, 29 Darul Aman, Co-Op.H.Society, Sharae Faisal, Karachi.
Genset	2,106,192	956,442	1,149,750	2,025,000	875,250	Negotiation	Mr. Rauf Ismail Trade Centre, 2nd Floor, Room # 203, Raambharti Street, Jodia Bazar, Karachi.
Genset	206,522	-	206,522	1,500,000	1,293,478	Negotiation	Ittehad Poultry Farm Plot D-50 Road 7 Main Nooriabad Road.
Sound Proof Canopy	174,800	120,418	54,382	100,000	45,618	Negotiation	A1 Fish Meals 203, Anum Estate, 29 Darul Aman, Co-Op.H.Society, Sharae Faisal, Karachi.
Genset	41,667,415	17,867,686	23,799,729	26,000,000	2,200,271	Negotiation	Wasal Kamal 16 Km, Multan Road, Lahore.
Genset	2,974,235	1,000,508	1,973,727	2,500,000	526,273	Negotiation	Gul Muhammad A-66, S.I.T.E.
Genset	1,211,258	611,258	600,000	850,000	250,000	Negotiation	Al Hamza Suite # 301 To 305, 3rd Floor, Beaumont Plaza, 6-CI-10, Civil Lines Qtr.
Genset	2,666,512	1,031,620	1,634,892	3,000,000	1,365,108	Negotiation	Karachi Generators Main G.T Road, Tarnol, Islamabad
Machines	4,200,000	4,200,000	-	-	-	Negotiation	Eden Housing Limited M-3, 82 - E / 1 Main Boulevard, Gulberg III, Lahore
2012	84,192,018	31,959,706	52,232,312	62,326,200	10,093,888		
2011	45,420,871	15,739,970	29,680,901	36,591,023	6,910,122		

11 CAPITAL WORK-IN-PROGRESS

	Note	2012	2011
(Rupees)			
Advance for equipment	11.1	1,637,920	2,745,259
Assets under installation	11.2	69,497,982	-
		<u>71,135,902</u>	<u>2,745,259</u>

11.1 This represents advance for certain equipment that would be transferred to the fixed assets in own use and expenses incurred on account of assembling of equipment.

11.2	Generators	62,969,218	-
	Machines	6,528,764	-
		<u>69,497,982</u>	<u>-</u>

12 CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for goods	12.1	231,334,590	71,238,259
Creditors for expenses		34,323,277	17,676,085
Due to an associated company	12.2	100,000,000	375,000,000
Advances from customers		20,338,268	27,302,316
Security deposit	12.3	200,000	200,000
Employee car scheme - deductions	12.4	7,600,181	5,090,728
Dividend payable		298,872	230,388
Accrued expenses			
- commission		1,414,968	1,069,934
- bonus		11,458,289	8,821,708
- auditors' remuneration		415,455	485,290
- financial charges	12.5	6,092,252	2,654,199
- charity payable	12.7	165,000	-
- miscellaneous		27,572	215,723
		<u>19,573,536</u>	<u>13,246,854</u>
Tax deducted at source from			
- employees		315,149	20,453
- suppliers		2,246,976	992,074
ljarah rentals payable	12.6	17,650,525	8,225,766
Workers' Welfare Fund		10,179,422	5,765,870
		<u>444,060,796</u>	<u>524,988,793</u>

12.1 This includes Rs. 166.171 million (2011: Rs. 67.194 million) payable to Allied Engineering and Services (Private) Limited (an associated company) for various purchases and services availed by the Modaraba.

- 12.2 This represents amount payable to Allied Engineering and Services (Private) Limited (a related party) for the purchase of generators and is payable on demand.
- 12.3 This represents amount received as security deposit from contractors providing contractual staff to the Modaraba.
- 12.4 This represents amount deducted from monthly salary of those employees who are given vehicles by the Modaraba and is adjustable at the end of four years against the sale of the respective vehicles.
- 12.5 This represents accrual of financial charges in respect of Diminishing Musharakah financing.
- 12.6 This represents Ijarah rentals payable to various banks and Modarabas in respect of asset obtained under Ijarah arrangements (IFAS - 2)

12.7 **Reconciliation of charity payable**

Note	2012	2011
(Rupees)		
Opening balance	-	-
Additions during the year	23 255,000	536,073
Paid during the year	12.8 (90,000)	(536,073)
Closing balance	165,000	-

- 12.8 Charity paid during the year is Rs. 0.090 million (2011: Rs.0.536 million). Charity was paid to the following individuals / organisations.

Zafar & Atia Foundation Charitable Trust	50,000	-
Burhani Blood Bank & Thalassaemia Centre	40,000	-
Flood Relief Fund	-	536,073
	90,000	536,073

- 12.9 None of the directors and employees of the Management Company had any interest in the donation / charity.

13 REMUNERATION PAYABLE TO THE MODARABA MANAGEMENT COMPANY

13.1	4,580,860	7,302,054
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- 13.1 The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 upto a maximum of 10% per annum of the net annual profits of the Modaraba. The remuneration for the year ended June 2012 has been recognised at 1% (2011: 2.5%) of profit for the year.

14 DIMINISHING MUSHARAKAH FINANCING PAYABLE

Musharakah financing
Due within one year

Note	2012	2011
	(Rupees)	
14.1	526,468,831 (196,267,028)	192,406,176 (95,359,870)
	330,201,803	97,046,306

14.1

Facility	Start Date	End Date	Tenor	Rate	Principal Outstanding as at June 30, 2012	Repayment			Details of charge on Assets as June 30, 2012
						Next Rental Due Date	Frequency of Payments	Next rental due amount	
Diminishing Musharakah Facility 1	18-Sep-10	18-Sep-14	4 years	6M KIBOR+ 1.75%	17,267,348	18-Sep-12	Quarterly	2,446,591	Hypothecation charge against new machines amounting to Rs 34.108 million and demand promisory notes.
Diminishing Musharakah Facility 2	10-Oct-10	10-Oct-14	4 years	6M KIBOR+ 1.75%	10,674,795	10-Jul-12	Quarterly	1,397,011	Hypothecation charge against new generators amounting to Rs 18.977 million and demand promisory notes.
Diminishing Musharakah Facility 3	11-Jan-11	11-Jan-15	4 years	6M KIBOR+ 1.75%	69,104,167	11-Jul-12	Monthly	3,006,162	Hypothecation charge against new generators amounting to Rs 143 million and demand promisory notes.
Diminishing Musharakah Facility 4	30-Jun-11	30-Jun-14	3 years	3M KIBOR+ 1.75%	37,777,050	30-Sep-12	Quarterly	6,012,218	Hypothecation charge against new generators amounting to Rs 136 million and demand promisory notes.
Diminishing Musharakah Facility 5	22-Sep-11	22-Sep-14	3 years	6M KIBOR+ 1.50%	21,170,920	22-Sep-12	Quarterly	3,080,559	Hypothecation charge against new generators amounting to Rs 31.364 million and demand promisory notes.
Diminishing Musharakah Facility 6	15-Dec-11	15-Dec-14	3 years	3M KIBOR+ 1.75%	17,867,475	15-Sep-12	Quarterly	2,337,111	Hypothecation charge against new generators amounting to Rs 23.823 million and demand promisory notes.
Diminishing Musharakah Facility 7	30-Dec-11	30-Dec-14	3 years	6M KIBOR+ 1.50%	7,899,600	30-Sep-12	Quarterly	1,062,900	Hypothecation charge against new generators amounting to Rs 10.532 million and demand promisory notes.
Diminishing Musharakah Facility 8	7-Mar-12	7-Mar-15	3 years	3M KIBOR +1.50%	68,622,810	7-Sep-12	Quarterly	8,552,737	Hypothecation charge against new generators amounting to Rs 100 million and demand promisory notes.
Diminishing Musharakah Facility 9	30-Mar-12	30-Mar-15	3 years	3M KIBOR + 1.50%	65,541,666	30-Sep-12	Quarterly	8,173,678	Hypothecation charge against new generators amounting to Rs 100 million and demand promisory notes.
Diminishing Musharakah Facility 10	16-Apr-12	16-Apr-15	3 years	3M KIBOR+ 1.40%	105,000,000	16-Sep-12	Quarterly	12,249,125	Hypothecation charge against new generators amounting to Rs 140 million and demand promisory notes.
Diminishing Musharakah Facility 11	23-Apr-12	23-Jun-15	3 years	6M KIBOR+ 1.50%	105,543,000	23-Jul-12	Quarterly	5,475,015	Hypothecation charge against new generators amounting to Rs 117.270 million and demand promisory notes.
					526,468,831				

		2012	2011
		(Rupees)	
15	LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE	-	30,419,030

	2012			2011		
	Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
(Rupees)						
Minimum lease payments	-	-	-	33,501,264	-	33,501,264
Finance charge for future periods	-	-	-	(3,082,234)	-	(3,082,234)
Principal outstanding	-	-	-	30,419,030	-	30,419,030

These liabilities (for assets obtained under finance lease arrangements) carried profit at rates ranging between 3 month KIBOR plus 1.75% to 6 month KIBOR plus 3% per annum. (note 10.1)

16	DEFERRED LIABILITIES	Note	2012	2011
(Rupees)				
	Deferred liability for staff gratuity		16,450,329	12,878,677

16.1 Defined benefit plan - gratuity

The Modaraba operates an unfunded scheme to provide gratuity to the permanent employees on retirement. The latest actuarial valuation of this scheme was carried out as at June 30, 2012 using the Projected Unit Credit Method. The principal actuarial assumptions used in the valuation of the scheme are as follows:

	2012		2011	
	(%)			
Valuation discount rate	13.50		12.75	
Salary increase rate	13.50		12.75	

Under the service rules, eligible employees are entitled to gratuity after ten years of service and thereafter the amount depends on the number of years of service completed by them and at different entitlement rates.

Details of the Modaraba's obligation under the scheme are as follows :

16.2	Amount recognised in the balance sheet		(Rupees)	
	Present value of defined benefit obligation	16.4	14,386,227	13,030,892
	Unrecognised actuarial gain / (loss)	16.6	2,002,385	(275,649)
	Unrecognised negative past service cost		61,717	123,434
	Net liability recognised in the balance sheet		16,450,329	12,878,677

16.3 Movement in amount payable to the defined benefit plan

	Opening balance		12,878,677	9,909,326
	Charge for the year	16.5	3,653,470	2,969,351
	Payments to members during the year		(81,818)	-
	Closing balance		16,450,329	12,878,677

2012

2011

(Rupees)

16.4 Movement in the present value of defined benefit obligation is as follow:

Present value of defined benefit obligation - opening	13,030,892	9,999,824
Current service cost	2,135,083	1,658,421
Mark-up cost	1,671,832	1,372,647
Actuarial (gain) / loss for the year	(2,369,762)	-
Payments to members during the year	(81,818)	-
Present value of defined benefit obligation - closing	<u>14,386,227</u>	<u>13,030,892</u>

16.5 Amount charged to the profit and loss account

The following amounts have been charged to the profit and loss account during the current year in respect of this scheme:

Current service cost	2,135,083	1,658,421
Mark-up cost	1,671,832	1,372,647
Amortization of (gain) / loss	(91,728)	-
Amortization of non-vested negative past service cost	(61,717)	(61,717)
	<u>3,653,470</u>	<u>2,969,351</u>

16.6 Movement of unrecognised actuarial gain / (loss)

Opening unrecognised actuarial gain / (loss)	(275,649)	(275,649)
Actuarial gain / (loss) for the year	2,369,762	-
	2,094,113	(275,649)
Annual amortisation	(91,728)	-
Unrecognised actuarial gain / (loss)	<u>2,002,385</u>	<u>(275,649)</u>

16.7 The expected charge for the defined benefit plan - gratuity scheme in respect of the year ending June 30, 2013 amounts to Rs. 4.721 million.

17 OTHER LONG-TERM EMPLOYEE BENEFITS

6,171,651

4,579,632

This represents accrual for staff compensated absences and includes liability in respect of key management personnel amounting to Rs. 0.524 million (2011: Rs.0.424 million) (refer note 2.18).

18 SECURITY DEPOSITS

Security deposits payable in respect of assets given under
ljarah arrangements (IFAS - 2)
Repayable / adjustable within one year

50,500,000

35,275,000

-

-

50,500,00035,275,000

19 ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

Authorised certificate capital

2012	2011		2012	2011
(Number of Certificates)			(Rupees)	
75,000,000	60,000,000	Modaraba Certificates of Rs 10 each	750,000,000	600,000,000

Issued, subscribed and paid-up capital

60,000,000	60,000,000	Modaraba Certificates of Rs 10 each fully paid in cash	600,000,000	600,000,000
15,000,000	-	Modaraba Certificates of Rs 10 each issued as fully paid bonus certificates	150,000,000	-
75,000,000	60,000,000		750,000,000	600,000,000

19.1 The Board of Directors of the Modaraba Management Company in its meeting held on October 20, 2011 has resolved to increase the authorised certificate capital of the Modaraba from Rs. 0.750 billion to Rs. 1 billion. The Joint Registrar (Modarabas) SECP vide its letter SC/RS/ARM/2012-256 dated July 3, 2012 has granted approval to alter the prospectus of Allied Rental Modaraba so as to increase the amount of authorised certificate capital.

19.2 Following certificates are held by the associated companies of the Modaraba:

	2012		2011	
	Number of Certificates	Rupees	Number of Certificates	Rupees
Allied Engineering and Services (Private) Limited	22,712,143	227,121,430	18,169,715	181,697,150
Allied Engineering Management Company (Private) Limited	15,000,000	150,000,000	12,000,000	120,000,000
	37,712,143	377,121,430	30,169,715	301,697,150

20 STATUTORY (MANDATORY) RESERVE

Statutory reserve represents profits set aside to comply with the Prudential Regulations for Modarabas issued by the SECP. These regulations require a Modaraba to transfer not less than 20% and not more than 50% of its after tax profit till such time that reserves equal 100% of the paid-up capital. Thereafter, a sum not less than 5% of the after tax profit is to be transferred.

During the current year the Modaraba has transferred an amount of Rs. 249.476 million (2011: Rs. 144.147 million) which represents 50% (2011: 50%) of the profit after tax.

21 CONTINGENCIES AND COMMITMENTS

21.1 Contingencies

21.1.1 There were no contingencies outstanding as at June 30, 2012 other than as explained in note 26.1.

21.2 Commitments

21.2.1 Contractual rentals receivable

	2012				2011			
	Due within one year	Due after one year but within five years	Due after five years	Total	Due within one year	Due after one year but within five years	Due after five years	Total
	(Rupees)							
Rentals receivable in future	429,292,664	621,673,999	-	1,050,966,663	385,620,000	816,086,667	-	1,201,706,667

This represents the rentals receivable by the Modaraba in future periods in respect of Ijarah assets given under long-term arrangements. (note 10.4)

21.2.2 Ijarah rentals payable

This represents amount payable against Ijarah arrangements with various financial institutions. Details of these amounts payable are as follows:

	2012			2011		
	Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
	(Rupees)					
Future Ijarah rentals payables	172,455,758	277,216,927	449,672,685	93,140,714	154,112,160	247,252,874

For details of the above obligation, please refer note 2.22 to these financial statements. Assets acquired under the above arrangements have been further sub-let under Ijarah arrangements (IFAS - 2). During the period, an expense of Rs. 111.207 million (2011: Rs. 81.437 million) and income of Rs. 150.639 million (2011: Rs. 60.395 million) was recognised under the above Ijarah arrangements and as at the period end Rs. 17.037 million (2011: Rs. 7.029 million) was due under these arrangements. The cost of assets acquired under Ijarah arrangements as at June 30, 2012 is Rs. 517.788 million (2011: Rs. 288.112 million). (note 10.4)

21.2.3 Commitments in respect of outstanding letter of credit and registered import contracts amount to Rs. 66.517 million (2011: Nil).

22 OPERATING EXPENSES

	Note	2012	2011
		(Rupees)	
Salaries, wages and other staff benefits	22.1	262,695,032	203,237,188
Depreciation expense	9.3	251,400,520	196,841,816
Repairs and maintenance cost	22.2	271,099,035	152,727,977
Ijarah rentals		111,206,640	81,437,376
Fleet vehicles running cost		21,586,674	-
Insurance cost - equipments		18,628,412	15,279,235
Travelling and conveyance		5,891,811	2,454,617
Transportation costs		3,150,250	609,577
Rent expense		3,042,893	2,324,510
		948,701,267	654,912,296

22.1 This includes contribution of Rs. 2.881 million (2011: Rs. 2.261 million) to the staff provident fund and charge in respect of unfunded gratuity scheme amounting to Rs 2.832 million.

22.2 This includes expenses of Rs. 215.893 million (2011: Rs. 130.619 million) for parts purchased and services availed from Allied Engineering and Services (Private) Limited, an associated company.

23 ADMINISTRATIVE AND DISTRIBUTION EXPENSES

Note	2012	2011
(Rupees)		
Salaries, wages and other staff benefits	19,434,069	13,197,286
Commission	10,222,086	7,937,599
Vehicle running costs	2,872,399	11,239,593
Travelling and conveyance	4,607,838	6,646,379
Depreciation expense	5,487,184	4,115,223
Legal and professional charges	6,542,308	3,621,496
Auditors' remuneration	658,060	650,000
Telephone, postage and fax charges	1,385,705	1,022,651
Advertisement and sales promotion	905,268	839,386
Printing and stationery	1,956,394	1,846,408
Insurance cost - vehicles	1,390,568	1,064,429
Training, meetings and tender participation	699,525	1,120,922
Charity	255,000	536,073
Donation	20,000	-
Miscellaneous	2,430,825	1,287,492
	<u>58,867,229</u>	<u>55,124,937</u>

23.1 This includes contribution of Rs. 1.016 million (2011: Rs. 0.668 million) to the staff provident fund and charge in respect of unfunded gratuity scheme amounting to Rs 0.822 million.

23.2 Auditors' remuneration

Audit fee	350,000	340,000
Fee for the review of the condensed interim financial information	165,000	165,000
Fee for the review of the statement of compliance with the best practices of the Code of Corporate Governance	50,000	50,000
Other certifications	45,000	45,000
Out of pocket expenses	48,060	50,000
	<u>658,060</u>	<u>650,000</u>

24 FINANCE COSTS

Financial charges on obligation against assets under finance lease arrangements	1,813,494	6,601,694
Financial cost on Diminishing Musharakah financing payable	38,797,145	27,461,641
Exchange loss	4,125,738	144,899
Bank charges and commission	706,084	431,647
	<u>45,442,461</u>	<u>34,639,881</u>

25 OTHER INCOME

Profit on savings accounts	8,128,223	4,954,371
Profit on Certificates of Musharakah	2,057,578	1,386,301
Unrealised gain on revaluation of investments 'at fair value through profit or loss'	31,718	-
Proceeds from disposal of scrap	7,117,115	3,375,526
Gain on disposal of Ijarah asset	10,093,888	6,910,122
Gain on disposal of fixed assets in own use	567,135	101,234
	<u>27,995,657</u>	<u>16,727,554</u>

26 TAXATION

26.1 The income of non-trading Modarabas is exempt from tax provided that not less than 90% of their profits are distributed to the certificate holders. As the Management Company of the Modaraba, subsequent to the year end, has approved the required distribution as stated above, no provision for taxation has been made in these financial statements. For the details of distribution, please refer to note 37 to these financial statements.

The Additional Commissioner of Inland Revenue (CIR) has made an assessment under section 125 (5A) of the Income Tax Ordinance, 2001 in respect of tax years 2007, 2008 and 2009 where the operational and maintenance income of the Modaraba has been treated as "trading activity". Consequently, the expenses have been prorated and income has been assessed and accordingly an assessment order was passed in which demand of Rs. 22.876 million was raised.

The CIR (Appeal-II) vide his order no 41 to 43 dated February 9, 2011 has cancelled the above mentioned order. However, the income tax department has filed appeal before the Income Tax Appellate Tribunal against the order of CIR (Appeal-II) which is pending. The management believes that the outcome of

pending appeal will be in favour of the Modaraba and, accordingly, no provision for income tax has been made in these financial statements.

- 26.2 The income tax returns of the Modaraba have been filed up to the financial year ended June 30, 2011 which is deemed to be an assessment order under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

27	EARNINGS PER CERTIFICATE - basic and diluted	Note	2012	2011
	Basic earnings per certificate is worked out as under:		(Rupees)	
	Profit for the year		498,791,679	288,293,514
	Weighted average number of ordinary certificates outstanding during the year		75,000,000	75,000,000
	Earnings per certificate - basic & diluted	27.1	6.65	3.84

- 27.1 No figure for diluted earnings per certificate has been presented as the Modaraba has not issued any instrument which would have an impact on basic earnings per certificate when exercised.

28 CASH AND CASH EQUIVALENTS

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

Cash and bank balances	3	82,611,666	61,489,976
Certificate of Musharakah	4	35,000,000	-
		117,611,666	61,489,976

29 REMUNERATION OF EXECUTIVES AND OTHER EMPLOYEES

	2012			June, 2011		
	Executives (Key Management personnel)	Other employees	Total	Executives (Key Management personnel)	Other employees	Total
	(Rupees)					
Basic salary	10,003,740	31,852,350	41,856,090	6,845,220	24,444,203	31,289,423
Bonus	2,918,171	21,693,974	24,612,145	1,895,357	6,245,494	8,140,851
House rent allowance	4,501,683	14,332,683	18,834,366	3,080,349	10,999,891	14,080,240
Utility allowance	1,000,374	3,185,041	4,185,415	684,522	2,444,420	3,128,942
Conveyance allowance	497,154	3,142,075	3,639,229	514,200	2,406,494	2,920,694
Provident fund	1,000,374	2,898,551	3,898,925	684,522	2,244,202	2,928,724
Gratuity	873,191	2,780,279	3,653,470	324,804	1,159,872	1,484,676
Contribution to Employees' Old Age Benefit	50,400	1,207,004	1,257,404	34,560	909,660	944,220
Medical benefits	907,865	4,198,475	5,106,340	829,748	2,963,025	3,792,773
	21,752,952	85,290,432	107,043,384	14,893,282	53,817,261	68,710,543
Number of persons	10	283	293	8	217	225

29.1 Certain executives and officers are also provided free use of vehicles maintained by the Modaraba and petrol allowance.

30 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2012				
Loans and receivables	Assets at 'fair value through profit & loss'	Available for sale	Held-to-maturity	Total
(Rupees)				
Cash and bank balances	82,611,666	-	-	82,611,666
Short-term investment	35,000,000	1,031,718	-	36,031,718
Ijarah rental receivable	150,563,401	-	-	150,563,401
Operation and maintenance income receivable	17,214,164	-	-	17,214,164
Advances, deposits and other receivables	8,740,149	-	-	8,740,149
Net investment in Ijarah finance	62,050,805	-	-	62,050,805
Long-term security deposits	45,110,757	-	-	45,110,757
	401,290,942	1,031,718	-	402,322,660

ASSETS

Creditors, accrued and other liabilities
Remuneration payable to the Modaraba Management Company
Diminishing Musharakah financing payable
Liabilities against assets subject to finance lease
Deferred liabilities - staff gratuity
Other long-term employee benefit - compensated absence
Security deposits

As at June 30, 2012		
Liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
(Rupees)		
-	431,319,249	431,319,249
-	4,580,860	4,580,860
-	526,468,831	526,468,831
-	-	-
-	16,450,329	16,450,329
-	6,171,651	6,171,651
-	50,500,000	50,500,000
-	1,035,490,920	1,035,490,920

LIABILITIES

Cash and bank balances
Short-term investment
Ijarah rental receivable
Operation and maintenance income receivable
Advances, deposits and other receivables
Net investment in Ijarah finance
Long-term security deposits

As at June 30, 2011				
Loans and receivables	Assets at 'fair value through profit & loss'	Available for sale	Held-to-maturity	Total
(Rupees)				
Cash and bank balances	61,489,976	-	-	61,489,976
Short-term investment	-	-	-	-
Ijarah rental receivable	112,782,938	-	-	112,782,938
Operation and maintenance income receivable	17,749,708	-	-	17,749,708
Advances, deposits and other receivables	-	-	-	-
Net investment in Ijarah finance	68,278,327	-	-	68,278,327
Long-term security deposits	18,204,957	-	-	18,204,957
	278,505,906	-	-	278,505,906

LIABILITIES

Creditors, accrued and other liabilities
Remuneration payable to the Modaraba Management Company
Diminishing Musharakah financing payable
Liabilities against assets subject to finance lease
Deferred liabilities - staff gratuity
Other long-term employee benefit - compensated absence
Security deposits

As at June 30, 2011		
Liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
(Rupees)		
-	518,251,302	518,251,302
-	7,302,054	7,302,054
-	192,406,176	192,406,176
-	30,419,030	30,419,030
-	12,878,677	12,878,677
-	4,579,632	4,579,632
-	35,275,000	35,275,000
-	801,111,871	801,111,871

31 FINANCIAL RISK MANAGEMENT

Risk management framework

The Modaraba's objective in managing risk is the creation and protection of certificate holders' value. Risk is inherent in the Modaraba's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the Management Company, Modaraba's constitutive documents and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Modaraba as well as the level of the risk that the Modaraba is willing to accept. The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Modaraba's risk management framework.

The activities of the Modaraba expose it to a variety of financial risks: market risks, credit risk and liquidity risk.

31.1 Market Risk

Market risk is the risk that the fair values or future cash flows of a financial instrument will fluctuate because of the changes in the market prices. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. Market risk comprise of three types of risks : currency risk, interest rate risk and other price risk.

Management of market risks

The Management Company manages market risk by monitoring exposure on securities by following the internal risk management policies and investment guidelines approved by the Board of Directors of the Management Company.

The Modaraba is exposed to currency risk and interest rate risk only.

31.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Modaraba primarily has foreign currency exposure in US Dollars (USD). At June 30, 2012, the Modaraba's exposure to foreign currency risk in respect of its obligation is USD 704,510 (2011: Nil). Net exposure is payable by the Modaraba in Rupees at the rate on which these are settled by the Modaraba.

The Modaraba uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate. Currently, the Modaraba does not have any forward cover against the net exposure.

The following significant exchange rates were applied during the year:

	Average rates		Balance sheet date rate	
	2012	2011	2012	2011
Rupees / US Dollars	91.310	86.100	94.480	85.950

Sensitivity risk

A five percent strengthening / (weakening) of the Rupee against USD at June 30, 2012 would have increased / (decreased) equity and profit by Rs. 3.328 million (2011: Nil) mainly as a result of foreign exchange gains / losses on translation of USD denominated bills payable. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis has been performed on the same basis as for 2011.

31.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. At the reporting date, the interest rate profile of the Modaraba's interest bearing financial instruments and the periods in which these will mature are as follows (based on the earlier of repricing and contractual maturity):

		As at June 30, 2012									
	Effective yield / profit rate	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	Not exposed to yield / profit	Total Carrying	
On-balance sheet financial instruments											
Financial assets											
Cash and bank balances	6%-10%	81,156,725	-	-	-	-	-	-	1,454,941	82,611,666	
Short-term investment	11.35%	-	35,000,000	-	-	-	-	-	1,031,718	36,031,718	
Net investment in Ijarah finance / assets under Ijarah arrangements	17.97%	-	-	-	-	-	-	-	62,050,805	62,050,805	
Ijarah rentals receivable		-	-	-	-	-	-	-	150,563,401	150,563,401	
Operation and maintenance income receivable		-	-	-	-	-	-	-	17,214,164	17,214,164	
Advances, deposits and other receivables		-	-	1,872,750	-	-	-	-	6,867,399	8,740,149	
Long-term security deposits		-	-	-	-	-	-	-	45,110,757	45,110,757	
Sub total		81,156,725	35,000,000	1,872,750	-	-	-	-	284,293,185	402,322,660	
Financial liabilities											
Creditors, accrued, and other liabilities		-	-	-	-	-	-	-	431,319,249	431,319,249	
Remuneration payable to the Modaraba Management Company		-	-	-	-	-	-	-	4,580,860	4,580,860	
Diminishing Musharakah financing payable	13.33% - 13.76%	14,978,396	34,088,361	49,066,757	98,133,514	330,201,803	-	-	-	526,468,831	
Liabilities against assets subject to finance lease		-	-	-	-	-	-	-	-	-	
Deferred liabilities - staff gratuity		-	-	-	-	-	-	-	16,450,329	16,450,329	
Other long-term employee benefit - compensated absences		-	-	-	-	-	-	-	6,171,651	6,171,651	
Security deposits from lessees		-	-	-	-	-	-	-	50,500,000	50,500,000	
Sub total		14,978,396	34,088,361	49,066,757	98,133,514	330,201,803	-	-	509,022,089	1,035,490,920	
On-balance sheet gap		66,178,329	911,639	(47,194,007)	(98,133,514)	(330,201,803)	-	-	(224,728,904)	(633,168,260)	
Off-balance sheet financial instruments											
Financial assets											
Rentals receivable in future		-	-	-	-	-	-	-	1,050,966,663	1,050,966,663	
Financial liabilities											
Future Ijarah rentals payable		6,255,161	40,993,414	35,096,734	90,110,449	250,284,722	26,932,205	-	-	449,672,685	
Off-balance sheet gap		(6,255,161)	(40,993,414)	(35,096,734)	(90,110,449)	(250,284,722)	(26,932,205)	-	1,050,966,663	601,293,978	
Total interest rate sensitivity gap		59,923,168	(40,081,775)	(82,290,741)	(188,243,963)	(580,486,525)	(26,932,205)	-	826,237,759	(31,874,282)	
Cumulative interest rate sensitivity gap		59,923,168	19,841,393	(62,449,348)	(250,693,311)	(831,179,836)	(858,112,041)	(858,112,041)	(31,874,282)	(63,748,564)	

As at June 30, 2011

	Effective yield / profit rate	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	Not exposed to yield / profit	Total Carrying
On-balance sheet financial instruments										
Financial assets										
Cash and bank balances	5% - 10%	48,763,862	-	-	-	-	-	-	12,726,114	61,489,976
Short-term investment		-	-	-	-	-	-	-	-	-
Net investment in Ijarah finance / assets under Ijarah arrangements	17.97%	-	-	-	-	-	-	-	68,278,327	68,278,327
Ijarah rentals receivable		-	-	-	-	-	-	-	112,782,938	112,782,938
Operation and maintenance income receivable		-	-	-	-	-	-	-	17,749,708	17,749,708
Advances, deposits and other receivables		-	-	-	-	-	-	-	12,217,616	12,217,616
Long-term security deposits		-	-	-	-	-	-	-	18,204,957	18,204,957
Sub total		48,763,862	-	-	-	-	-	-	241,959,660	290,723,522
Financial liabilities										
Creditors, accrued, and other liabilities		-	-	-	-	-	-	-	518,251,302	518,251,302
Remuneration payable to the Modaraba Management Company		-	-	-	-	-	-	-	7,302,054	7,302,054
Diminishing Musharakah financing payable	15.02%-15.49%	3,224,524	15,893,311	38,006,361	38,235,670	97,046,310	-	-	-	192,406,176
Liabilities against assets subject to finance lease	14.13%-18.76%	2,286,760	4,628,746	7,186,064	16,317,460	-	-	-	-	30,419,030
Deferred liabilities - staff gratuity		-	-	-	-	-	-	-	12,878,677	12,878,677
Other long-term employee benefit-compensated absences		-	-	-	-	-	-	-	4,579,632	4,579,632
Security deposits from lessees		-	-	-	-	-	-	-	35,275,000	35,275,000
Sub total		5,511,284	20,522,057	45,192,425	54,553,130	97,046,310	-	-	578,286,665	801,111,871
On-balance sheet gap		43,252,578	(20,522,057)	(45,192,425)	(54,553,130)	(97,046,310)	-	-	(336,327,005)	(510,388,349)
Off-balance sheet financial instruments										
Financial assets										
Rentals receivable in future		-	-	-	-	-	-	-	1,201,706,667	1,201,706,667
Financial liabilities										
Future Ijarah rentals payable		7,542,547	21,763,480	21,081,673	42,685,928	137,009,134	17,170,111	-	-	247,252,873
Off-balance sheet gap		(7,542,547)	(21,763,480)	(21,081,673)	(42,685,928)	(137,009,134)	(17,170,111)	-	1,201,706,667	954,453,794
Total interest rate sensitivity gap		35,710,031	(42,285,537)	(66,274,098)	(97,239,058)	(234,055,444)	(17,170,111)	-	865,379,662	444,065,445
Cumulative interest rate sensitivity gap		35,710,031	(6,575,506)	(72,849,604)	(170,088,662)	(404,144,106)	(421,314,217)	(421,314,217)	444,065,445	888,130,890

The Modaraba's interest rate exposure arises on saving accounts with banks, Certificates of Musharakah, Term Deposit Receipt, net investment in Ijarah finance, Diminishing Musharakah financing payable and liability against assets subject to finance lease. At the balance sheet date the interest rate profile of the Modaraba's interest-bearing financial instrument was as follows:

	Carrying amount	
	2012	2011
	(Rupees)	
Fixed rate instruments		
Financial assets		
Short-term investments - Certificate of Musharakah	35,000,000	-
Term Deposit Receipt (note 6.5)	1,872,750	-
Net investment in Ijarah finance	62,050,805	68,278,327
	<u>98,923,555</u>	<u>68,278,327</u>
Financial liabilities		
	-	-
Variable rate instruments		
Financial assets		
Savings account with banks	81,156,725	48,763,862
Financial liabilities		
Diminishing Musharakah financing payable	526,468,831	192,406,176
Liabilities against assets subject to finance lease	-	30,419,030
	<u>526,468,831</u>	<u>222,825,206</u>

Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial assets 'at fair value through profit or loss'. Therefore, a change in interest rates at the reporting date would not effect profit and loss account and the equity of the Modaraba.

Cash flow sensitivity for variable interest rate instruments

In case of 100 basis points increase / decrease in KIBOR on the last repricing date of variable rate instruments, (other than savings accounts) with all other variables held constant, the profit and loss account and equity of the Modaraba would be higher / lower by Rs. 0.613 million. The sensitivity of savings account has not been presented as the impact would not be material.

31.1.3 Price Risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The mutual fund units held by the Modaraba exposes it to other price risk. The sensitivity analysis has not been presented as the impact would not be material considering the immaterial amount of investment held.

31.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Modaraba, resulting in a financial loss to the Modaraba. At the year end it arises principally from Ijarah rental receivable, net investment in Ijarah finance, Certificate of Musharakah, Mutual Funds Units, bank balances, Term Deposit Receipts, deposits and other receivables.

Management of credit risk

The Modaraba's policy is to enter into financial contracts in accordance with its internal risk management policies and the requirements of the Prudential Regulations for Modarabas issued by the SECP. The Modaraba seeks to manage its credit risk exposure through diversification of leasing / Ijarah activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate. Cash is held only with reputable banks with high quality credit worthiness.

Exposure to credit risk

The maximum exposure to credit risk at the reporting date is as follows:

	Note	2012	2011
(Rupees)			
Bank balances		82,192,835	61,220,375
Short-term investments		36,031,718	-
Net investment in Ijarah finance Ijarah arrangements	31.2.1	62,050,805	68,278,327
Ijarah rental receivable		150,563,401	112,782,938
Operation and maintenance income receivable		17,214,164	17,749,708
Long-term security deposits		45,110,757	18,204,957
Advances, deposits and other receivables		8,740,149	10,144,150
Total carrying value (and maximum exposure to credit risk)		401,903,829	288,380,455
31.2.1 Investment in Ijarah finance / assets under Ijarah arrangements	7	62,050,805	68,278,327
Security deposits held		-	-
		62,050,805	68,278,327

31.2.2 Credit risk ratings and collaterals held

31.2.2.1 Credit risk rating of the Banks and their respective balances are given below:

Rating

AAA	51,519,318	82,492
AA+	1,062,901	1,355,037
AA	17,305,093	-
AA-	-	33,350,785
A+	-	-
A	12,305,523	26,432,061
A-	-	-
	82,192,835	61,220,375

31.2.2.2 Collaterals

The Modaraba does not hold any collateral from the counter parties against its investment in Mutual Fund Units, Certificate of Musharakah, Term Deposit Receipts and balances with banks and these are unsecured. The Modaraba's Investment in Ijarah finance are secured against assets leased out. Furthermore, the assets leased out by the Modaraba under Ijarah arrangements (note 5) are secured as the title to asset is held by the Modaraba. An amount of Rs. 50.500 million (2011: Rs. 35.275 million) is also kept as security deposits against these arrangements (note 18). For these receivables, other collaterals held by the Modaraba are title documents and promissory notes etc.

31.2.3 Impairment losses and past due balances

The age analysis of the rental receivable (Ijarah rentals and operation and maintenance receivable) and net investment in Ijarah finance as on the date of the balance sheet is as follows:

	2012		2011	
	Gross	Impairment loss recognised	Gross	Impairment loss recognised
(Rupees)				
Not past due	62,050,805	-	68,278,327	-
Past due 1-90 days	137,586,684	-	115,979,086	2,327,708
Past due 91 days to 180 days	10,155,646	-	18,020,436	3,037,005
Past due 181 days to one year	18,517,851	3,703,570	1,840,338	293,912
Past due one year to two years	10,441,909	5,220,955	702,821	351,410
More than two years	497,067	497,067	505,530	505,530
Total	239,249,962	9,421,592	205,326,538	6,515,565

Impairment is recognized by the Modaraba on the basis of the provisioning requirements of the Prudential Regulations for Modarabas issued by the SECP which includes subjective evaluation of investment portfolio carried by the Modaraba on an ongoing basis (and consideration of forced sales value of properties, wherever considered necessary and available, in accordance with the Prudential Regulations). Based on the past experience, consideration of financial position, past track records and recoveries, the Modaraba believes that additional provision against past due balances is not required.

31.2.4 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Modaraba's total credit exposure. Concentrations of credit risk indicate the relative sensitivity of the Modaraba's performance to developments affecting a particular industry.

Details of the Modaraba's concentration of credit risk of financial instruments by industrial distributions are as follows:

	2012		2011	
	(Rupees)	%	(Rupees)	%
Airline	420,000	0.10%	292,803	0.10%
Automobiles	5,998,355	1.49%	1,278,367	0.44%
Banks and development financial institutions (DFI's)	167,894,166	41.77%	91,166,815	31.61%
Cement	67,200,776	16.72%	72,787,642	25.24%
Chemicals and pharmaceuticals	4,059,775	1.01%	4,170,538	1.45%
Construction	8,118,395	2.02%	2,162,562	0.75%
Dairy & poultry	525,250	0.13%	781,235	0.27%
Education	712,877	0.18%	423,467	0.15%
Energy, oil and gas	9,339,260	2.32%	17,714,311	6.14%
Engineering	2,798,906	0.70%	2,398,751	0.83%
Event management	1,160,567	0.29%	652,258	0.23%
Fast moving consumer goods (FMCG)	15,242,341	3.79%	6,344,333	2.20%
Food and beverages	27,398,155	6.82%	17,229,918	5.97%
Glass and ceramics	2,213,549	0.55%	2,140,041	0.74%
Healthcare	2,538,650	0.63%	1,655,054	0.57%
Hotels	632,533	0.16%	690,000	0.24%
Information technology and communication	1,076,454	0.27%	3,423,110	1.19%
Mining	-	0.00%	720,201	0.25%
Packaging	3,779,917	0.94%	2,049,500	0.71%
Paper and board	1,240,082	0.31%	545,766	0.19%
Printing	7,867,078	1.96%	8,248,483	2.86%
Tannery	40,000	0.01%	406,266	0.14%
Textile and cotton	52,609,131	13.09%	41,344,289	14.34%
Transport	2,102,083	0.52%	2,855,198	0.99%
Others	16,935,529	4.21%	6,899,547	2.39%
	401,903,829	100%	288,380,455	100%

31.3 Liquidity Risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial assets, or that such obligations will have to be settled in a manner disadvantageous to the Modaraba. Liquidity risk arises because of the possibility that the Modaraba could be required to pay its liabilities earlier than expected.

Management of liquidity risk

The Modaraba's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Modaraba's reputation. In an urgent situation, the Modaraba may also opt for borrowing funds from its related parties and even from other banks.

Maturity analysis of financial liabilities

The table below analyses the Modaraba's financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows.

	2012				
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years
	(Rupees)				
Non-derivative financial liabilities					
Creditors, accrued and other liabilities	431,319,249	431,319,249	419,860,960	11,458,289	-
Payable to the management company	4,580,860	4,580,860	4,580,860	-	-
Diminishing Musharakah financing payable	526,468,831	630,000,885	132,721,195	124,734,599	372,545,091
Liabilities against assets subject to finance lease	-	-	-	-	-
Deferred liabilities - staff gratuity	16,450,329	-	-	-	16,450,329
Other long-term employee benefit - compensated absences	6,171,651	-	-	-	6,171,651
Security deposits	50,500,000	50,500,000	-	-	50,500,000
	1,035,490,920	1,116,400,994	557,163,015	136,192,888	445,667,071
	(Rupees)				
Non-derivative financial liabilities					
Creditors, accrued and other liabilities	518,251,302	518,251,302	518,251,302	-	-
Payable to the management company	7,302,054	7,302,054	7,302,054	-	-
Diminishing Musharakah finance payable	192,406,176	234,393,028	70,686,989	47,945,726	115,760,313
Liabilities against assets subject to finance lease	30,419,030	32,495,220	23,898,410	8,596,810	-
Deferred liabilities - staff gratuity	12,878,677	-	-	-	12,878,677
Other long-term employee benefit - compensated absence	4,579,632	-	-	-	4,579,632
Security deposits	35,275,000	35,275,000	-	-	35,275,000
	801,111,871	827,716,604	620,138,755	56,542,536	168,493,622

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at the year end (and includes both principal and profit payable thereon). The rates of mark-up have been disclosed in note 31.1.2 to these financial statements.

32 OPERATIONAL RISKS

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the processes, technology and infrastructure supporting the Modaraba's operations either internally within the Modaraba or externally at the Modaraba's service providers, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of investment management behaviour. Operational risks arise from all of the Modaraba's activities.

The Modaraba's objective is to manage operational risk so as to balance limiting of financial losses and damage to its reputation with achieving its objective of generating returns for certificate holders.

The primary responsibility for the development and implementation of controls over operational risk rests with the Board of Directors of the Management Company. This responsibility encompasses the controls in the following areas:

- requirements for appropriate segregation of duties between various functions, roles and responsibilities;
- requirements for the reconciliation and monitoring of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- ethical and business standards;
- risk mitigation, including insurance where this is effective.

33 CAPITAL RISK MANAGEMENT

The Modaraba's objective when managing capital is to safeguard the Modaraba's ability to continue as a going concern so that it can continue to provide optimum returns to its certificate holders' and benefits of other stake holders and to maintain a strong capital base to support the sustained development of its businesses.

The Modaraba manages its capital structure by monitoring return on net assets and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Modaraba may adjust the amount of profit paid to certificate holders or issue new certificates.

The Modaraba is not subject to externally imposed capital requirements.

34 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

Underlying the definition of fair value is the presumption that the Modaraba is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

Financial assets which are traded in an open market are revalued at the market prices prevailing on the reporting date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from carrying values as the items are either short-term in nature or periodically repriced.

International Financial Reporting Standard 7, 'Financial Instruments: Disclosure' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

Investment of the Fund carried at fair value are categorised as follows:

As at June 30, 2012				
(Rupees)				
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment in securities				
- financial assets 'at fair value through profit or loss'				
- Mutual fund units	1,031,718	-	-	1,031,718
ASSETS				
(Rupees)				
As at June 30, 2011				
(Rupees)				
	Level 1	Level 2	Level 3	Total
ASSETS				
Investment in securities				
- financial assets 'at fair value through profit or loss'	-	-	-	-

35 RELATED PARTY TRANSACTIONS

The related parties comprise of major certificate holders and their close family members, directors of the Modaraba Management Company and their close family members, key management personnel of the Modaraba Management Company, Key Management personal of the Modaraba and their close family members, the provident fund trust and the entities with common directors or under common management and control.

Contribution to the provident fund is made in accordance with the services rules. Modaraba management fee, if any, is accrued in accordance with the requirements of the Modaraba Regulations. Remuneration of key management personnel are in accordance with the terms of their employment. Other transactions are carried out at agreed terms.

Details of transactions with related parties during the year are as follows:

	2012	2011
	(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)		
Modaraba Management Company's remuneration	4,987,917	7,392,141
Sindh sales tax on management company's remuneration	532,044	-
Issue of 3,000,000 bonus certificates	30,000,000	-
Dividend paid	27,600,000	27,000,000
Allied Engineering and Services (Private) Limited (holding company of the Modaraba Management Company)		
Purchase of assets	84,389,178	408,633,000
Purchase of parts and services	241,634,961	130,619,307
Sale of rental assets	-	19,268,491
Rental revenue	2,143,000	3,197,536
Issue of 4,542,428 bonus certificates	45,424,280	-
Dividend paid	41,790,345	40,881,859
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Contribution to the staff provident fund	3,897,713	-
Issue of 230,500 bonus certificates	2,305,000	-
Dividend paid	2,120,600	2,074,500
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)		
Outstanding certificates 15,000,000 (June 30, 2011: 12,000,000)	150,000,000	120,000,000
Payable to the Modaraba Management Company	4,580,860	7,302,054
Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)		
Outstanding certificates 22,712,143 (June 30, 2011: 18,169,715)	227,121,430	181,697,150
Payable against purchase of parts and services	266,170,955	442,194,908
Allied Engineering and Services (Private) Limited - Staff Provident Fund		
Outstanding certificates 1,152,500 (June 30, 2011: 922,000)	11,525,000	9,220,000

35.1 The status and details of outstanding balance with associated undertakings / related parties as at June 30, 2012 are included in the respective notes to the financial statements.

36 SEGMENT INFORMATION

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 Modaraba has determined the operating segments based on the reports reviewed by the Chief Executive Officer, which are used to make strategic decisions.

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

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's operating segments consists of rental business (operating and finance lease) and maintenance business (operation and maintenance income). There were no changes in the reportable segments during the year.

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

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

36.1 Details of segment revenue, profit, assets and liabilities are as follows:

	Profit on Ijarah finance and rentals		Operation and maintenance income		Total	
	2012	2011	2012	2011	2012	2011
Revenue	1,383,715,188	875,241,722	160,203,765	158,497,571	1,543,918,953	1,033,739,293
Costs	966,944,192	650,624,623	106,178,739	111,548,710	1,073,122,931	762,173,333
Reportable segment profit	416,770,996	224,617,099	54,025,026	46,948,861	470,796,022	271,565,960

Reportable segment assets:

Rental receivable	150,563,401	112,782,938	17,214,164	17,749,708	167,777,565	130,532,646
Net investment in Ijarah finance	62,050,805	68,278,327	-	-	62,050,805	68,278,327
Security deposits	47,189,197	28,051,506	-	-	47,189,197	28,051,506
Spares parts	35,172,863	12,063,676	-	-	35,172,863	12,063,676
Ijarah assets	2,136,652,576	1,764,190,218	-	-	2,136,652,576	1,764,190,218
Fixed assets in own use - tangible	50,570,080	35,144,170	-	-	50,570,080	35,144,170
Capital work-in-progress	71,135,902	2,745,259	-	-	71,135,902	2,745,259
	2,553,334,824	2,023,256,094	17,214,164	17,749,708	2,570,548,988	2,041,005,802

Reportable segment liabilities:

Creditors, accrued and other liabilities	439,043,586	515,387,773	5,017,210	9,601,020	444,060,796	524,988,793
Liabilities against assets subject to Ijarah finance	-	30,419,030	-	-	-	30,419,030
Diminishing Musharakah financing payable	526,468,831	192,406,176	-	-	526,468,831	192,406,176
Security deposits	50,500,000	35,275,000	-	-	50,500,000	35,275,000
	1,016,012,417	773,487,979	5,017,210	9,601,020	1,021,029,627	783,088,999

Reconciliation of reportable segments revenues, profit or loss, assets and liabilities

		2012	2011
		(Rupees)	
Revenues			
Total revenue for reportable segments		1,543,918,953	1,033,739,293
Other revenue	25	27,995,657	16,727,554
Total revenue		<u>1,571,914,610</u>	<u>1,050,466,847</u>
Profit or loss			
Total profit or loss for reportable segments		470,796,022	271,565,960
Other profit or loss		27,995,657	16,727,554
		<u>498,791,679</u>	<u>288,293,514</u>
Assets			
Total assets for reportable segments		2,570,548,988	2,041,005,802
Short term investment		36,031,718	-
Advances and other receivables (other than security deposit)		21,877,710	8,299,590
Cash and bank balances		82,611,666	61,489,976
		<u>2,711,070,082</u>	<u>2,110,795,368</u>
Liabilities			
Total liabilities for reportable segments		1,021,029,627	783,088,999
Payable to the Management Company		4,580,860	7,302,054
Deferred staff liability		16,450,329	12,878,677
Other long term employee benefit		6,171,651	4,579,632
		<u>1,048,232,467</u>	<u>807,849,362</u>

36.2 The above mentioned segments do not necessarily match with the organisational structure of the Modaraba.

37 NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company has approved dividend at the rate of Rs. 3 per certificate (2011: Rs. 2.30 per certificate) for the year ended June 30, 2012, resulting in a total distribution of profit amounting to Rs. 225 million (2011: Rs.138 million), in its meeting held on September 19, 2012 which is more than 90% of the net profit for the year ended June 30, 2012, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations. In addition, the Board of Directors of the Management Company also approved the issue of bonus certificates in the proportion of 1 certificate for every 10 certificates held amounting to Rs. 75 million, in its meeting held on September 19, 2012. These financial statements do not reflect this proposed distribution which will be incorporated in the financial statements for the year ending June 30, 2013.

38 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. There have been no significant rearrangements or reclassifications in these financial statements information except for the following:

Note	Reclassification from component	Note	Reclassification from component	Amount reclassified	
				2011	2010
				(Rupees)	
7	Net investment in Ijarah finance - assets under Ijarah arrangement	10	Ijarah assets	535,357,691	1,400,000
9	Fixed assets - tangible - fixed assets held under Ijarah arrangement	10	Ijarah assets	1,228,832,527	1,184,199,247
5	Trade debts - unsecured, considered good	5	Operation and maintenance income receivable*	17,749,708	19,149,599
9	Fixed assets - tangible - capital work-in-progress	11	Capital work-in-progress	2,745,259	15,496,603
23	Administrative and distribution expenses	N/A	Provision against potential Ijarah losses**	-	4,115,223

* Operation and maintenance income receivable has been reclassified from trade debts and has been presented separately on the balance sheet.

** Provision against potential Ijarah losses has been reclassified from Administrative and distribution expenses and has been presented separately in the profit and loss account.

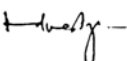
As a result of the aforementioned reclassification, the balance sheet as at the beginning of the earliest comparative period i.e. June 30, 2010 has also been presented. Further, for better understanding of the readers of the financial statements, certain nomenclatures have been changed.

39 GENERAL

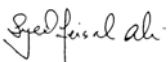
39.1 Date of authorisation for issue

These financial statements were authorised for issue by the Board of Directors of the Management Company in its meeting held on September 19, 2012.

For Allied Engineering Management Company (Private) Limited
(Management Company)


Murtaza Ahmed Ali
Chief Executive


Khwaja Asif Rahman
Chairman


Syed Feisal Ali
Director

certificate holding pattern

as at June 30, 2012

No. of Certificateholders	Certificate Holding		Total Certificates Held
	from	To	
39	1	100	587
21	101	500	4,993
38	501	1000	25,302
95	1001	5000	245,493
17	5001	10000	121,750
15	10001	15000	179,000
5	15001	20000	87,356
6	20001	25000	148,750
2	25001	30000	56,500
3	30001	35000	96,750
2	35001	40000	75,000
2	45001	50000	90,999
1	50001	55000	54,750
1	55001	60000	59,000
1	60001	65000	62,500
1	70001	75000	75,000
1	80001	85000	84,752
1	100001	105000	100,500
1	105001	110000	108,125
1	130001	135000	133,375
1	195001	200000	200,000
1	200001	205000	204,250
1	760001	765000	765,000
1	1150001	1155000	1,152,500
1	14995001	15000000	15,000,000
1	22710001	22715000	22,712,143
1	33155001	33160000	33,155,625
260			75,000,000

Categories of Certificateholders	Number	Certificate Held	Percentage
Individuals	254	2,975,128	3.97%
Management Company	1	15,000,000	20.00%
Joint Stock Companies	2	55,867,768	74.49%
Employees Provident Fund	3	1,157,104	1.54%
Total	260	75,000,000	100.00%

certificate holding pattern

as at June 30, 2012

Categories of Certificateholders	Number	Certificate Held	Percentage
Associated Companies			
Allied Engineering & Services Limited	1	22,712,143	30.28%
Allied Engineering Management Company (Pvt) Limited	1	15,000,000	20.00%
Allied Engineering & Services Limited - Employees Provident Fund	1	1,152,500	1.54%
		38,864,643	51.82%
Directors, CEO & their Spouses & Minor Children			
1. Mr. Murtaza Ahmed Ali	1	204,250	
2. Syed Feisal Ali	1	765,000	
3. Mr. Ali Akbar	1	37,500	
4. Mr. Tajdar A. Shah	1	75,000	
5. Mr. Raees A. Khan	1	200,000	
6. Mr. Hassan Shahzad Abidi	1	2,500	
		1,284,250	1.71%
Executives	5	68,264	0.09%
Employees Provident Fund	2	4,604	0.01%
Certificateholders holding five percent or more certificates in the Modaraba			
Magenta International Limited	1	33,155,625	44.21%
General Public	243	1,622,614	2.16%
	<u>260</u>	<u>75,000,000</u>	<u>100.00%</u>

Registered & Head Office - Karachi

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Email : rental_lahore@aesl.com.pk

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Railway Crossing, Islamabad

Tel : 92-51- 217521-25

Fax : 92-51-2217527

Email : rental.isb@aesl.com.pk

Multan Office

Hamid Pur Kenora, Sher Shah By Pass Road

Opp Industrial Estate, Multan.

Tel : 92-61-4590701 to 4590704

UAN: 111 250 250

Fax: 92-61-4590709

Email: amultan@aesl.com.pk

Peshawar Office

Address Plot No 55-A Main Industrial Estate,

Jamrud Road Hayatabad, Peshawar.

Tel : 92-91-5830445 / 5830446

Fax : 92-91-830445

Email : pesh@aesl.com.pk

Quetta Office

Address 1st Floor, Burger Inn Building,

Suraj Ganj Bazar, Quetta,

Tel : 92-81-822196

Email: admin@aesl.com.pk

Faisalabad Office

Address P-48, Shaheed-e-Millat Market,

Gulistan Colony, Millat Chowk,

Faisalabad.

Tel : 041- 8784643

Fax: 041- 8784643

Email: faisalabad@aesl.com.pk

I / We _____
 of _____
 being a member of Allied Rental Modaraba and holder of _____ Certificates as per Certificate
 Register Folio No. _____ and / or CDC Participant ID No. _____ and Sub Account No. _____
 hereby appoint _____
 of _____ or failing him / her _____
 of _____

As my proxy to vote for me and on my behalf at the 6th Annual Review Meeting of the Modaraba to be held on
 31st day of October 2012 and at any adjournment thereof.

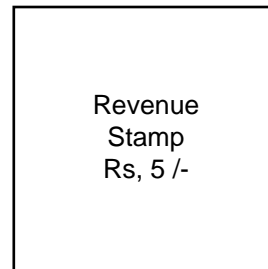
Signed this _____ day of _____ 2012

WITNESSES:

1. Signature: _____
 Name: _____
 Address: _____

 CNIC / or _____
 Passport No. _____

Signature



2. Signature: _____
 Name: _____
 Address: _____

 CNIC / or _____
 Passport No. _____

(Signature should agree with specimen
 signature registered with the Modaraba)

Note: Proxies in order to be effective must be received by the Modaraba not less than 48 hours before the
 meeting. A proxy must be a member of the Modaraba. CDC Certificate holders and their proxies are
 each requested to submit attested photocopy of their Computerized National Identity Card or Passport
 with this proxy form.

Allied Rental Modaraba

Managed by :
Allied Engineering Management
Company (Private) Limited

21/3, Sector No. 22, Korangi Industrial
Area, Karachi-74900

UAN: 111 250 250,

Tel: +9221-35066901-13,
35113621-25

Fax: +9221 35066915-16

Email: rental@aesl.com.pk

Web: www.arm.com.pk