

OUR VISION



To be the Market Leader through Innovative and Reliable Equipment Rental Solutions of Caterpillar range of products.

OUR 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.



DEPENDABLE & RELIABLE EQUIPMENT RENTAL SOLUTIONS

SERVICES WE OFFER:

- ⚙️ *Gas & Diesel Generators on Rent (100-2000 KVA)*
- ⚙️ *Construction Equipment Rental*
- ⚙️ *Cement Quarry Operations*
- ⚙️ *Powerhouse Operation & Maintenance Contracts*
- ⚙️ *Forklift Truck Rental*

We provide Expertise-based turnkey rental solutions to meet the dynamic needs of our customers.





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MODARABA INFORMATION

Directors of Modaraba Company

Mr. Khwaja Asif Rahman
Chairman

Mr. Murtaza Ahmed Ali
Chief Executive

Mr. Shams Ghani
Director Finance & Company Secretary

Syed Feisal Ali
Director

Mr Ali Akbar
Director

Mr. Raees A. Khan
Director

Mr. Tajdar A. Shah
Director

Audit Committee

Syed Feisal Ali (Chairman)

Mr. Ali Akbar (Secretary)

Mr. Murtaza Ahmed Ali (Member)

Auditors

KPMG Taseer Hadi & Co.
(Chartered Accountants)

Bankers/Lending Institutions

Soneri Bank Ltd
Habib Metropolitan Bank Ltd
MCB Bank Ltd
National Bank of Pakistan
Pak Oman Investment Company Ltd
Standard Chartered Modaraba
Oman International Bank
First Habib Modaraba

Legal Advisor

Mr. Khalil Ahmed Siddiqui, Advocate

Registered & Head Office

21/3 Sector 22, Korangi Industrial Area,
Karachi

Registrar

UAN 111 250 250
Gangjees Investment & Finance Consultants
413, Clifton Centre, Khayaban-e-Roomi
Block-5, Clifton, Karachi.
Phone: (021) 537 5714

Website

www.arm.com.pk



NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the Second Annual Review Meeting of certificate holders of Allied Rental Modaraba will be held on Monday September 29, 2008 at 12.00 noon 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, 2008.

The certificate holders whose names appear on the Register of certificate holders of Allied Rental Modaraba as on September 20, 2008 will be eligible to attend the Annual Review Meeting.

By Order of the Board

Shams Ghani

Company Secretary

Allied Engineering Management

Company (Pvt) Ltd

Managers of Allied Rental Modaraba

Karachi: September 5, 2008

Note:

1. The Certificate Transfer Book will remain closed from September 22, 2008 to September 29, 2008 (both days inclusive) for the purposes of entitlement of dividend and attending Annual Review Meeting. All transfers received in order, up to close of business on September 20, 2008 at our Registrar's office M/s Gangjees Registrar Services (Pvt) Limited, 516 Clifton Centre, Khayaban-e-Roomi, Kehkashan Block 5, Clifton, 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.

DIRECTORS' REVIEW

For the year ended June 30, 2008

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 accounts of the Modaraba for the year ended June 30, 2008.

Financial Highlights	Rs. in '000
Profit for the year	127,576
Un-appropriated profit brought forward	<u>1,879</u>
Available for Appropriation	129,455
Transfer to Statutory Reserve @ 50% of profit for the year	63,788
Cash dividend @ 20% (Rs. 2.00 per certificate)	<u>60,000</u>
Un-appropriated profit carried forward	<u>5,667</u>
Net profit margin	28%
Return on equity	39%
Earning per certificate	Rs. 4.25
Current Ratio	0.79 : 1

Dividend

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

Review of Operations

The year under review was the first completed twelve months of operation of the Modaraba and, by the grace of Almighty Allah; the Modaraba was successful in continuing its growth pace with revenue crossing Rs. 450 million mark. The management focused on expanding the asset base and enhancing the size of the rental fleet to cater for the increasing demand in the power generation and earth moving equipments. The management has also come up with new innovative rental solutions for various industrial sectors, to expand its business into untapped industrial segments.

Future Outlook

The future outlook of rental segment is positive. It is continuously expanding both in the Generator as well as Machine Rental segment. To tap the potential available in the market, the management of your Modaraba plans to significantly expand its investment in Rental Fleet. Orders have been placed to ensure the availability of the new Caterpillar Equipment on time for availability to its customers. The Equipment growth will generate higher Sales revenues translating into better and improved profitability in coming years.



Corporate & Financial Reporting Framework

- 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. During the year 2007 Islamic Financial Accounting Standard (IFAS) - 2 "Ijarah" was issued by the Institute of Chartered Accountants of Pakistan and the same was notified by the Securities and Exchange Commission of Pakistan (SECP) vide an SRO dated 22 May 2007. Under the IFAS 2, the "Ijarah" transactions are required to be accounted for as operating leases. The IFAS is operative for financial statements covering the periods beginning on or after 1 July 2007 and is required to be followed on those Ijarahs which commence on or after 1 July 2007. The Modaraba has not yet adopted the above standard due to implications relating to accounting of similar leases under two different practices (new leases as operating and old leases as finance lease), concurrent application with International Accounting Standard 17 and other requirements of the standard. The Modaraba Association of Pakistan has approached the SECP for the deferment of this (IFAS-2) standard.
- 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.
- There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2008 except for those disclosed in the financial statements.
- The numbers of board meetings held during the year 2007 - 2008 were five. The attendance of the directors are as under:

Mr. Khwaja Asif Rahman	3
Syed Feisal Ali	5
Mr. Murtaza Ahmed Ali	5
Mr. Kamran Akhtar	3
Mr. Ali Akbar	4
Mr. Raees Akhtar Khan	3
Mr. Tajdar A. Shah	0



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

- The pattern of holding of certificates by the certificate-holders is annexed to this report.

The Board of Directors

The following changes have taken place in the Board of Directors since the Directors' Report for the period ended June 30, 2007.

- Mr. Shahid Karim Siddiqui resigned from the office of the Director of the Company and Mr. Khwaja Asif Rahman was appointed in his place in August 2007.
- Consequent to the appointment of Mr. Khwaja Asif Rahman as director of the Company, Syed Feisal Ali resigned from the office of the Chairman of the Company and Mr. Khwaja Asif Rahman was appointed in his place as the Chairman of the Company.
- Mr. Kamran Akhtar, who was also Company Secretary and Chief Financial Officer of the Company, resigned from the services of the Company and also resigned from the office of the Director of the Company. Mr. Shams Ghani was appointed in place of Mr. Kamran Akhtar as Company Secretary and Chief Financial Officer of the Company. He was also appointed to the office of the director of the Company in place of Mr. Kamran Akhtar in July 2008.

The Board wishes to place on record its appreciation and gratitude to the outgoing directors for the valuable services rendered by them.

Our People

The Board wishes to place on record its appreciation of the services rendered by the staff members responsible for ARM's affairs. It is the teamwork, dedication and hard work of each of its employee, which has ensured the continued growth and success of the Modaraba. The Modaraba is also continuously investing on its Human Resource by encouraging people to participate in seminars, workshops and other training programs. During the year, Allied Rental Modaraba achieved the milestone of having its three Sales Staff successfully completed the First Three Worldwide Caterpillar Power Systems Certified Sales Professionals certification.

Auditors

On the recommendation of the Audit Committee, the Board has approved the appointment of the present auditors Messrs. KPMG Taseer Hadi & Co. Chartered Accountants as auditors for the year ending June 30, 2009 subject to the approval of Registrar of Modaraba Companies & Modarabas.

Acknowledgment

The Board wishes to place on record its sincere gratitude to the Registrar Modaraba, Religious Board, bankers, customers and its business partners for their continued support and guidance. The Board also particularly appreciates the work of the Modaraba Association of Pakistan, the Religious Board and the Registrar Modaraba for the efforts made for the approval of the new model agreements of Islamic finance and improvements in the previously existing model agreements.

On Behalf of the Board

Date: 2nd September 2008
Karachi

Murtaza Ahmed Ali
Chief Executive

**PATTERN OF HOLDING OF CERTIFICATES BY THE
CERTIFICATE HOLDERS FOR THE YEAR ENDED JUNE 30, 2008**

No. of Certificate Holders	Certificate Holding		Total Certificates Held
	From	To	
43	101	500	20,800
26	501	1,000	24,500
61	1,001	5,000	156,500
24	5,001	10,000	207,700
9	10,001	15,000	120,600
2	15,001	20,000	38,100
3	20,001	25,000	70,500
1	25,001	30,000	30,000
3	45,001	50,000	147,200
1	70,001	75,000	72,700
1	75,001	80,000	80,000
1	90,001	95,000	92,500
1	225,001	230,000	228,400
1	460,001	465,000	461,000
1	5,995,001	6,000,000	6,000,000
1	8,995,001	9,000,000	9,000,000
1	13,245,001	13,250,000	13,249,500
<u>180</u>			<u>30,000,000</u>

Categories of Certificateholders	Number	Certificate Held	Percentage
Individuals	175	1,284,000	4.28%
Management Company	1	6,000,000	20.00%
Joint Stock Companies	2	22,249,500	74.17%
Investment Companies	1	5,500	0.02%
Others			
Allied Engineering & Services Ltd.			
Employees Provident Fund	1	461,000	1.54%
Total	<u>180</u>	<u>30,000,000</u>	<u>100.00%</u>



**PATTERN OF HOLDING OF CERTIFICATES BY THE
CERTIFICATE HOLDERS FOR THE YEAR ENDED JUNE 30, 2008**

Additional Information

Categories of Certificateholders	Number	Certificate Held	Percentage
Associated Companies			
Allied Engineering & Services Limited	1	9,000,000	30.00%
Allied Engineering Management Company (Pvt) Limited	1	6,000,000	20.00%
Allied Engineering & Services Limited - Employees Provident Fund	1	461,000	1.54%
		15,461,000	51.54%
Directors, CEO, their Spouses & Minor Children			
1. Syed Feisal Ali	1	228,400	
2. Mr. Murtaza Ahmed Ali	1	24,300	
3. Mr. Shams Ghani	1	4,000	
4. Mr. Tajdar A. Shah	1	30,000	
5. Mr. Raees A. Khan	1	80,000	
6. Mr. Ali Akbar	1	15,000	
		381,700	1.27%
Executives	2	20,000	0.07%
Investment Companies	1	5,500	0.02%
Certificate holders holding ten percent or more			
Magenta International Limited	1	13,249,500	44.17%
General Public	167	882,300	2.94%
TOTAL	180	30,000,000	100.00%



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

This statement is being presented to comply with the Code of Corporate Governance contained in 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 (Modaraba Company) is not listed, however Allied Rental Modaraba is listed at Karachi Stock Exchange. The Board of Directors of the Modaraba Company is responsible for management of affairs of the Modaraba.

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

1. The Board presently comprises seven directors including five non-executive directors.
2. The directors have confirmed that none of them is serving as director in more than ten companies.
3. All the directors of the Modaraba 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, Director of Finance and Company Secretary resigned from the office of Director. This vacancy was filled by another person with the approval of Registrar Modarabas.
5. The Modaraba has prepared a Code of Conduct encompassing the Modaraba's principles of ethics and business practices, which has been signed by all directors and has been circulated to all employees of the Modaraba.
6. The Board has developed a Vision/Mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of particulars of significant policies along with the dates on which they were approved has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions have been taken by the Board. The terms of appointment and remuneration package of the Chief Executive Officer of the Modaraba Management Company have been approved by the Board of Directors of the Management Company.
8. The meetings of the Board were presided over by the Chairman whenever present. The Board met at least once in every quarter to approve the quarterly accounts of the Modaraba. Written notices of the Board meetings including agendas were appropriately circulated before the meeting. The minutes of the meetings were recorded and circulated amongst the directors.
9. The majority of the Directors, being members of professional accountancy bodies, are conversant with their duties and responsibilities under the relevant laws applicable to Modaraba and provisions of Code of Corporate Governance. Nevertheless, an orientation course for all the Directors is planned to be conducted shortly to acquaint them with their duties and responsibilities under the relevant laws.



10. The appointment, remuneration and terms and conditions of employment of the Chief Financial Officer & Company Secretary (both being the same person) and Head of Internal Audit of Modaraba have been determined by the CEO with the approval of the Board.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code 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 Code.
15. The Board has formed an Audit Committee. It presently comprise of three members majority of whom are non-executive directors including Chairman of the committee.
16. The meeting of the audit committee was held at least once every quarter prior to the approval of interim and final results of the Company as required by the Code.
17. The Board is in the process of setting up an effective internal audit function. Arrangements will be made to improve the effectiveness of the internal audit function in accordance with the needs of the Modaraba.
18. The statutory auditors of the company have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
19. The statutory auditors or the person associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
20. We confirm that all other material principles contained in the code have been complied with.

On behalf of the Board

Murtaza Ahmed Ali
Chief Executive

September 02, 2008



REVIEW REPORT TO THE CERTIFICATE HOLDERS ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

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

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Modaraba 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 of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Modaraba Management Company personnel and review of various documents prepared by the Modaraba Management Company to comply with the Code.

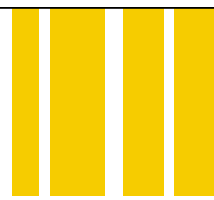
As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

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's compliance, in all material respects, with the best practices contained in the Code of Corporate Governance as at 30 June 2008.

Date: 2nd September 2008
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants





AUDITORS' REPORT TO THE CERTIFICATE HOLDERS

We have audited the annexed balance sheet of **Allied Rental Modaraba** ("the Modaraba") as at 30 June 2008 and the related profit and loss account, 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 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 (Flotation 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 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 accounts have been kept by the Modaraba Company in respect of Allied Rental Modaraba as required by the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of accounts and are further in accordance with the accounting policies consistently applied;
 - ii) the expenditure incurred during the year was for the purpose of the Modaraba's business; and





Allied Rental Modaraba

- 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, 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 (Flotation 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 30 June 2008 and of the profit, 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: 2nd September 2008
Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants





BALANCE SHEET

As at June 30, 2008

	Note	2008 (Rupees)	2007
ASSETS			
Current Assets			
Bank balances	4	120,054,403	78,673,814
Trade debts - unsecured, considered good	5	70,084,622	35,696,934
Equipment held for deployment		-	40,911,702
Advances, prepayments and other receivables	6	6,684,117	3,911,486
Current portion of net investment in ijarah finance	7	25,882,285	8,654,974
Total Current Assets		222,705,427	167,848,910
Non-current assets			
Net investment in ijarah finance	7	120,048,977	28,675,119
Long term security deposits	8	37,051,702	15,802,159
Fixed assets - tangible	9	596,157,059	494,438,156
Total Non-current Assets		753,257,738	538,915,434
Total assets		975,963,165	706,764,344
LIABILITIES			
Current Liabilities			
Trade and other payables	10	75,709,605	67,577,073
Borrowing from an associated company - unsecured	11	57,323,000	20,000,000
Payable to the Management Company	12	1,653,949	7,225,114
Current maturity of long term liabilities	13	148,163,306	87,638,363
Total Current Liabilities		282,849,860	182,440,550
Long term and deferred liabilities			
Deferred liabilities	14	6,223,323	429,223
Security deposits from lessees	15	6,750,000	1,400,000
Long term Musharaka financing		-	9,600,000
Liabilities against assets subject to ijarah finance	16	224,601,338	154,932,243
Total Long term and deferred liabilities		237,574,661	166,361,466
Total liabilities		520,424,521	348,802,016
NET ASSETS		455,538,644	357,962,328
FINANCED BY			
CAPITAL AND RESERVES			
Authorized Certificate capital		500,000,000	500,000,000
50,000,000 Modaraba Certificates of Rs.10 each			
Issued, subscribed and paid up	17	300,000,000	300,000,000
Statutory (mandatory) reserve	18	89,871,206	26,083,048
Unappropriated profit		65,667,438	31,879,280
Commitments	19	455,538,644	357,962,328

The annexed notes 1 to 35 form an integral part of these financial statements.

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

Murtaza Ahmed Ali
Chief Executive

Khwaja Asif Rahman
Chairman

Shams Ghani
Director



PROFIT AND LOSS ACCOUNT

For the year ended June 30, 2008

	Note	2008	For the period 8 January, 2007 to 30 June, 2007
(Rupees)			
Revenue	20	457,798,860	174,503,154
Operating expenses	21	(269,847,190)	(89,745,766)
Gross profit		<u>187,951,670</u>	<u>84,757,388</u>
Administrative and selling costs	22	(31,575,471)	(24,108,122)
Finance Charges	23	(32,916,556)	(10,540,714)
Other income	24	4,116,673	10,904,425
		<u>127,576,316</u>	<u>61,012,977</u>
Modaraba management fee	25	-	3,050,649
Profit for the year		<u><u>127,576,316</u></u>	<u><u>57,962,328</u></u>
Earnings per certificate - basic and diluted	26	<u><u>4.25</u></u>	<u><u>1.93</u></u>

The annexed notes 1 to 35 form an integral part of these financial statements.

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

Murtaza Ahmed Ali
Chief Executive

Khwaja Asif Rahman
Chairman

Shams Ghani
Director





CASH FLOW STATEMENT
For the year ended June 30, 2008

	2008	2007
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	127,576,316	57,962,328
Adjustments for non-cash and other items:		
Depreciation	91,709,079	31,618,415
Provision against impaired debts	2,000,000	1,290,788
Provision for deferred liabilities	5,794,100	429,223
Financial charges	32,916,556	10,540,714
Profit on disposal of fixed assets	(272,989)	-
	259,723,062	101,841,468
Decrease / (Increase) in current assets		
Trade debts	(36,387,688)	(36,987,722)
Equipment held for deployment	40,911,702	(40,911,702)
Advances, prepayments and other receivables	(2,772,631)	(3,911,486)
Increase / (Decrease) in current liabilities		
Trade and other payables	8,099,992	66,760,731
Payable to associated companies	37,323,000	20,000,000
Payable to Management Company	(5,571,165)	7,225,114
Cash generated from operations	41,603,210	12,174,935
Financial charges paid	(893,385)	(641,343)
Net cash flows from operating activities	300,432,887	113,375,060
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(198,237,993)	(526,056,571)
Net investment in ijarah finance	(103,251,169)	(35,930,093)
Proceed from disposal of fixed assets	5,083,000	-
Net cash flows from Investing activities	(296,406,162)	(561,986,664)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash generated from initial public offering	-	300,000,000
Profit paid to certificate holders	(29,967,460)	-
Ijarah finance availed	229,373,718	245,712,434
Musharaka financing repaid	(14,400,000)	14,400,000
Lease rentals paid	(147,652,394)	(32,827,016)
Net cash flows from financing activities	37,353,864	527,285,418
Net increase in cash and cash equivalents	41,380,589	78,673,814
Cash and cash equivalents at beginning of the year / period	78,673,814	-
Cash and cash equivalents at end of the year / period	120,054,403	78,673,814

The annexed notes 1 to 35 form an integral part of these financial statements.

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

Murtaza Ahmed Ali
Chief Executive

Khwaja Asif Rahman
Chairman

Shams Ghani
Director



STATEMENT OF CHANGES IN EQUITY

For the year ended June 30, 2008

	Notes	Paid up certificate capital	Statutory (mandatory) reserve (refer note 18)	Unappropriated profit	Total
Issuance of certificates	17	300,000,000			300,000,000
Changes in equity for the period from 8 January 2007 to 30 June 2007					
Total recognized income for the period from 8 January 2007 to 30 June 2007 (profit for the period)		-	-	57,962,328	57,962,328
Transfer to mandatory reserve	18		26,083,048	(26,083,048)	-
Balance as at 30 June 2007		300,000,000	26,083,048	31,879,280	357,962,328
Changes in equity for the year ended 30 June 2008					
Total recognized income for the year ended 30 June 2008 (Profit for the year)		-	-	127,576,316	127,576,316
Profit distribution for the period ended 30 June 2007		-	-	(30,000,000)	(30,000,000)
Transfer to mandatory reserve	18	-	63,788,158	(63,788,158)	-
Balance as at 30 June 2008		300,000,000	89,871,206	65,667,438	455,538,644

The annexed notes 1 to 35 form an integral part of these financial statements.

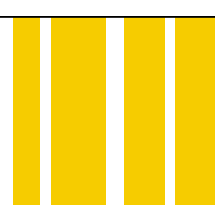
For Allied Engineering Management Company (Private) Limited
(Management Company)

Murtaza Ahmed Ali
Chief Executive

Khwaja Asif Rahman
Chairman

Shams Ghani
Director





NOTES TO THE FINANCIAL STATEMENTS

for the year ended June 30, 2008

1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Modaraba was formed under the Modaraba Companies and Modaraba (Flotation and Control) Ordinance, 1980 and the Rules framed there under and is managed by the above Management Company, which is wholly owned by Allied Engineering and Services Limited. The 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 (Flotation and Control) Ordinance, 1980.

The Modaraba is perpetual and is engaged in Ijarah (leasing under operating and finance lease arrangements) and operation & maintenance of Caterpillar and other equipment (i.e. generators, fork lifters, compactors etc.). The registered office of 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 from 10 January 2007.

- 1.2 Effective from 10 January 2007, the Modaraba took over the rental business transactions and the related equipments of Allied Rental Services (Private) Limited (ARSL - an associated undertaking). The assets and liabilities acquired by the Modaraba comprise of certain fixed assets, net investment in Ijarah finance (note 7) and the related lease liabilities (note 16.2). These were taken over under a prospectus floated by the Modaraba and approved by the SECP.
- 1.3 During the year, the Modaraba commenced work on a long term out sourcing arrangement under an agreement with a cement company. Under this agreement, the Modaraba has provided certain machinery for use in quarry operation of the cement company along with loading, dozing, transportation of limestone and operation & maintenance of the above equipment and certain other equipment of the cement company. The related assets and net investment in Ijarah finance under the above arrangement have been disclosed in note 7.1 to these financial statements.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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



2.1.2 SECP vide its circular No. 10 of 2004 dated 13 February 2004 has deferred, till further orders, the applicability of International Accounting Standard (IAS) 17 "Leases" on Modarabas with effect from 1 July 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 the said IAS to the Modarabas. However, the requirements of above IAS have been considered for the purpose of preparation of these financial statements.

2.1.3 During the year 2007, Islamic Financial Accounting Standard (IFAS)-2 'Ijarah' was issued by the Institute of Chartered Accountants of Pakistan and the same was notified by the Securities and Exchange Commission of Pakistan (SECP) vide an SRO dated 22 May 2007. Under the IFAS 2, the 'Ijarah' transactions are required to be accounted for as operating leases. The IFAS is operative for financial statements covering the period beginning on or after 1 July 2007 and is required to be followed on those Ijarahs which commence after 1 July 2007. The Modaraba has not yet adopted the above standard due to implications relating to accounting of similar leases under two different practices (new leases as operating and old leases as finance lease), concurrent application with International Accounting Standard 17 and other requirements of the standard. The Modaraba Association of Pakistan has approached the SECP for the deferment of the IFAS.

2.2 Initial Application of a standard or an interpretation

During the year, amendments to International Accounting Standards (IAS) 1, Presentation of Financial Statements relating to capital disclosures became effective and have resulted in certain disclosures. The related disclosure have been made in note 29.4 to the financial statements.

2.3 New accounting standards, interpretations and amendments that are not yet effective

The following standards, amendments and interpretations of approved accounting standards, effective for accounting periods beginning on or after 1 July 2007 are either not relevant to the Modaraba's operations or are not expected to have significant impact on the Modaraba's financial statements other than certain increased disclosures:

- IFRS 2 (amendment) - Share based payments
- IFRS 3 (amendment) - Business Combinations and consequential amendments to IAS 27 - Consolidated and separate financial statements, IAS 28 - Investment in associates and IAS 31-Interest in Joint Ventures.
- IFRS 7 - Financial Instruments: Disclosures
- IFRS 8 - Operating Segments
- Revised IAS 23 - Borrowing costs



- IAS 32 (amendment) - Financial instruments: Presentation and consequential amendment to IAS 1- Presentation of Financial Statements
- IFRIC 10 - Interim Financial Reporting and Impairment
- IFRIC 11 - Group and Treasury Share Transactions
- IFRIC 12 - Service Concession Arrangements
- IFRIC 13 - Customer Loyalty Programme
- IFRIC 14 IAS 19 - The Limit on Defined Benefit Asset, Minimum Funding Requirements and their interaction
- IFRIC 15 - Agreement for the Construction of Real Estate
- IFRIC 16 - Hedge of Net Investment in a Foreign Operation

2.4 Basis of Measurement

These financial statements have been prepared under historical cost convention.

2.5 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the functional currency of the Modaraba.

2.6 Accounting estimates and judgment

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates, and assumptions that affect the application of policies and reported amount of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revision 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 its revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are discussed below:



Depreciation of operating fixed assets

In making estimates of the depreciation method, the management uses the method which reflects the pattern in which economic benefits are expected to be consumed by the Modaraba. The method applied is reviewed at each financial year end and if there is a change in the expected pattern of consumption of the future economic benefits embodied in the assets, the method is changed to reflect the changed pattern. Such change is accounted for as change in accounting estimates in accordance with International Accounting Standard (IAS) 8 "Accounting Policies, Changes in Accounting Estimates and Errors".

Staff retirement benefits

Certain actuarial assumptions have been adopted (as disclosed in note 14 to these financial statements) for the actuarial valuation of staff retirement benefits. Changes in these assumptions in future years may effect the liability under these schemes in those years.

Provision against non-performing leasing portfolio

The Modaraba reviews its loan portfolio of lease (Ijarah finance) to assess amount of non-performing portfolio and provision required there against on a regular basis. The provision is made in accordance with the requirements of the Prudential Regulations for Modarabas.

Income taxes

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 Modaraba Regulations) to the certificate holders in current and future years.

For the above purposes, and also in respect of making an estimates 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.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Operating fixed assets and depreciation

3.1.1 Tangible - owned

The operating fixed assets, including those let out on operating lease, are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation on operating fixed assets is charged to income applying the straight line method whereby the cost of an asset (net of its estimated residual value at the end of its useful life) is written off over its estimated useful life. Depreciation is charged from the month the asset is available for intended use up to the month of disposal.



During the year, the Modaraba has changed depreciation estimates. The change in these accounting estimates and its effect are disclosed in note 9.1.3.

Normal repairs and maintenance is charged to the profit and loss account as and when incurred. Major renewals and overhaul costs, that enhance asset's useful life significantly, are capitalised as and when incurred. Gain or loss on disposal of assets, if any, is taken to the profit and loss account currently.

3.1.2 Tangible - leased

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

Depreciation, repair and maintenance, overhaul costs and gain on disposal of assets subject to finance lease is recognised in the same manner as for owned assets.

3.2 Impairment

The carrying amount of the Modaraba's assets other than deferred tax assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of assets is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognised in the profit and loss account.

3.3 Net investment in Ijarah finance

Leases where the Modaraba transfers substantially all the risks and rewards incidental to ownership of an asset to the lessees are classified as finance leases. A receivable is recognised at an amount equal to the present value of the lease payments, including any guaranteed residual value. Provision for non-performing leases 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 currently.

3.4 Receivable from terminated / matured contracts

These are stated net of impairment losses, if any. 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.

3.5 Trade debts

Trade debts are carried at cost (invoiced amount, which is fair value of consideration receivable for use of leased assets) less an estimate of impaired receivables. Bad debts are written off when identified.

3.6 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost (which is its fair value). For the purpose of cash flow statement, cash and cash equivalents for cash flow purposes comprises cash on hand, deposits with banks and short term liquid investments that are readily convertible to known amounts of cash and which are subject to insignificant changes in value.



3.7 Revenue recognition

3.7.1 Income from Ijarah finance

The financing method is used in accounting for income on finance leases . Under this method the unearned lease income i.e. the excess of aggregate Ijarah rentals and the estimated residual value over the net investment (cost of leased assets) is deferred and then amortised to income over the term of the lease, so as to produce a constant periodic rate of return on net investment in Ijarah.

Documentation charges, front-end fee and other Ijarah income are recognised as income on receipt basis.

3.7.2 Operating lease rentals

Leases in which a significant portion of the risk and reward is retained by the Modaraba are classified as operating lease. Rental income from operating leases is recognised on straight line (time proportion basis) under the accrual basis.

3.7.3 Operation and maintenance services

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

3.7.4 Income on deposits with banks

This is recognised on a time proportion basis under the effective yield method.

3.7.5 Unrealised income on non-performing Ijarah portfolio

Unrealized income is suspended, where necessary on non-performing lease portfolio, in accordance with the requirements of the Prudential Regulations for Modarabas issued by the SECP. The unrealised suspended income is recognised in income on receipt basis.

3.8 Taxation

3.8.1 Current

The charge for current taxation is based on taxable income at the current rates of taxation after taking into account tax credit and tax rebates realizable, if any. Under clause 100 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, the non-trading income of modarabas is exempt from income tax, provided not less than 90% of its profits (after appropriation to mandatory reserves as required under Modaraba Regulations) are distributed to the certificate holders. Accordingly, no provision for taxation for the current year has been made in these accounts.

3.8.2 Deferred

Deferred tax is recognised using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and their tax base. This is recognised on the basis of the expected manner of the realisation and the settlement of the carrying amount of assets and liabilities using the tax rates enacted or substantially enacted at the balance sheet date. Deferred tax assets are recognised to the extent that future taxable profit will be available against which the deductible temporary differences can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax liability or asset is not recognised if the management expects to continue to distribute at least 90% of its profit (after appropriation to mandatory reserves as required under Modaraba Regulations) in future years, due to which no tax would be payable as explained above.

3.9 Staff retirement benefits

3.9.1 Staff Gratuity scheme - defined benefit plan

The company operates an unfunded approved gratuity scheme for all permanent employees who have completed minimum qualifying period of service. The contributions to the scheme are made in accordance with the independent actuarial valuation using Projected Unit Credit method.

Actuarial gains or losses are recognised as income or expense when the cumulative unrecognized actuarial gains or losses at the end of previous reporting period exceeded 10% of the higher of defined benefit obligation and the fair value of plan assets at that date. These gains or losses are recognised over the expected average remaining working lives of the employees participating in the plan.

3.9.2 Staff Provident fund - defined contribution plan

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

3.10 Trade and other payables

Liabilities for trade and other amounts payable are recognised and carried at cost which is the fair value of the consideration to be paid in the future.

3.11 Provisions

A provision is recognised in the balance sheet when the Modaraba has a legal or constructive obligation as a result of past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

3.12 Long term Musharaka financing

Musharaka finance is recognised initially at cost, less attributable transaction costs. Subsequent to initial recognition, this is stated at original cost less repayments.

3.13 Foreign currency transactions

Transactions in foreign currencies are converted into Pakistani Rupees at the rate of exchange ruling on the date of transaction. Monetary assets and liabilities in foreign currencies are translated into Pakistani Rupees at the rate of exchange ruling at the balance sheet date. All exchange differences arising on the transaction are charged to income currently.

3.14 Financial instruments

All the financial assets and liabilities are recognized at the time when the Modaraba becomes a party to the contractual provisions of the instrument. Any gain or loss on derecognition of the financial asset and financial liabilities is taken to income directly.

3.15 Off-Setting of financial assets and financial liabilities

A financial asset and a financial liability is set-off and the net amount is reported in the balance sheet if the Modaraba has a legal right to set-off the transactions and also intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3.16 Segment reporting

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.

3.17 Dividend distribution

Dividend distributions are recorded in the period in which the distributions are approved.





	Note	2008 (Rupees)	2007
4. BANK BALANCES			
Cash with banks on:			
- current accounts		6,473,236	28,351,357
- profit and loss sharing accounts	4.1	113,581,167	40,822,457
- term deposit		-	9,500,000
		<u>120,054,403</u>	<u>78,673,814</u>

4.1 These accounts carry profit rates ranging from 9 % to 10 % (2007: 7 % to 10.25 %).

5. TRADE DEBTS - unsecured

Considered good		70,084,622	35,696,934
Considered doubtful	5.1	3,290,788	1,290,788
		<u>73,375,410</u>	<u>36,987,722</u>
Provision against impaired debts		(3,290,788)	(1,290,788)
		<u>70,084,622</u>	<u>35,696,934</u>

5.1 Provision against impaired debts

Opening balance		1,290,788	-
Charged during the year / period		2,000,000	1,290,788
Closing balance		<u>3,290,788</u>	<u>1,290,788</u>

6. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLE

Income tax recoverable	6.1	2,306,764	1,126,222
Advances to contractors		478,209	187,725
Advances to suppliers		3,412,249	-
Advance against expenses - unsecured	6.2	466,645	1,175,435
		<u>6,663,867</u>	<u>2,489,382</u>
Prepayments		-	99,967
Insurance claim receivable		-	1,317,637
Other receivable		20,250	4,500
		<u>6,684,117</u>	<u>3,911,486</u>

6.1 This represents tax deducted at source from various payments to Modaraba.

6.2 This represents advances given to employees for expenses. The maximum amount outstanding during any month of the current year was Rs. 1.374 million (2007: 1.727 million).



7. NET INVESTMENT IN IJARAH FINANCE

	Due Within One Year	Due after one year but within five years	Due after five years but within ten years	Total
2008				
(Rupees)				
Minimum lease payments receivable	47,189,572	108,802,788	79,500,000	235,492,360
Residual value of leased assets	2,500,000	10,227,101		12,727,101
Lease contract receivables	49,689,572	119,029,889	79,500,000	248,219,461
Unearned lease income	(23,807,287)	(53,588,263)	(24,892,649)	(102,288,199)
	25,882,285	65,441,626	54,607,351	145,931,262
2007				
(Rupees)				
Minimum lease payments receivable	16,016,400	22,882,400	-	38,898,800
Residual value of leased assets	-	14,127,101	-	14,127,101
Lease contract receivables	16,016,400	37,009,501	-	53,025,901
Unearned lease income	(7,361,426)	(8,334,382)	-	(15,695,808)
	8,654,974	28,675,119	-	37,330,093

The Modaraba has entered into various lease agreements with profit rates ranging between 3% and 35.71% (2007: 17.61% and 35.71%) per annum. The agreements are for a period of 3 to 10 years (2007: 3 years). These are generally secured against the leased assets and promissory notes given by the lessees. This includes Rs.18.201 million (2007: Rs. 25.312 million) as at 30 June 2008 which were transferred from Allied Rental Services (Private) Limited (refer note 1.2 for details).

7.1 Net investment in ijarah finance in respect of arrangement disclosed in note 1.3 amounted to Rs. 81.495 million (including current maturity of Rs. 3.647 million) as at 30 June 2008.

8. LONG TERM SECURITY DEPOSITS

These include security deposits of Rs. 37.001 million paid against finance lease contracts and are refundable / adjustable on the expiry of lease period.

9. FIXED ASSETS - tangible	Note	2008 (Rupees)	2007
Operating fixed assets	9.1	590,849,807	492,666,981
Capital work-in-progress	9.2	5,307,252	1,771,175
		<u>596,157,059</u>	<u>494,438,156</u>

9.1 Operating fixed assets - at cost less accumulated depreciation

2008	Description	Note	COST		DEPRECIATION			Written down value as at June 30, 2008	Life (Years)			
			As at July 1, 2007	For the period Addition / (Disposal)	As at June 30, 2008	For the period Depreciation / Adjustment	As at June 30, 2008					
			(Rupees)		(Rupees)							
Owned:												
	Generators, forklifts and related parts	9.1.1	256,354,287	40,777,750	(1,818,600)	295,313,437	19,244,199	50,618,070	(299,101)	69,563,168	225,750,269	1 to 9
	Machines	9.1.1	4,171,000	6,933,000	-	11,104,000	65,808	511,199	-	577,007	10,526,993	4 to 7
	Furniture, fixtures and office equipment		1,158,606	516,436	-	1,675,042	122,207	616,983	-	739,190	935,852	3 to 8
	Vehicles		12,364,500	10,958,326	(2,427,000)	20,895,826	775,875	2,220,102	(293,110)	2,702,867	18,192,959	6 to 8
	Capital stores		5,270,946	1,735,000	(7,005,946)	-	421,676	1,005,285	(1,426,961)	-	-	-
			279,319,339	60,920,512	(11,251,546)	328,988,305	20,629,765	54,971,639	(2,019,172)	73,582,232	255,406,073	
Leased:												
	Generators		213,893,140	127,342,398	(1,156,622)	340,078,916	8,468,190	32,659,177	-	41,127,367	298,951,549	3 to 10
	Machines		30,257,000	12,017,996	-	42,274,996	1,704,548	4,078,263	-	5,782,811	36,492,185	2 to 5
			244,150,140	139,360,394	(1,156,622)	382,353,912	10,172,738	36,737,440	-	46,910,178	335,443,734	
			523,469,479	200,280,906	(12,408,168)	711,342,217	30,802,503	91,709,079	(2,019,172)	120,492,410	590,849,807	

Allied Rental Modaraba

Operating fixed assets - at cost less accumulated depreciation

Description	COST		DEPRECIATION		Written down value as at June 30, 2007	Life (Years)
	For the period Addition / (Disposal)	As at June 30, 2007	For the period Depreciation / Adjustment	As at June 30, 2007		
	(Rupees)		(Rupees)			
Owned:						
Generators, forklifts and related parts	257,914,282	(1,560,000)	19,486,561	(242,363)	19,244,198	1 to 9
Machines	4,171,000	-	65,808	-	65,808	4 to 7
Furniture, fixtures and office equipment	1,158,606	-	122,207	-	122,207	3 to 8
Vehicles	12,364,500	-	775,875	-	775,875	6 to 8
Capital stores	5,270,946	-	421,676	-	421,676	5
	280,879,334	(1,560,000)	20,872,127	(242,363)	20,629,764	
Leased:						
Generators	213,893,149	-	8,468,190	-	8,468,190	3 to 10
Machines	41,728,000	(11,471,000)	2,278,098	(573,550)	1,704,548	2 to 5
	255,621,149	(11,471,000)	10,746,288	(573,550)	10,172,738	
	536,500,483	(13,031,000)	31,618,415	(815,913)	30,802,502	
					492,666,981	



9.1.1 During the year, the Modaraba acquired certain equipments and parts amounting to Rs.9.392 million (2007: Rs.18.824 million) and Rs. 20.406 million (2007: Rs.453.773 million) from Allied Engineering and Services Limited and Allied Rental Services (Private) Limited respectively (both being related parties).

9.1.2 All operating fixed assets, except for furniture, fixtures, office equipment and vehicles, are being utilised for operating leases. As of 30 June 2008, no assets were being used by the related parties.

9.1.3 Change in estimates

During the year ended 30 June 2008, the Modaraba conducted an operational efficiency review of its generators. As a result of this review, the expected useful lives of these generators have decreased and their estimated residual values increased. Further, the Modaraba has also decreased the life of computers (included in office equipment) to incorporate the element of technological obsolescences in the life of the computers.

The above revisions have been accounted for as changes in accounting estimates in accordance with the requirements of International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the effect of these changes in accounting estimates has been recognized prospectively in the profit and loss account from the current year. Had there been no change in these accounting estimates, the carrying amount of operating fixed assets would have been higher by Rs. 8.238 million and the profit for the year and equity as at 30 June 2008 would have increased by the same amount.

Note	2008	For the period 8 January, 2007 to 30 June, 2007
(Rupees)		

9.1.4 The depreciation charge has been allocated as under;

Operating expenses	21	88,871,994	30,298,657
Administrative and selling costs	22	2,837,085	1,319,758
		91,709,079	31,618,415



Allied Rental Modaraba

9.1.5 Details of disposal of fixed assets are as under:

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sale proceeds	Gain/(Loss) on disposal	Mode of disposal	Particulars of purchaser
Genset	1,662,000	299,101	1,362,899	1,225,000	(137,899)	Negotiation	Mr. M. Iqbal Plot D-9 Site Karachi.
Genset	1,156,622	-	1,156,622	1,590,000	433,378	Negotiation	VSF Logistics Maripur Karachi.
Canopy	156,600	-	156,600	-	(156,600)	Negotiation	VSF Logistics Maripur Karachi.
Vehicle	349,000	46,534	302,466	280,000	(22,466)	Negotiation	Mr. Burhan Ahsan (employee)
Vehicle	333,000	22,200	310,800	315,000	4,200	Negotiation	Mr. Zubair Ahmed (employee)
Vehicle	250,000	33,334	216,666	206,000	(10,666)	Negotiation	Mr. Waheed-ud-din H.No.431 H. Area Korangi Ghos Pak Road, Korangi Karachi
Vehicle	225,000	35,000	190,000	140,500	(49,500)	Negotiation	Mr. Naseer Ahmed (employee)
Vehicle	825,000	137,500	687,500	800,000	112,500	Insurance claim	Adamjee Insurance Company Limited
Vehicle	445,000	18,542	426,458	526,500	100,042	Insurance claim	Adamjee Insurance Company Limited
2008	5,402,222	592,211	4,810,011	5,083,000	272,989		
2007	1,560,000	242,363	1,317,637	1,317,637	-		

9.2 This represents advance for certain equipments that would be transferred to the operating fixed assets and expenses incurred on account of assembling of equipments.

10. TRADE AND OTHER PAYABLES

	Note	2008 (Rupees)	2007
Creditors for goods	10.1	48,367,711	53,862,186
Creditors for expenses		6,798,464	3,759,640
Advances from customers		5,592,265	1,037,402
Security deposit		100,000	50,000
Employee car scheme - deductions	10.2	2,673,676	1,110,846
Payable to Staff Provident Fund		1,212	410,492
Dividend Payable		32,540	-
Contribution to Employees Old Age Benefit Institution		-	192,640
Accrued expenses			
- Accrued commission		884,776	1,471,444
- Accrued bonus		5,354,839	4,066,061
- Auditor's remuneration		369,175	250,000
- Accrued financial charges		1,674,051	816,342
- Miscellaneous		3,009,394	183,766
		11,292,235	6,787,613
Other liabilities		851,502	366,254
		<u>75,709,605</u>	<u>67,577,073</u>



10.1 This includes Rs. 15.461 million (30 June 2007 : Rs. 8.616 million) payable to Allied Rental Services (Private) Limited (an associated company) on account of the purchase of a fixed assets. This also includes Rs. 31.761 million (30 June 2007 : Rs. 35.872 million) payable to Allied Engineering and Services Limited (an associated company) for various purchases and services availed by the Modaraba.

10.2 These represent amounts 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 said vehicles.

11. BORROWING FROM AN ASSOCIATED COMPANY

This represents mark-up free borrowing from Allied Rental Services (Private) Limited, an associated company.

12. PAYABLE TO THE MANAGEMENT COMPANY

The 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 up to a maximum of 10% per annum of the net annual profits of the Modaraba. However, no accrual of management fee for the year ended 30 June 2008 has been made.

The amount payable to the management company relates mainly to the expenses incurred by management company on behalf of Modaraba.

	Note	2008 (Rupees)	2007
13. CURRENT MATURITY OF LONG TERM LIABILITIES			
Current portion of Musharaka financing		-	4,800,000
Liabilities against assets subject to ijarah finance		148,163,306	82,838,363
		<u>148,163,306</u>	<u>87,638,363</u>

14. DEFERRED LIABILITIES

Deferred liability for staff gratuity	14.1	<u>6,223,323</u>	<u>429,223</u>
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14.1 Defined benefit plan - gratuity

The Modaraba operates an unfunded scheme to provide gratuity to the permanent employees on retirement. The latest actuarial valuation of this scheme was carried out as at 30 June 2008 under the Project Unit Credit Method. Principal actuarial assumptions used in the valuation of the schemes are as follows:

	2008 (Rupees)	2007
Valuation discount rate	11%	-
Salary increase rate	11%	-

Present value of obligation:

Present value of defined benefit obligation	5,525,324	429,223
Unrecognized actuarial gain	697,999	-
Net liability recognized on the balance sheet	<u>6,223,323</u>	<u>429,223</u>

Movement in amount payable to the defined benefit plan:

Opening balance	429,223	-
Charge for the year / period	5,794,100	429,223
Closing balance	<u>6,223,323</u>	<u>429,223</u>

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

Present value of defined benefit obligation	429,223	429,223
Current service cost	5,282,504	-
Mark-up cost	511,596	-
Unrecognized actuarial gain	(697,999)	-
	<u>5,525,324</u>	<u>429,223</u>

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	5,282,504	429,223
Mark-up cost	511,596	-
	<u>5,794,100</u>	<u>429,223</u>



15. SECURITY DEPOSITS FROM LESSEES

This represents security deposits received against Ijarah finance contracts that are repayable / adjustable on the expiry of lease period.

16. LIABILITIES AGAINST ASSETS SUBJECT TO IJARAH FINANCE

16.1 These represent liabilities against assets acquired under finance lease arrangements. Against a total facility limit of Rs. 563.058 million (30 June 2007: Rs. 325 million) from various banks, facilities of Rs. 527.908 million (30 June 2007: Rs. 291.7 million) were availed during the year.

2008	Due within one year	Due after one year but within five years	Total
Description	(Rupees)		
Minimum lease payments	181,138,792	250,576,773	431,715,565
Finance charge for future periods	(32,975,486)	(25,975,435)	(58,950,921)
Principal outstanding	148,163,306	224,601,338	372,764,644

2007	Due within one year	Due after one year but within five years	Total
Description	(Rupees)		
Minimum lease payments	106,131,444	169,639,609	275,771,053
Finance charge for future periods	(23,293,081)	(14,707,366)	(38,000,447)
Principal outstanding	82,838,363	154,932,243	237,770,606

These liabilities (for assets obtained under Ijarah arrangements) carry profit rates ranging between 3 month KIBOR plus 1.75% to 6 month KIBOR plus 3% per annum and are repayable by June 2012 in monthly / quarterly installments. The above obligation includes Rs. 126.138 million whose related assets have been sub-leased by the Modaraba under finance lease arrangements.

16.2 This includes Rs.59.978 million (2007: Rs.99.041 million) as at 30 June 2008 which were transferred from Allied Rental Services (Private) Limited (refer note 1.2 for details).



17. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATES

	2008	
Note	Number of certificates	(Rupees)
Modaraba certificates of Rs. 10 each fully paid in cash	30,000,000	300,000,000

17.1 Following certificates are held by the associated companies of Modaraba.

Allied Engineering and Services Limited	17.1.1	9,000,000	90,000,000
Allied Engineering Management Company (Private) Limited	17.1.1	6,000,000	60,000,000
		<u>15,000,000</u>	<u>150,000,000</u>

	2007	
Note	Number of certificates	(Rupees)
Modaraba certificates of Rs. 10 each fully paid in cash	30,000,000	300,000,000

Following certificates are held by the associated companies of Modaraba.

Allied Engineering and Services Limited		9,000,000	90,000,000
Allied Engineering Management Company (Private) Limited		6,000,000	60,000,000
		<u>15,000,000</u>	<u>150,000,000</u>

17.1.1 According to restriction imposed by Karachi Stock Exchange vide letter ref. KSE/Gen. 3950 dated 2 June 2006, these certificates are not saleable for a period of two years from the date of closure of public subscription (28 November 2006).

18. STATUTORY (MANDATORY) RESERVE

The above reserve represents profits set aside at the rate of 50% (2007:45%) in accordance with the provisions of Prudential Regulations for Modarabas promulgated by the Securities and Exchange Commission of Pakistan.

19. COMMITMENTS

The Modaraba, on 15 May 2006, had entered into an agreement with Allied Engineering and Services Limited (AESL), a related party, for the purchase of equipment from AESL with a minimum turn over of Rs. 20 million, Rs. 25 million and Rs. 30 million for the years ending 30 June 2007, 30 June 2008 and 30 June 2009 respectively.



	Note	2008	For the period 8 January, 2007 to 30 June, 2007
(Rupees)			
20. REVENUE			
Operating lease rentals	20.1	322,078,952	139,888,593
Operation and maintenance income		107,415,853	31,751,169
Income from finance leases		24,651,886	1,959,326
Others		3,652,169	904,066
		<u>457,798,860</u>	<u>174,503,154</u>

20.1 This includes rental income of Rs. 2.317 million (2007: 2.342 million) earned from associated companies.

21. OPERATING EXPENSES

Salaries, wages and other staff benefits	21.1	103,382,885	32,229,122
Depreciation expense	9.1.4	88,871,994	30,298,657
Repair and maintenance	21.2	65,776,204	21,974,727
Transportation costs		2,330,170	2,333,189
Insurance cost - equipments		8,912,657	2,739,706
Miscellaneous		573,280	170,365
		<u>269,847,190</u>	<u>89,745,766</u>

21.1 This includes contribution of Rs. 1.373 million (2007: 1.046 million) to the staff provident fund.

21.2 This includes expenses of Rs. 50.391 million (2007: 18.887 million) for parts purchased and services availed from Allied Engineering and Services Limited, an associated company.

22. ADMINISTRATIVE AND SELLING COSTS

Salaries, wages and other staff benefits	22.1	6,894,367	7,403,497
Commission		4,203,380	2,237,249
Vehicle running costs		5,111,151	1,678,748
Travelling and conveyance		3,420,523	1,069,328
Provision against impaired debts		2,000,000	1,290,788
Depreciation expense	9.1.4	2,837,085	1,319,758
Legal and professional charges		1,817,336	5,911,905
Auditors' remuneration	22.2	446,675	292,725
Telephone, postage and fax charges		827,757	332,791
Advertisement and sales promotion		1,156,253	1,287,640
Printing and stationery		695,023	688,683
Insurance cost - vehicles		462,700	134,478
Rent expense		360,000	293,161
Training, meetings and tender participation		347,557	44,223
Miscellaneous		995,664	123,148
		<u>31,575,471</u>	<u>24,108,122</u>



Allied Rental Modaraba

	2008	For the period 8 January, 2007 to 30 June, 2007
Note	(Rupees)	
22.1	This includes contribution of Rs. 0.156 million (2007: 0.102 million) to the staff provident fund.	
22.2 Auditors' remuneration		
Audit fee	300,000	200,000
Fee for review of interim financial information	70,000	-
Code of corporate governance	40,000	25,000
Other certifications	25,000	50,000
Out of pocket expenses	11,675	17,725
	446,675	292,725
23. FINANCE CHARGES		
Financial charges on obligation against assets under finance lease arrangements	32,570,352	9,083,029
Bank charges and commission	346,204	1,457,685
	32,916,556	10,540,714
24. OTHER INCOME		
Income on deposits with banks	2,834,831	10,496,439
Proceeds from disposal of scrap	1,008,853	400,714
Gain on disposal of fixed assets	272,989	-
Miscellaneous	-	7,272
	4,116,673	10,904,425

25 TAXATION

25.1 The income of non-trading modaraba is exempt from tax provided that not less than 90% of their profits are distributed to the certificate-holders. Accordingly, no provision for tax has been made in these financial statements. For the details of dividend, please refer note 34 to these financial statements.

25.2 The income tax returns of the Modaraba have been filed for the financial year ended 30 June 2007 which is deemed to be an assessment order under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.



		2008	For the period 8 January, 2007 to 30 June, 2007
(Rupees)			
26. EARNINGS PER CERTIFICATE - basic and diluted			
Basic earnings per certificate is worked out as under:			
Profit for the year / period	Rupees	<u>127,576,316</u>	<u>57,962,328</u>
Weighted average number of ordinary certificates	Number	<u>30,000,000</u>	<u>30,000,000</u>
Earnings per certificate - basic	Rupees	<u>4.25</u>	<u>1.93</u>

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

27. REMUNERATION OF EXECUTIVES AND OTHER EMPLOYEES

		2008		
		Executives (Key management personnel)	Other employees	Total
(Rupees)				
Basic salary		2,067,060	14,338,493	16,405,553
Bonus		632,888	3,320,014	3,952,902
House rent allowance		930,186	6,452,322	7,382,508
Utility allowance		206,706	1,433,849	1,640,555
Conveyance allowance		206,706	1,433,849	1,640,555
Provident fund		206,706	1,324,932	1,531,638
Gratuity		715,196	5,078,904	5,794,100
Contribution to Employees' Old Age		7,728	570,443	578,171
Medical benefits		247,464	1,757,343	2,004,807
		<u>5,220,640</u>	<u>35,710,149</u>	<u>40,930,789</u>
Number of persons	Number	<u>2</u>	<u>160</u>	<u>162</u>



REMUNERATION OF EXECUTIVES AND OTHER EMPLOYEES

	2007		
	Executives (Key management personnel)	Other employees	Total
	(Rupees)		
Basic salary	1,090,909	5,788,000	6,878,909
Bonus	372,000	3,694,061	4,066,061
House rent allowance	490,909	2,604,600	3,095,509
Utility allowance	109,091	578,800	687,891
Conveyance allowance	109,091	578,800	687,891
Provident fund	109,091	464,930	574,021
Gratuity	71,921	357,302	429,223
Contribution to Employees' Old Age	5,040	185,920	190,960
Medical benefits	92,521	485,338	577,859
	2,450,573	14,737,751	17,188,324
Number of persons	Number	4	125
			129

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

28. MATURITIES OF ASSETS AND LIABILITIES

2008

Description	(Rupees)							Total	
	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		More than 5 years
ASSETS									
Bank balances	120,054,403	-	-	-	-	-	-	-	120,054,403
Trade debts	54,185,182	15,899,440	-	-	-	-	-	-	70,084,622
Advances, prepayments and other receivables	2,657,950	1,719,403	2,306,764	-	-	-	-	-	6,684,117
Net investment in ijarah finance	2,106,011	6,429,663	5,537,682	11,808,929	43,764,203	8,006,446	13,670,977	54,607,351	145,931,262
Long term security deposits	-	-	-	-	26,451,853	3,092,068	7,457,781	50,000	37,051,702
Fixed assets - tangible	3,078,647	6,157,295	9,235,942	18,471,885	36,943,769	36,943,769	73,887,541	411,438,213	596,157,061
	182,082,193	30,205,801	17,080,388	30,280,814	107,159,825	48,042,283	95,016,299	466,095,564	975,963,167
LIABILITIES									
Trade and other payables	28,031,790	35,697,798	11,980,017	-	-	-	-	-	75,709,605
Borrowing from an associated company	-	50,000,000	7,323,000	-	-	-	-	-	57,323,000
Payable to the Management Company	-	1,653,949	-	-	-	-	-	-	1,653,949
Deferred liability	-	-	-	-	-	-	-	6,223,323	6,223,323
Security deposits from lessees	-	-	-	-	6,750,000	-	-	-	6,750,000
Liabilities against assets subject to ijarah finance	9,085,810	26,730,580	36,988,863	75,358,053	127,325,776	66,356,533	30,919,029	-	372,764,644
	37,117,600	114,082,327	56,291,880	75,358,053	134,075,776	66,356,533	30,919,029	6,223,323	520,424,521
Net assets	144,964,593	(83,876,526)	(39,211,492)	(45,077,239)	(26,915,951)	(18,314,250)	64,097,270	459,872,241	455,538,646

2007

Description	(Rupees)							Total	
	Upto one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 2 years	Over 2 to 3 years	Over 3 to 5 years		More than 5 years
ASSETS									
Bank balances	78,673,814	-	-	-	-	-	-	-	78,673,814
Trade debts	35,696,934	-	-	-	-	-	-	-	35,696,934
Equipment held for deployment	40,911,702	-	-	-	-	-	-	-	40,911,702
Advances, prepayments and other receivables	2,728,140	-	42,843	1,140,503	-	-	-	-	3,911,486
Net investment in ijarah finance	2,114,751	-	2,032,916	4,507,307	13,418,637	-	15,256,482	-	37,330,093
Long term security deposits	-	-	-	-	15,752,159	-	-	50,000	15,802,159
Fixed assets - tangible	14,093,512	28,187,023	14,679,285	42,264,060	70,597,573	70,597,573	132,633,709	121,385,422	494,438,156
	174,218,853	28,187,023	16,755,044	47,911,870	99,768,369	70,597,573	147,890,191	121,435,422	706,764,344
LIABILITIES									
Trade and other payables	67,577,073	-	-	-	-	-	-	-	67,577,073
Borrowing from an associated company	-	20,000,000	-	-	-	-	-	-	20,000,000
Payable to the Management Company	7,225,114	-	-	-	-	-	-	-	7,225,114
Deferred liability for staff gratuity	-	-	-	-	-	-	-	429,223	429,223
Security deposits from lessees	-	-	-	-	1,400,000	-	-	-	1,400,000
Long term Musharaka financing	400,000	800,000	1,200,000	2,400,000	4,800,000	4,800,000	-	-	14,400,000
Liabilities against assets subject to ijarah finance	19,801,584	-	20,353,909	42,682,870	154,932,243	-	-	-	237,770,606
	95,003,771	20,800,000	21,553,909	45,082,870	161,732,244	4,800,000	-	429,223	348,802,016
Net assets	79,215,082	7,387,023	(4,798,865)	2,829,000	(61,363,875)	65,797,573	147,890,191	121,006,199	357,962,328

The above are based on contractual maturities and not on their expected realisation, which may change due to sale / rollover, etc.

29. FINANCIAL INSTRUMENTS

29.1 PROFIT RATE RISK MANAGEMENT

The Modaraba manages this risk by matching the repricing of assets and liabilities. The Modaraba's profit rate sensitivity position, based on the earlier of contractual repricing or maturity dates, is as follows:

Description	Profit bearing			Non-profit bearing			Total
	Up to 3 months	3 months to One year	One to five years	Up to 3 months	3 months to One year	One to five years	
	(Rupees)			(Rupees)			
Financial assets:							
Bank balances	113,581,167	-	-	6,473,236	-	-	120,054,403
Trade debts	-	-	-	54,185,182	15,899,440	3,290,788	73,375,410
Advances and other receivable	-	-	-	-	498,459	-	498,459
Net investment in ijarah finance	8,535,674	17,346,611	120,048,977	-	-	-	145,931,262
Long term security deposits	-	-	-	-	-	37,051,702	37,051,702
	122,116,841	17,346,611	120,048,977	60,658,418	16,397,899	40,342,490	376,911,236
Financial liabilities:							
Trade and other payables	-	-	-	61,137,323	5,454,839	-	66,592,162
Borrowing from an associated company	-	-	-	50,000,000	7,323,000	-	57,323,000
Payable to the Management Company	-	-	-	1,653,949	-	-	1,653,949
Security deposits from lessees	-	-	-	-	-	6,750,000	6,750,000
Liabilities against assets subject to ijarah finance	35,816,390	112,346,916	224,601,338	-	-	-	372,764,644
	35,816,390	112,346,916	224,601,338	112,791,272	12,777,839	6,750,000	505,083,755
On-balance sheet gap (a)	86,300,451	(95,000,305)	(104,552,361)	(52,132,854)	3,620,060	33,592,490	(128,172,519)

Description	Profit / mark-up bearing (Rupees)			Non-profit / mark-up bearing (Rupees)			Total (Rupees)
	Up to 3 months	3 months to One year	One to five years	Up to 3 months	3 months to One year	One to five years	
	Sub-total			Sub-total			
Financial assets:							
Bank balances	50,322,457	-	-	28,351,357	-	-	78,673,814
Trade debts	-	-	-	36,987,722	-	-	36,987,722
Advances and other receivable	-	-	-	1,322,137	-	-	1,322,137
Net investment in ijarah finance	2,114,751	6,540,223	28,675,119	-	-	-	37,330,093
Long term security deposits	-	-	-	-	-	15,802,159	15,802,159
	52,437,208	6,540,223	28,675,119	66,661,216	-	15,802,159	170,115,925
Financial liabilities:							
Trade and other payables	-	-	-	59,475,066	5,953,759	-	65,428,825
Borrowing from an associated company	-	-	-	20,000,000	-	-	20,000,000
Payable to the Management Company	-	-	-	-	7,225,114	-	7,225,114
Security deposits from lessees	-	-	-	-	-	1,400,000	1,400,000
Liabilities against assets subject to ijarah finance	19,801,584	63,036,779	154,932,243	-	-	-	237,770,606
Long term Musharaka financing	1,200,000	3,600,000	9,600,000	-	-	-	14,400,000
	21,001,584	66,636,779	164,532,243	79,475,066	13,178,873	1,400,000	346,224,545
On-balance sheet gap (a)	31,435,624	(60,096,556)	(135,857,124)	(12,813,850)	(13,178,873)	14,402,159	(176,108,620)

(a) The on-balance sheet gap represents the net amounts of on-balance sheet items.

(b) Rates of profit / mark-up on financial assets and liabilities are as follows:

	2008	2007
	%	%
Bank balances	9.00 - 10	7.00 - 10.25
Net investment in ijarah finance	3 - 35.71	17.61 - 35.71
Liability against assets subject to ijarah finance	11.48 - 15.29	11.74 - 13.55
Long term Musharaka financing	-	11.59



29.2 Fair values of financial assets and liabilities

In the opinion of the Management, fair values of financial assets and liabilities, other than those which are short term in nature, cannot be calculated with sufficient reliability due to the absence of current and active market for such assets and reliable data regarding market rates for similar instruments. The Modaraba's short term financial instruments are expected to be settled in short term, hence their carrying amount is not considered to be materially different from their fair values.

29.3 Liquidity risk

Liquidity risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Modaraba matches availability of liquid funds before committing for liabilities. An analysis of liquid funds with maturities of liabilities due is also performed on a regular basis.

29.4 Capital risk management

The Modaraba's objective when managing capital is to safe guard 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 based 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 dividend paid to certificate holders or issue new certificates.

30 CREDIT RISK AND CONCENTRATION OF CREDIT RISK

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. The Modaraba attempts to control credit risk by monitoring credit exposures, limiting transactions with specific counterparties, and continually assessing the credit worthiness of counter parties.

Concentration of credit risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations of credit risk indicate the relative sensitivity of the Modaraba performance to developments affecting a particular industry or geographic location.

At 30 June 2008, financial assets of Rs. 376.911 million (2007: Rs. 211.027 million) were exposed to credit risk. The Modaraba seeks to manage its credit risk exposure through diversification of lending activities to avoid undue concentrations of risks with individuals or groups of customers in specific locations or businesses. It also obtains security when appropriate.



30.1 Details of the industry sector analysis of the Modaraba's credit portfolio is given below:

	2008		2007	
	Rupees	%	Rupees	%
Automobiles	130,000	0.06	-	0.00
Banaspati and allied products	-	0.00	12,000	0.02
Banks and development financial institutions	88,000	0.04	31,780	0.04
Cement industry	86,321,207	39.36	95,400	0.13
Chemicals and pharmaceutical	1,152,258	0.53	962,268	1.29
Construction	55,910,909	25.49	15,566,880	20.95
Dairy and poultry	543,197	0.25	1,227,930	1.65
Education	111,600	0.05	223,200	0.30
Electrical	-	0.00	524,950	0.71
Energy, oil and gas	6,091,854	2.78	1,928,999	2.60
Engineering	1,463,875	0.67	1,033,475	1.39
Food and beverages	33,535,128	15.29	28,143,323	37.87
Glass and ceramics	3,538,993	1.61	1,583,533	2.13
Health care	2,190,992	1.00	1,728,228	2.33
Hotels	432,050	0.20	-	0.00
Information technology and communication	963,596	0.44	823,250	1.11
Paper and board	1,050,000	0.48	-	0.00
Plastic industries	541,700	0.25	962,890	1.30
Printing and publishing	1,285,068	0.59	2,367,498	3.19
Sugar industry	159,000	0.07	159,000	0.21
Tannery	8,000	0.00	-	0.00
Textile and cotton	9,029,487	4.12	4,257,584	5.73
Transport	3,772,592	1.72	1,141,827	1.54
Travel services	8,500,483	3.88	9,970,184	13.42
Others	2,486,683	1.13	1,573,616	2.12
	219,306,672	100.00	74,317,815	100.00

2008		2007	
Rupees	%	Rupees	%

30.2 Break-up of the above exposure is as follows:

Net investment in ijarah finance	145,931,262	66.54	37,330,093	50.23
Trade debts	73,375,410	33.46	36,987,722	49.77
	219,306,672	100.00	74,317,815	100.00



31. FOREIGN EXCHANGE RISK MANAGEMENT

Foreign currency risk arises mainly where receivables and payables exist due to transactions with foreign undertakings. The Modaraba is exposed to foreign currency risk on purchases that are entered in a currency other than Pakistani Rupees. Modaraba uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate. At the year end, no balances denominated in foreign currency were receivable by the Modaraba.

32. RELATED PARTY TRANSACTIONS

The related parties comprise of Allied Engineering Management Company (Private) Limited [being the Modaraba Management Company], Allied Engineering and Services Limited, Allied Precision Engineering Products (Private) Limited and Allied Rental Services (Private) Limited [being associated companies of the Management Company], major certificate holders and their close family members, directors of the management company and their close family members, key management personnel of the Management Company and their close family members, the provident fund trust and the entities with common directors or under common management.

Contribution to the provident fund is made in accordance with the services rules. The Modaraba management fee is accrued in accordance with the requirements of Modaraba Regulations. Other transactions are at agreed terms.

Details of transactions with related parties and balances with them as at the year-end were as follows:

Related party	Relationship	Details of transactions and balances Note
Allied Engineering Management Company (Private) Limited	Management Company	12 & 17.1
Allied Engineering and Services Limited	Holding company of the Management Company	9.1.1, 10.1, 20.1, 21.2 & 17.1
Allied Rental Services (Private) Limited	Associated company of holding company of the Management Company	7, 9.1.1, 10.1, 11 & 16.2
Allied Precision Engineering Products (Private) Limited	Associated company of holding company of the Management Company	-
Staff Provident Fund	Staff provident fund of associated company	10, 21.1 & 22.1
Executives	Key management personnel	27



33. INFORMATION ABOUT BUSINESS SEGMENTS

	2008 (Rupees)		
	Operating & finance lease rentals and other income	Operation and Maintenance income	Consolidated
REVENUE	350,383,007	107,415,853	457,798,860
RESULT			
Segment result	85,785,644	37,770,674	123,556,318
Other income	-	-	4,116,673
Profit for the year			127,672,991
OTHER INFORMATION			
Capital expenditure	200,280,906	-	200,280,906
Depreciation	91,709,079	-	91,709,079
ASSETS AND LIABILITIES			
Segment assets	819,789,975	9,425,458	829,215,433
Unallocated corporate assets	-	-	146,747,732
Consolidated total assets			975,963,165
Segment liabilities	380,532,136	940,755	381,472,891
Unallocated corporate liabilities	-	-	138,951,630
Consolidated total liabilities			520,424,521
	2007 (Rupees)		
	Operating & finance lease rentals and other income	Operation and Maintenance income	Consolidated
REVENUE	142,751,985	31,751,169	174,503,154
RESULT			
Segment result	39,973,579	10,134,973	50,108,552
Other income	-	-	10,904,425
Modaraba company's management fee	-	-	(3,050,649)
Profit for the year			57,962,328
OTHER INFORMATION			
Capital expenditure	536,500,483	-	536,500,483
Depreciation	31,618,415	-	31,618,415
ASSETS AND LIABILITIES			
Segment assets	618,873,782	5,305,262	624,179,044
Unallocated corporate assets	-	-	82,585,300
Consolidated total assets			706,764,344
Segment liabilities	320,188,198	959,481	321,147,679
Unallocated corporate liabilities			27,654,337
Consolidated total liabilities			348,802,016



33.1 The above mentioned segments do not necessarily match with the organizational structure of the Modaraba.

34. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company has approved dividend at the rate of Rs. 2.00 per certificate (2007: Rs. 1 per certificate) for the year ended 30 June 2008, resulting in a total distribution of profit amounting to Rs. 60 million (2007: Rs. 30 million), in its meeting held on September 02, 2008, which is more than 90% of the net profit for the year ended 30 June 2008, after appropriation to the statutory (mandatory) reserve as required under Modaraba Regulations. These financial statements do not reflect this proposed issue of dividend in compliance with Circular No. 6/2006 dated 19 June 2006 of Institute of Chartered Accountant of Pakistan.

35. GENERAL

35.1 Date of authorization for issue

These financial statements were authorized for issue by the Board of Directors of the Management Company in its meeting held on September 02, 2008.

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

Murtaza Ahmed Ali
Chief Executive

Khwaja Asif Rahman
Chairman

Shams Ghani
Director

