



# Strong company Tough products

Annual Report  
2015



## Allied Rental Modaraba

Managed by: Allied Engineering  
Management Company (Private) Limited

## Contents

Vision & Mission Statement .....	09	Human Resources & Remuneration Committee .....	49
Core Values .....	11	IT Steering Committee .....	50
health safety & environment (HSE) .....	12	Audit Committee .....	52
Awards & Accomplishments .....	14	Credit Rating .....	53
Cat® Rental Power Operational Excellence Program .....	18	Statement of Compliance with the Code of Corporate Governance .....	54
Modaraba Information .....	20	Review Report .....	56
Organogram .....	21	Auditors' Report to the Certificate Holders .....	57
Product Profile .....	22	Balance Sheet .....	58
Staff Activities .....	26	Profit & Loss Account .....	59
Key Financial Data .....	30	Statement of Comprehensive Income .....	60
Summary of Cash Flows .....	31	Cash Flow Statement .....	61
Value Added Statement .....	32	Statement of Changes in Equity .....	62
Balance Sheet Composition .....	33	Notes to and Forming Part of the Financial Statements .....	63
Vertical Analysis .....	34	Certificate Holding Pattern .....	105
Horizontal Analysis .....	35	Offices Across Pakistan .....	107
Financial Summary at a Glance .....	37	Proxy Form	
Notice of Annual Review Meeting .....	39		
Shari'ah Review Report .....	40		
Directors' Report .....	41		



Allied Rental Modaraba and the  
phenomenal strength of the Caterpillar  
brand - a proven success

[Strong company tough products]

always up and running  
because every second  
counts



Our fleets are loaded with newer, reliable equipment that are put through a rigorous maintenance routine by trained engineers prior to each rental to assure the most productive and reliable equipment reaches your job site.

[Strong company tough products]

# keep on rolling when you rent





Now you can eliminate costly service shops, service toolings, spare parts and those cumbersome maintenance records. We do it all for you. Our rental agreements typically cover complete maintenance of the equipment, so you don't have to.

[Strong company tough products]

have it as, when, and  
where you need it

**Allied**  
LOGISTICS





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Your job requirements are always changing and you need to stay up with your customers demand. You may not always have the right equipment to get the job done, but we do. Rely on The CAT Rental Store to quickly supply the equipment you need to get the job done.

[Strong company tough products]





## vision

To be the market leader through innovative and reliable equipment rental solutions of Caterpillar range of products.

## mission

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.

[Strong company tough products]



## core values

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.

# health safety & environment (HSE)



As a Corporate Citizen and cognizant of our Social and Environmental responsibilities, Allied Rental Modaraba believes our safety, health and environment responsibilities extend beyond protection and enhancement of our own facilities. ARM functions in a manner that protects and preserves the environment for our future generations, ensures the health and safety of our stakeholders and exerts a positive influence in the community.

## Objective

Our objective is health, safety and welfare of our employees and those under our influence in the neighborhood and community at large.

## Commitment

We commit ourselves to implement the HSE policy of ARM guidelines of CATERPILLAR and the applicable local and International laws.



## Accountabilities

Delivering this commitment is the core accountability of ARM's leadership team, the team is committed to operate in a manner that protects and promotes the health and well being of people and our environment.

# HSE excellence at ARM



Being a dealer of CATERPILLAR range of products; Health, Safety and Environment is one of the top most priorities at Allied Rental Modaraba. We at ARM, continuously aim to make equipment rental services safer for people, equipment and environment. This particular approach towards safety, enabled us to achieve the highest level of Operational Excellence shown by any CAT Rental store in the world.

The ARM management team believes, and is committed to provide a safe and efficient experience for all its customers, which leads to long-term business partnerships. To ensure optimum value to our customers we continuously set HSE benchmarks by:

1. Creating and maintaining a safety culture which is based on research, quantifiable site-audits / risk assessments, training, testing and rewards. The enduring value and priority of safety culture is placed by every one in every group at every level of the organization.
2. Integrating Safety in the design and engineering of our services, uniquely for all industries. It refers to the extent to which individuals and groups will commit to personal responsibility for:
  - Safety;
  - Act to preserve;
  - Enhance and Communicate safety concerns;
  - Strive to actively learn; and
  - Adopt and modify (both individual and organizational) behavior based on lessons learned from mistakes.
3. Minimizing harm to the environment and job-site through pollution prevention measures.
4. Striving for the continuous improvement of our safety management system in collaboration.

## **Monitoring of HSE Benchmarks**

1. Introduced Cloud Based HSE monitoring of customer sites to share knowledge and discuss risk assessments with our clients. This system will ensure quick knowledge sharing to highlight areas for improvements at all customer sites. Our clients will be informed of ways to improving their safety standards with the help of information provided by our analysis.
2. HSE Monthly Rewards for Operations Staff who ensure maximum safety for our clients.



## awards & accomplishments

NBF & Modaraba Association of Pakistan

Best Performance Award



Mr. Murtaza Ahmed Ali, CEO Allied Rental Modaraba, receiving Performance Award from Mr. Fida Hussain Samoo, Commissioner (Insurance), SECP





# CAT Rental Power Operational Excellence Program

## Five Star Award



Allied Rental Team receiving 5-Star Award in a ceremony held during "2015 Caterpillar Rental Power Dealer Meeting" in Atlanta, USA



## 2015 VERIFIED LEADER AWARD PAKISTANI POWER RENTAL MARKET

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Allied Rental Modaraba (ARM), a subsidiary of Allied Engineering Services Limited and sole Caterpillar (CAT) dealer in Pakistan, has been awarded the 2015 Verified Leader Award in the power rental market. It has been given this award for having the largest market share and excellence in operations.\* ARM started its operations in 2007 and provides rental services throughout Pakistan. It operates through its offices in Karachi, Lahore, Islamabad, Multan, Faisalabad, Peshawar and Quetta.

ARM enjoys a brand name recognition across Pakistan that several other companies and market participants struggle to achieve. ARM has demonstrated excellence in capturing the highest market share within the market, in terms of revenues and power delivered to its customers. The award recognizes ARM's market position, capability and the company's dedication to provide outstanding services to its customers.

ARM always keeps a newer fleet of generators and other equipment as compared to the other market participants. ARM's excellent services, fleet quality and quantity have made it the market leader in Pakistani power rental market.



Management Association of Pakistan

Certificate of Excellence



# Cat® Rental Power Operational Excellence Program

Ali Ammar - Program Team Leader



**2014** was a Landmark year in Allied Rental's history as it became the 7th dealer worldwide to achieve the prestigious 5-star status in CAT® Rental Power Operational Excellence Program. Allied Rental achieved this feat during 2nd Audit.

Operational Excellence is a philosophy of leadership, teamwork, and problem solving; resulting in continuous improvement at every stage of the business, cutting through organizational boundaries, lower costs and higher customer satisfaction. The Cat® Rental Power Operational Excellence Program assessment is extremely rigorous and reviews all aspects of the business processes and working practices including:

- Rental Operations
- Sales & Marketing
- Business growth
- Financial Health & Planning
- Employee Safety and Development
- Safety

## THE JOURNEY

Journey from four to five star, was by no means a smooth sailing. It had its fair share of crest and troughs.

Transforming the culture of entire organization is an enormous undertaking. It is a process of continuous change & incremental improvements. Underlying values have a strong influence on the behavior of employees, as values define how they behave, regardless of the situation and context. Learning experiences of the organizational members and influence these values to align to the organizational goals is a key success factor for successful execution of all such programs. Besides corporate commitment, it is also essential to gain the on-site management's commitment for a successful implementation of any program in order to sustain cultural change at ground level. This commitment should go beyond formal agreements and include the active involvement of the both corporate and on ground leadership.

To effectively drive operational excellence in organization, leaders and managers need to guide their teams through to the very end. They need to maintain their gains at every step in the expedition. Success comes through the Continuous Improvement in people, processes and product, leading to achieve excellence.

Gaining a 4-Star during the first Audit was a tremendous morale booster. This reinforced self belief in entire team. Firm and ardent corporate commitment was strong enough impetus to propel the boat in full throttle. Management committed all the available resources, both Human and Financial, to continue the progress in operational excellence program. Senior managers also contributed from their busy schedules towards fulfillment of program requirement. Caterpillar representatives were



frequently approached for guidance at different levels of implementation. The program is multi prong in nature as it addresses requirements in physical structure & setup, processes, procedures, benchmarking as well as review processes. During the course of implementation, several

areas of improvement were identified in business processes which helped a great deal in performance benchmarking and process mapping. Efficiency driven processes and quantifiable performance measures are few of the key outputs of this program. A burgeoning focus on Employee, Equipment and Environmental safety is a landmark outcome. The cumulative result of all this translates into customer centric service delivery which ultimately translates into customer satisfaction.

Brian Kruse, Rental Power Manager of Caterpillar Inc, reverberated the same idea while announcing the Five Star status for Allied Rental Modaraba.

**“The Rental Power team of Caterpillar Inc. is proud to announce that Allied Rental Modaraba has achieved a 5 Star status in the group's Operational Excellence program. We would like to congratulate your team on achieving the highest levels of customer service, employee safety and engagement, processes efficiency, and total profitability in the industry.**

**Introduced globally in 2011, the aim of the Cat® Rental Power Operational Excellence Program is to create a culture of market-leading quality and continuous improvement, through the standardization of processes, procedures, and policies. This achievement will benefit your customers because improved dealer operational performance will equate to better customer service and improved value delivery”.**

The announcement brought a lot of delight and pride for whole Allied group. Acknowledgement and recognition at international level is a great source of honor and an

affirmation of hard work and dedication put up by entire Rental team. Allied Rental team received the Five Star award in a prestigious ceremony held during “2015 Caterpillar Rental Power Dealer Meeting” in Atlanta, USA.

With better service delivery to our customers, it also widens doors of opportunity in other business areas as stated by Murtaza Ahmed Ali, CEO Allied Rental Modaraba.

**“The main achievement and highlight of 2014 is our Five Star Certification with highest marks. This has raised the profile of Allied Rental to a new level within the Caterpillar Rental Network. This not only disciplines our business processes with better service standards to increasingly meet our customer expectations but surely will open up opportunities of partnership within the International Caterpillar Power Rental network to serve International Rental contracts and possibility of availability of new Product lines to serve new Rental markets”.**

#### **FUTURE OUTLOOK**

Operational compliance department is working on:

- The gaps identified during the audit;
- Further streamlining of processes;
- More efficient ways of doing work; and
- Regular reviews and self audits.

Management is fully aware of the fact that the biggest challenge is to keep the momentum going and not letting the complacency sets in. Caterpillar also recognizes the same and thus arranges regular audits for progress check.

**“TO IMPROVE IS TO CHANGE. TO BE PERFECT IS TO CHANGE OFTEN”.** Winston Churchill



# Modaraba Information

## Board of Directors

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 Akbar  
Non - Executive Director

Mr. Hassan Shehzad Abidi  
Non - Executive Director

Mr. Abdul Rahim Suriya (Independent)  
Non - Executive Director

## Audit Committee

Mr. Abdul Rahim Suriya (Independent)  
Chairman

Syed Feisal Ali  
Member

Mr. Ali Akbar  
Member

## Chief Financial Officer

Mr. Naveed Shaheen

## Company Secretary

Mr. Ilyas Asif

## Head of Internal Audit and Secretary to Audit Committee

Mr. Abid Altaf

## Human Resource and Remuneration Committee

Mr. Khwaja Asif Rahman  
Chairman

Syed Feisal Ali  
Member

Mr. Murtaza Ahmed Ali  
Member

Mr. Abdul Rahim Suriya (Independent)  
Member

## Strategic Management

Mr. Rashid Jehangiri  
Head of Operations - North

Mr. Ali Ahsan  
Head of Operations - South

Mr. Hammad Iftikhar  
Business Manager - Logistics & MHE

Syed Zulqarnain Jafri  
National Sales Manager - Rental Power

Mr. Ali Ammar  
Business Administrator

## Bankers & Lending Institutions

Habib Bank Limited

National Bank of Pakistan Limited

Standard Chartered Bank (Pakistan) Limited

BankIslami (Pakistan) Limited

Faysal Bank Limited

Soneri Bank Limited

Habib Metropolitan Bank

MCB Bank Limited

United Bank Limited

Standard Chartered Modaraba

First Habib Modaraba

Meezan Bank Limited

Burj Bank Limited

## Auditors

A.F. Ferguson & Co. Chartered Accountants

## Credit Rating Appraiser

JCR - VIS Credit Rating Company Limited

## Shari'ah Advisor

Mufti Irshad Ahmad Aijaz

## Legal Advisor

Mr. Khalil Ahmed Siddiqui, Advocate

## Registered & Head office

21/3 Sector 22, Korangi Industrial Area,  
Karachi -74900 UAN; (021) 111-250-250

Website: [www.arm.com.pk](http://www.arm.com.pk)

## Registrar & Certificate Transfer Office

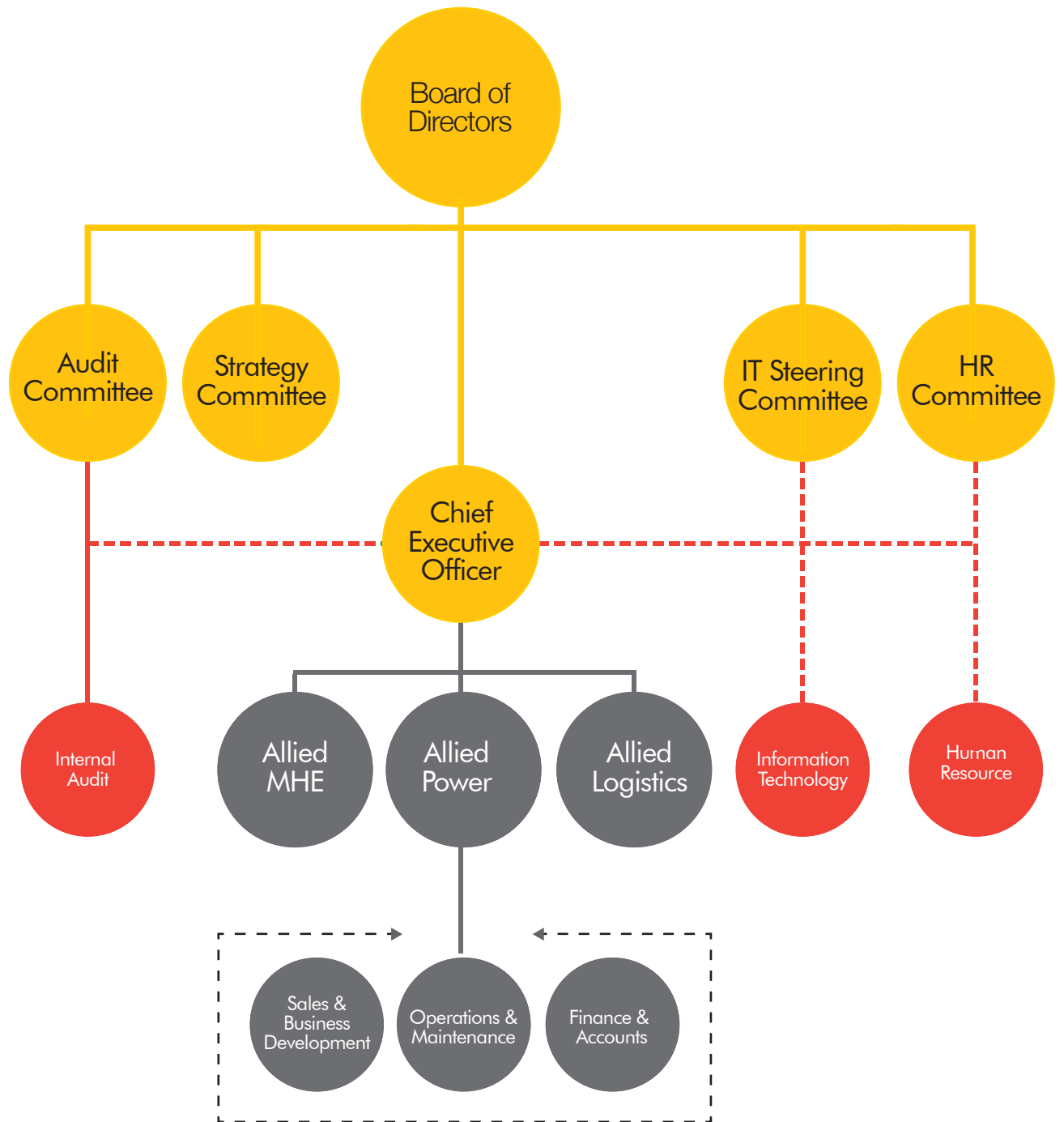
JWAFFS Registrar Services (Private) Limited  
505, 5th Floor, Kashif Centre, Near Hotel  
Mehran, Main Shahrah-e-Faisal, Karachi

Tel: 021 - 35643871-72

Fax: 021 - 35643873

# Allied Rental Modaraba

## organogram



# product profile

## Power Generation Equipment



The Lifeblood of any business is reliable electric power. 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.

## Construction Machine 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.



Besides Power Generation Rental Services, the company also provides unmatched and exclusive CATERPILLAR powerhouse Operation and Maintenance (O&M) services to a large number of clients that include all major national and multinational corporations / organizations in diverse fields as Textile, Spinning, Pharmaceuticals, Oil & Gas, Petrochemical, Process & Chemical plants, Hotels, Institutes, Hospitals, etc. With its professionally trained technical staff having rich experience in CATERPILLAR Generators and effective back up support system of Allied Engineering and Services Limited, ARM offers total powerhouse management including complete Operation and maintenance for the customer owned equipment.

## Powerhouse Operation and Maintenance



## 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.

Solar lighting towers are a new addition to our Lighting solutions primarily powered by free renewable energy from the sun thus providing a cost effective operation in an environment friendly manner.

## 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.

## Logistics Business



Inbound and outbound logistics is a vital part of any company's supply chain process. Once a good is produced, it must be transported to its final destination in cost efficient manner. Considering equipment quality issues and huge market potential in local logistics business, ARM has entered into this business segment by introduction of New and Quality equipment from world famous Brands. The combination of excellent equipment and skilled operators gives us the ability to offer a high level of service. All of our equipment is carefully maintained to manufacturer standards and is third-party inspected on a regular basis to ensure safe and smooth operation.



## Trucking Logistics Solution

We offer a wide array of freight services and logistics solutions depending on the specific requirement of our valued customers. ARM offers both Rigid Trucks and Prime Movers with Semi Trailers for Long or 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 time frames. 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.

## 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, Power Pallets, Telehandlers, Skid Steer Loaders etc.



## Crane Services



Our Cranes Fleet comprises of diverse equipment to match unique and customized requirement for crane services by our customers. Our Specially designed dual purpose 10 & 12 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. The addition of 25, 30 & 75 Tons Brand new Sany Truck Cranes in our rental fleet enhances our operation capabilities in Logistics business and provides quality Crane services with Reliable and Certified equipment.



# staff activities

## Annual Get Together 2015







ARM Cricket  
Team - South



ARM Cricket  
Team - North



Winners of  
Table Tennis  
Championship  
2015



Outstanding  
Performance Award  
in Cricket

## key financial data

		2015	2014	2013	2012	2011	2010
Total Assets	Rs. Million	5,934	5,357	4,440	2,711	2,111	1,511
Current Assets	Rs. Million	671	477	587	353	228	205
Current Liabilities	Rs. Million	1,390	1,256	1,353	645	658	317
Paid-up capital	Rs. Million	1,463	1,219	975	750	600	600
Reserves	Rs. Million	2,241	1,900	1378	91	703	550
Stock holder's equity	Rs. Million	3,704	3,119	2,353	1,663	1,303	1,150
Gross Profit	Rs. Million	712	873	808	595	379	338
Net Profit	Rs. Million	404	651	632	499	288	278
Profit after Tax Ratio	%	15	26	30	32	28	34
Return on Assets	%	7	13	18	21	16	20
Return on Equity	%	12	24	31	34	24	26
Return on Capital employed	%	9	16	20	24	20	22
Expense Ratio	%	78	70	67	66	70	66
Debt / Equity Ratio	%	40 : 60	28 : 72	33 : 67	24 : 76	15 : 85	15 : 85
Current Ratio	times	0.48: 1	0.38: 1	0.43 : 1	0.55 : 1	0.35 : 1	0.65 : 1
Price Earning Ratio	times	14.15	10.27	7.51	5.87	4.56	3.24
Earning per certificate - basic and diluted	Rs.	2.89	5.52	5.53	5.49	3.84	4.63
Dividend yield Ratio	%	5	5	7	9	13	15
Dividend Pay out ratio	%	69	54	54	55	60	49
Cash dividend	%	20	30	30	30	23	23
Stock dividend	%	0	0	5	10	25	-
Cash dividend per certificate	Rs.	2.00	3.00	3.00	3.00	2.3	2.25
Book Value per certificate	Rs.	25.33	25.59	24.13	22.17	21.72	19.16
Market Value per certificate	Rs.	40.90	56.70	41.53	32.25	17.50	15.00

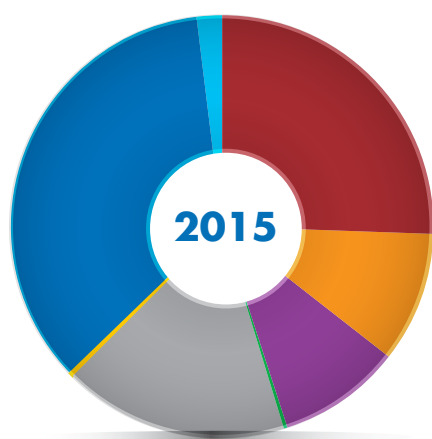


## summary of cash flows

	2015	2014	2013	2012	2011	2010
	(Rupees in '000)					
Profit for the year	403,529	651,455	631,865	498,792	288,294	277,973
Adjustments For Non-Cash and Other Items	770,004	605,484	440,837	252,092	236,098	157,643
(Increase) / (decrease) in operating assets	(138,503)	(82,320)	(159,074)	(91,255)	(582,063)	39,157
Increase / (decrease) in operating liabilities	(7,185)	(415,136)	386,728	(71,862)	430,299	55,322
Cash generated from operations	(145,688)	(497,456)	227,654	(163,117)	(151,764)	94,479
Cash Flows From Operating Activities	1,027,846	759,483	1,300,356	587,767	372,628	530,095
Cash Flows From Investing Activities	(1,154,505)	(1,592,817)	(1,913,279)	(696,388)	(241,358)	(366,131)
Cash Flows From Financing Activities	153,139	676,312	700,360	164,743	(157,404)	(111,319)
Net Cash increase/ (decrease) during the period	26,480	(157,022)	87,437	56,122	(26,134)	52,645
Cash and cash equivalents at beginning of the period	48,027	205,049	117,612	61,490	87,624	34,979
Cash and cash equivalents at end of the period	74,507	48,027	205,049	117,612	61,490	87,624

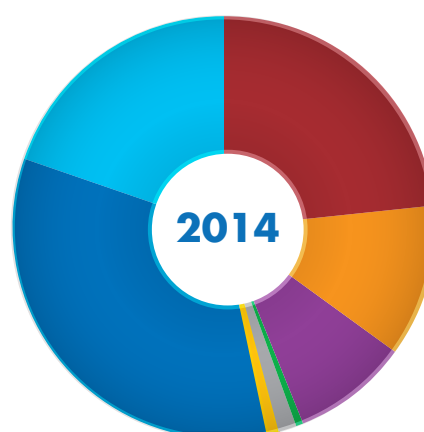
# value added statement

	2015		2014	
	(Rupees in '000)	(%)	(Rupees in '000)	(%)
<b>VALUE ADDED</b>				
Revenue from Operations	2,699,426	99%	2,542,211	97%
Less: Operating Expenses	(607,933)		(529,172)	
Other Income	38,005	1%	74,285	3%
	<b>2,129,498</b>	<b>100%</b>	<b>2,087,324</b>	<b>100%</b>
<b>VALUE ALLOCATED</b>				
To Employees				
As Remuneration	545,689	26%	429,861	21%
To Providers of Finance				
As Ijarah Rentals	211,671	10%	211,306	10%
As Profit on Diminishing Musharakah	201,246	9%	163,904	8%
To Modarib				
As Modaraba Management Fee	10,088	0.47%	6,515	0.31%
To Certificate Holders				
As Profit on Modarab Certificates	365,625	17%	292,500	14%
To National Exchequer				
As Workers' Welfare Fund	8,235	0.39%	13,295	0.64%
Retained in the Business				
As Depreciation	749,039	35%	610,987	29%
As Reserve and Retained Earnings	37,905	2%	358,956	17%
	<b>2,129,498</b>	<b>100%</b>	<b>2,087,324</b>	<b>100%</b>



Employees	26%
Providers of Finance - Ijarah Rentals	10%
Providers of Finance - Profit on DM	9%
Modaraba Management Fee	0.47%
Certificate Holders	17%
Workers' Welfare Fund	0.39%
Retained as Depreciation	35%
Retained as Reserve and Retained Earnings	2%

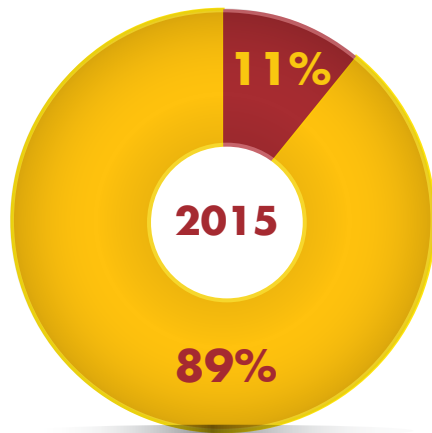
## value allocated



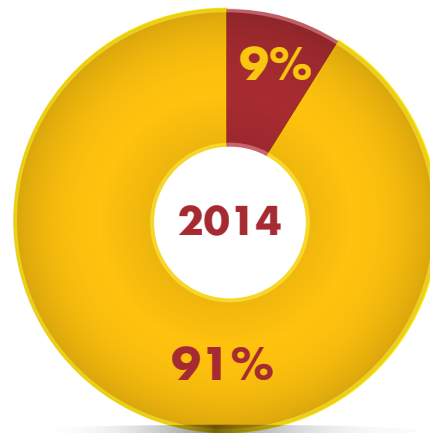
Employees	21%
Providers of Finance - Ijarah Rentals	10%
Providers of Finance - Profit on DM	8%
Modaraba Management Fee	0.31%
Certificate Holders	14%
Workers' Welfare Fund	0.64%
Retained as Depreciation	29%
Retained as Reserve and Retained Earnings	17%

# balance sheet composition

## Assets

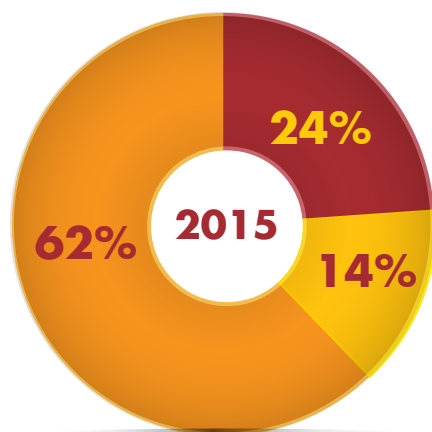


■ Total Current Assets  
■ Total Non - Current Assets

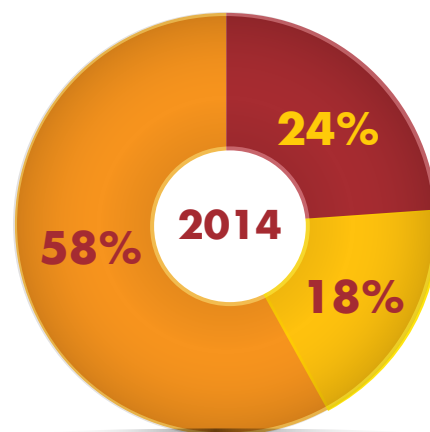


■ Total Current Assets  
■ Total Non - Current Assets

## Equity & Liabilities



■ Total Current Liabilities  
■ Total Long Term Liabilities  
■ Certificate Holders' Equity



■ Total Current Liabilities  
■ Total Long Term Liabilities  
■ Certificate Holders' Equity

# vertical analysis

## BALANCE SHEET

### ASSETS

#### Current assets

	2015	2014	2013	2012	2011	2010
Cash and bank balances	1%	1%	5%	3%	3%	6%
Short-term investments	0%	0%	0%	1%	0%	0%
Ijarah rentals receivable	8%	6%	7%	6%	5%	4%
Operation and maintenance income receivable	0%	0%	0%	1%	1%	1%
Advances, deposits, prepayments and other receivable	1%	1%	1%	1%	1%	1%
Spare parts	1%	1%	1%	1%	1%	0%
Current portion of net investment in Ijarah finance	0%	0%	0%	0%	0%	1%
	11%	9%	13%	13%	11%	14%

#### Non-current assets

Net investment in Ijarah finance	0%	0%	0%	2%	3%	5%
Long-term security deposits	1%	1%	1%	2%	1%	1%
Fixed assets in own use - tangible	1%	1%	1%	2%	2%	1%
Ijarah assets	86%	87%	83%	79%	84%	78%
Capital work-in-progress	1%	2%	2%	3%	0%	1%
	89%	91%	87%	87%	89%	86%
	100%	100%	100%	100%	100%	100%

### LIABILITIES

#### Current liabilities

Creditors, accrued and other liabilities	7%	8%	19%	16%	25%	9%
Borrowing from an associated company - unsecured	0%	0%	0%	0%	0%	0%
Payable to the Modaraba Management Company	0%	0%	0%	0%	0%	1%
Current portion of Diminishing Musharakah financing payable	16%	15%	11%	7%	5%	8%
Current portion of liabilities against assets subject to finance lease	0%	0%	0%	0%	1%	4%
Current portion of security deposits	0%	0%	1%	0%	0%	0%
	23%	23%	30%	24%	31%	21%

#### Non-current liabilities

Diminishing Musharakah financing payable	13%	17%	15%	12%	5%	0%
Liabilities against assets subject to finance lease	0%	0%	0%	0%	0%	2%
Deferred liabilities	1%	0%	0%	1%	1%	1%
Other long-term employee benefits	0%	0%	0%	0%	0%	0%
Security deposits	0%	0%	1%	2%	2%	0%
	14%	18%	17%	15%	7%	3%

### FINANCED BY : CAPITAL AND RESERVES

Issued, subscribed and paid-up certificate capital	25%	23%	22%	28%	28%	40%
Premium on issue of right certificates	13%	8%	5%	3%	4%	6%
Statutory (mandatory) reserve	20%	20%	18%	21%	22%	21%
Unappropriated profit	5%	7%	8%	10%	7%	9%
	62%	58%	53%	61%	62%	76%
	100%	100%	100%	100%	100%	100%

### PROFIT AND LOSS ACCOUNT

Ijarah rentals	95%	94%	93%	87%	82%	77%
Operation and maintenance income	3%	4%	6%	10%	15%	18%
Profit on Ijarah finance	0%	0%	0%	1%	1%	2%
Other income	1%	3%	2%	2%	2%	3%
<b>Gross Revenue</b>	100%	100%	100%	100%	100%	100%

#### Operating expenses

Administrative and distribution expenses	4%	3%	3%	4%	5%	5%
Provision against potential Ijarah losses and operation and maintenance income	0%	1%	1%	0%	0%	1%
Finance costs	8%	6%	4%	3%	3%	2%
Workers' welfare fund	0%	1%	1%	1%	1%	1%
<b>Total Expenses</b>	85%	75%	71%	68%	72%	67%
Modaraba Management Company's remuneration	0%	0%	0%	0%	1%	1%
Sindh Sales Tax on Management Company's remuneration	0%	0%	0%	0%	0%	0%
<b>Profit Margin</b>	15%	25%	29%	32%	27%	32%

# horizontal analysis

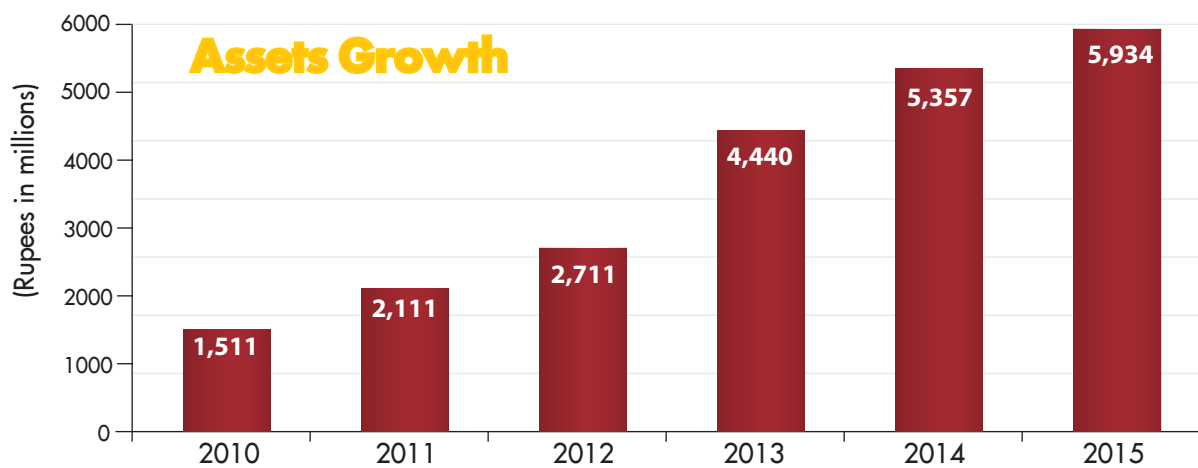
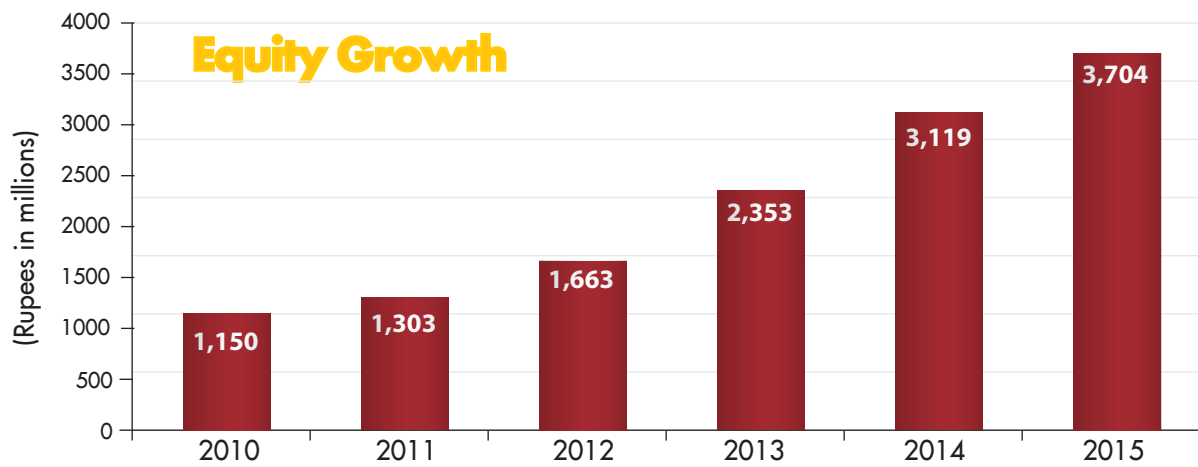
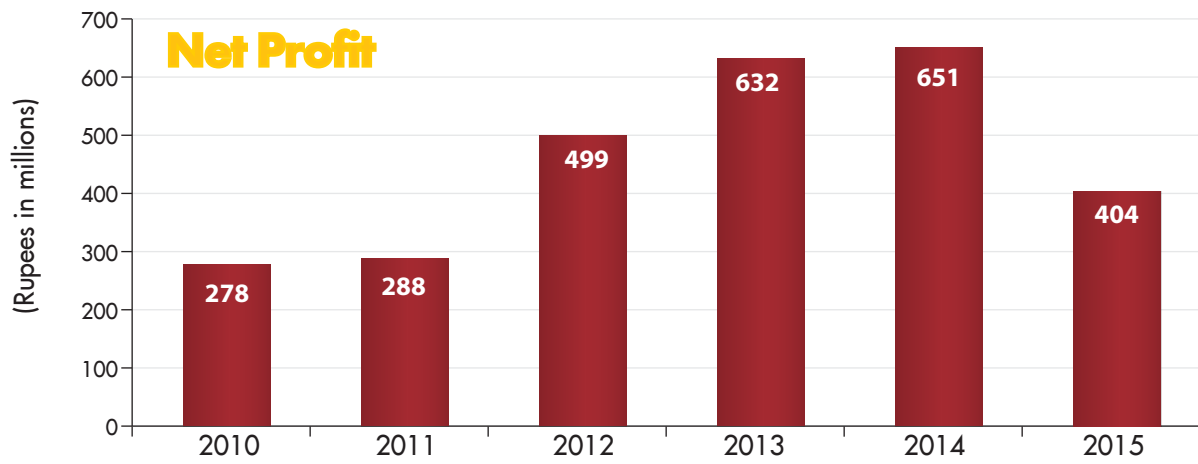
## BALANCE SHEET

	2015	2014	2013	2012	2011	2010
<b>ASSETS</b>						
<b>Current assets</b>						
Cash and bank balances	55%	-77%	148%	34%	-30%	151%
Short-term investments	0%	0%	-100%	100%	0%	0%
Ijarah rentals receivable	58%	5%	93%	33%	89%	-12%
Operation and maintenance income receivable	9%	39%	-10%	-3%	-7%	103%
Advances, deposits, prepayments and other receivable	-8%	2%	122%	32%	-17%	-5%
Spare parts	-13%	110%	-36%	192%	100%	0%
Current portion of net investment in Ijarah finance	0%	0%	-100%	20%	-62%	-66%
	41%	-19%	66%	55%	13%	12%
<b>Non-current assets</b>						
Net investment in Ijarah finance	0%	0%	-100%	-12%	-11%	-17%
Long-term security deposits	-54%	34%	17%	148%	8%	-35%
Fixed assets in own use - tangible	17%	24%	4%	44%	76%	-4%
Ijarah assets	10%	26%	72%	21%	49%	25%
Capital work-in-progress	-47%	43%	-2%	2491%	-82%	21%
	8%	27%	63%	25%	44%	20%
	11%	21%	64%	28%	40%	19%
<b>LIABILITIES</b>						
<b>Current liabilities</b>						
Creditors, accrued and other liabilities	5%	-49%	87%	-15%	308%	57%
Borrowing from an associated company - unsecured	0%	0%	0%	0%	0%	0%
Payable to the Modaraba Management Company	-51%	-4%	60%	-37%	-16%	4110%
Current portion of Diminishing Musharakah financing payable	15%	63%	151%	106%	-16%	100%
Current portion of liabilities against assets subject to finance lease	0%	0%	0%	-100%	-54%	-46%
Current portion of security deposits	-21%	7%	100%	0%	0%	0%
	11%	-7%	110%	-2%	108%	56%
<b>Non-current liabilities</b>						
Diminishing Musharakah financing payable	-16%	37%	105%	240%	100%	0%
Liabilities against assets subject to finance lease	0%	0%	0%	0%	-100%	-69%
Deferred liabilities	23%	24%	21%	28%	30%	26%
Other long-term employee benefits	15%	-10%	30%	35%	6%	100%
Security deposits	-4%	-7%	-45%	43%	100%	-100%
	-14%	34%	82%	169%	236%	-59%
<b>FINANCED BY : CAPITAL AND RESERVES</b>						
Issued, subscribed and paid-up certificate capital	20%	25%	30%	25%	0%	0%
Premium on issue of right certificates	69%	95%	150%	0%	0%	0%
Statutory (mandatory) reserve	9%	35%	43%	22%	45%	78%
Unappropriated profit	-17%	8%	34%	73%	6%	52%
	19%	32%	42%	28%	13%	20%
	11%	21%	64%	28%	40%	19%
<b>PROFIT AND LOSS ACCOUNT</b>						
Ijarah rentals	6%	22%	46%	59%	30%	38%
Operation and maintenance income	4%	-26%	-22%	1%	5%	12%
Profit on Ijarah finance	0%	-100%	-61%	-9%	-18%	-19%
Other income	-49%	126%	17%	67%	-39%	65%
<b>Gross Revenue</b>	5%	20%	38%	50%	23%	32%
<b>Operating expenses</b>						
Administrative and distribution expenses	19%	25%	40%	45%	33%	29%
Provision against potential Ijarah losses and operation and maintenance income	20%	21%	28%	7%	23%	-5%
Finance costs	-51%	-2%	322%	2%	-1%	46%
Workers' welfare fund	26%	75%	109%	31%	65%	-52%
	-38%	3%	27%	77%	-36%	100%
<b>Total Expenses</b>	19%	28%	44%	41%	32%	20%
Modaraba Management Company's remuneration	55%	3%	27%	-33%	-14%	100%
Sindh Sales Tax on Management Company's remuneration	45%	-3%	90%	100%	0%	0%
<b>Profit Margin</b>	-38%	3%	27%	73%	4%	58%

[Strong company tough products]



# financial summary at a glance



# annual review meeting 2014





# notice of annual review meeting

Notice is hereby given that the 9th Annual Review Meeting of the Certificate Holders will be held on Friday October 30, 2015 at 04:00 P.M. 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, 2015.

The Certificate holders whose names appear on the Register of Certificate holders of Allied Rental Modaraba as on October 23, 2015 will be eligible to attend the Annual Review Meeting.

## By order of the Board

### Ilyas Asif

Company Secretary  
August 27, 2015  
Karachi.

## Note:

1. The Certificate Transfer Book will remain closed from October 24, 2015 to October 30, 2015 (both days inclusive) for the purpose of above entitlement and attending Annual Review Meeting. All transfers received in order up to close of business on October 23, 2015 at our Registrar's Office M/S JWAFR Registrar Services (Pvt) Limited, Room # 505, Kashif Centre, 5th Floor Mian Sharah-e-Faisal, Karachi, will be considered in time.
2. CDC Certificate holders desiring to attend the meeting are requested to bring their original CNIC, Account and participant's ID number for identification purposes.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

## shari'ah review report

for the year ended June 30, 2015

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.) Ltd. for the year ended 30 June, 2015 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that in my opinion:

1. the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
2. 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; and
3. to the best of my information and according to the explanation given to me, the business transactions undertaken by ARM and all other matters incidental thereto are in conformity with the Shari'ah requirement as well as the requirements of the prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shariah Compliance and Shariah Audit Regulation for Modarabas.

### 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.

I hope the management would continue its endeavors to comply with rulings of Shari'ah in its business operation and future transactions.

وَصَلَّى اللَّهُ عَلَى نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلَّمَ



**Irshad Ahmad Aijaz**  
Dated: 15 August, 2015



# directors, report

for the year ended June 30, 2015

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, 2015.

Financial Highlights	Rs. in '000
Sales Revenue	2,699,426
Profit for the year	403,529
Un-appropriated profit brought forward	13,951
Available for Appropriation	418,802
Transfer to Statutory Reserve @ 25% of profit for the year	101,213
Proposed cash dividend @ 20% (Rs. 2 per certificate)	292,500
Right Issue @ 20% (1 certificate for every 5 certificates held)	292,500
Premium on issue of Right certificates	389,025
Un-appropriated profit carried forward	39,040
Net profit margin	15%
Return on equity	12%
Earning per certificate	Rs. 2.89
Break-up value per Certificate	Rs. 25.33
Price Quoted on Karachi Stock Exchange on June 30, 2015	Rs. 40.90

## Business Review

The Management is pleased to report the Financial Statements for the year ended June 30, 2015, registering modest growth of 6% in revenues, investment of Rs. 1,308 Million in the Rental Assets, out of which 42% made to expand the Rental business to other growth sectors of the country. However, despite growth in revenues, the profits for the year remained under pressure and the year closed at Net Profits of Rs. 404 Million.



The revenues for the year registered a growth of 6% at Rs. 2,699 Million as against Rs. 2,452 Million of last year. The increase is mainly recorded in our Logistics and Forklift Fleet segment which went up from Rs. 206 Million to Rs. 459 Million. On the Power Generation Equipment side, the revenues went down from Rs. 2,139 Million to Rs. 2,047 Million, mainly due to Non Availability of Gas, especially in the Northern part of the country and continued slump in the Textiles sector, which is our main source of revenue for the higher capacity segment. Accordingly, our Fleet utilization level went down resulting in idle capacities during the year, whereby our Time Utilization % went down by 2% points. During the year, the Gas Engine Rental segment continuously remained below expectations 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 revenues 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 sector of the economy. Though the Management had expected that with the arrival of LNG in the country, the utilization level of its Gas Engine Rental segment will increase, however, the ongoing imbroglio over its pricing

and distribution has severely affected the availability of Gas to Captive Power plants and its resultant impact on our Gas Engine Rental segment.

The Depreciation for the year went up from Rs. 611 Million to Rs. 749 Million during 2014-15 mainly on account of Ijarah assets investment in last couple of years. Also our Financial Charges for the year went up by Rs. 37 Million. The increase in these two major expense heads, directly related to Investment in Rental Fleet eroded Rs. 175 Million of profitability for the year. The Salaries and Wages registered a growth of 28% which is attributable to three main factors. Growth in Sales, resulting in increase Labour costs, increases in minimum wage rates from Rs. 10,000/= to Rs. 12,000/= and change in the Sales mix to Logistics and smaller unit segment resulting in higher Wage element. Repairs and Maintenance registered a slight increase of Rs. 11 Million compared to previous year, registering a decrease of 0.5% in % terms over Sales, mainly due to reduction in prices of Lube Oil and reduction in Parts prices due to appreciation of Pak Rs vis-à-vis US \$. Fleet Vehicle Running costs went up from Rs. 35 Million to Rs. 84 Million in 2014 – 15 due to increase in the corresponding sales in our Logistics Market segment.

Administration and Selling Expenses went up by Rs. 18 Million, which includes the impact of Rs. 5 Million paid for the increase in Authorized Capital Fund of the Modaraba. Due to continuous increase and diversification of the business, expenses have gone up for the Selling and Administration Expenses for better control of the business segments.



During the year, the Income from Profits on Savings Accounts went down to Rs. 11.7 Million from Rs. 13.4 Million of preceding year mainly on account of reduction in Mark up rates. Gain on Disposal of Ijarah assets also went down by Rs. 12.3 Million, as the disposal of assets remained low due to lower demand of Used Assets in the market. The Modaraba Management Company has also kindly agreed to charge reduced fee @ 2.5% of Modaraba's Net Income as compared to a maximum of 10% allowed under Modaraba Ordinance, which works out to Rs. 10 Million as compared to Rs. 6.5 Million of the prior year.

During the year, the new investment in the Rental Assets is recorded at Rs. 1,308 Million, making total investment in the Ijarah assets at Rs. 7.3 Billions. The new investment in the Ijarah Assets covered all areas of our Portfolio investment, including smaller capacity Diesel Power Generation Equipment, Forklifts and Logistics Equipment. The market capitalization of the Modaraba now stands at approximately Rs. 6 Billion compared to NET WORTH of Rs. 3.7 Billion of the Modaraba as per books of accounts at June 30, 2015 closing. Despite reduction in the profits of the Modaraba, the Management has opted to distribute 20% Cash Dividend, which works out to 96.75% of Profits after 25% statutory retention as required under the Modaraba laws and regulations.

Rental Power remains the main engine 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 for 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 did pick some momentum during the year but is much below the requirement and potential of the country. Though we feel that there is excess capacity of construction equipment available in the country, both with the construction companies and investor cum operator unorganized sector, but still there is a window of opportunity in niche market segment of Cranes and other specialized Equipments. Modaraba is continuously reviewing its Product portfolio and as soon as any viable profitable opportunity comes, the Modaraba has the required skills set available to immediately induct equipment to cater to the market demands.

On the inbound logistics segment, the Modaraba is continuously offering complete 360° solution to its customers, especially in the bottling industry with efficient and cost effective solutions through its CAT Forklifts. The revenues from this segment went up from Rs. 123 Million to Rs. 207 Million during the year and are further expected to grow to Rs. 300 Million in the coming year.

The Management feels that logistics is the future potential area of investment and growth for the Modaraba. Pakistan is still in the primitive age 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. 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. To qualify as compliant with HSE standards, the Modaraba got certification of its Logistics business for Compliance

of Responsible Sourcing Audit conducted under the guidelines of SMETA by Bureau Veritas Pakistan. 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. As mentioned earlier our investment in the sector now stands at Rs. 1,128 Million as at June 30, 2015, generating Ijarah Sales of Rs. 252 Million.

#### **Dividend**

The Board is pleased to announce a cash dividend of 20% i.e. Rs. 2/=per certificate of Rs. 10/- each.

#### **Rights 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. This is evident of the investment made of Rs. 2,018 Million in 2013 -14 and Rs 1,350 Million in 2014 – 15, which works out to almost half of the 2015 Closing Ijarah Rental Fleet. The growth in the previous years was financed from strong internal cash generation by way of profits retention, financing from Islamic Banks, Modarabas and Islamic window of the conventional banks. Rights Issue in the last years not only helped in financing the growth in the Rental Assets but in the process also ensured that Debt : Equity Ratio is maintained for continued availability of credit lines from the banks at continuously reduced mark up rates. This year again the Management projects to invest Rs. 1 Billion mainly in some new Projects pertained to Power Generation, Forklifts and Logistics Rental Fleet to ensure that Modaraba remains the leader in Rental Power segment and catches on the opportunity in the logistics business with blue chip companies. Therefore, we feel that there is an opportunity for our Certificate holders to invest in this growth of the Modaraba and accordingly board has decided to issue 20% Right Certificates i.e. 1 Right certificate for every 5 Certificates held at a premium of Rs. 13.3 per Certificate. The premium is worked out based on the Break-up Value of the Certificate as at June 30, 2015 as per audited financial statements less Cash dividend declared for the year.

Keeping in view the fact that presently the investment opportunities are limited in the country these days, this Rights Issue offers excellent opportunity to our Certificate holders. The track record of the Modaraba itself depicts the potential benefit that the Rights issue offers to Certificate holders compared to its present price at the Stock Exchange. In addition, the Rights 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 Plus) for long term & "A-1"

(Single A-One) for short term. This again depicts the confidence of the rating agency on the performance of the Modaraba and its capacity to meet its financial obligations.



#### **Cat® Rental Power Operational Excellence Program**

As mentioned in the previous year's report, the Modaraba had volunteered to go through with the rigorous program of development, compliance and audit of its Operational parameters and processes to ensure its compliance to best practices in all areas of its functions, including Sales, marketing, finance, operations, IT and Health and Safety. The Management had committed itself to work on further improving the areas identified in the previous report by CATERPILLAR Six Sigma Black Belt team to achieve FIVE STAR STATUS. We are pleased to announce that during the year the audit was conducted by Caterpillar Six Sigma Black Belt team and Modaraba was able to achieve the FIVE STAR Certification. Modaraba is the seventh such dealership Worldwide to achieve this Certification and it was recognized internationally that despite difficult working environment compared to other developed world economies, the Modaraba was able to achieve such high standards of excellence with highest marks recorded by any previous certificate holder Worldwide.

During the year, the Modaraba received the Best Performance Award from NBF and MODARABA ASSOCIATION OF PAKISTAN securing First position among the sector. The Modaraba also received "Certificate of Excellence" from Management Association of Pakistan during 30th Corporate Excellence Awards Ceremony.

The Modaraba also received "FPCCI Achievement Award" on their "Outstanding services in Investment in Rental Business Assets Management during 2nd FPCCI Achievement Awards organized by The Federation of Pakistan Chambers of Commerce and Industry (FPCCI). The award was confronted by the President of Pakistan.

## IT infrastructure

Considering the continuous growth of the Modaraba in multi-dimensional Rental business portfolio with Asset base reaching Rs. 5+ billion, the management feels it's now the time to invest in its IT infrastructure. Therefore it has decided to implement state-of-the-art ERP solution for its rental operations using Microsoft AX Dynamics platform with an integrated add-on German based computer software SYCOR for its rental business needs.

The Licenses for the software have been purchased and implementation has started with training of the team members. The management feels confident to start the implementation immediately after the closing of its June 2015 accounts and plans to complete its implementation by the close of financial year ending 2016.

Through ERP implementation, Modaraba will be benefited in the following ways:



- Unlike point solutions (historically used by small to midsize businesses) that rely on multiple (sometimes duplicating) databases which strain IT resources, ERP solutions standardize the use of one application to run its entire business. This not only increases efficiencies, but also decreases the overall total cost of ownership (TCO), thereby reducing operational costs and improving the Modaraba's profitability.
- Tighter controls for financial as well as Caterpillar Five Star Rental compliance declaration and other statutory forms of compliance reporting.
- The single data source for product and services information - such as information related to suppliers, customer orders and the products themselves - drive rapid product development and launch cycles which increases a company's overall market share.

- Increased access to valuable corporate data delivers a clear, global view of the business that drives continuous improvement strategies and establishes common performance metrics and measures to gauge the health of the business.
- Effectively managing projects holistically fosters decision making at all critical levels starting from development to all its operational phases.
- Support for streamlined sourcing and procurement processes drive alignment to customer demands and also deliver a centralized buying model to reduce unauthorized and unnecessary expenses.
- Providing sales and operations planning with access to critical information fosters "closed loop" processes that ensure the business does not overpromise and/or under deliver to its customers.

Automating business processes such as invoicing and sales and purchase orders within one system improves forecasting accuracy and reduces inefficiencies. Using a single base of information for billing and other customer interactions improves service levels and increases customer retention.

## Future Outlook

The phenomenal strength of Caterpillar brand name and our strategies makes us to feel proud and confident to achieve our plans for 2015 -16 and onwards. By applying prudent policies and disciplines in our business operations, we are confident that the targets sets for the year will be achieved. We see year 2015 as an opportunity to consolidate and maintain our market share in the Power Rental business however, we are quite aware of the challenges ahead because uncertainty still persists about the revival of the textiles sector and availability of Gas / LNG to captive power plants in 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 Baluchistan. We are a country rich in natural resources, have vast agricultural resource able to grow Cotton, Rice, Wheat, Maize, Potato, Fruits and Vegetables. With over 180 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 products demands. Wherever we see window of opportunity, 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 REGULATOR 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 all our business areas;
- b) generate fair returns on their investment through cash dividends and offering of Rights Certificates, unfortunately, with the taxation of Bonus issue, the issue of bonus shares & certificates has declined since then; and
- c) develop long term growth and sustainability plans of the Modaraba, keeping in view different segments of its Rental Asset portfolio to ensure optimum mix of its asset base. Rental business is both Capital and Labor intensive as we not only maintain the equipment but continuously operate the units at customer sites. This requires not only continuous review of its asset portfolio on an ongoing basis to ensure optimum utilization of its Capital but continuous improvement and review of its operational controls to not only maintain asset health but to provide quality service to its customers.

### 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 maximum success and effectiveness. In short, good Corporate Governance is a tool for enhancing the value of the Company 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 of Audit Committee. The Internal Audit function carries out reviews of the financial, operational and compliance controls and report's findings to the Board of Audit Committee, Chief Executive and the concerned department heads. The Office of Internal Audit provides assurance to the Audit Committee concerning the adequacy of disclosure, transparency of data, internal controls and appropriate risk management practices. The emphasis is on preventive, creative investigation and auditing that conforms to international standards and good Corporate Governance. The Board of 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 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 informing 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/she can write to the Audit committee in the following format for the purpose of recording and monitoring:

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

### Alternative Complaint 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 skills in various professions, with the leadership and vision necessary to act in the best interests of the Modaraba and its certificate holders. The Board of Directors has a major role to play 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 seven individuals, composition of which is as follows:

- Five non-executive directors representing Allied Group of companies, the majority shareholder;
- One executive director being the CEO of the Management Company, managing the affairs of the Modaraba; and

- One Independent Director, Mr. Abdul Rahim Suriya as per the requirements of the Code of Corporate Governance.

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 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 Modaraba's annual business plan.

Mr. Abdul Rahim Suriya, as an independent director appointed on the Board is a seasoned professional and gives an independent view to the business and control processes based on his expertise and knowledge, especially with reference to Governance policies and sustainability standards.

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

Name of Director	No. of meetings attended
Mr. Khwaja Asif Rahman	2
Mr. Murtaza Ahmed Ali	4
Syed Feisal Ali	3
Mr. Ali Akbar	4
Mr. Raees A. Khan	1
Mr. Rahim Suriya	4
Mr. Hassan Shahzad Abidi	4

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

#### Development of Directors

It is the management policy to encourage directors, executives, and personnel concerned with corporate governance to take part in seminars and courses that could aim them in the performance of their duties and enhance their effectiveness. As of today, 6 out of 7 director are qualified individuals under the CCG directive. We are expected to ensure that by the June 2016, the date set under the Code of Corporate Governance rule (xi), all directors will have undergone the required qualification certification.

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. They also go through a rigorous approval mechanism set at SECP with interviews conducted by Registrar Modarabas, especially with reference to their knowledge on Islamic Finance and Shariah compliance standards.





## Compliance with Corporate Governance

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

### The Board of Directors is pleased to report that:

- 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.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements.
- 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.
- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- Summary of key operating and financial data for the last six years is included in this annual report.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2015 except for those disclosed in the financial statements.
- 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 / Rights	Sale
		Number of Certificates	
Mr. Murtaza Ahmed Ali	Chief Executive Officer	62,381	14,000
Syed Feisal Ali	Non-Executive Director	250,000	-
Mr. Ali Akbar	Non-Executive Director	10,187	10,000
Mr. Rees A. Khan	Non-Executive Director	65,000	-
Mr. Hassan Shahzad Abidi	Non-Executive Director	812	-
Mr. A. R. Suriya	Independent Director	5,125	-
Mr. Naveed Shaheen	Chief Financial Officer	4	-
Mr. Ilyas Asif	Company Secretary	1,100	-

- The value of investments in Employee's Provident Funds based on the audited financial statements of the fund as at December 31, 2014 is Rs. 45,847,023 (2013: Rs. 34,863,733).
- The pattern of holding of certificates by the certificate-holders is included in this annual report.
- The Board has formed a Human Resource Committee in compliance with the requirements of the Code of Corporate Governance. The Committee makes recommendations to the Board for maintaining:
  - (i) a sound organizational plan of the Company;
  - (ii) an effective employee development program; and
  - (iii) sound compensation and benefit plans, policies and practices designed to attract and retain high caliber personnel for effective management of business with a view to achieve set objectives.

The Human Resource Committee met one time during the year with a participation of 100% of its members.

- The Board has formed an Audit Committee in compliance with the requirements of the Code of Corporate Governance. The Committee comprises of three members. The head of the Audit Committee is an Independent Director. The Committee reviews the periodic financial statements and examines the adequacy of financial policies and practices to ensure that an efficient and strong system of internal control is in place. The Committee also reviews the audit reports issued by the Internal Audit Department. The Audit Committee is also responsible for recommending to the Board of Directors the appointment of external auditors.

- The Board of Audit Committee met four times during the year. Attendance of each of the member was as follows:

Name of Director	No. of meetings attended
Abdul Rahim Suriya	4
Syed Feisal Ali	3
Mr. Ali Akbar	4

Leave of absence was given to the director who could not attend the above meeting.

#### **Auditors**

On the recommendation of the Audit Committee, the Board has approved the reappointment of the present auditors M/s. A. F. Ferguson & Co. Chartered Accountants as auditors for the year ending June 30, 2016 subject to the approval of Registrar of Modaraba Companies & Modarabas.

#### **Shari'ah Audit Report**

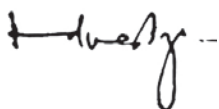
The Modaraba continues to seek guidance from its Shari'ah Advisor, Mufti Irshad Ahmed Aijaz as and when required to ensure full compliance to Sharia'h Audit mechanism developed in consultation with Registrar Modarabas. The internal audit department has also been trained to handle the day to day affairs of the Modaraba ensuring complete adherence to Shari'ah policies and principles. The Shariah' Audit Report issued for the affairs of the Modaraba for the year ended June 30, 2015 is attached in the Annual Financial Statements.

#### **Acknowledgement**

Our people are the key driver behind the sustained growth of the Modaraba. The Directors acknowledge the contribution and efforts of each and every employee of the Modaraba, who by meeting customer expectations of high level of services ensures continued business for the Modaraba.

We would also like to express our sincere gratitude to the Registrar Modarabas, 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  
August 27, 2015

# human resources & remuneration committee: terms of reference

## I. PURPOSE

The purpose of the Human Resources Committee is to assist the Board in fulfilling its obligations relating to Human Resources Policies and related matters and to establish a plan of continuity and



development of Human Resources for Allied Rental Modaraba.

## II. COMPOSITION AND OPERATIONS

- A. The Committee shall be composed of the following THREE members,
- Khwaja Asif Rahman - Chairman
  - Syed Feisal Ali - Member
  - Murtaza Ahmed Ali – Member
- B. The Committee shall meet at least once each calendar year.
- C. The quorum of the committee is three members.
- D. From time to time, as deemed required by the Committee, the Committee shall obtain independent advice regarding Human Resource and Compensation issues.
- E. The Head of Human Resources / Company Secretary shall serve as the Secretary of the Committee.

## III. DUTIES AND RESPONSIBILITIES

Subject to the powers and duties delegated by the Board of Directors of the Modaraba. The HR & R Committee will review the following and recommend to the Board for their approval:

- A. Recommending to the board the selection, evaluation, and succession planning across the company.
- B. The objectives, strategies and overall business plans of Human Resources and ensure that they are within the framework of existing laws and regulations.
- C. The Modaraba's compensation and benefits,

philosophy, strategy and guidelines and review their compliance with laws and any applicable guidelines established by the Labor Laws of Pakistan, competitiveness with the market and frequency of review accounts for annual country inflation rate and changes in trends in the country.

- D. The Modaraba's strategy, plan and proposal related to annual increments, salary adjustments and performance and profit bonuses of the Modaraba's executives.
- E. The Modaraba's strategy related to Human Capital Management and Planning including:
- I. Recruitment and Selection strategy is aligned to Business objectives and philosophy;
  - II. Training and Developmental needs of Human Resources are identified, adequately met and aligned to business objectives; and
  - III. Performance Evaluation and Management System is objective, transparent and unbiased.
- F. Review the Human Resources Policies and Procedures of the Modaraba and ensure that they are updated from time to time to keep abreast with market practices.
- G. Review and recommend Core Values to be adopted by the Modaraba.
- H. Review and recommend changes to the Committee's terms of reference, as and when required.

## IV. ACCOUNTABILITY

The Committee shall report its discussions to the Board by oral or written report at the Board meeting.



# IT steering committee: terms of reference

## I. Mandate

- To provide strategic advice, guidance and direction to the Board of Directors on technology initiatives.
- To develop Board briefings and input on the development of:
  - policy positions which address technology, communications and information management related initiatives;
  - proposed federal and/or provincial legislation that may have broad technology implications, and
  - changes to existing legislation which may have an impact on the Modaraba's ability to perform its duties.
- To explore and make recommendations regarding technology tools and resources that would benefit an employees routing practices.
- To undertake appropriate surveys, dialogues and outreach programs to ensure the committee understands and is representing the Modaraba's concerns



## II. Duties and Responsibilities

- To ensure management have the opportunity to provide and demonstrate leadership involving technology initiatives that impact their practices.
- To provide advice and guidance on proposed technology initiatives in which employees has been asked to participate and that affect management and the way in which they provide services.
- To develop and recommend policies, guidelines and standards appropriate to technology initiatives which impact on our employe's ability to practice
- To consult and seek input from the management, other stakeholders and interested parties on matters before the Committee, if required
- To develop a relationship, which provides an opportunity for the IT Steering Committee (ITSC) to influence employees participation and provide leadership on Information Management and Technology initiatives that impact on the Modaraba.
- To recommend priorities for new technology initiatives that benefit the Modaraba.
- To ensure that IT initiatives embody the overall mission and objectives of Modaraba.
- To evaluate the sustainability and governance implications of the technology initiatives we participate in.
- To ensure that the IT Strategic Plan is aligned with the Modaraba Business Plan.



- To submit an annual report on the committee's activities, as part of the Reports to Board of Directors.
- To submit a monthly ITSC update to the Board of Directors on issues, priorities, policy implications, recommendations, activities and actions.

### **III. Sub-Committees/Working Groups**

Subcommittees and working groups will be established as the need arises and at the direction of the committee chair. They will be tasked with definitive objectives related to a specific strategic issue.

Subcommittees and working groups will enable the ITSC to seek out the appropriate subject matter expertise from within the Modaraba to assist in the research, analysis and development of policy, guidelines and recommendations to be brought to the ITSC and subsequently to the Board.

A subcommittee or working group will be chaired by a sitting member of the ITSC.

### **IV. Committee membership**

The IT Steering Committee is comprised of six members including at least one Director. All Committee members will be appointed by the Board of Directors.

The ITSC will strive to be representative of the Modaraba as a whole. Geographic and gender representation will be taken into consideration, as well as varying degrees of computer competencies.

Committee members may be recommended by sitting committee members, the Board of Directors or recruited from lists maintained in the Modaraba data base of members with an expressed interest in information management and technology.

In the event the committee is unable to fill one of the six seats, the committee may invite a member whose term has expired to sit for a one-year extension.

### **V. Quorum and voting**

A minimum of one half of the voting committee members will comprise a quorum. A motion is passed by a majority vote of the members in attendance. The committee chair is a voting member and will vote on matters requiring a decision. The chair will cast the deciding vote in the event of a tie.

### **VI. Committee Meeting Schedule & Support**

Members may be called upon to participate in telephone and/or online conferences if a matter of urgency occurs between regularly scheduled meetings. Support for rural members will be provided through the use of appropriate technologies. The Committee shall meet at least once every quarter of the financial year

### **VII. Accountability**

The ITSC is advisory to and accountable to the Board of Directors. Any formal policy or position will require Board approval. Minutes of committee meetings shall be maintained and made available to the Board upon request.

# audit committee: terms of reference

## **Purpose:**

The committee is responsible for assisting the Board of Directors in discharging its responsibilities primarily in terms of:

- evaluating and reporting financial and non-financial information to shareholders;
- reviewing the system of internal controls and risk management; and
- reviewing the business plan and determining that it reconciles with the Modaraba's vision, mission, corporate strategy & objectives. Additionally, the committee has the authority to obtain any information it requires from the management and to meet directly with external auditors.

## **Meetings and Attendance:**

The Audit Committee comprises of three members, all of whom have sufficient financial management expertise. The Head of Internal Audit is the Secretary of the Committee. The Committee held four meetings during the year and held separate meetings with the Chief Financial Officer, Head of Internal Audit and members of Internal Audit Function and External Auditors represented by the Engagement Partner as required by the Code of Corporate Governance. The Audit Committee recommends to the Board, the appointment of external auditors, their removal, audit fees and the provision by the external auditors of any service to the Modaraba in addition to audit of its financial statements. The Board gives due consideration to the recommendations of the Audit Committee in all these matters.

The Chief Financial Officer of the Modaraba regularly attends the Audit Committee meetings to present financial and other information specifically addressed by the Head of Internal Audit.

## **Responsibilities:**

The Board of Directors has determined the terms of reference of the Audit Committee and provides adequate resources and authority to enable the Audit Committee to carry out its responsibilities effectively. Among other responsibilities, the terms of reference of the Audit Committee includes the following:

- (a) determination of appropriate measures to safeguard the Modaraba's assets;
- (b) review of quarterly, half-yearly and annual financial statements of the Modaraba, prior to their approval by the Board of Directors.
- (c) review of preliminary announcements of results prior to publication;
- (d) facilitating the external audit and discussion with external auditors of major observations arising from interim and final audits and any matter that the auditors may wish to highlight;
- (e) review of management letter issued by external auditors and management's response thereto;
- (f) ensuring coordination between the internal and external auditors of the Modaraba;
- (g) review of the scope and extent of internal audit and ensuring that the internal audit function has adequate resources and is appropriately placed within the Modaraba ;
- (h) consideration of major findings of internal investigations of activities characterized by fraud, corruption and abuse of power and management's response thereto;
- (i) ascertaining that the internal control systems including financial and operational controls, accounting systems for timely and appropriate recording of purchases and sales, receipts and payments, assets and liabilities and the reporting structure are adequate and effective;
- (j) review of the Modaraba's statement on internal control systems prior to endorsement by the Board of Directors and internal audit reports;
- (k) instituting special projects, value for money studies or other investigations on any matter specified by the Board of Directors, in consultation with the CEO and to consider remittance of any matter to the external auditors or to any other external body; and
- (l) determination of compliance with relevant statutory requirements.



## Credit Rating

**"A+" Long  
Term**

**"A-One" Short  
Term**

JCR-VIS Ratings of Allied Rental Modaraba

January 19, 2015  
Karachi

# statement of compliance

## with the best practices of the code of corporate governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of Chapter XI of the Listing Regulations of the Karachi Stock Exchange 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 (the Modaraba Management 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 includes:

Category	Names
Independent Director	Mr. Abdul Rahim Suriya
Executive Director	Mr. Murtaza Ahmed Ali
Non-Executive Directors	Mr. Khwaja Asif Rahman Syed Feisal Ali Mr. Raees A. Khan Mr. Ali Akbar Mr. Hassan Shahzad Abidi

The independent director meets the criteria of independence under clause i(b) of the CCG. 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

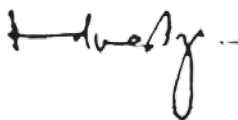
Exchange, has been declared as defaulter by that Stock Exchange.

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. As of today, there are 6 Directors out of 7, who meet the training requirements under the CCG directive. 1 Director has yet to obtain the certification which shall be obtained before June 30, 2016 in accordance with the requirement of the CCG.
10. No new appointment of the Chief Financial officer, Company Secretary and Head of Internal Audit was made during the year. Their remuneration and terms and conditions of employment have been approved by the Board.
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 comprises of three members all of whom are non-executive directors and the Chairman of the committee is an independent director.
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 four members of whom three 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 of 2012 issued by the Registrar of Modarabas, Securities and Exchange Commission of Pakistan. Mufti Irshad Ahmed Aijaz is the Shari'ah Advisor of the Modaraba and has issued Shari'ah Review Report for the year ended June 30, 2015.
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 the 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 persons 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 The Modaraba's certificates, 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(s).
23. The related party transactions have been placed and approved by the Audit Committee and the Board of Directors on a quarterly basis.
24. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board



**Murtaza Ahmed Ali**  
Chief Executive  
August 27, 2015



**A. F. FERGUSON & CO.**

## review report to the certificate holders

on the statement of compliance with the best  
practices of the code of corporate governance

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) 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 for the year ended June 30, 2015 to comply with the requirements of the Listing Regulation No. 35 (Chapter XI) of the Karachi Stock Exchange where the Modaraba is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Modaraba Management Company. 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 and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Modaraba's personnel and review of various documents prepared by the Modaraba 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 are not required to consider whether the Board of Director's

statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Modaraba's corporate governance procedures and risks.

The Code requires the Modaraba Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval its 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 price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out any procedure to determine whether the related party transactions were undertaken at arm's length price 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 Modaraba Management Company's compliance for and on behalf of the Modaraba, in all material respects, with the best practices contained in the Code as applicable to the Modaraba for the year ended June 30, 2015.

**Chartered Accountants**



**A. F. FERGUSON & CO.**

We have audited the annexed balance sheet of Allied Rental Modaraba as at June 30, 2015 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 [Allied Engineering Management Company (Private) Limited] responsibility who 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 financial statements are free of any material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies and significant estimates made by the Modaraba Management Company, as well as, evaluating the overall presentation of the financial 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 Modaraba 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

## auditors' report to the certificate holders

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 agreement 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, 2015 and of the profit, comprehensive income, its cash flows and changes in equity for the year then ended; and
- (d) in our opinion, Zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the Modaraba and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

**Date: September 2, 2015  
Karachi**

**Chartered Accountants  
Rashid A. Jafer  
Engagement Partner**

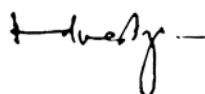
# balance sheet

As at June 30, 2015

	Note	2015	2014
(Rupees)			
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and bank balances	3	74,506,845	48,027,231
Ijarah rentals receivable	4	481,983,661	305,483,559
Operation and maintenance income receivable	5	23,580,279	21,557,025
Advances, deposits and other receivables	6	49,631,328	54,210,173
Spare parts		41,208,410	47,229,267
		670,910,523	476,507,255
<b>Non-current assets</b>			
Long-term security deposits	7	32,048,066	70,359,926
Fixed assets in own use - tangible	8	76,075,658	65,032,652
Ijarah assets	9	5,102,141,987	4,644,854,276
Capital work-in-progress	10	52,807,498	99,882,793
		5,263,073,209	4,880,129,647
<b>Total assets</b>		<b>5,933,983,732</b>	<b>5,356,636,902</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Creditors, accrued and other liabilities	11	441,859,281	419,735,513
Payable to the Modaraba Management Company	12	3,459,398	7,057,997
Current portion of diminishing musharakah financing payable - secured	13	925,691,826	804,727,207
Current portion of security deposits	16	19,000,000	24,000,000
		1,390,010,505	1,255,520,717
<b>Non-current liabilities</b>			
Diminishing musharakah financing payable - secured	13	776,312,576	924,463,183
Deferred liability	14	30,456,248	24,730,674
Other long-term employee benefits	15	8,334,376	7,227,702
Security deposits	16	25,000,000	26,000,000
		840,103,200	982,421,559
<b>Total liabilities</b>		<b>2,230,113,705</b>	<b>2,237,942,276</b>
<b>NET ASSETS</b>		<b>3,703,870,027</b>	<b>3,118,694,626</b>
<b>FINANCED BY : CAPITAL AND RESERVES</b>			
Authorised certificate capital			
200,000,000 (2014: 150,000,000) modaraba certificates of Rs.10 each	17	2,000,000,000	1,500,000,000
Issued, subscribed and paid-up certificate capital	17	1,462,500,000	1,218,750,000
Premium on issue of certificates		744,187,500	439,500,000
Statutory (mandatory) reserve	18	1,179,593,334	1,078,380,652
Unappropriated profit		317,589,193	382,063,974
		3,703,870,027	3,118,694,626
<b>CONTINGENCIES AND COMMITMENTS</b>	19		

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

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



**Murtaza Ahmed Ali**  
Chief Executive



**Khwaja Asif Rehman**  
Chairman



**Syed Feisal Ali**  
Director

# profit and loss account

For the year ended June 30, 2015

	Note	2015	2014
		(Rupees)	
Ijarah rentals		2,603,938,444	2,450,135,752
Operation and maintenance income		103,573,893	92,075,399
Less: Sindh sales tax on operation and maintenance income	11.10	(8,086,032)	-
		95,487,861	92,075,399
Operating expenses	20	2,699,426,305 (1,987,050,015)	2,542,211,151 (1,669,589,435)
<b>Gross Profit</b>		712,376,290	872,621,716
Administrative and distribution expenses	21	(108,985,285)	(90,720,299)
Provision against potential Ijarah losses and operation and maintenance income	4.3 & 5.2	(8,891,118)	(18,191,882)
Finance costs	22	(209,240,054)	(165,752,412)
Other income	23	38,005,105	74,285,001
		(289,111,352)	(200,379,592)
		423,264,938	672,242,124
Modaraba Management Company's remuneration	12.1	(10,088,227)	(6,514,554)
Sindh sales tax on Modaraba Management Company's remuneration	24	(1,412,352)	(977,183)
		411,764,359	664,750,387
Workers' welfare fund	25	(8,235,287)	(13,295,008)
<b>Profit for the year before taxation</b>		403,529,072	651,455,379
Taxation	26	-	-
<b>Profit for the year after taxation</b>		403,529,072	651,455,379
Earnings per certificate - basic & diluted (restated)	27	2.89	4.84

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

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

  
**Murtaza Ahmed Ali**  
Chief Executive

  
**Khwaja Asif Rehman**  
Chairman

  
**Syed Feisal Ali**  
Director

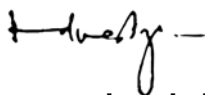
# statement of comprehensive income

For the year ended June 30, 2015

	Note	2015	2014
		(Rupees)	
Profit for the year after taxation		403,529,072	651,455,379
Other comprehensive income for the year		-	-
<b>Items that will not be reclassified to profit or loss</b>			
Gain / (loss) on remeasurements of defined benefit plan	14.6	1,321,654	(2,682,375)
<b>Total comprehensive income for the year</b>		<b>404,850,726</b>	<b>648,773,004</b>

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

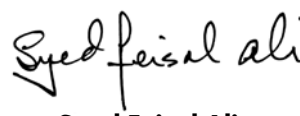
**For Allied Engineering Management Company (Private) Limited  
(Modaraba Management Company)**



**Murtaza Ahmed Ali**  
Chief Executive



**Khwaja Asif Rehman**  
Chairman



**Syed Feisal Ali**  
Director

# cash flow statement

For the year ended June 30, 2015

Note	2015	2014
	(Rupees)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
	403,529,072	651,455,379
Profit for the year		
<b>Adjustments for non-cash charges and other items:</b>		
	749,038,714	610,986,966
	8.3	
	8,891,118	18,191,882
	4.3 & 5.2	
	7,993,324	6,000,890
	14.5	
	1,824,497	-
	22	
	209,240,054	165,752,412
	23	
	(986,369)	(58,618)
	23	
	(14,802,779)	(27,113,336)
	-	(951,454)
	1,364,727,631	1,424,264,121
<b>(Increase) / decrease in assets</b>		
	(182,298,585)	(32,666,621)
	(5,115,889)	(6,050,775)
	4,578,845	(1,064,382)
	6,020,857	(24,742,119)
	38,311,860	(17,796,361)
	(138,502,912)	(82,320,258)
<b>Increase / (decrease) in liabilities</b>		
	2,413,870	(414,377,831)
	(3,598,599)	(257,762)
	(6,000,000)	(500,000)
	(7,184,729)	(415,135,593)
<b>Cash used in operations</b>		
	(145,687,641)	(497,455,851)
	(946,096)	(3,855,408)
	(717,823)	(811,285)
	(189,530,156)	(162,658,570)
<b>Net cash flows from operating activities</b>		
	1,027,845,915	759,483,007
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
	(1,294,331,868)	(1,752,551,545)
	-	(75,000,000)
	126,281,622	154,640,000
	9.5	
	13,545,258	4,143,045
	8.2	
	-	75,951,454
<b>Net cash flows from investing activities</b>		
	(1,154,504,988)	(1,592,817,046)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
	(365,625,000)	(292,500,000)
	548,437,500	409,500,000
	875,403,243	1,238,394,428
	(2,487,825)	(1,076,493)
	(902,589,231)	(678,005,600)
<b>Net cash flows from financing activities</b>		
	153,138,687	676,312,335
<b>Net increase / (decrease) in cash and cash equivalents</b>		
	26,479,614	(157,021,704)
	48,027,231	205,048,935
<b>Cash and cash equivalents at the beginning of the year</b>		
	74,506,845	48,027,231
	28	
<b>Cash and cash equivalents at the end of the year</b>		

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

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

  
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Chief Executive

  
**Khwaja Asif Rehman**  
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**Syed Feisal Ali**  
Director

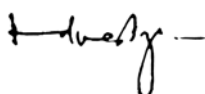
# statement of changes in equity

For the year ended June 30, 2015

	Issued, subscribed and paid-up certificate capital	Premium on issue of certificates	Statutory (mandatory) reserve	Un-appropriated profit	Total
	(Rupees)				
<b>Balance as at June 30, 2013</b>	975,000,000	225,000,000	801,402,963	352,595,152	2,353,998,115
Profit distribution for the year ended June 30, 2013 @ Rs. 3 per certificate declared subsequent to year end	-	-	-	(292,500,000)	(292,500,000)
Bonus issue for the year ended June 30, 2013 @ 5% i.e. 1 certificate for every 20 certificate held, made subsequent to the year end	48,750,000	-	(48,750,000)	-	-
20 % right issue at a premium of Rs.11 per certificate during the period	195,000,000	214,500,000	-	-	409,500,000
Expenses against issuance of bonus / right certificates	-	-	-	(1,076,493)	(1,076,493)
Total comprehensive income for the year ended June 30, 2014	-	-	-	648,773,004	648,773,004
Transfer to statutory (mandatory) reserve	-	-	325,727,689	(325,727,689)	-
<b>Balance as at June 30, 2014</b>	1,218,750,000	439,500,000	1,078,380,652	382,063,974	3,118,694,626
Profit distribution for the year ended June 30, 2014 @ Rs. 3 per certificate declared subsequent to year end	-	-	-	(365,625,000)	(365,625,000)
20 % right issue at a premium of Rs.12.5 per certificate during the period	243,750,000	304,687,500	-	-	548,437,500
Expenses against issuance of right certificates	-	-	-	(2,487,825)	(2,487,825)
Total comprehensive income for the year ended June 30, 2015	-	-	-	404,850,726	404,850,726
Transfer to statutory (mandatory) reserve	-	-	101,212,682	(101,212,682)	-
<b>Balance as at June 30, 2015</b>	1,462,500,000	744,187,500	1,179,593,334	317,589,193	3,703,870,027

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

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



**Murtaza Ahmed Ali**  
Chief Executive



**Khwaja Asif Rehman**  
Chairman



**Syed Feisal Ali**  
Director



# notes to and forming part of the financial statements

For the year ended June 30, 2015

## 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 primarily engaged in rental / Ijarah / leasing 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, the related lease liabilities. These were taken over under a prospectus floated by the Modaraba and approved by the SECP.

## 2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 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 SECP. Wherever the requirements of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, 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, 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 the historical cost convention except that 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 and presentational currency of the Modaraba. All information presented has been rounded off to the nearest Rupee.

## 2.1.4 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year:

2.1.4.1 The following amendments to existing standards have been published and are mandatory for the Modaraba's accounting period beginning on or after July 1, 2014:

- Amendment to IAS 32, "Financial Instruments: Presentation" on offsetting financial assets and financial liabilities. This amendment clarifies that the right of set-off must not be contingent on a future event. It must also be legally enforceable for all counterparties in the normal course of business, as well as in the event of default, insolvency or bankruptcy. The amendment also considers settlement mechanisms. The amendment did not have any significant effect on the financial statements of the Modaraba.
- IFRIC 21, "Levies", sets out the accounting for an obligation to pay a levy if that liability is within the scope of IAS 37 "Provisions." The interpretation addresses the obligating event that give rise to pay a levy and when a liability should be recognised. The Modaraba has incorporated the impact of this amendment in the financial statements.

2.1.4.2 There are other amendments to the standards and new interpretations that are mandatory for accounting periods beginning on or after July 1, 2014 but are considered not to be relevant or do not have any significant effect on the Modaraba's financial statements and are, therefore, not detailed in these financial statements.

## 2.1.5 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

There are certain new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2015 but are considered not to be relevant or will not have any significant effect on the Modaraba's financial statements and are therefore not detailed in these financial statements.

Further, the following new standards have been issued by the IASB which is yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2017

## 2.2 Applicability of International Accounting Standard (IAS) 17 'Leases' and Islamic Financial Accounting Standard (IFAS) 2 'Ijarah'

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. Currently, 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.

2.3 Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the SECP vide SRO 431(1)/ 2007 dated May 5, 2007. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- Muj`ir (lessors) presents 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 is recognised as an expense.
- Ijarah income is 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 treated the leasing transactions in accordance with the requirements of IFAS 2.

## 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. The 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 on going 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 2.5.8, 2.5.9, 8 and 9);**

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 Ijarah portfolio, trade debts and other receivables (notes 2.5.2.1.4, 2.5.5, 4, 5 and 6);**

The Modaraba reviews its Ijarah rentals receivable, 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 recognise 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 a material effect on the financial statements.

### iii) **Staff retirement benefits (notes 2.5.16 and 14);**

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 14 to these financial statements. Changes in these assumptions in future years may affect the liability under these schemes in those years.

**iv) Provision for taxation (notes 2.5.12 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 2.5.7)**

The Modaraba reviews the net realisable 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 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 stated otherwise.

**2.5.1 Cash and cash equivalents**

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 (if any).

**2.5.2 Financial instruments**

**2.5.2.1 Financial assets**

**2.5.2.1.1 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 classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Modaraba are 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.

**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.

#### **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'.

#### **2.5.2.1.2 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.

#### **2.5.2.1.3 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.

#### **2.5.2.1.4 Impairment (including provision for potential Ijarah losses and write offs)**

The carrying amount of the Modaraba's assets are reviewed at each reporting 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 Ijarah rental receivable, if any, is made in accordance with the requirements of the Prudential Regulations for Modarabas issued by the 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.

#### **2.5.2.1.5 Collateral**

Cash collateral provided by the Modaraba is classified 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.

#### **2.5.2.2 Financial liabilities**

All financial liabilities are recognised at the time when the Modaraba becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost.

#### **2.5.2.3 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.

#### **2.5.2.4 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.

#### **2.5.3 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.

#### **2.5.4 Ijarah rentals 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.

#### **2.5.5 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.

#### **2.5.6 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.

#### **2.5.7 Spare parts**

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

Net realisable 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.

#### **2.5.8 Ijarah assets**

##### **2.5.8.1 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. 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. The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting 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 standard hours of usage, which is considered to be the estimated useful life of the asset. 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.

##### **2.5.8.2 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 2.5.8.1). 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, 2015 would have been lower by Rs. 48.591 million.

### **2.5.9 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 over the useful life of asset as disclosed in note 8 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 reporting 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.

### **2.5.10 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 the relevant category of fixed assets / ijarah assets as and when the assets are available for intended use.

### **2.5.11 Intangible assets**

Intangible assets acquired separately are measured on initial recognition at cost. Costs that are directly associated with the identifiable software products are controlled by the Modaraba and have economic benefit beyond one year are recognised as intangible assets. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses, if any.

Intangible assets with finite useful lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible assets are impaired. In respect of additions and deletions in respect of intangible assets during the year, amortisation is charged from the month of acquisition and upto the month preceding the deletion respectively.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit and loss account when the asset is derecognised.

### **2.5.12 Taxation**

#### **2.5.12.1 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 are distributed amongst the shareholders. The Modaraba intends to continue availing the tax exemption by distributing its profit on the above mentioned basis.



### **2.5.12.2 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 the deferred tax asset is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits 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 reporting 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 ninety per cent of its profits as reduced by transfer to mandatory reserve, to its certificate holders every year.

### **2.5.13 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.

### **2.5.14 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).

### **2.5.15 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 reporting date and adjusted to reflect the current best estimates.

### **2.5.16 Staff retirement benefits**

#### **2.5.16.1 Unfunded gratuity scheme**

The Modaraba operates an unfunded gratuity scheme for all eligible employees who have completed the minimum qualifying period of service. 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. Remeasurements arising as a result of actuarial valuations are recorded in the Comprehensive Income in the period in which they occur.

#### **2.5.16.2 Staff Provident fund - defined contribution plan**

The Modaraba operates a recognised provident fund for its permanent employees. Equal monthly contributions are made to the Fund by the Modaraba and the employees in accordance with the rules of the Fund. The Modaraba has no further payment obligation once the contributions have been paid. The contributions made by the Modaraba are recognised as an employee benefit expense when they are due.

### **2.5.17 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.

## **2.5.18 Revenue recognition**

### **2.5.18.1 Ijarah rentals (under IFAS 2)**

Ijarah rentals are recognised as income 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.

### **2.5.18.2 Non-performing ijarah rentals receivable**

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.

### **2.5.18.3 Operation and maintenance services**

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

### **2.5.18.4 Income on savings accounts with banks**

Return on savings accounts is recognised on accrual basis.

## **2.5.19 Impairment on non-financial assets**

The carrying amounts of the non-financial assets are reviewed at each reporting 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.

## **2.5.20 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 reporting date. All exchange differences arising on translations are included in the profit and loss account currently.

## **2.5.21 Segment reporting**

As per IFRS 8, "Operating Segments", 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.

## **2.5.22 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.

### 2.5.23 Proposed profit distribution to certificate holders

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	2015	2014
(Rupees)			
Cash with banks in:			
- current accounts		19,798,285	38,409,956
- saving accounts	3.1	52,876,839	6,280,962
		72,675,124	44,690,918
Cash in hand		1,831,721	3,336,313
		74,506,845	48,027,231

3.1 These accounts carry profit at rates ranging from 4% to 6% (2014: 6% to 10%).

### 4 IJARAH RENTALS RECEIVABLE

Considered good		282,916,388	192,950,788
Considered doubtful (classified portfolio)	4.1	229,163,026	146,813,830
	4.2	512,079,414	339,764,618
Less: Provision against potential ijarah losses	4.3	(30,095,753)	(34,281,059)
		481,983,661	305,483,559

#### 4.1 Ijarah rentals receivables - considered doubtful (classified portfolio)

	2015		2014	
	Balance outstanding	Provision held	Balance outstanding	Provision held
(Rupees)				
OAEM	109,863,887	-	45,293,105	-
Substandard	101,626,326	20,325,266	59,911,919	11,982,384
Doubtful	15,804,652	7,902,326	38,620,263	19,310,132
Loss	1,868,161	1,868,161	2,988,543	2,988,543
	229,163,026	30,095,753	146,813,830	34,281,059

4.2 The Ijarah financing is secured by way of cash deposits amounting to Rs. 44 million (2014: Rs. 50 million).

#### 4.3 Provision against potential ijarah losses

	Note	2015	2014
(Rupees)			
Opening balance		34,281,059	21,211,667
Charged during the year		5,798,483	16,805,731
Write-offs during the year		(9,983,789)	(3,736,339)
Closing balance		30,095,753	34,281,059

### 5 OPERATION AND MAINTENANCE INCOME RECEIVABLE

Considered good		14,448,205	14,069,743
Considered doubtful (classified portfolio)	5.1	13,933,860	9,196,433
		28,382,065	23,266,176
Less: Provision against operation and maintenance income receivable	5.2	(4,801,786)	(1,709,151)
		23,580,279	21,557,025

## 5.1 Operation and maintenance income receivable - considered doubtful (classified portfolio)

	2015		2014	
	Balance outstanding	Provision held	Balance outstanding	Provision held
	(Rupees)			
OAEM	1,085,072	-	4,310,000	-
Substandard	5,642,028	1,128,406	2,446,885	489,377
Doubtful	7,066,760	3,533,380	2,439,548	1,219,774
Loss	140,000	140,000	-	-
	<u>13,933,860</u>	<u>4,801,786</u>	<u>9,196,433</u>	<u>1,709,151</u>

## 5.2 Provision against operation & maintenance income receivable

	Note	2015	2014
		(Rupees)	
Opening balance		1,709,151	323,000
Charged during the year		3,092,635	1,386,151
Write-offs during the year		-	-
Closing balance		<u>4,801,786</u>	<u>1,709,151</u>

## 6 ADVANCES, DEPOSITS, AND OTHER RECEIVABLES

Income tax recoverable	6.1	13,859,151	9,860,856
Advances (unsecured)			
- to contractor		1,579,291	1,285,227
- to suppliers		3,084,703	15,256,730
- to employees against salary		1,297,493	1,817,845
- to employees for expenses	6.2	442,272	257,090
		<u>20,262,910</u>	<u>28,477,748</u>
Insurance claim receivable		574,867	2,449,853
Security deposits	6.3	28,597,013	12,034,128
Accrued income on saving account		166,771	-
L/C margin and others		29,767	11,248,444
		<u>49,631,328</u>	<u>54,210,173</u>

**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. 0.767 million (2014: Rs. 0.257 million).

**6.3** This includes current portion of long-term security deposits (note 7) amounting to Rs. 18.720 million (2014: Rs. 4 million) paid against ijarah finance contracts (IFAS - 2) and are refundable / adjustable on the expiry of lease period which is within one year.

## 7 LONG-TERM SECURITY DEPOSITS

	Note	2015	2014
		(Rupees)	
Security deposits receivable in respect of assets obtained under Ijarah arrangements (IFAS - 2)		50,718,450	74,309,926
Others		50,000	50,000
Repayable / adjustable within one year	6.3	(18,720,384)	(4,000,000)
		<u>32,048,066</u>	<u>70,359,926</u>

## 8 FIXED ASSETS IN OWN USE - TANGIBLE

Fixed assets in own use - tangible at cost less accumulated depreciation	8.1	<u>76,075,658</u>	<u>65,032,652</u>
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## 8.1 Fixed Assets In Own Use - Tangible

The following is a statement of fixed assets in own use - tangible:

	Year ended June 30, 2015		
	Furniture, fixtures and office equipment	Vehicles	Total
	(Rupees)		
<b>At July 01, 2014</b>			
Cost	8,921,752	78,746,787	87,668,539
Accumulated depreciation	(3,553,787)	(19,082,100)	(22,635,887)
<b>Net book value</b>	<b>5,367,965</b>	<b>59,664,687</b>	<b>65,032,652</b>
<b>Additions</b>	<b>1,715,693</b>	<b>31,292,659</b>	<b>33,008,352</b>
<b>Disposals</b>			
Cost	-	(19,512,740)	(19,512,740)
Depreciation	-	6,953,851	6,953,851
	-	(12,558,889)	(12,558,889)
Depreciation charge for the year	(1,590,344)	(7,816,113)	(9,406,457)
<b>Closing net book value</b>	<b>5,493,314</b>	<b>70,582,344</b>	<b>76,075,658</b>
<b>At June 30, 2015</b>			
Cost	10,637,445	90,526,706	101,164,151
Accumulated depreciation	(5,144,131)	(19,944,362)	(25,088,493)
<b>Net book value</b>	<b>5,493,314</b>	<b>70,582,344</b>	<b>76,075,658</b>
<b>Life (Years)</b>	<b>3 to 8</b>	<b>6 to 8</b>	
	Year ended June 30, 2014		
	Furniture, fixtures and office equipment	Vehicles	Total
	(Rupees)		
<b>At July 01, 2013</b>			
Cost	6,664,239	63,442,707	70,106,946
Accumulated depreciation	(2,324,094)	(15,434,876)	(17,758,970)
<b>Net book value</b>	<b>4,340,145</b>	<b>48,007,831</b>	<b>52,347,976</b>
<b>Additions</b>	<b>2,474,367</b>	<b>22,471,895</b>	<b>24,946,262</b>
<b>Disposals</b>			
Cost	(216,854)	(7,167,815)	(7,384,669)
Depreciation	88,479	3,211,763	3,300,242
	(128,375)	(3,956,052)	(4,084,427)
Depreciation charge for the year	(1,318,172)	(6,858,987)	(8,177,159)
<b>Closing net book value</b>	<b>5,367,965</b>	<b>59,664,687</b>	<b>65,032,652</b>
<b>At June 30, 2014</b>			
Cost	8,921,752	78,746,787	87,668,539
Accumulated depreciation	(3,553,787)	(19,082,100)	(22,635,887)
<b>Net book value</b>	<b>5,367,965</b>	<b>59,664,687</b>	<b>65,032,652</b>
<b>Life (Years)</b>	<b>3 to 8</b>	<b>6 to 8</b>	

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

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
	(Rupees)						
<b>Vehicles - Car</b>							
	1,049,000	646,883	402,117	938,778	536,661	Negotiation	Mr. Qadeem Khan
	400,000	50,000	350,000	400,000	50,000	Company's Policy	Mr. Faisal Amjad (employee)
	1,230,000	492,000	738,000	669,590	(68,410)	Company's Policy	Mr. Zeeshan Kazmi (employee)
	735,500	281,942	453,558	271,056	(182,502)	Company's Policy	Mr. Abid Hussain (employee)
	1,689,500	197,108	1,492,392	1,459,850	(32,542)	Company's Policy	Mr. Badar (employee)
	685,000	313,908	371,092	328,880	(42,212)	Company's Policy	Mr. Sarfraz Ahmed Khan (employee)
	1,426,000	594,167	831,833	610,414	(221,419)	Company's Policy	Mr. Rashid Jahangiri (employee)
	782,500	208,667	573,833	414,175	(159,658)	Company's Policy	Mr. Mohsin Ehtisham (employee)
	868,000	347,200	520,800	448,629	(72,171)	Company's Policy	Mr. Rafeh (employee)
	1,554,000	479,150	1,074,850	1,211,115	136,265	Company's Policy	Mr. Umair Ashfaq (employee)
	950,000	158,333	791,667	950,000	158,333	Company's Policy	Mr. Muhammad Farooq (employee)
	1,058,000	432,017	625,983	397,978	(228,005)	Company's Policy	Mr. Naveed Shaheen (employee)
	1,148,731	859,717	289,014	840,000	550,986	Negotiation	Mr. Babar Khan
	1,391,629	533,458	858,171	1,394,000	535,829	Negotiation	Mr. Illyas Asif (employee)
	1,504,000	576,533	927,467	431,136	(496,331)	Company's Policy	Mr. Naveed Akhtar (employee)
	983,465	685,545	297,920	876,500	578,580	Negotiation	Mr. Khan Shafi
	1,876,000	15,633	1,860,367	1,821,483	(38,884)	Insurance claim	Adamjee Insurance Limited 6th Floor, Adamjee House, I.I. Chundrigar Road, Karachi.
<b>Vehicles - Motorcycle</b>							
	40,415	22,902	17,513	12,000	(5,513)	Company's Policy	Mr. Saeed (employee)
	35,000	27,125	7,875	14,250	6,375	Company's Policy	Mr. Waseem-ullah Khan (employee)
	64,500	27,413	37,087	23,424	(13,663)	Company's Policy	Mr. Afzal Khan (employee)
	41,500	4,150	37,350	32,000	(5,350)	Insurance claim	Adamjee Insurance Limited, 6th Floor, Adamjee House, I.I. Chundrigar Road, Karachi.
<b>2015</b>	<b>19,512,740</b>	<b>6,953,851</b>	<b>12,558,889</b>	<b>13,545,258</b>	<b>986,369</b>		
<b>2014</b>	<b>7,384,669</b>	<b>3,300,242</b>	<b>4,084,427</b>	<b>4,143,045</b>	<b>58,618</b>		

### 8.3 The depreciation charge has been allocated as under:

	Note	2015	2014
(Rupees)			
Operating expenses (representing depreciation on ijarah assets - note 9.1)	20	739,632,257	602,809,807
Administrative and distribution expenses (representing depreciation on fixed assets in own use - note 8.1)	21	9,406,457	8,177,159
		<u>749,038,714</u>	<u>610,986,966</u>

### 9 IJARAH ASSETS

Ijarah assets at cost less accumulated depreciation	9.1	<u>5,102,141,987</u>	<u>4,644,854,276</u>
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#### 9.1 Ijarah assets - at cost less accumulated depreciation

The following is a statement of Ijarah assets:

	Year ended June 30, 2015		
	Generators, material handling / transportation vehicles and related equipment	Machines	Total
(Rupees)			
<b>At July 01, 2014</b>			
Cost	5,949,113,947	228,816,760	6,177,930,707
Accumulated depreciation	(1,475,976,531)	(57,099,900)	(1,533,076,431)
<b>Net book value</b>	<u>4,473,137,416</u>	<u>171,716,860</u>	<u>4,644,854,276</u>
<b>Additions</b>	1,226,995,416	81,403,395	1,308,398,811
<b>Disposals</b>			
Cost	(191,791,250)	(21,122,023)	(212,913,273)
Depreciation	96,514,176	4,920,254	101,434,430
	(95,277,074)	(16,201,769)	(111,478,843)
Depreciation charge for the year	(728,113,762)	(11,518,495)	(739,632,257)
<b>Closing net book value</b>	<u>4,876,741,996</u>	<u>225,399,991</u>	<u>5,102,141,987</u>
<b>At June 30, 2015</b>			
Cost	6,984,318,113	289,098,132	7,273,416,245
Accumulated depreciation	(2,107,576,117)	(63,698,141)	(2,171,274,258)
<b>Net book value</b>	<u>4,876,741,996</u>	<u>225,399,991</u>	<u>5,102,141,987</u>
<b>Life (Years)</b>	1 to 9	4 to 7	

	Year ended June 30, 2014		
	Generators, material handling / transportation vehicles and related equipment	Machines	Total
	(Rupees)		
<b>At July 01, 2013</b>			
Cost	4,541,453,046	192,513,825	4,733,966,871
Accumulated depreciation	(1,011,978,484)	(44,445,210)	(1,056,423,694)
<b>Net book value</b>	<u>3,529,474,562</u>	<u>148,068,615</u>	<u>3,677,543,177</u>
<b>Additions</b>	1,661,344,635	36,302,935	1,697,647,570
<b>Disposals</b>			
Cost	(253,683,734)	-	(253,683,734)
Depreciation	126,157,070	-	126,157,070
	(127,526,664)	-	(127,526,664)
Depreciation charge for the year	(590,155,117)	(12,654,690)	(602,809,807)
Closing net book value	<u>4,473,137,416</u>	<u>171,716,860</u>	<u>4,644,854,276</u>
<b>At June 30, 2014</b>			
Cost	5,949,113,947	228,816,760	6,177,930,707
Accumulated depreciation	(1,475,976,531)	(57,099,900)	(1,533,076,431)
<b>Net book value</b>	<u>4,473,137,416</u>	<u>171,716,860</u>	<u>4,644,854,276</u>
<b>Life (Years)</b>	1 to 9	4 to 7	

**9.2** During the year, the Modaraba acquired certain equipment and parts amounting to Rs. 172.808 million (2014: Rs. 307.159 million) from Allied Engineering and Services (Private) Limited (AESL) an associated company.

**9.3** Additions to Ijarah assets during the year include assets amounting to Rs. 958.769 million (2014: Rs. 1,318.890 million) acquired under Diminishing Musharakah financing. The Modaraba holds title to these assets. As at June 30, 2015 total assets acquired by the Modaraba under Diminishing Musharakah financing payable amounts to Rs. 3,181.637 million (2014: Rs. 2,848.954 million).

**9.4** As at June 30, 2015, cost of total assets acquired under Ijarah arrangements (IFAS - 2) amounts to Rs. 553.863 million (June 30, 2014: Rs. 769.953 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. 8.990 million (2014: Rs. 317.400 million) have been acquired under Ijarah arrangements.

During the year, assets acquired under Ijarah arrangements (IFAS - 2) amounting to Rs. 52.858 million (2014: Rs. 46.472 million) have been transferred / sold to the Modaraba after expiry of the respective Ijarah agreement and are included in additions during the year.



## 9.5 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)							
<b>Gensets</b>							
	1,612,480	792,480	820,000	975,000	155,000	Negotiation	Toyota G.T Motors G.T. Road, F15/2, between Tarnol Railway Crossing and Motorway Chowk, Islamabad
	2,414,282	990,282	1,424,000	1,450,000	26,000	Negotiation	H2 Ready Mix (Private) Limited 257/14 sector 5, near cause way Korangi Industrial Area, Karachi
	7,146,000	1,546,000	5,600,000	10,500,000	4,900,000	Negotiation	U.S Demin Mills (Private) Limited, 3-Km Defence Road Off Raiwind Road, Lahore
	5,660,489	2,001,460	3,659,029	4,300,000	640,971	Negotiation	Style Textile (Private) Limited 126/3, Kot Lakhpath Industrial State, Lahore
	1,900,000	11,111	1,888,889	1,300,000	(588,889)	Negotiation	Unik Fabrics (Private) Limited 501, Mehdi Tower, SMCHS. Shahrah-e-Faisal, Karachi
	3,464,993	1,521,209	1,943,784	3,400,000	1,456,216	Negotiation	Fazleesons (Private) Limited F,142, S.I.T.E area, Karachi.
	45,313,089	8,986,041	36,327,048	42,500,000	6,172,952	Negotiation	A.J Textile Gulshan-e-Aziz, Warsak Road, Peshawar
	2,039,500	505,457	1,534,043	2,600,000	1,065,957	Negotiation	Denim Clothing Company Unit # 1 SC 7 Street # 1, Sector 19 Korangi Industrial Area, Karachi
	3,319,354	1,010,060	2,309,294	3,100,000	790,706	Negotiation	Sang Paras Floor Mills (Private) Limited Shahrah-e-Raisham, Kas Pull Butgram, Malakand
	2,742,664	904,111	1,838,553	2,300,000	461,447	Negotiation	Sports Star International (Private) Limited, 11 - F, Model Town, Lahore.
	2,611,131	1,335,981	1,275,150	1,465,000	189,850	Negotiation	TGS (The Global Stores) (Private) Limited, 12-L, Gulberg II, Lahore.
	1,609,996	789,996	820,000	900,000	80,000	Negotiation	M & E Engineering Services, Rashid Minhas Road, Karachi.
	2,839,596	1,439,596	1,400,000	1,200,000	(200,000)	Negotiation	M & E Engineering Services, Rashid Minhas Road, Karachi.
	2,339,000	819,000	1,520,000	1,800,000	280,000	Negotiation	M & E Engineering Services, Rashid Minhas Road, Karachi.
	4,716,787	2,092,207	2,624,580	2,900,000	275,420	Negotiation	M & E Engineering Services, Rashid Minhas Road, Karachi.

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
			(Rupees)				
	909,586	309,586	600,000	900,000	300,000	Negotiation	Mr. Noman Iqbal Master Agro, C-12, North Western Industrial Zone Port Qasim, Karachi.
	1,625,951	845,579	780,372	780,372	-	Negotiation	Sally Textile Mills Limited 4-F, Gulberg-II, Lahore.
	2,755,448	1,555,448	1,200,000	2,275,000	1,075,000	Negotiation	Max Bachat Super Market, Thandi Sarak, Hyderabad.
	2,579,310	806,632	1,772,678	2,400,000	627,322	Negotiation	National Power Services Banglow # FL-4/31, Block 5, NIPA Chorangi Gulshan-e-Iqbal, Karachi.
	340,329	-	340,329	2,300,000	1,959,671	Negotiation	National Power Services Banglow # FL-4/31, Block 5, NIPA Chorangi Gulshan-e-Iqbal, Karachi.
	247,738	-	247,738	750,000	502,262	Negotiation	Courtyard Banquet Hall 112, Block-3, B.Y.J.C.H.S, Alamgir Road, Karachi.
	7,482,477	4,120,989	3,361,488	1,000,000	(2,361,488)	Negotiation	High-Q Pharma B-64, Karsaz Road, KDA - 1, Karachi.
	41,664,414	31,463,056	10,201,358	11,500,000	1,298,642	Negotiation	Anoud Power Generation Limited, Plot # 7-B/1, Korangi Industrial Area, Karachi.
	35,765,405	30,765,405	5,000,000	5,000,000	-	Negotiation	Saif Textile Mills Limited Kulsum Plaza, 4th Floor, 2020, Jinnah Avenue Blue Area, Islamabad
<b>Canopies</b>							
	187,200	93,600	93,600	-	(93,600)	Negotiation	Toyota G.T Motors G.T. Road, F15/2, between Tarnol Railway Crossing and Motorway Chowk, Islamabad
	71,920	16,182	55,738	-	(55,738)	Negotiation	Courtyard Banquet Hall 112, Block-3, B.Y.J.C.H.S, Alamgir Road, Karachi.
	234,000	122,850	111,150	125,000	13,850	Negotiation	Unik Fabrics (Private) Limited, 501, Mehdi Tower, SMCHS. Shahrah-e-Faisal, Karachi
	409,500	204,750	204,750	-	(204,750)	Negotiation	Fazleesons (Private) Limited, F,142, S.I.T.E area, Karachi.
	153,000	122,400	30,600	-	(30,600)	Negotiation	Denim Clothing Company, Unit # 1 SC 7 Street # 1, Sector 19, Korangi Industrial Area, Karachi

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
	(Rupees)						
	304,320	202,880	101,440	-	(101,440)	Negotiation	Sang Paras Floor Mills (Private) Limited Shahrah-e-Raisham, Kas Pull Butgram, Malakand
	249,400	164,188	85,212	-	(85,212)	Negotiation	Sports Star International (Private) Limited, 11 - F, Model Town, Lahore.
	234,000	130,650	103,350	-	(103,350)	Negotiation	TGS (The Global Stores) (Private) Limited, 12-L, Gulberg II, Lahore.
	189,540	101,088	88,452	-	(88,452)	Negotiation	M & E Engineering Services, Rashid Minhas Road Karachi.
	83,000	66,400	16,600	-	(16,600)	Negotiation	M & E Engineering Services. Rashid Minhas Road Karachi.
	362,700	208,553	154,147	-	(154,147)	Negotiation	M & E Engineering Services. Rashid Minhas Road Karachi.
	116,000	43,500	72,500	-	(72,500)	Negotiation	Sally Textile Mills Limited 4-F, Gulberg-II, Lahore.
	214,600	75,110	139,490	-	(139,490)	Negotiation	Max Bachat Super Market, Thandi Sarak, Hyderabad.
	189,080	132,356	56,724	-	(56,724)	Negotiation	National Power Services Banglow # FL-4/31, Block 5, NIPA Chorangi Gulshan-e-Iqbal, Karachi.
	319,000	217,983	101,017	-	(101,017)	Negotiation	National Power Services Banglow # FL-4/31, Block 5, NIPA Chorangi Gulshan-e-Iqbal, Karachi.
<b>Forklifts</b>	460,608	-	460,608	700,000	239,392	Negotiation	Distributor.Com G.T. Road, Pabbi, Khyber Pakhtun Khawa.
<b>Truck</b>	4,913,363	-	4,913,363	5,861,250	947,887	Insurance claim	Adamjee Insurance Limited 6th Floor, Adamjee House, I.I. Chundrigar Road, Karachi
<b>Machines (motor graders)</b>	7,525,635	1,814,866	5,710,769	4,800,000	(910,769)	Negotiation	Mr. Shaheen Khan Super Auto Market, House # A-5, Super Highway, KDA Scheme 33, Karachi.
	6,989,388	1,452,609	5,536,779	4,400,000	(1,136,779)	Negotiation	Mr. Shaheen Khan Super Auto Market, House # A-5, Super Highway, KDA Scheme 33, Karachi.
	6,607,000	1,652,779	4,954,221	2,800,000	(2,154,221)	Negotiation	M.U. Construction Company Engineers & Builders Shop # 3, Mian Sahab Jan Plaza, Tarnol, Islamabad.
<b>2015</b>	<b>212,913,273</b>	<b>101,434,430</b>	<b>111,478,843</b>	<b>126,281,622</b>	<b>14,802,779</b>		
<b>2014</b>	<b>253,683,734</b>	<b>126,157,070</b>	<b>127,526,664</b>	<b>154,640,000</b>	<b>27,113,336</b>		

**9.5.1** Canopies are usually sold together with the respective gensets. The sale proceeds of such canopies are included in the sales proceeds of the respective gensets to which they relate.

## 10 CAPITAL WORK-IN-PROGRESS

	Note	2015	2014
(Rupees)			
Advance for equipment	10.1	48,958,941	37,309,723
Assets under installation	10.2	-	62,573,070
Advance for acquisition of software	10.3	3,848,557	-
		<u>52,807,498</u>	<u>99,882,793</u>

**10.1** This represents advance for certain equipment that will be transferred to the fixed assets - ijara assets and expenses incurred on account of assembling of equipment.

<b>10.2</b> Generators	-	62,312,726
Machines	-	260,344
	-	<u>62,573,070</u>

**10.3** This represents the amounts paid in advance to vendor for the acquisition of new ERP software.

## 11 CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for goods	11.1	247,318,990	243,294,829
Creditors for expenses		64,669,694	26,408,508
Advances from customers		36,833,283	29,689,691
Security deposit	11.2	200,000	258,000
Employee car scheme - deductions	11.3	11,627,565	12,428,818
Dividend payable		684,305	621,148
Accrued expenses			
- commission		1,036,370	933,613
- bonus		16,974,979	18,575,664
- auditors' remuneration		564,957	548,144
- financial charges	11.4	25,276,053	12,152,125
- charity payable	11.7	-	-
- miscellaneous		208,513	9,278,579
		44,060,872	41,488,125
Tax deducted at source from			
- employees		373,702	462,010
- suppliers		2,448,988	1,878,799
Sindh sales tax on operational and maintenance contracts	11.10	1,056,296	-
Ijarah rentals payable	11.5	24,144,659	49,910,577
Workers' Welfare Fund		8,235,287	13,295,008
Zakat payable	11.6	205,640	-
		<u>441,859,281</u>	<u>419,735,513</u>

**11.1** This includes Rs. 197.861 million (2014: Rs. 200.173 million) payable to Allied Engineering and Services (Private) Limited (an associated company) for various purchases and services availed by the Modaraba.

**11.2** This represents amount received as security deposit from contractors providing contractual staff to the Modaraba.

**11.3** 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.

- 11.4** This represents accrual of financial charges in respect of Diminishing Musharakah Financing.
- 11.5** This represents Ijarah rentals payable to various banks and modarabas in respect of asset obtained under Ijarah arrangements (IFAS - 2).
- 11.6** This amount has been deposited with the Central Zakat Fund on August 18, 2015.

**11.7 Reconciliation of charity payable**

	Note	2015	2014
(Rupees)			
Opening balance		-	-
Additions during the year	21	412,000	519,000
Paid during the year	11.8	(412,000)	(519,000)
Closing balance		-	-

**11.8 Charity was paid to the following organisations:**

Islamic Educational & Welfare Society	50,000	-
Burhani Medical Welfare Association	75,000	100,000
Markaz-e-Umeed For Special Children	25,000	25,000
Fatimid Foundation (Blood Bank, Haematological Services & Kidney Center)	112,000	100,000
Haswa (Healthcare And Social Welfare Association)	50,000	50,000
Koochi Goth Hospital	50,000	164,000
Poor Patients Aid Society Civil Hospital Karachi.	-	50,000
The Layton Rahmatulla Benevolent Trust	-	30,000
Family Education Services Foundation	50,000	-
	<u>412,000</u>	<u>519,000</u>

**11.9** None of the directors and employees of the Modaraba Management Company had any interest in the charity.

**11.10** With effect from July 01, 2014, the Modaraba is charging Sindh Sales Tax at the rate 10% on its operation and maintenance income in accordance with the Sindh Sales Tax Act 2011.

**12 PAYABLE TO THE MODARABA MANAGEMENT COMPANY**

	2015	2014
(Rupees)		
Remuneration payable to the Modaraba Management Company - net	1,069,863	6,080,814
Sindh sales tax payable on remuneration of Modaraba Management Company - note 24	2,389,535	977,183
	<u>3,459,398</u>	<u>7,057,997</u>

**12.1** 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 2015 has been recognised at 2.5% (2014: 1%) of profit for the year.

**13 DIMINISHING MUSHARAKAH FINANCING PAYABLE - SECURED**

	Note	2015	2014
(Rupees)			
Musharakah financing Due within one year	13.1	1,702,004,402 (925,691,826) <u>776,312,576</u>	1,729,190,390 (804,727,207) <u>924,463,183</u>
Financing from banking and financial institutions		1,673,001,885	1,631,007,166
Financing from modarabas		29,002,517	98,183,224
		<u>1,702,004,402</u>	<u>1,729,190,390</u>

**13.2** These facilities have maturities from November 2015 to May 2018 (2014: September 2014 to July 2017) and are secured against hypothecation of Ijarah assets amounting to Rs. 4,560.236 million (2014: 3,567.052 million) and demand promissory notes. The share of profit payable on these facilities ranges from 7.85% to 11.60% (2014: 10.29% to 15.55%).

## 14 DEFERRED LIABILITY

Note	2015	2014
	(Rupees)	
Deferred liability for staff gratuity	30,456,248	24,730,674

### 14.1 Defined benefit plan - gratuity

#### 14.1.1 Salient Features

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, 2015 using the Projected Unit Credit Method. Currently the Modaraba does not have any plan assets in respect of its unfunded gratuity scheme.

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.

The Gratuity scheme exposes the Modaraba to the following risks:

#### Mortality risks

The risk that the actual mortality experience is different. The effect depends on the beneficiaries' service / age distribution and the benefit.

#### Final salary risks

The risk that the final salary at the time of cessation of service is higher than what we assumed. Since the benefit is calculated on the final salary, the benefit amount increases similarly.

#### Withdrawal risks

The risk of higher or lower withdrawal experience than assumed. The final effect could go either way depending on the beneficiaries' service / age distribution and the benefit.

#### 14.1.2 Valuation results

Actuarial valuation is carried out once every year. The latest valuation was carried out as at June 30, 2015. The information provided in notes 14.2 to 14.10 has been obtained from the latest actuarial valuation report. The following significant assumptions have been used for valuation of this scheme:

	2015	2014
	%	
Valuation discount rate	10.5	13.5
Salary increase rate	10.5	13.5
Rate of employee turnover	moderate	moderate

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in Pakistan. The rates assumed are based on the adjusted SLIC 2001 - 2005 mortality tables with one year age set back.

## 14.2 Amount recognised in the balance sheet

	Note	2015	2014
(Rupees)			
Present value of defined benefit obligation	14.4	30,456,248	24,730,674
Fair value of plan assets		-	-
Net liability recognised in the balance sheet		<u>30,456,248</u>	<u>24,730,674</u>

## 14.3 Movement in amount payable to the defined benefit plan

Opening balance		24,730,674	19,902,817
Charge for the year	14.5	7,993,324	6,000,890
Benefits paid / payable during the year		(946,096)	(3,855,408)
Remeasurement (gain) / loss on obligation recognised in other comprehensive income	14.6	(1,321,654)	2,682,375
Closing balance		<u>30,456,248</u>	<u>24,730,674</u>

## 14.4 Movement in the present value of defined benefit obligation is as follows:

Present value of defined benefit obligation - opening		24,730,674	19,902,817
Current service cost		4,395,414	3,597,645
Mark-up cost		3,597,910	2,403,245
Benefit paid / payable during the year		(946,096)	(3,855,408)
Remeasurement (gain) / loss on obligation recognised in other comprehensive income	14.6	(1,321,654)	2,682,375
Present value of defined benefit obligation - closing		<u>30,456,248</u>	<u>24,730,674</u>

### 14.4.1 Analysis of present value of defined benefit obligation

#### Split by type of members:

Active employees		<u>30,456,248</u>	<u>24,730,674</u>
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#### Split by vested / non-vested

(i) Vested benefits		16,080,757	7,939,225
(ii) Non-vested benefits		14,375,491	16,791,449
		<u>30,456,248</u>	<u>24,730,674</u>

#### Split by benefits earned to date

(i) Accumulated benefit obligation		9,098,228	5,436,071
(ii) Amounts attributable to future salary increase		21,358,020	19,294,603
		<u>30,456,248</u>	<u>24,730,674</u>

#### Cadre by type of members

Management staff		<u>30,456,248</u>	<u>24,730,674</u>
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## 14.5 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		4,395,414	3,597,645
Mark-up cost		3,597,910	2,403,245
		<u>7,993,324</u>	<u>6,000,890</u>

## 14.6 Remeasurements recognised in other comprehensive income during the year

Remeasurement (gain) / loss on obligation recognised in other comprehensive income		<u>(1,321,654)</u>	<u>2,682,375</u>
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## 14.7 Historic Information

	2015	2014	2013	2012	2011
	(Rupees)				
Present value of defined benefit obligation	30,456,248	24,730,674	19,902,817	14,386,227	13,233,012
Remeasurement gain / (loss) on obligation	1,321,654	(2,682,375)	(795,728)	(2,369,762)	-

14.8 The defined benefit obligations are based in Pakistan.

The sensitivities of the defined benefit obligation to changes in the weighted principal assumptions are as under:

	Impact on defined benefit obligation		
	Change in assumption	Increase in assumption	Decrease in assumption
	(Rupees)		
Discount rate	1%	26,544,413	35,195,264
Salary increase rate	1%	35,148,531	26,511,953

The above sensitivities analyses are based on a change in an assumption while holding all other assumptions constant. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the gratuity liability recognised within the statement of financial position.

14.9 The weighted average duration of the defined benefit obligation is 14.20 years.

14.10 Based on actuarial advice, the Modaraba intends to charge an amount of Rs. 8.605 million in the financial statements for the year ending June 30, 2016.

	Note	2015	2014
		(Rupees)	
<b>15 OTHER LONG-TERM EMPLOYEE BENEFIT</b>	15.1	8,334,376	7,227,702

15.1 This represents accrual for staff compensated absences and includes liability in respect of key management personnel amounting to Rs. 1.824 million (2014: Rs. 1.845 million) (refer note 2.5.14).

## 16 SECURITY DEPOSITS

	2015	2014
	(Rupees)	
Security deposits payable in respect of assets given under Ijarah arrangements (IFAS - 2)	44,000,000	50,000,000
Repayable / adjustable within one year	(19,000,000)	(24,000,000)
	25,000,000	26,000,000



## 17 AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

### Authorised certificate capital

2015	2014		2015	2014
(Number of Certificates)			(Rupees)	
200,000,000	150,000,000	Modaraba Certificates of Rs. 10 each	2,000,000,000	1,500,000,000

### Issued, subscribed and paid-up certificate capital

121,875,000	97,500,000	Modaraba Certificates of Rs. 10 each fully paid in cash	1,218,750,000	975,000,000
24,375,000	19,500,000	Modaraba Certificates of Rs. 10 each fully issued as right certificates	243,750,000	195,000,000
-	4,875,000	Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificates	-	48,750,000
146,250,000	121,875,000		1,462,500,000	1,218,750,000

#### 17.1 Following certificates are held by the associated companies of the Modaraba:

	2015		2014	
	Number of certificates	Rupees	Number of certificates	Rupees
Allied Engineering and Services (Private) Limited	54,288,677	542,886,770	36,907,231	369,072,310
Allied Engineering Management Company (Private) Limited	29,250,000	292,500,000	24,375,000	243,750,000
	83,538,677	835,386,770	61,282,231	612,822,310

## 18 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. 101.213 million (2014: Rs. 325.728 million) which represents 25% (2014: 50%) of the profit after tax.

## 19 CONTINGENCIES AND COMMITMENTS

### 19.1 Contingencies

19.1.1 There were no contingencies outstanding as at June 30, 2015 other than as explained below:

#### 19.1.2 Sindh Sales Tax On operations & maintenance services of the Modaraba

During the year ended June 30, 2014, the Assistant Commissioner - Sindh Revenue Board (SRB) issued an order no. 160 of 2013 dated July 12, 2013 demanding Sindh Sales Tax of Rs. 25.633 million @ 16% on total Operation & Maintenance income of the modaraba of Rs. 160.204 million for the year ended June 30, 2012.

Considering the nature of Operation & Maintenance Services, their geographical limitations and method of computation relating to levy of provincial Sales Tax on services as envisaged in the Sindh Sales Tax on Services Act 2011, the Modaraba filed an appeal to the Commissioner Appeals - Sindh

Revenue Board (SRB). Simultaneously, the Modaraba also filed a Constitutional petition in the Honorable High Court of Sindh relating to the levy of sindh sales tax by virtue of which the Honorable High Court of Sindh kindly stayed the demand of sindh sales tax vide its order dated October 11, 2013. However, subsequently the Honorable High Court of Sindh issued a judgment dated January 27, 2014 directing SRB not to take any coercive action against Allied Rental Modaraba, till the decision has been reached in Appeal which was pending before the Commissioner Appeals - Sindh Revenue Board (SRB).

The Commissioner Appeals- Sindh Revenue Board (SRB) vide his order in appeal number 16/2014 dated February 25, 2014 reduced the demand of sindh sales tax from Rs. 25.633 million to Rs. 12.238 million stating that the differential amount of Rs. 13.395 million pertains to the services rendered outside the province of Sindh.

The Modaraba has filed a Constitutional Petition CP No. D-1190 in the Honorable High Court of Sindh against the order of the Commissioner Appeals - Sindh Revenue Board (SRB) by virtue of which the Honorable High Court of Sindh vide its order dated March 11, 2014 has suspended the operation of the impugned order of the Commissioner Appeals - SRB. Subsequently, the Sindh Revenue Board Tribunal has been constituted and has become functional in June 2015. The Modaraba, on direction of the Honorable High Court of Sindh, has filed an appeal to the tribunal the outcome of which is pending. The Management believes that the outcome of the appeal will be in favour of the Modaraba and hence no provision has been made in these financial statements.

## 19.2 Commitments

### 19.2.1 Contractual rentals receivable on Ijarah contracts

	June 30, 2015				June 30, 2014			
	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	120,080,400	263,303,000	-	383,383,400	334,320,400	388,382,600	-	722,703,000

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

### 19.2.2 Ijarah rentals payable

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

	June 30, 2015			June 30, 2014		
	Due within one year	Due after one years	Total	Due within one year	Due after one years	Total
	(Rupees)					
Future Ijarah rentals payables	171,684,461	90,808,112	262,492,573	260,771,873	275,524,295	536,296,168

Assets acquired under the above arrangements have been further sub-let under Ijarah arrangements (IFAS - 2). During the year, an expense of Rs. 211.671 million (2014: Rs. 211.306 million) and income of Rs. 200.391 million (2014: Rs. 344.640 million) was recognised under the above Ijarah arrangements and as at the year end Rs. 52.057 million (2014: Rs. 62.991 million) was due under these arrangements. The cost of assets acquired under Ijarah arrangements as at June 30, 2015 is Rs. 553.863 million (2014: Rs. 769.953 million) (note 9.4).

### 19.2.3 Commitments in respect of outstanding letter of credit and registered import contracts amount to Rs. Nil (2014: Rs. 266.559 million).

## 20 OPERATING EXPENSES

	Note	2015	2014
(Rupees)			
Salaries, wages and other staff benefits	20.1	492,295,150	384,341,413
Depreciation expense	8.3	739,632,257	602,809,807
Repairs and maintenance cost	20.2	391,536,252	380,638,473
Ijarah rentals		211,671,013	211,305,866
Fleet vehicles running cost		83,561,246	34,664,935
Vehicles running cost		23,334,172	22,088,915
Insurance cost - equipment		26,810,624	19,681,293
Travelling and conveyance		10,683,630	8,072,705
Rent expense		7,525,671	5,986,028
		<u>1,987,050,015</u>	<u>1,669,589,435</u>

**20.1** This includes contribution of Rs. 5.193 million (2014: Rs. 4.689 million) to the staff provident fund and charge in respect of unfunded gratuity scheme amounting to Rs. 5.515 million (2014: Rs. 3.457 million).

**20.2** This includes expenses of Rs. 357.511 million (2014: Rs. 355.904 million) for parts purchased and services availed from Allied Engineering and Services (Private) Limited, an associated company.

## 21 ADMINISTRATIVE AND DISTRIBUTION EXPENSES

	Note	2015	2014
(Rupees)			
Salaries, wages and other staff benefits	21.1	53,394,998	45,519,526
Vehicle running costs		5,736,764	5,395,232
Travelling and conveyance		5,057,047	5,401,431
Depreciation expense	8.3	9,406,457	8,177,159
Legal and professional charges		11,921,950	8,818,616
Auditors' remuneration	21.2	950,000	830,665
Telephone, postage and fax charges		2,816,522	2,261,450
Advertisement and sales promotion		2,047,976	2,418,489
Printing and stationery		3,424,700	2,628,850
Insurance cost - vehicles		1,908,540	1,655,084
Training, meetings and tender participation		4,047,707	1,777,899
Charity	11.7	412,000	519,000
Entertainment		2,896,139	2,467,714
Miscellaneous		4,964,485	2,849,184
		<u>108,985,285</u>	<u>90,720,299</u>

**21.1** This includes contribution of Rs. 1.957 million (2014: Rs.1.448 million) to the staff provident fund and charge in respect of unfunded gratuity scheme amounting to Rs. 2.478 million (2014: Rs 2.544 million).

### 21.2 Auditors' remuneration

	2015	2014
(Rupees)		
Audit fee	500,000	450,000
Fee for review of half yearly financial statements	230,000	210,000
Fee for review of the statement of compliance with the best practices of the Code of Corporate Governance	70,000	60,000
Other certifications	75,000	50,000
Out of pocket expenses	75,000	60,665
	<u>950,000</u>	<u>830,665</u>

## 22 FINANCE COSTS

Note	2015	2014
	(Rupees)	
Exchange loss	6,585,970	-
Financial cost on Diminishing Musharakah Financing	201,245,897	163,904,235
Bank charges and commission	1,408,187	1,848,177
	<u>209,240,054</u>	<u>165,752,412</u>

## 23 OTHER INCOME

Profit on savings accounts		11,736,154	13,368,957
Profit on short term investments		1,338	951,454
Exchange gain		-	21,329,294
Proceeds from disposal of scrap		10,478,465	11,463,342
Gain on disposal of ijarah asset	9.5	14,802,779	27,113,336
Gain on disposal of fixed assets in own use	8.2	986,369	58,618
		<u>38,005,105</u>	<u>74,285,001</u>

## 24 SINDH SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

The Sindh Revenue Board (SRB) has imposed Sindh Sales Tax on the Modaraba Management Company's remuneration w.e.f November 01, 2011. In view of the fact that the remuneration is a profit sharing rather than a fixed fee against rendering of management services by the Modaraba Management Company, the NBF1 and Modaraba Association, on behalf of a number of Modarabas filed a constitution petition in the Honorable High Court of Sindh against which the Honorable High Court of Sindh kindly granted an interim stay order.

Subsequently, the Honorable High Court of Sindh, in its judgement dated April 27, 2015, directed the aggrieved parties to seek remedy in accordance with the law, on the basis of which the Assistant Commissioner - SRB issued a letter to the Modaraba Management Company mentioning the amount of sales tax liability and its payment thereof to the SRB. The matter is being pleaded by the Modaraba Management Company with the SRB asking for appropriate legal procedures to be followed by the SRB in accordance with Sindh Sales Tax Act, 2011 for the determination of sales tax liability.

The matter is pending at the SRB for adjudication and hearing. However, taking a prudent view, full provision for Sindh Sales Tax has been made in these financial statements.

## 25 WORKERS' WELFARE FUND

The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) due to which the Modaraba became liable to pay contribution to the Workers' Welfare Fund (WWF) at the rate of 2% on the higher of the profit before taxation as per the financial statements or the return of income.

## 26 TAXATION

**26.1** The income of non-trading Modarabas is exempt from tax provided that not less than ninety percent of their profits for the year as reduced by the amount transferred to statutory (mandatory) reserves are distributed to the certificate holders. As the Management Company of the Modaraba, subsequent to the year end, has approved the required distribution as detailed in note 37, no provision for taxation has been made in these financial statements.

**26.2** The income tax returns of the Modaraba have been filed upto the financial year ended June 30, 2014 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

## 27 EARNINGS PER CERTIFICATE - basic and diluted

	Note	2015	2014
Basic earnings per certificate is worked out as under:			
		(Rupees)	
Profit for the year		403,529,072	651,455,379
Weighted average number of ordinary certificates outstanding during the year (restated)		139,681,629	134,497,672
Earnings per certificate - basic & diluted (restated)	27.1	2.89	4.84

**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	74,506,845	48,027,231
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## 29 REMUNERATION OF EXECUTIVES AND OTHER EMPLOYEES

	2015			2014		
	Executives (Key management personnel)	Other employees	Total	Executives (Key management personnel)	Other employees	Total
(Rupees)						
Basic salary	21,090,747	54,057,317	75,148,064	16,346,367	49,957,122	66,303,489
Bonus	4,457,743	13,241,706	17,699,449	3,053,220	12,365,628	15,418,848
House rent allowance	9,490,836	24,325,793	33,816,629	7,355,877	22,480,709	29,836,586
Utility allowance	2,109,075	5,405,732	7,514,807	1,634,640	4,995,619	6,630,259
Conveyance allowance	300,764	5,050,415	5,351,179	95,928	4,401,444	4,497,372
Provident fund	2,039,486	5,110,715	7,150,201	1,532,100	4,604,276	6,136,376
Gratuity	2,243,374	5,749,950	7,993,324	1,544,026	4,456,864	6,000,890
Contribution to Employees' Old Age Benefit	118,269	1,779,409	1,897,678	92,160	1,875,653	1,967,813
Medical benefits	2,512,717	6,440,299	8,953,016	1,797,056	6,755,480	8,552,536
	44,363,011	121,161,336	165,524,347	33,451,374	111,892,795	145,344,169
Number of persons	22	331	353	16	346	362

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

## 30 FINANCIAL INSTRUMENTS BY CATEGORY

	As at June 30, 2015				
	Loans and receivables	Assets at fair value through profit & loss	Available for sale	Held-to-maturity	Total
(Rupees)					
<b>Assets</b>					
Cash and bank balances	74,506,845	-	-	-	74,506,845
Ijarah rentals receivable	481,983,661	-	-	-	481,983,661
Operation and maintenance income receivable	23,580,279	-	-	-	23,580,279
Advances, deposits and other receivables	35,772,177	-	-	-	35,772,177
Long-term security deposits	32,048,066	-	-	-	32,048,066
	647,891,028	-	-	-	647,891,028

**Liabilities**

Creditors, accrued and other liabilities	-	428,855,063	428,855,063
Payable to the Modaraba Management Company	-	3,459,398	3,459,398
Diminishing musharakah financing payable - secured	-	1,702,004,402	1,702,004,402
Deferred liability	-	30,456,248	30,456,248
Other long-term employee benefit	-	8,334,376	8,334,376
Security deposits	-	44,000,000	44,000,000
	-	<u>2,217,109,487</u>	<u>2,217,109,487</u>

As at June 30, 2015		
Liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
(Rupees)		
-	428,855,063	428,855,063
-	3,459,398	3,459,398
-	1,702,004,402	1,702,004,402
-	30,456,248	30,456,248
-	8,334,376	8,334,376
-	44,000,000	44,000,000
-	<u>2,217,109,487</u>	<u>2,217,109,487</u>

**Assets**

Cash and bank balances	48,027,231	-	-	-	48,027,231
Ijarah rentals receivable	305,483,559	-	-	-	305,483,559
Operation and maintenance income receivable	21,557,025	-	-	-	21,557,025
Advances, deposits and other receivables	44,349,317	-	-	-	44,349,317
Long-term security deposits	70,359,926	-	-	-	70,359,926
	<u>489,777,058</u>	-	-	-	<u>489,777,058</u>

As at June 30, 2014				
Loans and receivables	Assets at fair value through profit & loss	Available for sale	Held-to-maturity	Total
(Rupees)				
48,027,231	-	-	-	48,027,231
305,483,559	-	-	-	305,483,559
21,557,025	-	-	-	21,557,025
44,349,317	-	-	-	44,349,317
70,359,926	-	-	-	70,359,926
<u>489,777,058</u>	-	-	-	<u>489,777,058</u>

**Liabilities**

Creditors, accrued and other liabilities	-	403,478,548	403,478,548
Payable to the Modaraba Management Company	-	7,057,997	7,057,997
Diminishing musharakah financing payable - secured	-	1,729,190,390	1,729,190,390
Deferred liability	-	24,730,674	24,730,674
Other long-term employee benefit	-	7,227,702	7,227,702
Security deposits	-	50,000,000	50,000,000
	-	<u>2,221,685,311</u>	<u>2,221,685,311</u>

As at June 30, 2014		
Liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
(Rupees)		
-	403,478,548	403,478,548
-	7,057,997	7,057,997
-	1,729,190,390	1,729,190,390
-	24,730,674	24,730,674
-	7,227,702	7,227,702
-	50,000,000	50,000,000
-	<u>2,221,685,311</u>	<u>2,221,685,311</u>

## 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, the 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 risk, 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 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 price risk.

#### Management of market risks

The Management Company manages market risk by monitoring its financial instruments as per 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) and Euro. At June 30, 2015, the Modaraba's exposure to foreign currency risk in respect of its obligation is USD 200,200 (2014: 552,029) and Euro Rs. 94,000 (2014: 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 rates	
	2015	2014	2015	2014
Rupees / US Dollar	101.46	102.88	101.80	98.80
Rupees / Euro	121.72	139.63	112.95	134.94

#### Sensitivity risk

A five percent strengthening / (weakening) of the Rupee against USD and Euro as at June 30, 2015 would have increased / (decreased) equity and profit by Rs. 1.550 million (2014: 2.727 million) 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 2014.

#### 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, 2015

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
4%-6%	52,876,839	-	-	-	-	-	-	21,630,006	74,506,845
	-	-	-	-	-	-	-	481,983,661	481,983,661
	-	-	-	-	-	-	-	23,580,279	23,580,279
	-	-	-	-	-	-	-	35,772,177	35,772,177
	-	-	-	-	-	-	-	32,048,066	32,048,066
	52,876,839	-	-	-	-	-	-	595,014,189	647,891,028
<b>Financial assets</b>									
Cash and bank balances									
Ijarah rentals receivable									
Operation and maintenance income receivable									
Advances, deposits and other receivables									
Long-term security deposits									
<b>Sub total</b>									
	52,876,839	-	-	-	-	-	-	595,014,189	647,891,028
<b>Financial liabilities</b>									
Creditors, accrued, and other liabilities									
Payable to the Modaraba Management Company									
Diminishing musharakah financing payable - secured									
Deferred liability									
Other long-term employee benefit Security deposits									
<b>Sub total</b>									
	118,512,557	129,596,570	228,420,312	449,162,387	776,312,576	-	-	428,855,063	428,855,063
	-	-	-	-	-	-	-	3,459,398	3,459,398
	-	-	-	-	-	-	-	-	-
	118,512,557	129,596,570	228,420,312	449,162,387	776,312,576	-	-	428,855,063	428,855,063
7.85% - 11.60%	118,512,557	129,596,570	228,420,312	449,162,387	776,312,576	-	-	428,855,063	428,855,063
	-	-	-	-	-	-	-	3,459,398	3,459,398
	-	-	-	-	-	-	-	-	-
	118,512,557	129,596,570	228,420,312	449,162,387	776,312,576	-	-	428,855,063	428,855,063
	118,512,557	129,596,570	228,420,312	449,162,387	776,312,576	-	-	428,855,063	428,855,063
	(65,635,718)	(129,596,570)	(228,420,312)	(449,162,387)	(776,312,576)	-	-	79,909,104	(1,569,218,459)
<b>Off-balance sheet financial instruments</b>									
Rentals receivable in future									
<b>Financial assets</b>									
Rentals receivable in future									
<b>Financial liabilities</b>									
Future ijarah rentals payable									
Commitments in respect of outstanding letter of credits and registered import contracts									
<b>Off-balance sheet gap</b>									
	(9,992,763)	(43,449,940)	(37,395,909)	(80,845,849)	(90,808,112)	-	-	383,383,400	120,890,827
	(75,628,481)	(173,046,510)	(265,816,221)	(530,008,236)	(867,120,688)	-	-	463,292,504	(1,448,327,632)
<b>Total interest rate sensitivity gap</b>									
	(75,628,481)	(248,674,991)	(514,491,212)	(1,044,499,448)	(1,911,620,136)	(1,911,620,136)	(1,911,620,136)	(1,448,327,632)	(1,448,327,632)
<b>Cumulative interest rate sensitivity gap</b>									
	(75,628,481)	(248,674,991)	(514,491,212)	(1,044,499,448)	(1,911,620,136)	(1,911,620,136)	(1,911,620,136)	(1,448,327,632)	(1,448,327,632)



As at June 30, 2014

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
(Rupees)									
<b>On-balance sheet financial instruments</b>									
<b>Financial assets</b>									
Cash and bank balances	6,280,962	-	-	-	-	-	-	41,746,269	48,027,231
Ijarah rentals receivable	-	-	-	-	-	-	-	305,483,559	305,483,559
Operation and maintenance income receivable	-	-	-	-	-	-	-	21,557,025	21,557,025
Advances, deposits and other receivables	-	-	-	-	-	-	-	44,349,317	44,349,317
Long-term security deposits	-	-	-	-	-	-	-	70,359,926	70,359,926
<b>Sub total</b>	6,280,962	-	-	-	-	-	-	483,496,096	489,777,058
<b>Financial liabilities</b>									
Creditors, accrued, and other liabilities payable to the Modaraba Management Company	-	-	-	-	-	-	-	40,3478,548	40,3478,548
Diminishing musharakah financing payable - secured	86,301,347	129,982,873	203,633,827	384,809,160	924,463,183	-	-	7,057,997	1,729,190,390
Deferred liability	-	-	-	-	-	-	-	24,730,674	24,730,674
Other long-term employee benefit Security deposits	-	-	-	-	-	-	-	7,227,702	7,227,702
<b>Sub total</b>	86,301,347	129,982,873	203,633,827	384,809,160	924,463,183	-	-	50,000,000	50,000,000
<b>On-balance sheet gap</b>	(80,020,385)	(129,982,873)	(203,633,827)	(384,809,160)	(924,463,183)	-	-	(8,998,825)	(1,731,908,253)
<b>Off-balance sheet financial instruments</b>									
<b>Financial assets</b>									
Rentals receivable in future	-	-	-	-	-	-	-	722,703,000	722,703,000
<b>Financial liabilities</b>									
Future ijarah rentals payable	14,243,405	61,343,201	59,084,158	126,101,109	275,524,295	-	-	-	536,296,168
Commitments in respect of outstanding letter of credits and registered import contracts	-	-	-	-	-	-	-	266,558,651	266,558,651
<b>Off-balance sheet gap</b>	(14,243,405)	(61,343,201)	(59,084,158)	(126,101,109)	(275,524,295)	-	-	456,144,349	(80,151,819)
<b>Total interest rate sensitivity gap</b>	(94,263,790)	(191,326,074)	(262,717,985)	(510,910,269)	(1,199,987,478)	-	-	447,145,524	(1,812,060,072)
<b>Cumulative interest rate sensitivity gap</b>	(94,263,790)	(285,589,864)	(548,307,849)	(1,059,218,118)	(2,259,205,596)	(2,259,205,596)	(2,259,205,596)	(1,812,060,072)	(1,812,060,072)

The Modaraba's interest rate exposure arises on saving accounts with banks, Term Deposit Receipt and Diminishing Musharakah Financing payable. At the balance sheet date the interest rate profile of the Modaraba's interest-bearing financial instrument was as follows:

	Note	Carrying amount	
		2015	2014
(Rupees)			
<b>Variable rate instruments</b>			
<b>Financial assets</b>			
Saving accounts with banks	3	52,876,839	6,280,962
<b>Financial liabilities</b>			
Diminishing Musharakah financing payable - secured	13	1,702,004,402	1,729,190,390
		<u>1,702,004,402</u>	<u>1,729,190,390</u>

#### Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not have any fixed rate financial instruments as at June 30, 2015.

#### 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. 2.254 million (2014: Rs. 2.138 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 modaraba is not exposed to price risk.

#### 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, operational and maintenance income receivable, 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	2015	2014
		(Rupees)	
Bank balances	3	72,675,124	44,690,918
Ijarah rentals receivable		481,983,661	305,483,559
Operation and maintenance income receivable		23,580,279	21,557,025
Long-term security deposits		32,048,066	70,359,926
Advances, deposits and other receivables		35,772,177	44,349,317
Total carrying value (and maximum exposure to credit risk)		<u>646,059,307</u>	<u>486,440,745</u>

### 31.2.1 Credit risk ratings and collaterals held

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

Rating	2015	2014
	(Rupees)	
AAA	54,565,053	25,775,206
AA+	889,697	5,741,493
AA	284,306	302,084
AA-	11,763,930	(2,309,585)
A+	4,810,242	-
A-	361,896	-
A	-	15,181,720
	<b>72,675,124</b>	<b>44,690,918</b>

### Collaterals

The Modaraba does not hold any collateral from the counter parties against 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 are secured as the title to asset is held by the Modaraba. An amount of Rs. 44 million (2014: Rs. 50 million) is also kept as security deposits against these arrangements. For these receivables, other collaterals held by the Modaraba are title documents and promissory notes etc.

### 31.2.2 Impairment losses and past due balances

The age analysis of the rental receivable (ijarah rentals and operation and maintenance income receivable) on the date of reporting is as follows:

	2015		2014	
	Gross	Impairment loss recognised	Gross	Impairment loss recognised
(Rupees)				
Not past due	-	-	-	-
Past due 1-90 days	297,364,593	-	207,020,531	-
Past due 91 days to 180 days	110,948,959	-	49,603,105	-
Past due 181 days to one year	107,268,354	21,453,672	62,358,804	12,471,761
Past due one year to two years	22,871,412	11,435,706	41,059,811	20,529,906
More than two years	2,008,161	2,008,161	2,988,543	2,988,543
Total	<b>540,461,479</b>	<b>34,897,539</b>	<b>363,030,794</b>	<b>35,990,210</b>

Impairment is recognised 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 out by the Modaraba on an on going 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.

### 31.2.3 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:

	2015		2014	
	(Rupees)	%	(Rupees)	%
Airline	4,566,942	0.71%	1,898,667	0.40%
Banks and development financial institutions (DFI's)	125,444,186	19.42%	134,330,900	27.60%
Cement	472,667	0.07%	273,533	0.10%
Chemicals and pharmaceuticals	20,448,948	3.17%	10,548,868	2.20%
Construction	13,155,747	2.04%	5,516,897	1.10%
Dairy & poultry	1,815,497	0.28%	652,633	0.10%
Education	5,415,035	0.84%	3,467,245	0.70%
Energy, oil and gas	69,105,843	10.70%	49,670,499	10.20%
Engineering	55,631,075	8.61%	37,099,606	7.60%
Fast moving consumer goods (FMCG)	55,418,256	8.58%	21,658,284	4.50%
Food and beverages	61,069,660	9.45%	56,467,268	11.60%
Glass and ceramics	5,778,456	0.89%	1,959,926	0.40%
Healthcare	3,648,652	0.56%	2,662,725	0.50%
Hotels	1,285,062	0.20%	3,773,240	0.80%
Information technology and communication	12,955,034	2.01%	13,569,060	2.80%
Packaging	23,362,339	3.62%	8,286,141	1.70%
Paper and board	9,094,446	1.41%	3,115,650	0.60%
Printing	486,400	0.08%	400,000	0.10%
Textile and cotton	131,897,616	20.42%	96,367,517	19.80%
Transport	10,291,593	1.59%	8,361,280	1.70%
Others	34,715,853	5.37%	26,360,806	5.50%
	<b>646,059,307</b>	<b>100%</b>	<b>486,440,745</b>	<b>100%</b>

### 31.3 Liquidity Risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting its financial 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 reporting date to maturity date and represents the undiscounted cash flows. The amounts in the table are the gross nominal undiscounted cash flows.

	2015				
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years
	(Rupees)				
<b>Non-derivative financial liabilities</b>					
Creditors, accrued and other liabilities	428,855,063	428,855,063	411,880,084	16,974,979	-
Payable to the Modaraba Management Company	3,459,398	3,459,398	3,459,398	-	-
Diminishing musharakah financing payable - secured	1,702,004,402	1,863,331,630	538,038,220	507,092,007	818,201,403
Deferred liability	30,456,248	30,456,248	-	-	30,456,248
Other long-term employee benefit - compensated absences	8,334,376	8,334,376	-	-	8,334,376
Security deposits	44,000,000	44,000,000	-	19,000,000	25,000,000
	<b>2,217,109,487</b>	<b>2,378,436,715</b>	<b>953,377,702</b>	<b>543,066,986</b>	<b>881,992,027</b>
	2014				
	Carrying Amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years
	(Rupees)				
<b>Non-derivative financial liabilities</b>					
Creditors, accrued and other liabilities	403,478,548	403,478,548	384,902,884	18,575,664	-
Payable to the Modaraba Management Company	7,057,997	7,057,997	7,057,997	-	-
Diminishing musharakah financing payable - secured	1,729,190,390	1,989,456,277	514,051,156	453,518,770	1,021,886,351
Deferred liability	24,730,674	24,730,674	-	-	24,730,674
Other long-term employee benefit - compensated absences	7,227,702	7,227,702	-	-	7,227,702
Security deposits	50,000,000	50,000,000	-	24,000,000	26,000,000
	<b>2,221,685,311</b>	<b>2,481,951,198</b>	<b>906,012,037</b>	<b>496,094,434</b>	<b>1,079,844,727</b>

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 prime 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 Modaraba 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).

The Company does not hold any investments as at June 30, 2015.

### 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 personnel 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.

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

	2015	2014
	(Rupees)	
<b>Allied Engineering Management Company (Private) Limited (Modaraba Management Company)</b>		
Modaraba Management Company's remuneration charged during the year	10,088,227	6,514,554
Sindh sale tax on management company's remuneration charged during the year	1,412,352	977,183
Issue of Nil Bonus certificates (2014: 975,000) during the year	-	9,750,000
Issue of 4,875,000 Right certificates (2014: 3,900,000) (Including premium of Rs. 12.5 per certificate) during the year	109,687,500	81,900,000
Payment made to the Modaraba Management Company (Including Management Fee) during the year	39,099,178	57,036,361
Amount received from the Modaraba Management Company during the year	24,000,000	50,000,000
Dividend paid during the year	73,125,000	58,500,000
<b>Allied Engineering and Services (Private) Limited (holding company of the Modaraba Management Company)</b>		
Purchase of assets during the year	172,807,695	307,159,266
Purchase of parts and services during the year	357,510,877	355,903,923
Sale of rental assets and rental revenue during the year	5,390,667	2,281,200
Miscellaneous transactions during the year	5,401,903	3,356,831
Issue of Nil Bonus certificates (2014: 1,476,289) during the year	-	14,762,893
Issue of 7,381,446 Right certificates (2014: 5,905,157) (including premium of Rs. 12.5 per certificate) during the year	166,082,540	124,008,297
Dividend paid during the year	110,721,693	88,577,355

**Allied Engineering and Services (Private) Limited - Staff Provident Fund**

	2015	2014
	(Rupees)	
Contribution to the staff provident fund during the year	7,150,201	6,136,376
Issue of Nil Bonus certificates (2014: 76,898) during the year	-	768,987
Issue of 430,398 Right certificates (2014 : 346,526) (including premium of Rs. 12.5 per certificate) during the year	8,826,291	7,277,046
Dividend paid during the year	5,884,194	4,613,922
<b>Key Management Personnel</b>		
Remuneration of key management personnel during the year	44,363,011	33,451,374
Issue of 44,399 Right certificates (2014 : 32,529) (including premium of Rs. 12.5 per certificate) during the year	998,978	683,109
Dividend paid during the year	666,012	487,944
Contribution to the staff provident fund during the year	2,039,486	1,532,100
Charge for staff gratuity scheme during the year	2,243,374	1,544,026
<b>Allied Engineering Management Company (Private) Limited (Modaraba Management Company)</b>		
Outstanding certificates 29,250,000 ( June 30, 2014: 24,375,000)	292,500,000	243,750,000
Payable to the Modaraba Management Company	3,459,398	7,057,997
<b>Allied Engineering and Services (Private) Limited (the holding company of the Modaraba Management Company)</b>		
Outstanding certificates 54,288,677 (June 30, 2014: 36,907,231)	542,886,772	369,072,310
Payable against purchase of parts and services	197,861,418	200,173,491
<b>Allied Engineering and Services (Private) Limited - Staff Provident Fund</b>		
Outstanding certificates 2,391,796 (June 30, 2014: 1,961,398)	23,917,956	19,613,980
<b>Key Management Personnel</b>		
Outstanding certificates 284,940 (June 30, 2014: 225,660)	2,849,400	2,256,600

**35.2** The status and details of outstanding balances with associated undertakings / related parties as at June 30, 2015 are included in the respective notes to the financial statements.

**36 SEGMENT INFORMATION**

As per IFRS 8, "Operating Segments", 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:

	2015	2014	2015	2014	2015	2014
	Ijarah rentals		Operation and maintenance income		Total	
	(Rupees)					
Revenue	2,603,938,444	2,450,135,752	95,487,861	92,075,399	2,699,426,305	2,542,211,151
Costs	(2,258,745,829)	(1,899,873,018)	(75,156,509)	(65,167,755)	(2,333,902,338)	(1,965,040,773)
Reportable segment profit	345,192,615	550,262,734	20,331,352	26,907,644	365,523,967	577,170,378
<b>Reportable segment assets:</b>						
Rental receivable	481,983,661	305,483,559	23,580,279	21,557,025	505,563,940	327,040,584
Security deposits	50,718,450	74,309,926	-	-	50,718,450	74,309,926
Spares parts	41,208,410	47,229,267	-	-	41,208,410	47,229,267
Ijarah assets	5,102,141,987	4,644,854,276	-	-	5,102,141,987	4,644,854,276
Fixed assets in own use - tangible	76,075,658	65,032,652	-	-	76,075,658	65,032,652
Capital work-in-progress	52,807,498	99,882,793	-	-	52,807,498	99,882,793
	5,804,935,664	5,236,792,473	23,580,279	21,557,025	5,828,515,943	5,258,349,498
<b>Reportable segment liabilities:</b>						
Creditors, accrued and other liabilities	441,859,281	419,735,513	-	-	441,859,281	419,735,513
Diminishing musharakah financing payable - secured	1,702,004,402	1,729,190,390	-	-	1,702,004,402	1,729,190,390
Security deposits	44,000,000	50,000,000	-	-	44,000,000	50,000,000
	2,187,863,683	2,198,925,903	-	-	2,187,863,683	2,198,925,903

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

	Note	2015	2014
		(Rupees)	
<b>Revenues</b>			
Total revenue for reportable segments		2,699,426,305	2,542,211,151
Other revenue	23	38,005,105	74,285,001
Total revenue		2,737,431,410	2,616,496,152
<b>Profit or loss</b>			
Total profit or loss for reportable segments		365,523,967	577,170,378
Other profit or loss	23	38,005,105	74,285,001
		403,529,072	651,455,379
<b>Assets</b>			
Total assets for reportable segments		5,828,515,943	5,258,349,498
Advances and other receivables (other than security deposit)		30,910,944	50,210,173
Cash and bank balances		74,506,845	48,027,231
Long term security deposit - Others		50,000	50,000
		5,933,983,732	5,356,636,902
<b>Liabilities</b>			
Total liabilities for reportable segments		2,187,863,683	2,198,925,903
Payable to the Modaraba Management Company		3,459,398	7,057,997
Deferred staff liability		30,456,248	24,730,674
Other long term employee benefits		8,334,376	7,227,702
		2,230,113,705	2,237,942,276

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

### 37 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company has approved dividend at the rate of Rs. 2 per certificate (2014: Rs. 3 per certificate) for the year ended June 30, 2015, resulting in a total distribution of profit amounting to Rs. 292.500 million (2014: Rs. 365.625 million), in its meeting held on August 27, 2015, which is more than 90% of the net profit for the year ended June 30, 2015, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations. These financial statements do not reflect this proposed distribution which will be incorporated in the financial statements for the year ending June 30, 2016.

### 38 CORRESPONDING FIGURES

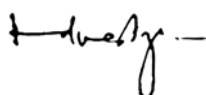
Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison. There have been no significant rearrangements or reclassifications in these financial statements.

### 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 August 27, 2015.

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



**Murtaza Ahmed Ali**  
Chief Executive



**Khwaja Asif Rehman**  
Chairman



**Syed Feisal Ali**  
Director

# certificate holding pattern

As at June 30, 2015

No. of Certificate holders	Certificate Holding			Total Certificates Held
	From		To	
78	1	-	100	1,060
45	101	-	500	17,766
45	501	-	1000	36,165
108	1001	-	5000	289,790
35	5001	-	10000	244,283
13	10001	-	15000	168,076
7	15001	-	20000	123,570
9	20001	-	25000	202,461
6	25001	-	30000	168,675
6	30001	-	35000	195,048
1	35001	-	40000	36,229
3	45001	-	50000	147,900
2	50001	-	55000	103,912
2	55001	-	60000	112,724
2	60001	-	65000	122,124
1	65001	-	70000	67,274
2	70001	-	75000	146,753
1	90001	-	95000	92,650
1	105001	-	110000	106,761
1	120001	-	125000	121,875
1	155001	-	160000	156,024
1	190001	-	195000	193,954
1	210001	-	215000	210,900
2	360001	-	365000	723,287
1	375001	-	380000	376,800
1	1495001	-	1500000	1,500,000
1	2390001	-	2395000	2,391,796
2	3235001	-	3240000	6,480,000
1	9995001	-	10000000	10,000,000
1	29245001	-	29250000	29,250,000
1	44285001	-	44290000	44,288,677
1	48170001	-	48175000	48,173,466
				<u>146,250,000</u>

Categories of Certificateholders	Number	Certificate Held	Percentage
Individuals	373	11,748,577	8.03%
Joint Stock Companies*	5	102,854,034	70.33%
Modaraba / Modaraba Management Company**	2	29,253,600	20.00%
Employees Provident Fund***	2	2,393,789	1.64%
Total	382	146,250,000	100.00%

\* Includes Allied Engineering Management Company (Pvt) Ltd. ( 29,250,000 certificates)

\*\* Includes Allied Engineering & Services (Pvt) Ltd. (54,288,677 certificates)

\*\*\* Includes Allied Engineering & Services (Pvt) Ltd. - Employees Provident Fund (2,391,796 certificates)

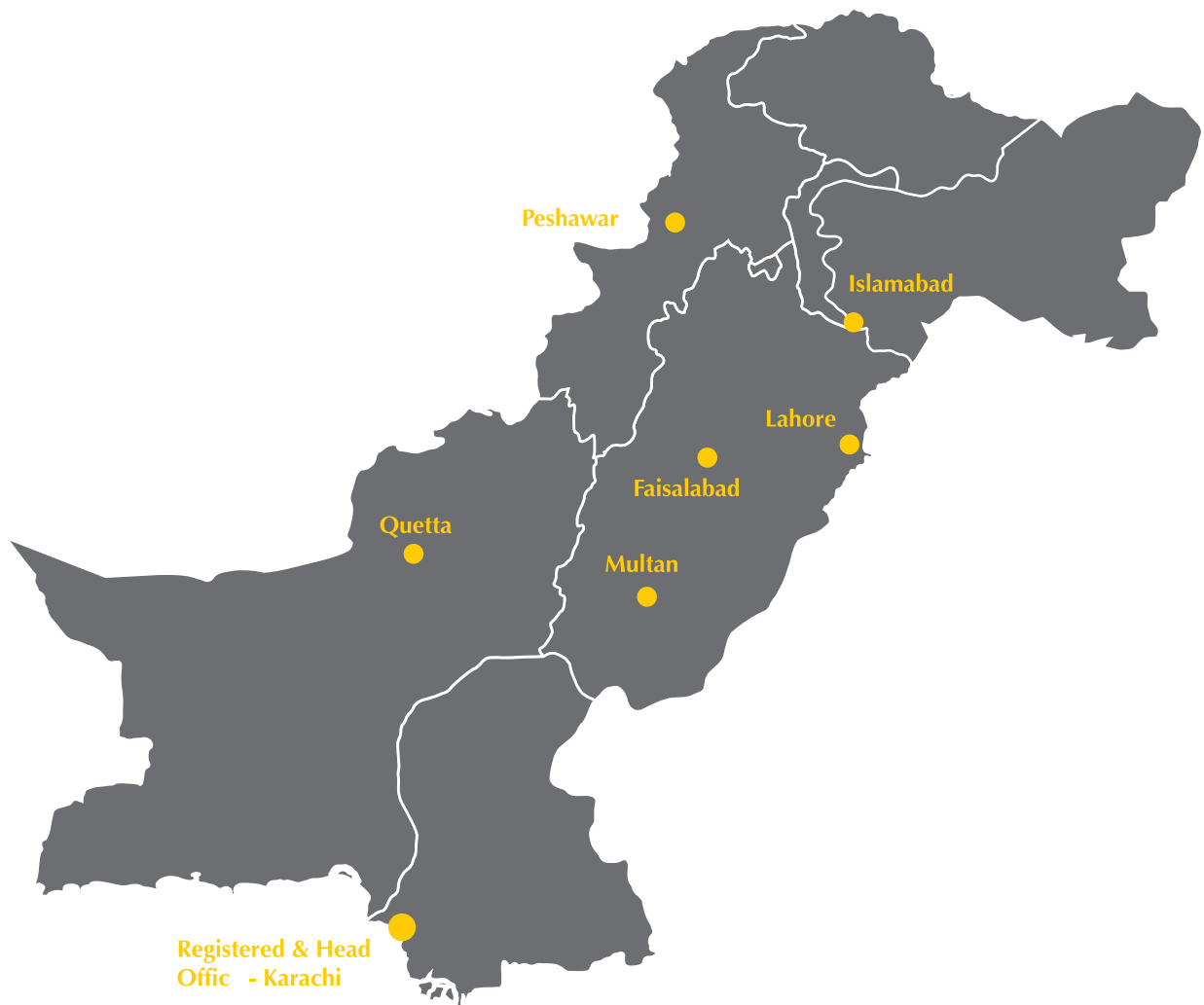
## certificate holding pattern

As at June 30, 2015

### Additional Information

Categories of Certificateholders	Number	Certificate Held	Percentage
<b>Associated Companies</b>			
Allied Engineering & Services Limited	1	54,288,677	37.12%
Allied Engineering Management Company (Pvt) Limited	1	29,250,000	20.00%
Allied Engineering & Services Limited - Employees Provident Fund	1	2,391,796	1.64%
		85,930,473	58.76%
<b>Directors, CEO &amp; their Spouses &amp; Minor Children</b>			
1. Mr. Murtaza Ahmed Ali	1	360,287	
2. Syed Feisal Ali	1	1,500,000	
3. Mr. Ali Akbar	1	61,124	
4. Mr. Raees A. Khan	1	390,000	
5. Mr. Hassan Shahzad Abidi	1	4,870	
6. Abdul Rahim Suriya	1	30,750	
		2,347,031	1.60%
Executives	6	258,324	0.18%
Employees Provident Fund	1	1,993	0.01%
Modaraba	1	3,600	0.01%
Mutual Fund & Others	3	391,891	0.27%
<b>Certificateholders holding five percent or more certificates in the Modaraba</b>			
Magenta International Limited	1	48,173,466	32.94%
<b>General Public</b>	361	9,143,222	6.25%
	382	146,250,000	100.00%

## offices across Pakistan



### Registered & Head Office - Karachi

Address: 21/3 Sector No. 22, Korangi Industrial Area, Karachi - 74900,  
UAN : +9221 111 250 250 Tel: +9221- 35066901-13, +9221- 335113621-25  
Fax: +9221- 35066915-16 E-mail: rental@aesl.com.pk Web: www.arm.com.pk

### Lahore

16 KM, Multan Road, Lahore  
P.O.Box 288  
Tel : +9242 - 37512971,  
37511618-23  
Fax : +9242 - 37511617  
Email : rental\_lahore@aesl.com.pk

### Multan

Hamid Pur Kenora, Sher Shah  
By Pass Road,  
Opp. Industrial Estate  
Tel : +9261 - 4590701- 4  
Fax: +9261 - 4590709  
Email: amultan@aesl.com.pk

### Quetta

1st Floor, Burger Inn Building,  
Suraj Ganj Bazar  
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Email: admin@aesl.com.pk

### Islamabad

Allied Centre, Peshawar Road,  
2KM Tarnol, Railway Crossing  
Tel : +9251 - 217521-25  
Fax : +9251 - 2217527  
Email : rental.isb@aesl.com.pk

### Peshawar

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Main Industrial Estate,  
Jamrud Road Hayatabad  
Tel : +9291 - 5830445 - 6  
Fax : +9291 - 5830445  
Email : pesh@aesl.com.pk

### Faisalabad








P-48, Shaheed-e-Millat Market,  
Gulistan Colony, Millat Chowk  
Tel : +9241 - 8784643  
Fax: +9241 - 8784643  
Email: faisalabad@aesl.com.pk










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\*Mobile apps are also available for download for android and ios devices

# proxy form

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 8th Annual Review Meeting of the Modaraba to be held on 31st day of October 2014 and at any adjournment there of.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2015

## WITNESSES:

1 Signature: \_\_\_\_\_

Name: \_\_\_\_\_

Address: \_\_\_\_\_  
\_\_\_\_\_

CNIC / or: \_\_\_\_\_

Passport No.: \_\_\_\_\_

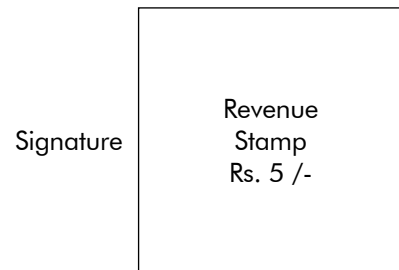
2 Signature: \_\_\_\_\_

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**

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