

Allied Rental Modaraba **ANNUAL REPORT** *2011*



ALLIED  **THE
Rental
STORE**



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OUR VISION

To be the market leader through
Innovative and Reliable
Equipment Rental Solution 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.



Core Values

BUSINESS ETHICS

HUMAN RELATIONSHIP

BUSINESS PRACTICES

SOCIAL RESPONSIBILITY

LIVING BY THE CODE

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.

INTERNATIONAL RENTAL INDUSTRY OUTLOOK

By Raghiv Waqas – Territory Sales Manager

The global rental results were almost dull last year as revealed by IRN100 survey covering the 2010 /11 financial year. Total top 100 company revenues were € 23.49 billion last year, up just 1.2% on 2009. The North America and Europe, who make up almost 80% of the top 100 witnessed almost flat growth last year. The top place this year is taken by Rental Power Gigantic Aggreko, which managed to continue its growth largely because of its success in the international power projects market. It took over the number one



position from United Rentals, which dropped to second position. In terms of rental revenues generated only in Europe, Loxam again topped the list with sales of €703 million, followed by Ramirent (€ 503 million) and Cramo (€ 492 million). The fastest growing company last year was Mills Rental of Brazil (revenues up 32%), followed by Aggreko (+23%) and Australia’s Coates Hire (+21%). Another Brazilian company, Solaris, also made the top ten growth league with a 20% increase in its Brazilian and Argentinean rental businesses. Scores of forecasting companies are now sensing omen for better days for the economy in general and for the construction & event industry in particular, which could be a big boost for equipment rental companies in 2011. Just like other industries, the global market for medium to small equipment rental has already started showing signs of recovery compared to last year.

A majority of rental store owners and managers in the United States & Canada are seeing positive results so far in 2011. Rental demand is greatly accelerated versus the retail demand that is sold directly to the end users. The downgrade of the U.S. credit rating by S&P itself is unlikely to affect the rental equipment market immediately. Rather, it adds to economic uncertainty and becomes catalyst to boost rental fortunes in the near term. The longer term worry would be the potential impact on state and municipal bonding that could affect infrastructure projects and on federal budget cuts that could limit new construction work.



Europe’s rental industry is currently in the state of flux and being laggard it will eventually reach the same degree of penetration as the UK, the world’s most mature rental industry. Many construction companies have experienced sharp declines in revenues as their workloads have fallen dramatically and the rental market is witnessing hire budget dipping even more steeply. This is indicative not only of the mounting pressure on rental rates but also of the shortening of rental periods. Aggreko in Europe has been top of the list for rental power revenues, followed by Ashtead Group, Speedy Hire, Lavendon and HSS Hire.





On the other hand, iconic images of the Dubai construction boom are also dwindling away due to its financial bleeding. The slump in Dubai made major focus of rental companies shifted to Abu Dhabi and companies are now moving their equipments fast to either Abu Dhabi or Saudi Arabia as both have comparatively strong oil and gas and construction sectors and events are growing there as well. The government also lately made some big investments that attracted a lot of investors and events. This made a lot of western companies like Nixon Hire, GAM, Hertz, Speedy Hire and Streif Baulogistik knocking on Middle East doors and spot the opportunities while some one like Aggreko, has already been there for ages. Saudi Arab market is growing phenomenally and witnessing a bonanza in construction. This market has got all what it takes to be a traditional market. It has inherent demands – a big population, infrastructure needs, and manufacturing industries. There are also two mega projects Manifa Oilfield Redevelopment and Jubail Export Refinery projects coming up that will require investment of over US\$20 billion. Seeing phenomenal prospects in the region, Caterpillar dealer Zahid Tractor expects to grow from its current fleet of \$ 0.5 billion to \$1 billion in a couple of years. Very recently, Dubai-based Rental Solutions & Services (RSS) has also installed 80 MVA of rental power for two power utility companies in Oman, its first power project in the country to support Oman’s power grid during the summer period when demand is high.

In today’s fast changing global political o economic scenario, the reasons for contractors and construction companies to rent equipment vs. purchasing also became magnified. “What rental offers contractors and construction companies is a cost-effective alternative to owning equipment because equipment becomes a fixed cost without the accompanying overhead of ownership such as maintenance, repair and storage. The rental company handles and pays for the warranty, maintenance and upkeep of the equipment,” articulates Mr. Christine Wehrman, CEO of the American Rental Association.





WE ARE THERE
Whenever and Wherever
YOU NEED US..

Dependable
Reliable Equipment Rental Solutions



- Gas & Diesel Generators on Rent (100-2450 kVA)
- Powerhouse O&M Contracts
- Construction Equipment Rental
- Cement Quarry Operations
- Forklifts Rental
- Mobile Lighting Towers
- Crane Mounted Trucks

ALLIED RENTAL MODARABA
Managed By: Allied Engineering Management Company (Pvt) Ltd
KARACHI LAHORE ISLAMABAD
UAN: 111-250-250
email: rental@aesl.com.pk
website: www.arm.com.pk

ALLIED  **THE Rental STORE**



MANAGEMENT ASSOCIATION OF PAKISTAN

CORPORATE EXCELLENCE AWARD





MODARABA ASSOCIATION OF PAKISTAN

BEST PERFORMANCE AWARD





Syed Feisal Ali (Director-Allied Rental Modaraba) receiving Corporate Excellence Award from Dr. Ishrat Hussain



Mr. Murtaza Ahmed Ali (CEO-Allied Rental Modaraba) receiving Performance Award from Mr. M. Khalid Ali (CEO-Security Leasing Corporation Limited)

Modaraba Information

Directors of Modaraba	Mr. Khawaja Asif Rehman Chairman Mr. Murtaza Ahmed Ali Chief Executive Syed Feisal Ali Director Mr. Raees A. Khan Director Mr. Ali Akber Director Mr. Tajdar A. Shah Director Mr. Hassan Shehzad Abidi Director
Chief Financial Officer	Mr. Naveed Shaheen
Company Secretary	Mr. Salman Sabir
Audit Committee	Syed Feisal Ali (Chairman) Mr. Murtaza Ahmed Ali (Member) Mr. Ali Akber (Member) Mr. Ilyas Asif (Internal Auditor & Secretary to Audit Committee)
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants
Bankers & Lending Institutions	Soneri Bank Ltd. BankIslami Pakistan Ltd. National Bank of Pakistan Ltd. Habib Bank Ltd. Faysal Bank Ltd. Pak Kuwait Investment Co. Ltd. Standard Chartered Modaraba First Habib Modaraba
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: 111-250-250
Registrar	Gangjees Registrar Services (Pvt.) Ltd. 516, Clifton Centre, Khayaban-e-Roomi Block-5, Clifton, Karachi Tel: (021) 35375714
Website	www.arm.com.pk

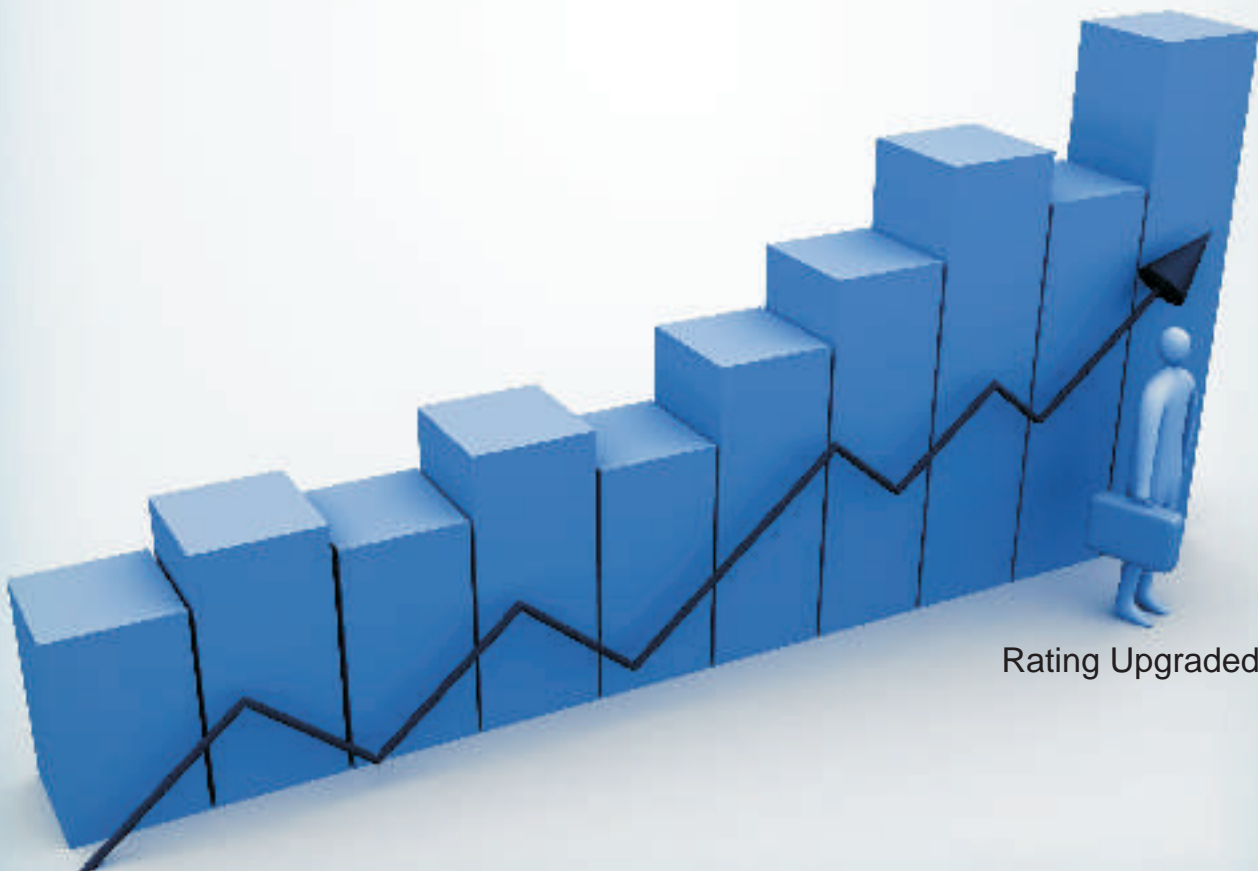
CREDIT RATINGS

A

LONG TERM

A-2

SHORT TERM



Rating Upgraded

Press Release

JCR-VIS Upgrades Ratings of Allied Rental Modaraba

Karachi, March 14, 2011: JCR-VIS Credit Rating Company Ltd. (JCR-VIS) has upgraded the medium to long term entity rating of Allied Rental Modaraba (ARM) to 'A' (Single A) with 'Stable' outlook from 'A-' (Single A Minus). The short term rating has been maintained at 'A-2' (A Two).

The upgrade takes into account the continued growth in operating assets and a commensurate increase in earnings and profits, since inception. The company's low leverage has ensured strong coverage available to creditors with robust cash flows from operations. Excess cash has largely been kept in liquid avenues; while some portion is invested in musharika based short term placements. The strategic nature of ARM's rental fleet has ensured its demand, despite a recessionary environment. Expansion and diversification in rental fleet of ARM has also been positively noted. While the modaraba had experienced some infection in the past, risk is minimized as the rented assets are always deployed with operating staff, which ensures retention of control by the Modaraba over its assets.

Ratings incorporate the patronage of an associated company in terms of its technical assistance and support infrastructure as well as the brand value of Caterpillar (CAT). The Modaraba also gets the advantage of convenient disposal of its used assets. The governance framework can be further strengthened by enhancing the level of independence on the board and formally documenting checks and controls in the client selection process.

Faheem Ahmad
President & CEO

PRODUCT PROFILE



Power Generation Equipment

Allied Rental offers a wide range of Caterpillar power generation equipment to meet the most specific power requirements from all areas of industry for various types of applications. Caterpillar generators have an unrivaled reputation world-wide for quality, strength and reliability, are all produced under ISO 9001 standards and to meet the highest safety standards.

Our Rental fleet comprises of both Gas and Diesel Generators ranging from 100 – 2450 kVA. Our key strength is the ability to offer customized solutions to match each customer's unique requirements. This we effectively accomplish through our highly qualified, trained and motivated human resource and state of the art facilities in Karachi, Lahore and Islamabad.

Powerhouse Operation and Maintenance (O&M)

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 Textiles, Spinning, Pharmaceuticals, Oil & Gas, Petrochemical, Process & Chemical plants, Hotels, Institutes, Hospitals, etc. With its professionally trained technical staff having rich experience in CATERPILLAR Gensets and effective back-to-back support system with AESL, ARM offers total powerhouse management including complete Operation and maintenance for the customer owned equipment.



Construction Machines

The company also operates in Construction Machines rental business. Caterpillar machines are leaders in earth moving applications. This segment also holds promise, especially in view of increased construction activities in the country.

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.

Material Handling Equipment

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 needs. MHE equipment fleet comprises of Forklifts, Reach Trucks, Telehandlers, Skid Steer Loader etc.



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, and Shopping Malls etc. Ease of setup and Mobility is a key feature of our plug and play mobile units. The use of Caterpillar Engine in these lighting towers ensures reliability, performance and enhanced safety in an environment friendly manner.

Cement Quarry Operations

Allied Rental also offers Cement Quarry handling solutions with state of the art Caterpillar Machines. Currently Allied is engaged in a long term contract with a cement plant for handling its Quarry operations. The equipment deployed at Cement plant includes Off-highway Trucks, Wheel Loaders, Dozers and Motor Graders.



Logistics Business

Considering equipment quality issues and huge market potential in local logistics business, ARM has entered into this business segment by introduction of Brand new Crane Mounted Trucks which can handle loads up to 10 tons. Our Crane Trucks are capable of not only lifting the loads, but also the load can be transported to various locations thus providing one window solution for both lifting and transportation jobs.

STAFF ACTIVITIES



Inter Regional Cricket Championship 2010-11



Award Ceremony of Allied Table Tennis Championship

STAFF ACTIVITIES



Allied Family Get Together 2011

KEY FINANCIAL DATA

		2011	2010	2009	2008	2007
Total Assets	Rs. Million	2,111	1,511	1,273	976	707
Current Assets	Rs. Million	228	205	183	223	168
Current Liabilities	Rs. Million	658	317	203	283	182
Paid-up capital	Rs. Million	600	600	600	300	300
Reserves	Rs. Million	703	550	178	90	26
Certificate holders' equity	Rs. Million	1,303	1,150	962	456	358
Gross Profit	Rs. Million	379	338	253	188	85
Net Profit	Rs. Million	288	278	176	128	58
Profit after Tax Ratio	%	28	34	28	28	33
Return on Asset	%	16	20	16	15	16
Return on Equity	%	24	26	25	31	32
Return on Capital employed	%	20	22	17	18	22
Expense Ratio	%	70	66	72	72	73
Current Ratio	times	0.35 : 1	0.65 : 1	0.90 : 1	0.79 : 1	0.92 : 1
Price Earning Ratio	times	3.64	3.24	3.75	5.04	5.96
Earning per certificate - basic and diluted	Rs.	4.80	4.63	3.60	3.37	1.93
Dividend yield Ratio	%	13	12	9	13	9
Dividend Pay out ratio	%	48	49	42	59	52
Cash dividend	%	23	23	15	20	10
Stock dividend	%	25	-	-	-	-
Cash dividend per certificate	Rs.	2.3	2.25	1.50	2.00	1.00
Book value per certificate	Rs.	21.72	19.16	16.03	15.18	11.93
Market value per certificate (at year end)	Rs.	17.5	15	13.50	17	11.50

SUMMARY OF CASH FLOWS

	Rupees in '000				
	2011	2010	2009	2008	2007
Profit for the year	288,294	277,973	176,141	127,576	57,962
Adjustments For Non-Cash And Other Items	236,530	158,515	154,765	132,147	43,879
Decrease / (increase) in operating assets	(582,063)	39,157	(1,429)	(101,500)	(81,811)
Increase / (decrease) in operating liabilities	430,299	55,322	(52,742)	39,884	93,986
Cash generated from operations	(151,764)	94,480	(54,171)	(61,615)	12,175
Financial charges paid	(432)	(872)	(1,547)	(893)	(641)
Cash Flows From Operating Activities	372,628	530,095	275,187	197,214	113,375
Cash Flows From Investing Activities	(241,358)	(366,131)	(490,899)	(193,155)	(561,986)
Cash Flows From Financing Activities	(157,404)	(111,319)	130,636	37,321	527,285
Net Cash increase/ (decrease) during the period	(26,134)	52,645	(85,075)	41,380	78,674
Cash and cash equivalents at beginning of the period	87,624	34,979	120,054	78,674	-
Cash and cash equivalents at end of the period	61,490	87,624	34,979	120,054	78,674

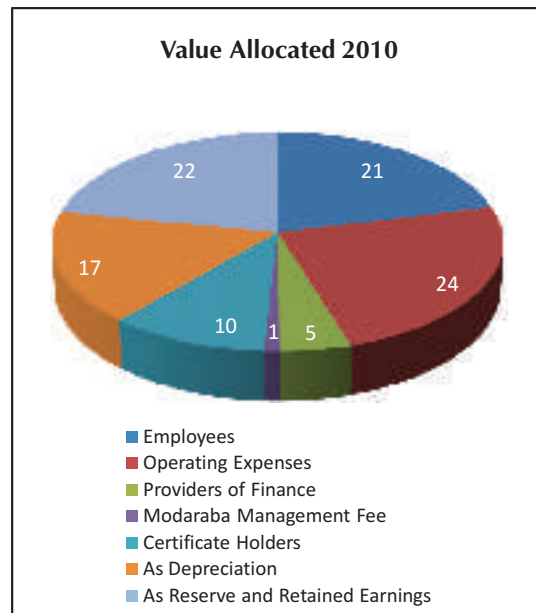
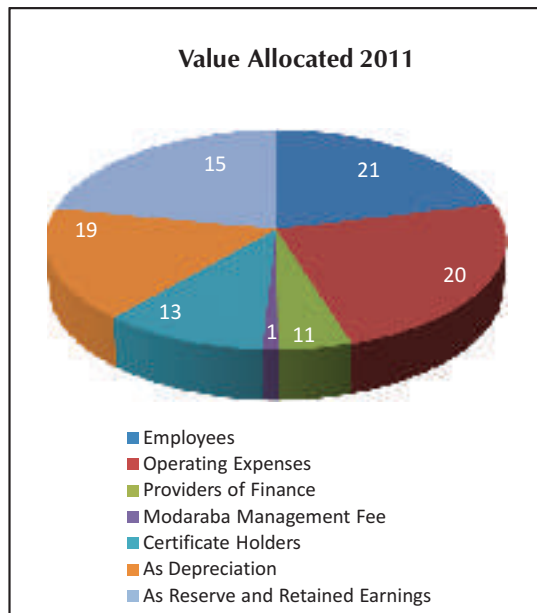


VALUE ADDED STATEMENT

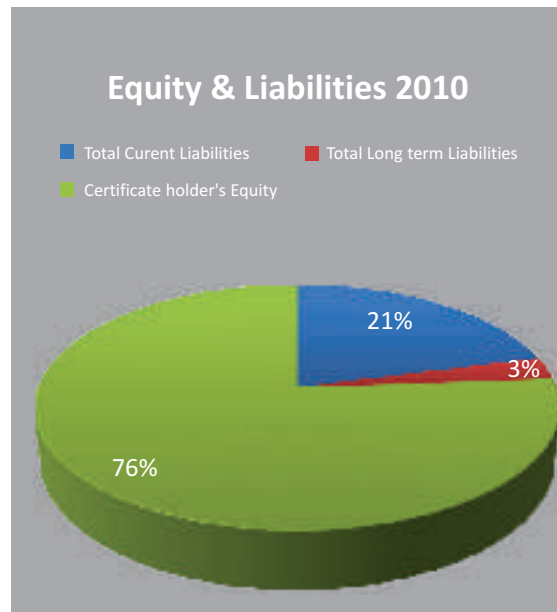
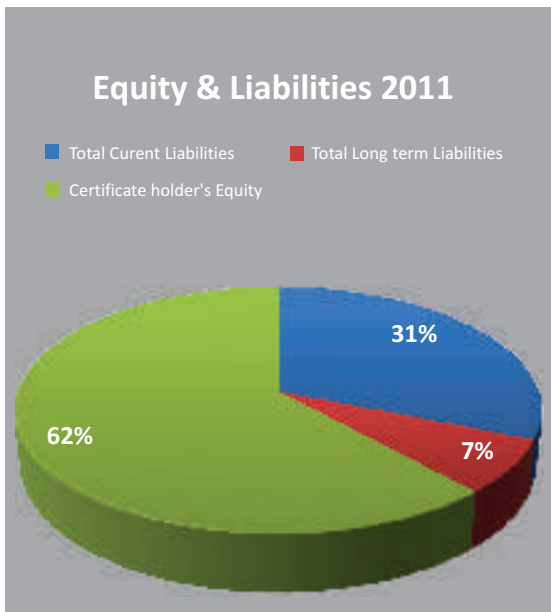
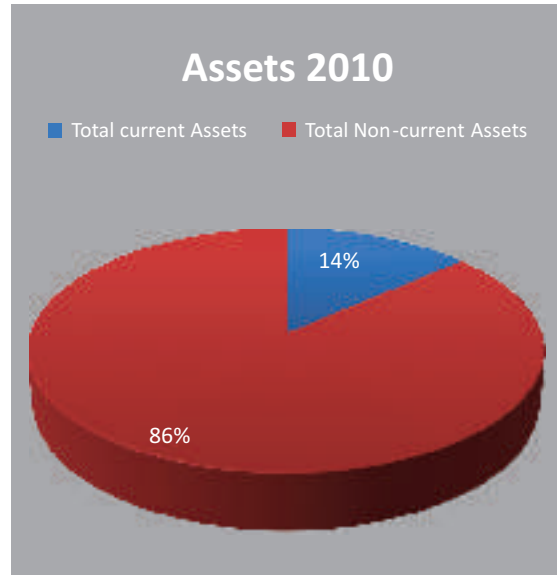
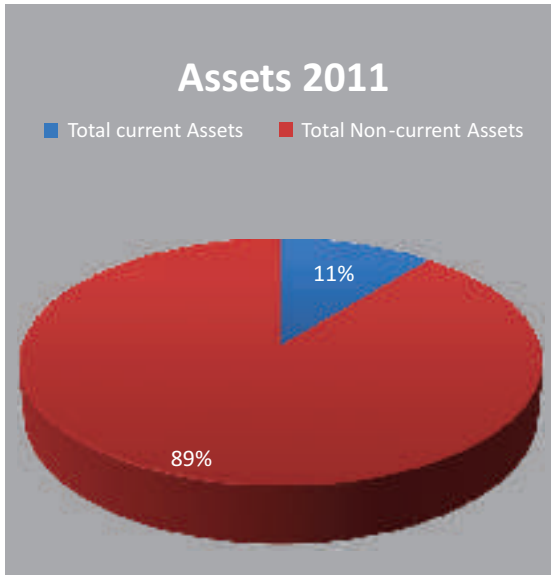
	2011		2010	
	Rs in '000	(%)	Rs. in '000	(%)
VALUE ADDED				
Revenue from Operations	1,020,811	97	813,624	95
Profit on Ijarah finance	12,928	1	15,773	2
Other Income	16,728	2	27,528	3
	1,050,467	100	856,925	100

VALUE ALLOCATED

Employees	224,372	21	181,609	21
Operating expenses	213,806	20	205,230	24
Providers of finance	115,646	11	40,674	5
Modaraba management fee	7,392	1	8,597	1
Certificate holders	135,000	13	90,000	10
Expansion & growth				
As Depreciation	200,957	19	142,842	17
As Reserve and Retained Earnings	153,294	15	187,973	22
	1,050,467	100	856,925	100



BALANCE SHEET COMPOSITION



VERTICAL ANALYSIS

BALANCE SHEET

2011 2010 2009 2008 2007

ASSETS

Current Assets

Bank balances	3%	6%	3%	12%	11%
Trade debts - unsecured, considered good	6%	5%	6%	7%	5%
Equipment held for deployment	0%	0%	0%	0%	6%
Advances, prepayments and other receivable	1%	1%	2%	1%	1%
Spare Parts	1%	0%	0%	0%	0%
Current portion of investment in Ijarah finance	0%	1%	4%	3%	1%
	11%	13%	15%	23%	24%

Non-Current Assets

Investment in Ijarah finance	28%	5%	7%	12%	4%
Long term security deposits	1%	1%	2%	4%	2%
Fixed assets - tangible	60%	81%	77%	61%	70%
	89%	87%	86%	77%	76%
	100%	100%	100%	100%	100%

LIABILITIES AND EQUITY

Current Liabilities

Trade and other payables	25%	9%	6%	8%	10%
Borrowing from an associated company - unsecured	0%	0%	0%	6%	3%
Due to Management Company	0%	1%	0%	0%	1%
Current maturity of Musharakah finance	5%	8%	0%	0%	0%
Current maturity of Ijarah finance	1%	4%	10%	15%	12%
	31%	21%	16%	29%	26%

Long Term and Deferred Liabilities

Deferred liabilities	1%	1%	1%	1%	0%
Long term security deposits	2%	0%	0%	1%	0%
Musharakah finance	5%	0%	0%	0%	1%
Liabilities against assets subject to Ijarah finance	0%	2%	8%	23%	22%
	7%	3%	8%	24%	24%

Equity

Certificate capital	28%	40%	47%	31%	42%
Certificate premium	4%	6%	7%	0%	0%
Statutory (mandatory) reserve	22%	21%	14%	9%	4%
Unappropriated profit	7%	9%	7%	7%	5%
	62%	76%	76%	47%	51%
	100%	100%	100%	100%	100%

PROFIT AND LOSS ACCOUNT

Ijarah rentals	82%	77%	74%	71%	76%
Operation and maintenance income	15%	18%	21%	23%	17%
Profit on Ijarah finance	1%	2%	3%	5%	1%
Other income	2%	3%	3%	1%	6%
Gross Revenue	100%	100%	100%	100%	100%
Operating expenses	62%	57%	58%	58%	48%
Administrative and distribution expenses	6%	6%	8%	7%	13%
Finance Cost	3%	2%	7%	7%	6%
Workers' Welfare Fund	1%	1%	0%	0%	0%
Total Expenses	72%	67%	73%	72%	67%
Modaraba management fee	1%	1%	0%	0%	2%
Profit Margin	27%	32%	27%	28%	31%

HORIZONTAL ANALYSIS

BALANCE SHEET

2011 2010 2009 2008

ASSETS

Current Assets

Bank balances	-30%	151%	-71%	53%
Trade debts - unsecured, considered good	66%	2%	10%	96%
Advances, prepayments and other receivable	-17%	-5%	242%	71%
Spare Parts	100%	0%	0%	0%
Current portion of investment in Ijarah finance	-62%	-66%	84%	199%

Non-Current Assets

Investment in Ijarah finance	757%	-17%	-30%	319%
Long term security deposits	8%	-35%	-29%	134%
Fixed assets - tangible	4%	24%	64%	21%

LIABILITIES AND EQUITY

Current Liabilities

Trade and other payables	308%	57%	8%	12%
Borrowing from an associated company - unsecured	0%	0%	-100%	187%
Due to Management Company	-16%	4110%	-88%	-77%
Current maturity of Musharakah finance	-16%	100%	0%	0%
Current maturity of Ijarah Finance	-54%	-46%	-18%	69%

Long Term and Deferred Liabilities

Deferred liabilities	23%	81%	26%	1350%
Long term security deposits	100%	-100%	-82%	382%
Musharakah finance	100%	0%	0%	-100%
Liabilities against assets subject to Ijarah finance	-100%	-69%	-56%	45%

Equity

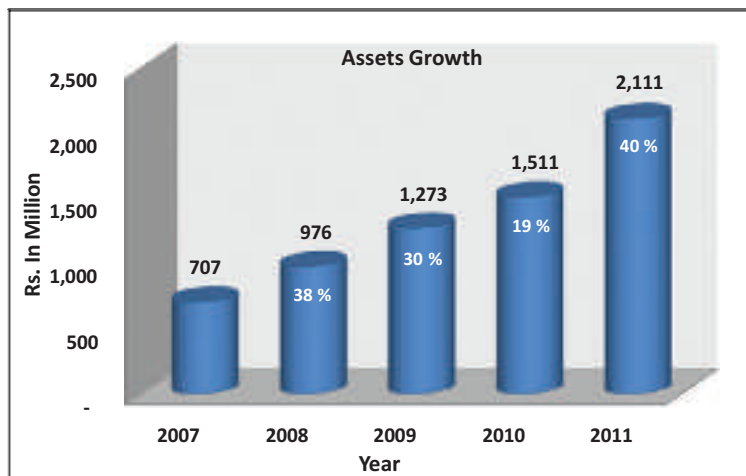
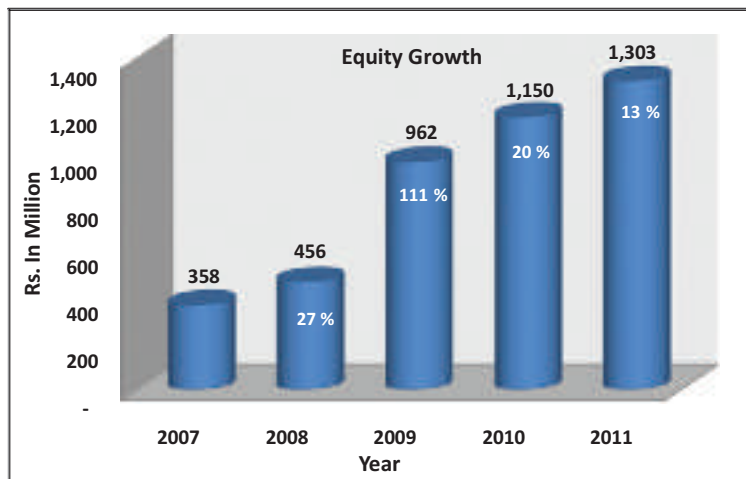
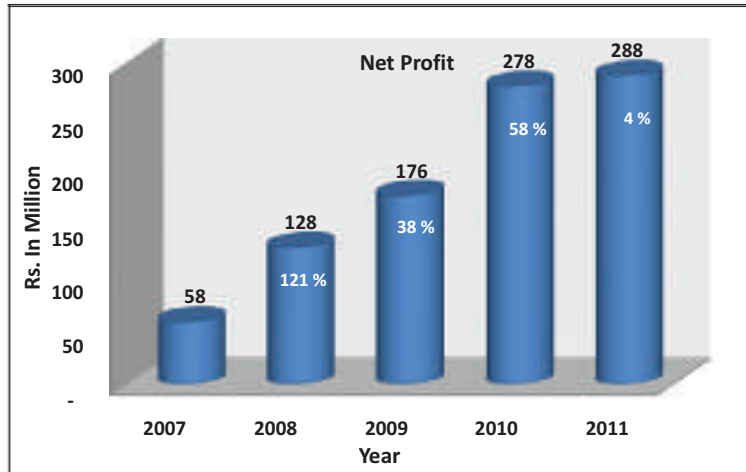
Certificate capital	0%	0%	100%	0%
Certificate premium	0%	0%	100%	0%
Statutory (mandatory) reserve	45%	78%	98%	245%
Unappropriated profit	6%	52%	43%	106%

PROFIT AND LOSS ACCOUNT

Ijarah rentals	30%	38%	47%	131%
Operation and maintenance income	5%	12%	25%	238%
Profit on Ijarah finance	-18%	-19%	-21%	1158%
Other income	-39%	65%	304%	-62%
Gross Revenue	23%	32%	41%	149%

Operating expenses	33%	29%	41%	201%
Administrative and distribution expenses	21%	-2%	59%	31%
Finance Cost	65%	-52%	32%	212%
Workers' Welfare Fund	-36%	100%	0%	0%
Total Expenses	32%	20%	42%	169%
Modaraba management fee	-14%	100%	0%	-100%
Profit Margin	4%	58%	38%	120%

FINANCIAL SUMMARY AT A GLANCE



NOTICE OF ANNUAL REVIEW MEETING

Notice is hereby given that the 5th Annual Review Meeting of the Certificate Holders will be held on Friday October 28, 2011 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, 2011.

The Certificate holders whose name appear on the Register of Certificate holders of Allied Rental Modaraba as on October 20, 2011 will be eligible to attend the Annual Review Meeting.

By order of the Board

Salman Sabir Advocate
Company Secretary

September 16, 2011 Karachi.

Note :

1. The Certificate Transfer Book will remain closed from October 21, 2011 to October 28, 2011 (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 20, 2011 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.

شركة إيجار

Shari'ah Review Report For the year ended 30 June 2011

بسم الله الرحمن الرحيم، والحمد لله رب العالمين، والصلاة والسلام على سيد الأنبياء والمرسلين، و
على آله وأصحابه أجمعين، وبعد

Allied Rental, Modaraba ("ARM") is a Modaraba company that performs its operations under rules of Modaraba as described in Modaraba Ordinance 1980. The ARM uses Islamic mode of Ijarah (Operating Lease) in its operations. Its main area of business is providence of power generation units and earth moving machines or O&M (Soft of portfolio). ARM is engaged in business of Operation and Maintenance wherein it provides operation and maintenance services of the equipments owned by the customers (73% of the portfolio). Some contracts of Ijarah - sale to lease (Ijarah Fianana) also exist which are entered by ARM but these are very few (1% of portfolio).

Shari'ah Review:

Modaraba companies are bound to use Modaraba agreements approved by Religious Board of Modarabas and ARM uses standard agreements for Ijarah which has been approved by Religious Board of Modarabas. These standard agreements are used for Rental and O&M contracts. Both types of contract fall within the ambit of Ijarah. I have reviewed some agreements and found them Shari'ah compliant up to my best of knowledge and these agreements meets all the requirements set down by Accounting and Auditing Organization for Islamic Finance Institutions ("AAOIFI").

ARM maintains its account with Islamic and conventional banks both. During review it has been observed that a savings account is maintained with a conventional bank for administrative reasons, however the interest received on this account has been given to charity. ARM has a supply agreement with its supplier Allied Engineering & Services (Private) Ltd. Some observations have also been found in this agreement.

During this review I felt there is a need for equipping the internal audit with basic Shari'ah knowledge so that they may be trained for audit from Shari'ah perspective as well.

Based on the above finding, I report:

- The standard agreement for each class of ARM operations has been reviewed;
- In my opinion, the operations of ARM have been generally carried out in accordance with rules and principles of Shari'ah;
- In my opinion, the funds of ARM are kept in Shari'ah compliant manner largely;
- The return on PLS conventional account has been given to charity to avoid in non-Shari'ah interest income.

Recommendations:

On the basis of observations made during Shari'ah review of operations and agreements and verbal opinion of the relevant staff, I recommend the following:

- The saving account with a conventional bank should be closed on immediate basis or convert it to current account or Islamic profit account through same window of that bank if any;
- To avoid late payments in Operating Ijarah Rentals, expiry of rental on a next month's rental can be adopted to avoid any loss;
- For assurance of Shari'ah compliance, internal audit department should be trained through CQO S with a training program and a mechanism should be developed in discussion with management and Shari'ah adviser for monitoring Shari'ah aspects in internal audit function.

May Allah keep us on the right way and help us do what pleases Him, Ameen!

و بسم الله على مننا محمد وبارك وسلم



Hakeem Ahmed Aijaz
Shari'ah Adviser

DIRECTORS' REPORT

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, 2011.

Financial Highlights

	Rs in '000
Sales Revenue	1,033,739
Profit for the year	288,294
Un-appropriated profit brought forward	7,724
Available for Appropriation	296,018
Transfer to Statutory Reserve @ 50% of profit for the year	144,147
Cash dividend @ 23% (Rs. 2.3 per certificate)	138,000
Bonus Certificates @ 25% (one certificate per every four certificates held)	150,000
Un-appropriated profit carried forward	13,871
Net profit margin	28%
Return on equity	24%
Earning per certificate	Rs. 4.80
Break-up value per Certificate	Rs. 21.72

Business Review

The Management is pleased to report that your Modaraba touched new heights of growth and achieved sales revenue of over Rs. ONE BILLION, compared to Rs 829 million of corresponding period last year, increase of 25%, consistent double digit growth recorded since its floatation in 2007. The overall asset size of the Modaraba also touched a new peak of Rs 2.1 Billion, three times the size of Rs 707 million in June 2007. The NET WORTH of the Modaraba now stands at Rs 1.3 Billion compared to Rs 358 million in June 2007. The Breakup Value of the Modaraba certificate now stands at Rs 21.72. This growth in the NET WORTH of the Modaraba was made possible by reinvesting the profits in the business by retaining maximum profits for expansion and growth of Rental Assets, despite consistent double digit dividend payments since its floatation.

The profit also jumped to Rs. 288 million as against Rs. 278 million earned during last year. The profit remained depressed, despite 25% growth in sales, due to Rs 81 million charges of Ijarah rentals charged to Profit and Loss Account under IFAS -2. The depreciation charge also went up from Rs 142 million in previous year to Rs 200 million in the current year. The charge for Staff costs went up by 25% in line with growth of Rental business; however due to strong monitoring and control staff costs remained under control despite inflationary pressures. The financial charges also registered an increase of 67% from Rs 21 million in the previous years to Rs 35 million in the current year.

The Ijarah Rental sales remained below expectations for the Gas Engine Rentals due to non availability of Gas, especially in the northern part of the country. Compared to total Gas shutdown of 27 days recorded at various Captive Power Plants in 2009-10, the current year total Gas shutdown recorded was 125 days, with one particular site closed for 193 days. The Government needs to



address the availability of Gas to Captive Power Plants, mostly in the textile business to ensure that they remain competitive in the international market and generate export revenue for the country. The Government also needs to study the high value added sectors for the consumption of Gas so that this precious resource of the country is used in optimum manner in the high value added sector of the economy.

During the year, the Modaraba was able to get Suppliers Credit of Rs 375 Million for the purchase of NEW GAS ENGINES from its sponsor, M/s Allied Engineering and Services Limited for the expansion of its Rental Asset portfolio.

The Modaraba has also diversified its portfolio and is now looking at various other Rental products. In this connection, it has entered into a long term Forklift Rental Contract with Packages Limited and inducted Lighting towers and Cranes in its Rental product portfolio.



Dividend

The Board is pleased to announce a cash dividend of 23% i.e. Rs. 2.3/- per Certificate. The management is also pleased to announce bonus certificate issue of 25% i.e. one share for every four certificates (1:4) held.

Credit Rating

The Management of the Modaraba is pleased to inform that JCR-VIS Credit Rating Company Limited has improved the long term credit rating of Modaraba. The long term credit rating of the Modaraba now stands at "A" (Single A) while short term credit rating of Modaraba is maintained at "A-2" (Single A minus two) with Outlook of the rating is Stable.

Future Outlook

The Management is continuously investing in the Power Generation Equipment to retain its leadership position in the Power Generation Rental segment. However, the investment in the Gas Generator Rental segment will remain low in the coming years due to serious issues of Gas availability to the Captive Power Plants. For this the Government needs to work on war footing to arrange for alternate sources of Gas availability from other countries.

Due to lack of funding on infrastructure development, growths in the Earth Moving Equipment rental segment will remain depressed in coming years, unless the Government puts its fiscal house in order and allocate funds for the development of roads, dams and other infrastructure development projects.

The Management is exploring new avenues with regard to induction of new product lines in the Rental Fleet and is working with some of its existing customers for the Rental opportunity in the transportation and Logistics market.

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.
- 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, 2011 except for those disclosed in the financial statements.
- The numbers of board meetings held during the year 2010 – 2011 were four. Attendance of each director was as follows;



Mr. Khwaja Asif Rahman	4
Mr. Murtaza Ahmed Ali	4
Syed Feisal Ali	4
Mr. Shams Ghani	2 (Outgoing Director)
Mr. Ali Akbar	4
Mr. Raees Akhtar Khan	1
Mr. Tajdar A.Shah	1
Mr. Hassan Shahzad Abidi	2 (Incoming director)

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

Name	Designation	Purchase	Sale
Mr. Murtaza Ahmed Ali	Chief Executive Officer	101,500	-
Syed Feisal Ali	Director	87,000	-

The Board of Directors

Mr. Shams Ghani who was the Chief Financial Officer and Company Secretary of the Modaraba, resigned from his services as well as resigned from the office of director of the company. Mr. Naveed Shaheen was appointed as the Chief Financial Officer and Mr. Hassan Shehzad Abidi as a director in place of Mr. Shams Ghani. The Board wishes to place on record its appreciation and gratitude to the outgoing director for the valuable services rendered by him.

Our People

Your Modaraba has continued to value its Human Resource as most precious asset of the organization. During the year ended June 30, 2011, the company continued to invest in the professional development of its employees. Various training programmes, seminars and workshops in the areas of management, plant operation and maintenance, information technology, Islamic finance, etc were arranged. Online Caterpillar sales certification arrangements were also made for sales and technical professionals during the year.



Auditors

June 2011 was the fifth year of Messrs KPMG Taseer Hadi and Co. Chartered Accountants as statutory auditors of the Modaraba. In compliance with the Code of Corporate Governance and on the recommendation of the Audit Committee, the Board has approved the appointment of Messrs. A. F. Ferguson & Co. Chartered Accountants as auditors for the year ending June 30, 2012, subject to the approval of Registrar of Modaraba.

Acknowledgment

The Board wishes to place on record its sincere gratitude to the Registrar Modaraba, Religious Board, financial institutions and its business partners for their continued support and guidance; and its customers for their continued patronage and business.

On Behalf of the Board

A handwritten signature in black ink, appearing to read 'Murtaza Ahmed Ali'.

Murtaza Ahmed Ali
Chief Executive

September 12, 2011

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 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 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 Code in the following manner:

1. The Board presently comprises seven directors including six non-executive directors.
2. The directors have confirmed that none of them is serving as director in more than ten listed companies, including this Company.
3. All the 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. A casual vacancy on the Board did occur during the year, and was filled within 30 days of the occurrence thereof.
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 and signed by them.
6. The Board has developed a vision / mission statement, overall corporate strategy and is in process of developing the significant policies and a complete record of the particulars of these significant policies.
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, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman. 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 approved / signed by the directors shortly after the Board meetings.
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 to acquaint them with their duties and responsibilities under the relevant laws.
10. The appointment, remuneration and the terms and conditions of the employment of Chief Financial Officer, Company Secretary and Internal Auditor 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 meetings 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. The terms of reference of the committee have been formed and advised to the committee for compliance.
17. The Board has set-up an effective internal audit function who are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba and are involved in the internal audit function on a full time basis.
18. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by 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. The related party transactions have been placed before the Audit Committee and approved by the Board of Directors with necessary justification for non arm's length transactions if any, and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
21. 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 9, 2011

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 (Modaraba Management Company) in respect of Allied Rental Modaraba to comply with the Listing Regulations of Karachi Stock Exchange, where the Company is listed.

The responsibility for compliance with the Code of Corporate Governance 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 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 are not required to consider whether the Board'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 risk.

Further, sub-regulation (xiii a) of Listing Regulations No. 35 (previously Regulation No. 37) notified by The Karachi Stock Exchange (Guarantee) Limited vide circular KSE/N-269 dated 19 January 2009 requires the Modaraba Management Company to place before the Board of Directors for their consideration and approval of related party transactions distinguishing between transactions carried out on terms equivalent to those that prevailed in arm's length transactions and transaction which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length 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's compliance, in all material respect, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended 30 June 2011.

Dated: 21 September 2011

Karachi



**KPMG Taseer Hadi & Co.
Chartered Accountants**

Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of Allied Rental Modaraba as at 30 June 2011 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 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 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 (Floatation and Control) Ordinance, 1980 (XXXI of 1980), and the Modaraba Companies and Modaraba Rules, 1981;
- b) in our opinion:
 - i) the balance sheet and profit and loss account together with the notes thereon have been drawn up in conformity with the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, and are in agreement with the books of 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
 - 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 the 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 30 June 2011 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.

Dated: 21 September 2011
Karachi



KPMG Taseer Hadi & Co.
Chartered Accountants
Ameen Pirani

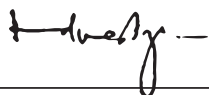
Balance Sheet

As at 30 June 2011

	Note	2011	2010
(Rupees)			
ASSETS			
Current Assets			
Cash and bank balances	4	61,489,976	87,624,137
Trade debts - unsecured, considered good	5	130,532,646	78,744,538
Advances, deposits and other receivables	6	18,146,069	21,807,837
Spare parts		12,063,676	-
Current portion of net investment in Ijarah finance / assets under Ijarah arrangements	7	6,227,523	16,423,270
Total current assets		228,459,890	204,599,782
Non-current assets			
Net investment in Ijarah finance / assets under Ijarah arrangements	7	597,408,495	69,678,325
Long term security deposits	8	18,204,957	16,893,843
Fixed assets - tangible	9	1,266,721,956	1,219,699,585
Total non-current assets		1,882,335,408	1,306,271,753
Total assets		2,110,795,298	1,510,871,535
LIABILITIES			
Current Liabilities			
Creditors, accrued and other liabilities	10	524,988,793	128,598,742
Payable to the Management Company	11	7,302,054	8,668,096
Current Maturity of Musharakah finance	12	95,359,870	113,331,152
Current maturity of Ijarah finance	13	30,419,030	66,035,916
Total current liabilities		658,069,747	316,633,906
Long term and deferred liabilities			
Deferred liabilities	14	12,878,677	9,909,326
Other long-term employee benefits	15	4,579,632	4,332,865
Security Deposits	16	35,275,000	-
Musharakah finance	12	97,046,306	-
Liabilities against assets subject to Ijarah finance	17	-	30,343,016
Total long term and deferred liabilities		149,779,615	44,585,207
Total liabilities		807,849,362	361,219,113
NET ASSETS		1,302,945,936	1,149,652,422
FINANCED BY			
CAPITAL AND RESERVES			
Authorised Certificate capital		750,000,000	750,000,000
75,000,000 Modaraba certificates of Rs.10 each			
Issued, subscribed and paid up	18	600,000,000	600,000,000
Premium on issue of right certificates		90,000,000	90,000,000
Statutory (mandatory) reserve	19	461,074,852	316,928,095
Unappropriated profit		151,871,084	142,724,327
		1,302,945,936	1,149,652,422

The annexed notes 1 to 32 form an integral part of these financial statements.

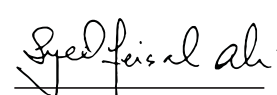
For Allied Engineering Management Company (Private) Limited
(Management Company)



Murtaza Ahmed Ali
Chief Executive



Khwaja Asif Rahman
Chairman



Syed Feisal Ali
Director

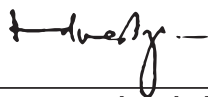
Profit and Loss Account

For the year ended 30 June 2011

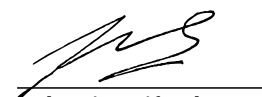
	Note	2011	2010
		(Rupees)	
Ijarah rentals		862,313,326	663,185,391
Operation and maintenance income		158,497,571	150,439,143
Profit on Ijarah finance		12,928,396	15,772,555
		1,033,739,293	829,397,089
Operating expenses	20	(654,912,296)	(491,197,095)
Gross profit		378,826,997	338,199,994
Administrative and distribution expenses	21	(59,463,145)	(49,197,884)
Finance cost	22	(34,639,881)	(20,947,024)
Workers' welfare fund	23	(5,765,870)	(9,013,201)
Other income	24	16,727,554	27,528,387
		295,685,655	286,570,272
Modaraba management fee	11	(7,392,141)	(8,597,108)
Profit for the year		288,293,514	277,973,164
Earnings per certificate - basic & diluted	26	4.80	4.63

The annexed notes 1 to 32 form an integral part of these financial statements.

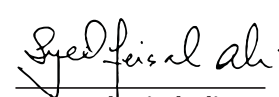
For Allied Engineering Management Company (Private) Limited
(Management Company)



Murtaza Ahmed Ali
Chief Executive



Khwaja Asif Rahman
Chairman



Syed Feisal Ali
Director

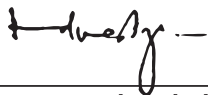
Statement of Comprehensive Income

For the year ended 30 June 2011

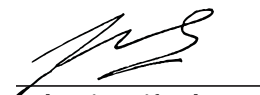
	2011	2010
	(Rupees)	
Profit for the year	288,293,514	277,973,164
Other comprehensive income	-	-
Total comprehensive income for the year	<u>288,293,514</u>	<u>277,973,164</u>

The annexed notes 1 to 32 form an integral part of these financial statements.

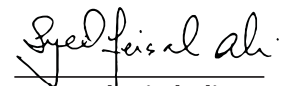
For Allied Engineering Management Company (Private) Limited
(Management Company)



Murtaza Ahmed Ali
Chief Executive



Khwaja Asif Rahman
Chairman



Syed Feisal Ali
Director

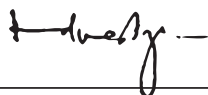
Cash Flow Statement

For the year ended 30 June 2011

	2011	2010
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	288,293,514	277,973,164
<i>Adjustments for non-cash and other items:</i>		
Depreciation	200,957,039	142,841,577
Impairment of investment in Ijarah finance	-	4,370,006
Provision against impaired debts	4,338,208	-
Provision for deferred liabilities	2,969,351	2,050,525
Provision for compensated absences	246,767	4,332,865
Finance cost	34,639,881	20,947,024
Profit on disposal of fixed assets	(6,621,542)	(16,027,488)
	524,823,218	436,487,673
<i>(Increase) / decrease in operating assets</i>		
Trade debts	(56,126,316)	(1,529,489)
Investment in Ijarah finance / assets under Ijarah arrangements	(517,534,423)	39,643,771
Spare parts	(12,063,676)	-
Advances, prepayments and other receivables	3,661,768	1,043,189
	(582,062,647)	39,157,471
<i>Increase / (decrease) in operating liabilities</i>		
Trade and other payables	396,390,051	46,823,256
Payable to Management Company	(1,366,042)	8,462,192
	395,024,009	55,285,448
Cash generated from operations	337,784,580	530,930,592
Financial charges paid	(431,647)	(871,934)
Net cash flows from operating activities	337,352,933	530,058,658
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(280,923,074)	(478,227,283)
Proceed from disposal of fixed assets	39,565,205	112,095,995
Net cash flows from investing activities	(241,357,869)	(366,131,288)
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit Distribution	(135,000,000)	(89,963,400)
Musharakah financing availed	169,085,750	113,331,152
Diminishing Musharakah Rental Paid	(117,472,367)	-
Long Term Deposits	35,275,000	-
Lease rentals paid	(74,017,608)	(134,649,701)
Net cash flows from financing activities	(122,129,225)	(111,281,949)
Net cash increase / (decrease) during the year	(26,134,161)	52,645,421
Cash and cash equivalents at beginning of the year	87,624,137	34,978,716
Cash and cash equivalents at end of the year	61,489,976	87,624,137

The annexed notes 1 to 32 form an integral part of these financial statements.

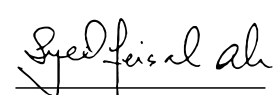
For Allied Engineering Management Company (Private) Limited
(Management Company)



Murtaza Ahmed Ali
Chief Executive



Khwaja Asif Rahman
Chairman



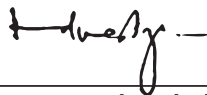
Syed Feisal Ali
Director

Statement of Changes in Equity For the year ended 30 June 2011

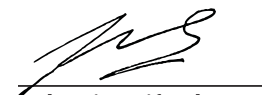
	Paid up certificate capital	Premium on right certificates	Statutory (mandatory) reserve	Unappropriated profit	Total
	----- (Rupees) -----				
Balance as on 1 July 2009	600,000,000	90,000,000	177,941,513	93,737,745	961,679,258
Changes in equity for the year ended 30 June 2010					
Total comprehensive income for the year ended 30 June 2010 - profit for the year	-	-	-	277,973,164	277,973,164
Transactions with owners recognised directly in equity					
Profit distribution for the year ended 30 June 2009 @ Rs. 2 per certificate	-	-	-	(90,000,000)	(90,000,000)
Transfer to statutory (mandatory) reserve	-	-	138,986,582	(138,986,582)	-
Balance as at 30 June 2010	600,000,000	90,000,000	316,928,095	142,724,327	1,149,652,422
Changes in equity for the year ended 30 June 2011					
Total comprehensive income for the year ended 30 June 2011 - profit for the year	-	-	-	288,293,514	288,293,514
Transactions with owners recognised directly in equity					
Profit distribution for the year ended 30 June 2010 @ Rs. 2.25 per certificate	-	-	-	(135,000,000)	(135,000,000)
Transfer to statutory (mandatory) reserve	-	-	144,146,757	(144,146,757)	-
Balance as at 30 June 2011	600,000,000	90,000,000	461,074,852	151,871,084	1,302,945,936

The annexed notes 1 to 32 form an integral part of these financial statements.

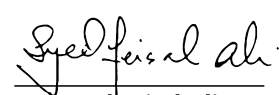
For Allied Engineering Management Company (Private) Limited
(Management Company)



Murtaza Ahmed Ali
Chief Executive



Khwaja Asif Rahman
Chairman



Syed Feisal Ali
Director

Notes to the Financial Statements

For the year ended 30 June 2011

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 (Floatation 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 & Services (Private) 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 (Floatation and Control) Ordinance, 1980.

The Modaraba is a perpetual Modaraba and is engaged in Ijarah (leasing under operating and finance lease arrangements) and operation & maintenance of Caterpillar and other equipments (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 finance lease (note 7) and the related lease liabilities. These were taken over under a prospectus floated by the Modaraba and approved by the SECP.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

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 the International Accounting Standards Board and Islamic Financial Accounting Standards issued by the Institute of Chartered Accountants of Pakistan as notified under the Companies Ordinance, 1984, provisions of and directives issued under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 and Modaraba Companies and Modaraba Rules, 1981 and Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980, Modaraba Companies and Modaraba Rules, 1981 and Companies Ordinance, 1984 shall prevail.

2.2 Basis of measurement

These financial statements have been prepared under historical cost convention.

2.3 Functional and presentation currency

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

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

The following standards, interpretations and amendments of approved accounting standards are effective for accounting periods beginning from the dates specified below:

Notes to the Financial Statements

For the year ended 30 June 2011

- IAS 24 Related Party Disclosures (revised 2009) – (effective for annual periods beginning on or after 1 January 2011). The amendment would result in certain changes in disclosures.
- Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures (effective for annual periods beginning on or after 1 January 2011). This would result in certain changes in disclosures.
- Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements (effective for annual periods beginning on or after 1 January 2011). This would result in certain changes in disclosures.

Apart from above certain other standards, amendments to published standards and interpretations of accounting standards became effective for accounting periods beginning on or after 1 January 2011, however, they do not affect the Modaraba's financial statements.

2.5 Use of 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 accounting 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.

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.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements is as follows:

Operating fixed assets and assets under Ijarah arrangements

The Modaraba's management determines the useful lives and related depreciation charge and the residual values of its operating fixed assets and assets 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 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, trade debts and other receivables

The Modaraba reviews its loan portfolio of lease (Ijarah finance), trade debts and other receivables on each reporting date to assess the amount of non-performing portfolio / balances and provision

Notes to the Financial Statements

For the year ended 30 June 2011

required there against on a regular basis. A change of circumstances may require the Modaraba to recognize a provision for impairment against these balances which may then be recognised in the period in which these circumstances have changed.

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.

Spare Parts

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

3. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies have been set out below:

- 3.1** Net Investment in Ijarah Finance / Assets leased under Ijarah arrangements Ijarah agreements commencing upto 30 June 2008 are accounted for as finance lease and are included in the financial statements as "Net investment in Ijarah finance" at an amount equal to the present value of the lease payments, including estimated residual value (in accordance with the requirements of International Accounting Standard 17 "Leases").

Assets under Ijarah commencing on or after 1 July 2008 are accounted for under Islamic Financial Accounting Standard 2- Ijarah. These assets are stated at cost less accumulated depreciation and impairment losses, if any. Depreciation is charged on these assets using straight line method over the period of the lease. Gains and losses on disposals are determined by comparing proceeds with the carrying amount of the corresponding assets. These assets are included in the above category of assets.

Allowance for non-performing leases is made in accordance with Prudential Regulations for Modarabas issued by the Securities and Exchange Commission of Pakistan (SECP) and is charged to the profit and loss account currently.

3.2 Fixed assets

3.2.1 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 these 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.

Subsequent costs are included in the asset's carrying value or recognised as separate asset, as appropriate, only when it is probable that the future economic benefits associated with the items will flow to the Modaraba and the cost of the items can be measured reliably. Repairs and

Notes to the Financial Statements

For the year ended 30 June 2011

maintenance is charged to the profit and loss account as and when incurred. Renewals and improvements are capitalised and the asset so replaced, if any, are retired. Gain or loss on disposal of assets, if any, is taken to the profit and loss account currently.

3.2.2 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.

Change in accounting estimate

During the year, the Modaraba revised its estimate of the residual values of generators as required by International Accounting Standard 16 "Property, Plant and Equipment". This revision has been accounted for as a change 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 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 30 June 2011 would have been lower by Rs.14.007 million.

3.2.3 Capital work-in-progress

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

3.3 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.

3.4 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. Provision against these balances are made in accordance with the requirements of Prudential Regulations.

3.5 Staff retirement benefits

3.5.1 Staff Gratuity scheme - defined benefit plan

The Modaraba operates an unfunded approved gratuity scheme for all permanent employees who have completed minimum qualifying period of service. Expense for the period 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 at that date. These gains or losses are recognised over the expected average remaining

Notes to the Financial Statements

For the year ended 30 June 2011

working lives of the employees participating in the plan. Past service cost, to the extent benefits are already vested, is recognized immediately and remaining unrecognized past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested.

3.5.2 Staff Provident fund - defined contribution plan

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

3.6 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.

3.7 Revenue recognition

3.7.1 Ijarah income

The Modaraba follows the finance method for recognising income on Ijarah contracts commencing prior to 30 June 2008 and accounted for as finance leases. Under this method the unearned income i.e. the excess of aggregate Ijarah rentals (including residual value) over the cost of the asset under Ijarah facility is deferred and then amortised over the term of the Ijarah, so as to produce a constant rate of return on net investment in the Ijarah.

For Ijarah arrangements commencing on or after 1 July 2008, Ijarah rentals are recognized as income on accrual basis, as and when rentals become due.

Unrealised Ijarah income pertaining to non-performing Ijarah arrangements is held in suspense account, where necessary, in accordance with the requirements of the Prudential Regulations.

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

3.7.3 Operation and maintenance services

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

3.7.4 Income on deposits with banks and other debt securities

This is recognised on a time proportion basis under the effective yield method and is recognized in the profit and loss account.

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

Notes to the Financial Statements

For the year ended 30 June 2011

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 statutory (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 financial statements (refer note 31 to the financial statements regarding the details of dividend distribution).

3.8.2 Deferred

The Modaraba accounts for deferred taxation on all material temporary differences using the liability method. However, deferred tax liability has not been recognised in these financial statements as the management believes that the temporary differences will not reverse in the foreseeable future due to the fact that the Modaraba intends to continue availing the tax exemption.

3.9 Impairment

Financial assets

Impairment / provision against the Ijarah / leasing arrangements is recognised in accordance with the requirements of the Prudential Regulations.

Other financial assets are assessed at each balance sheet date to determine whether there is any objective evidence that it is impaired. These financial assets are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised.

Non-financial assets

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

3.10 Provisions

Provisions are recognised in the balance sheet when the Modaraba has a legal or constructive obligation as a result of a past event, 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. Provisions are reviewed at each balance sheet date and are adjusted to reflect the current best estimates.

3.11 Long term Musharakah financing (borrowings)

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

3.12 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 translations are included in the profit and loss account currently.

Notes to the Financial Statements

For the year ended 30 June 2011

3.13 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.

3.14 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.

3.15 Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at cost. For the purpose of cash flow statements, cash and cash equivalents comprise of cash and bank balances (including deposits of less than three months maturity).

3.16 Profit distribution to the certificate holders

Profit distributions to the certificate holders is recognised as a liability in the period in which the distributions are approved by the Board of Directors of the management company.

3.17 Liabilities against assets acquired under Ijarah finance / assets acquired under Ijarah arrangements

Lease obligations against assets acquired under Ijarah arrangements up to 30 June 2008 are accounted for by recording the asset and corresponding liability there against determined on the basis of discounted value of total minimum lease payment. Financial charges is recognised in the profit and loss account using the effective mark-up method (refer note 3.2.2 also). Ijarah arrangements commencing on or after 1 July 2008 are accounted for under Islamic Financial Accounting Standard 2- Ijarah. Rental payments due under these arrangements are recognised as an expense in the profit and loss account on a straight line basis over the Ijarah (lease) term under the accrual basis.

3.18 Compensated absences

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

3.19 Spare parts

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

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

Notes to the Financial Statements

For the year ended 30 June 2011

4. CASH AND BANK BALANCES	Note	2011	2010
(Rupees)			
Cash in hand		269,601	-
Balances with banks in :			
- current accounts		12,456,513	17,484,313
- profit and loss sharing accounts	4.1	48,763,862	70,139,824
		<u>61,489,976</u>	<u>87,624,137</u>
<p>4.1 These accounts carry profit rates ranging from 5% to 10% per annum (2010 : 5% to 10% per annum).</p>			
<p>5. TRADE DEBTS - unsecured</p>			
Considered good		130,532,646	78,744,538
Considered doubtful		6,515,565	3,737,594
		<u>137,048,211</u>	<u>82,482,132</u>
Provision against impaired debts	5.1	<u>(6,515,565)</u>	<u>(3,737,594)</u>
		<u>130,532,646</u>	<u>78,744,538</u>
<p>This represents the rentals due under Ijarah arrangements and amount due for operation and maintenance services.</p>			
<p>5.1 Provision against impaired debts</p>			
Opening balance		3,737,594	5,937,288
Charge for the year		4,338,208	-
Write-off during the year		(1,560,237)	(2,199,694)
Closing balance		<u>6,515,565</u>	<u>3,737,594</u>
<p>6. ADVANCES, DEPOSITS AND OTHER RECEIVABLES</p>			
Income tax	6.1	5,928,453	3,523,174
Advances (unsecured) :			
- to contractors		624,284	550,055
- to suppliers		1,232,721	640,625
- to employees against salary		355,749	488,969
- against expenses	6.2	130,313	137,500
		<u>8,271,520</u>	<u>5,340,323</u>
Security deposits	6.3	9,846,549	16,445,351
Others		28,000	22,163
		<u>18,146,069</u>	<u>21,807,837</u>

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

6.2 This represents advance given to employees for expenses. The maximum amount outstanding during any month of the current year was Rs. 0.412 million (2010: Rs. 0.303 million).

Notes to the Financial Statements

For the year ended 30 June 2011

- 6.3** This includes security deposits of Rs. 9.66 million (2010: Rs. 16.112 million) paid against Ijarah finance / assets under Ijarah arrangements and are refundable / adjustable on the expiry of Ijarah period (which is within one year - note 8).

The Modaraba has entered into lease agreement with profit @ 17.97% (2010: 3% and 35.71%) per annum. The agreement is for a period of 10 years (2010: 3 to 10 years).

7. IJARAH FINANCE

	Note	2011	2010
(Rupees)			
Ijarah contracts commencing upto 30 June 2008			
- accounted for as finance leases (under IAS 17)	7.1	68,278,327	84,701,595
Ijarah contracts commencing 1 July 2008 - accounted for under IFAS 2	7.2	535,357,691	1,400,000
		603,636,018	86,101,595
Current portion of net investment in Ijarah finance		(6,227,523)	(16,423,270)
		597,408,495	69,678,325

7.1 Investment in Ijarah Finance

	2011				2010			
	Due within one year	Due after one year but within five years	Due after five years but within ten years	Total	Due within one year	Due after one year but within five years	Due after five years but within ten years	Total
(Rupees)								
Minimum lease payments receivable	18,000,000	72,000,000	25,500,000	115,500,000	19,130,000	72,000,000	43,500,000	134,630,000
Residual value of leased assets	-	-	-	-	10,227,101	-	-	10,227,101
Lease contract receivables	18,000,000	72,000,000	25,500,000	115,500,000	29,357,101	72,000,000	43,500,000	144,857,101
Unearned lease income	(11,772,477)	(32,315,608)	(3,133,588)	(47,221,673)	(12,933,831)	(38,798,297)	(8,423,378)	(60,155,506)
Mark-up held in suspense	-	-	-	-	-	-	-	-
	6,227,523	39,684,392	22,366,412	68,278,327	16,423,270	33,201,703	35,076,622	84,701,595

The Modaraba has entered into lease agreement with profit @ 17.97% (2010: 3% and 35.71%) per annum. The agreement is for a period of 10 years (2010: 3 to 10 years).

7.2 Assets under Ijarah arrangements

The following is a statement of assets leased out:

		2011								Life (years)	
		Cost				Accumulated depreciation			Written down		
As at 01 July 2010	Additions / transfer	(Disposal) / transfer	As at 30 June 2011	As at 01 July 2010	For the year	(Disposal) / transfer	As at 30 June 2011	value as at 30 June 2011			
(Rupees)											
Generators	7.2.1	-	460,130,100	-	587,081,764	-	30,457,864	22,666,209	53,124,073	533,957,691	2 to 4
			126,951,664								
Machines		3,000,000	4,200,000	(3,000,000)	4,200,000	1,600,000	3,600,000	(2,400,000)	2,800,000	1,400,000	1.5 to 3
		3,000,000	591,281,764	(3,000,000)	591,281,764	1,600,000	34,057,864	20,266,209	55,924,073	535,357,691	

Notes to the Financial Statements

For the year ended 30 June 2011

	2010								Life (years)	
	Cost				Accumulated depreciation			Written down		
	As at 01 July 2009	Additions / transfer	(Disposal) / transfer	As at 30 June 2010	As at 01 July 2009	For the year	(Disposal) / transfer	As at 30 June 2010		value as at 30 June 2010
	----- (Rupees) -----									
Forklifts	3,000,000	-	-	3,000,000	800,000	800,000	-	1,600,000	1,400,000	3

7.2.1 During the year Modaraba acquired certain generators amounting to Rs. 375 million (2010: Nil) from Allied Engineering and Services (Private) Limited (a related party).

7.2.2 Contractual rentals receivable

	2011				2010			
	Due within one year	Due after one year but within five years	Due after five years but within ten years	Total	Due within one year	Due after one year but within five years	Due after five years but within ten years	Total
	----- (Rupees) -----							
Total future rentals receivable	385,620,000	816,086,667	-	1,201,706,667	1,670,304	-	-	1,670,304

8. LONG TERM SECURITY DEPOSITS

	2011	2010
	(Rupees)	
Security deposits on Ijarah finance / assets under Ijarah arrangements	27,873,656	33,005,944
Repayable / adjustable within one year	(9,668,699)	(16,112,101)
	18,204,957	16,893,843

These include security deposits of Rs. 18.154 million (2010 : Rs. 16.843 million) paid against Ijarah finance /asset under Ijarah arrangement and are refundable / adjustable on the expiry of Ijarah period.

9. FIXED ASSETS -tangible

Fixed assets held under Ijarah arrangements	9.1	1,228,832,527	1,184,199,247
Fixed assets in own use	9.2	35,144,170	20,003,735
Capital work-in-progress	9.5	2,745,259	15,496,603
		1,266,721,956	1,219,699,585

Notes to the Financial Statements
For the year ended 30 June 2011

9.1 Fixed assets held under Ijarah arrangement- at cost less accumulated depreciation

		2011							Life (years)		
		Cost			Depreciation		Written down value as at 30 June 2011				
		As at 01 July 2010	As at 30 June 2011	As at 01 July 2010	For the year	For the period (Disposals) / transfers*		As at 30 June 2011			
		(Rupees)									
	Owned:										
	Generators, forklifts and related parts	9.1.1	1,289,509,890	264,022,178 (126,951,664)*	1,399,477,688	287,499,164	146,830,860	(12,214,934) 301,334* (22,666,209)*	399,750,215	999,727,473	1 to 9
	Machines	9.1.1	88,874,416	76,761,410 25,654,130*	184,643,211	12,238,241	9,052,835	(230,441) 2,153,546*	23,214,181	161,429,030	4 to 7
			1,378,384,306	213,831,924 (8,095,331)	1,584,120,899	299,737,405	155,883,695	(32,656,704)	422,964,396	1,161,156,503	
	Leased:										
	Generators		105,412,030	- (5,928,746)*	96,740,620	23,360,268	6,900,257	(894,595) (301,334)*	29,064,596	67,676,024	3 to 10
	Machines		25,654,130	- (25,654,130)*	-	2,153,546	-	(2,153,546)*	-	-	2 to 5
			131,066,160	(31,582,876)	96,740,620	25,513,814	6,900,257	(3,349,475)	29,064,596	67,676,024	
			1,509,450,466	182,249,048 (10,837,995)	1,680,861,519	325,251,219	162,783,952	(36,006,179)	452,028,992	1,228,832,527	

Notes to the Financial Statements
For the year ended 30 June 2011

	2010										Life (years)	
	Cost					Depreciation						Written down value as at 30 June 2010
	As at 01 July 2009	Additions / (transfers)*	(Disposals) / transfers*	As at 30 June 2010	As at 01 July 2009	For the year	(Disposals) / transfers*	As at 30 June 2010	As at 30 June 2010			
(Rupees)												
Owned:												
Generators, forklifts and related parts	9.1.1	760,595,001	424,060,208	(22,553,629)	1,289,509,890	136,774,304	125,476,265	(9,207,595)	287,499,164	1,002,010,726	1 to 9	
			127,408,310*					34,456,190*				
Machines	9.1.1	124,114,753	31,887,315	(81,796,652)	88,874,416	9,075,821	3,069,909	(3,711,022)	12,238,241	76,636,175	4 to 7	
			14,669,000*					3,803,533*				
		884,709,754	455,947,523	37,727,029	1,378,384,306	145,850,125	128,546,174	25,341,106	299,737,405	1,078,646,901		
Leased:												
Generators		234,997,559	1,190,650	(3,367,869)	105,412,030	48,724,591	9,647,133	(555,266)	23,360,268	82,051,762	3 to 10	
			(127,408,310)*					(34,456,190)*				
Machines		26,686,996	13,636,134	-	25,654,130	5,141,866	815,213	-	2,153,546	23,500,584	2 to 5	
			(14,669,000)*					(3,803,533)*				
		261,684,555	(127,250,526)	(3,367,869)	131,066,160	53,866,457	10,462,346	(38,814,989)	25,513,814	105,552,346		
		1,146,394,309	328,696,997	34,359,160	1,509,450,466	199,716,582	139,008,520	(13,473,883)	325,251,219	1,184,199,247		

9.1.1 During the year, the Modaraba acquired certain equipments and parts amounting to Rs. 33.63 million (2010: Rs. 193.98 million) from Allied Engineering & Services (Private) limited (a related party). Furthermore, additions during the year include assets of Rs. 169.085 million, charge of which is created in favour of banks & modaraba.(note 12).

Notes to the Financial Statements
For the year ended 30 June 2011

		2011										Life (years)	
		Cost					Depreciation						Written down value as at 30 June 2011
		For the period					For the period						
		As at 01 July 2010		As at 30 June 2011		As at 01 July 2010		For the year		Disposals		As at 30 June 2011	
		----- (Rupees) -----											
9.2 Fixed assets in own use	Furniture, fixtures and office equipment	As at 01	2,614,698	1,302,706	-	3,917,404	1,194,262	370,029	-	1,564,291	2,353,113	3 to 8	
		Transfers / (disposals)	-	-	-	-	-	-	-	-	-	-	
		As at 30	25,591,625	20,825,900	(4,575,900)	41,841,625	7,008,326	3,745,194	(1,702,952)	9,050,568	32,791,057	6 to 8	
		28,206,323	22,128,606	(4,575,900)	45,759,029	8,202,588	4,115,223	(1,702,952)	10,614,859	35,144,170			
		----- 2010 -----											
		Cost					Depreciation					Written down value as at 30 June 2010	
		For the period					For the period						
		As at 01 July 2009		As at 30 June 2010		As at 01 July 2009		For the year		Disposals		As at 30 June 2010	
		----- (Rupees) -----											
Furniture, fixtures and office equipment	Vehicles	As at 01	2,062,036	578,662	(26,000)	2,614,698	940,258	266,715	(12,711)	1,194,262	1,420,436	3 to 8	
		Transfers / (disposals)	-	-	-	-	-	-	-	-	-	-	
		As at 30	24,798,240	2,626,185	(1,832,800)	25,591,625	5,006,941	2,766,342	(764,957)	7,008,326	18,583,299	6 to 8	
		26,860,276	3,204,847	(1,858,800)	28,206,323	5,947,199	3,033,057	(777,668)	8,202,588	20,003,735			

Notes to the Financial Statements For the year ended 30 June 2011

9.3 Details of Disposal of Fixed Assets are as follows

	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
Generator*	922,275	362,220	560,055	409,312	(150,743)	Negotiation	Allied Engineering & Services (Private) Limited 21/3, Sector 22, Korangi Industrial Area, Karachi.
Generator*	1,407,000	578,069	828,931	750,000	(78,931)	Negotiation	Allied Engineering & Services (Private) Limited 21/3, Sector 22, Korangi Industrial Area, Karachi.
Generator	1,609,996	565,831	1,044,165	1,300,000	255,835	Negotiation	M.J TEXTILES F-610, SITE, KARACHI.
Generator*	1,789,881	1,015,430	774,451	1,077,200	302,749	Negotiation	Allied Engineering & Services (Private) Limited 21/3, Sector 22, Korangi Industrial Area, Karachi.
Generator*	2,673,000	1,153,000	1,520,000	2,736,455	1,216,455	Negotiation	Allied Engineering & Services (Private) Limited 21/3, Sector 22, Korangi Industrial Area, Karachi.
Generator*	1,641,000	570,735	1,070,265	1,592,000	521,735	Negotiation	Allied Engineering & Services (Private) Limited 21/3, Sector 22, Korangi Industrial Area, Karachi.
Generator	3,407,069	1,383,853	2,023,216	2,500,000	476,784	Negotiation	Iqbal Engineering Works Plot # D-9, Nauras Chowrangi S.I.T.E. Karachi.
Generator*	1,184,261	544,261	640,000	1,018,617	378,617	Negotiation	Allied Engineering & Services (Private) Limited 21/3, Sector 22, Korangi Industrial Area, Karachi.
Generator*	1,156,622	530,917	625,705	1,028,587	402,882	Negotiation	Allied Engineering & Services (Private) Limited 21/3, Sector 22, Korangi Industrial Area, Karachi.
Generator*	2,172,589	547,817	1,624,772	1,337,187	(287,585)	Negotiation	Allied Engineering & Services (Private) Limited 21/3, Sector 22, Korangi Industrial Area, Karachi.
Generator*	3,446,000	-	3,446,000	3,371,000	(75,000)	Negotiation	Allied Engineering & Services (Private) Limited 21/3, Sector 22, Korangi Industrial Area, Karachi.
Generator	2,742,664	894,595	1,848,069	2,240,000	391,931	Negotiation	Iqbal Engineering Works Plot # D-9, Nauras Chowrangi S.I.T.E. Karachi.
Generator*	2,339,000	993,596	1,345,404	1,259,391	(86,013)	Negotiation	Allied Engineering & Services (Private) Limited 21/3, Sector 22, Korangi Industrial Area, Karachi.
Generator*	3,557,153	1,230,780	2,326,373	1,442,422	(883,951)	Negotiation	Allied Engineering & Services (Private) Limited 21/3, Sector 22, Korangi Industrial Area, Karachi.
Generator*	5,560,008	2,720,169	2,839,839	2,896,320	56,481	Negotiation	Allied Engineering & Services (Private) Limited 21/3, Sector 22, Korangi Industrial Area, Karachi.
Generator* Canopy*	134,609 31,000	- 18,256	134,609 12,744	350,000 -	215,391 (12,744)	Negotiation	Allied Engineering & Services (Private) Limited 21/3, Sector 22, Korangi Industrial Area, Karachi.
Machines	3,363,510	127,531	3,235,979	5,500,000	2,264,021	Negotiation	National Transport Company (Pvt.) Limited Lahore.
Machines	3,283,236	102,910	3,180,326	3,500,000	319,674	Negotiation	National Transport Company (Pvt.) Limited Lahore.
Machines	3,000,000	2,400,000	600,000	600,000	-	Negotiation	Peshawar Particles Board
Vehicle - Suzuki Cultus	600,000	286,667	313,333	369,496	56,163	Company's Policy	Mr. Zeeshan Kazmi (Employee)
Vehicle - Honda City	675,000	151,875	523,125	675,000	151,875	Company's Policy	Mr. Salman Sabir (Employee)
Vehicle - Honda City	804,000	375,200	428,800	311,760	(117,040)	Company's Policy	Mr. Hazoor Bux Memon (Employee)
Vehicle - Toyota	879,000	314,975	564,025	436,952	(127,073)	Company's Policy	Mr. Rashid Jahangiri (Employee)
Vehicles - Honda CG-125	87,400	18,208	69,192	69,094	(98)	Company's Policy	Mr. Asif Memon (Employee)
Vehicle - Suzuki Cultus	450,000	255,000	195,000	221,796	26,796	Company's Policy	Mr. Abid Hussain (Employee)
Vehicle - Motorcycle	56,500	30,761	25,739	20,832	(4,907)	Company's Policy	Mr. Afzal Khan (Employee)
Vehicle - Suzuki Alto	504,000	222,600	281,400	231,784	(49,616)	Company's Policy	Mr. Aqeel Ahmed Khan (Employee)
Vehicle - Santro	520,000	47,666	472,334	435,000	(37,334)	Negotiation	Ms. Qurat ul Ain Plot # 17, St # 1, I-10/3 Islamabad
2011	49,996,773	17,442,922	32,553,851	37,680,205	5,126,354		
2010	110,320,060	14,251,553	96,068,507	112,095,995	16,027,488		

* represents transactions with a related party (resulting in total proceeds of Rs. 19.268 million and net gain of Rs. 1.519 million).

Notes to the Financial Statements

For the year ended 30 June 2011

9.4 The depreciation charge has been allocated as under:	Note	(Rupees)	
		2011	2010
Operating expenses	20	196,841,816	139,808,520
Administrative and distribution costs	21	4,115,223	3,033,057
		200,957,039	142,841,577

9.5 Capital work-in-progress

This represents advance for certain equipments that would be transferred to the operating fixed assets when the goods are received.

10. CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for goods	10.1	71,238,259	54,021,651
Creditors for expenses		17,676,085	11,280,586
Due to an Associated Company	10.2	375,000,000	-
Advances from customers		27,302,316	33,451,946
Security deposits	10.3	200,000	800,000
Employee car scheme - deductions	10.4	5,090,728	3,412,478
Dividend payable		230,388	116,380
<i>Accrued expenses</i>			
- Accrued commission		1,069,934	1,248,197
- Accrued bonus		8,821,708	7,739,625
- Auditors' remuneration		485,290	456,773
- Accrued financial charges	10.5	2,654,199	2,477,368
- Miscellaneous		1,228,250	880,799
		14,259,381	12,802,762
Rental payable	10.6	8,225,766	7,153,476
Workers' welfare fund		5,765,870	5,559,463
		524,988,793	128,598,742

10.1 This includes Rs. 67.194 million (2010: Rs. 41.665 million) payable to Allied Engineering & Services (Private) Limited (an associated Company) for the purchases of fixed assets, spares, etc and maintenance services availed by the Modaraba.

10.2 This represents amount payable to Allied Engineering & Services (Private) Limited (a related party) for the purchase of generators and is payable on demand.

10.3 This includes Rs. Nil (2010: Rs. 0.60 million) received from lessees against Ijarah finance contracts that are repayable / adjustable on the expiry of Ijarah period (which is within one year-refer note 16).

Notes to the Financial Statements
For the year ended 30 June 2011

- 10.4** This represents amounts deducted from the monthly salaries of the employees who have been given vehicles by the Modaraba under the terms of their employment and is adjustable on the sale of said vehicles.
- 10.5** This represents accrual of financial charges in respect of liabilities against assets subject to Ijarah finance and Musharakah finance.
- 10.6** This represents rentals payable against Ijarah agreement various financial institutions. Details of contractual rentals payable are as follows:

	2011				2010			
	Due within one year	Due after one year but within five years	Due after five years but within ten years	Total	Due within one year	Due after one year but within five years	Due after one year but within five years	Total
	----- (Rupees) -----				----- (Rupees) -----			
Total future rentals payable	93,140,714	154,112,160	-	247,252,874	48,560,014	89,381,316	-	137,941,330

For details of the above obligation, please refer note 3.18 to these financial statements. Assets acquired under the above arrangement have been sub-let under Ijarah arrangement. During the year, an expense of Rs. 81.437 million

(2010: Rs. 20.481 million) and income of Rs. 60.395 million (2010: Rs. 26.836 million) was recognised under the obligation under above Ijarah arrangement and as at the year-end, Rs. 7.029 million (2010: Rs. 3.303 million) was due under the said Ijarah arrangement. The cost of assets acquired under Ijarah arrangements as at 30 June 2011 is Rs. 288.112 million.

11. PAYABLE TO THE MANAGEMENT COMPANY

This represents management fee. 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. The fee for the year ended 30 June 2011 has been recognised at 2.5% (2010: 3%) of profit for the year.

12. MUSHARAKAH FINANCE

	Note	2011	2010
(Rupees)			
Principal Outstanding of Diminishing Musharakah - I		56,665,576	113,331,152
Due within one year		(56,665,576)	(113,331,152)
	12.1	-	-
Principal Outstanding of Diminishing Musharakah - II		39,886,436	-
Due within one year		(11,944,294)	-
	12.2	27,942,142	-
Principal Outstanding of Diminishing Musharakah - III		95,854,164	-
Due within one year		(26,750,000)	-
	12.3	69,104,164	-

Notes to the Financial Statements
For the year ended 30 June 2011

12.1 The Modaraba obtained a short-term Diminishing Musharakah facility from a financial institution amounting to Rs. 113.33 million under Diminishing Musharakah agreement dated 31 March 2010.

Principal outstanding of the Musharakah is repayable in two equal quarterly installments of Rs. 28.332 million in the month December 2011 and March 2012, respectively. As per the agreement, the loan carries mark-up at the rate of 3 Month KIBOR + 1.40%, payable in arrears, and is secured by way of hypothecation charge of Rs.137 million over brand new generators and demand promissory note.

12.2 The Modaraba obtained a Diminishing Musharakah facility from another Modaraba amounting to Rs. 53.085 million under two separate Diminishing Musharakah agreements dated 30 November 2010 and 10 December 2010. Principal outstanding under both Musharakah's are repayable in 16 equal quarterly installments of Rs. 1.918 million and Rs. 1.067 million respectively. As per the agreement, the loan carries mark-up at the rate of 6 Month KIBOR + 1.75%, payable in arrears, and is secured by way of hypothecation charge of Rs. 53.085 million over generators and demand promissory note.

12.3 The Modaraba obtained a Diminishing Musharakah facility from a financial institution amounting to Rs. 116 million under Diminishing Musharakah agreement dated 30 December 2010. Principal outstanding of the Musharakah is repayable in 48 equal monthly installments of Rs. 2.229 million, payable on the 11th of every month. As per the agreement, the loan carries mark-up at the rate of 6 Month KIBOR + 1.75%, payable in arrears, and is secured by way of hypothecation charge over certain brand new generators and machines amounting to Rs.143 million and demand promissory notes.

	Note	2011	2010
(Rupees)			
13. CURRENT MATURITY OF IJARAH FINANCE			
Liabilities against assets subject to Ijarah finance	17	<u>30,419,030</u>	<u>66,035,916</u>
14. DEFERRED LIABILITIES			
Deferred liability for staff gratuity	14.3	<u>12,878,677</u>	<u>9,909,326</u>

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 by an independent qualified actuary as at 30 June 2010 under the Project Unit Credit Method. Principal actuarial assumptions used in the valuation of the schemes are as follows:

	2011	2010
	%	%
Valuation discount rate	12.75	12.75
Salary increase rate	12.75	12.75

Notes to the Financial Statements

For the year ended 30 June 2011

Based on the actuarial valuation of the liability carried out by an actuary as of 30 June 2010 (and the charge, etc. communicated by the actuary for the year ended 30 June 2011), details of the Modaraba's obligation under the scheme is as follows (which has also been confirmed by the actuary):

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

14.2 Present value of obligation	Note	2011	2010
(Rupees)			
Present value of defined benefit obligation	14.4	13,233,012	9,999,824
Unrecognised actuarial (loss) / gain		(275,649)	(275,649)
Unrecognised past service cost		123,434	185,151
Net liability recognised on the balance sheet		<u>13,080,797</u>	<u>9,909,326</u>

14.3 Movement in amount payable to the defined benefit plan

Opening balance		9,909,326	7,858,801
Charge for the year	14.5	2,969,351	2,370,525
Payments		-	(320,000)
Closing balance		<u>12,878,677</u>	<u>9,909,326</u>

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

Present value of defined benefit obligation		10,201,944	7,841,832
Current service cost		1,658,421	1,364,326
Mark-up cost		1,372,647	1,079,449
Actuarial loss		-	292,618
Payments		-	(320,000)
Past service cost		-	(258,401)
		<u>13,233,012</u>	<u>9,999,824</u>

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		1,658,421	1,364,326
Mark-up cost		1,372,647	1,079,449
Past service cost - vested		-	(11,533)
Amortization of non-vested past service cost		(61,717)	(61,717)
		<u>2,969,351</u>	<u>2,370,525</u>

Notes to the Financial Statements

For the year ended 30 June 2011

15. OTHER LONG TERM EMPLOYEE BENEFITS

This represents accrual for staff compensated absences and includes liability in respect of key management personnel amounting to Rs. 1.298 million (2010: 0.737 million) (refer note 3.19 also).

16. SECURITY DEPOSITS

	2011	2010
	(Rupees)	
Security deposits on Ijarah finance / assets under Ijarah arrangements	35,275,000	600,000
Repayable / adjustable within one year	-	(600,000)
	35,275,000	-

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

17. LIABILITIES AGAINST ASSETS SUBJECT TO IJARAH FINANCE

These represent liabilities against assets acquired under finance lease arrangements. Against a total facility limit of Rs. 563.058 million (2010: Rs. 563.058 million) from various banks, facilities of Rs. 527.908 million (2010: Rs. 527.908 million) have been availed by the Modaraba. During the year no new facility was utilized by the Modaraba.

	2011			2010		
	Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
	(Rupees)			(Rupees)		
Minimum lease payments	33,501,264	-	33,501,264	72,385,107	32,241,309	104,626,416
Finance charge for future periods	(3,082,234)	-	(3,082,234)	(6,349,191)	(1,898,293)	(8,247,484)
Principal outstanding	30,419,030	-	30,419,030	66,035,916	30,343,016	96,378,932

These liabilities (for assets obtained under Ijarah arrangements) carry profit rates ranging between 3 month KIBOR plus 1.75% to 6 month KIBOR plus 2% per annum and are repayable by June 2012 in monthly /quarterly installments. The above obligation includes Rs. Nil (2010: Rs.77.688 million) whose related assets have been sub leased by the modaraba under finance lease arrangements.

18. ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATES

	2011		2010	
	Number of certificates	Rupees	Number of certificates	Rupees
Modaraba certificates of Rs. 10 each fully paid in cash	60,000,000	600,000,000	60,000,000	600,000,000

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

Allied Engineering & Services (Private) Limited	18,169,715	181,697,150	18,169,715	181,697,150
Allied Engineering Management Company (Private) Limited	12,000,000	120,000,000	12,000,000	120,000,000
	30,169,715	301,697,150	30,169,715	301,697,150

Notes to the Financial Statements

For the year ended 30 June 2011

19. STATUTORY (MANDATORY) RESERVE

The above reserve represents profits set aside in accordance with the provisions of Prudential Regulations for Modarabas promulgated by the Securities and Exchange Commission of Pakistan. In the current year, 50% (2010: 50%) of the profit has been transferred to the statutory reserve.

20. OPERATING EXPENSES

	Note	2011	2010
		(Rupees)	
Salaries, wages and other staff benefits	20.1	203,237,188	162,526,443
Depreciation expense	9.4	196,841,816	139,808,520
Repair and maintenance	20.2	152,727,977	149,960,582
Transportation costs		609,577	965,079
Insurance cost - equipments		15,279,235	13,074,972
Ijarah Rental		81,437,376	20,598,834
Travelling and conveyance		2,454,617	2,280,115
Rent expense		2,324,510	1,982,550
		654,912,296	491,197,095

20.1 This includes contribution of Rs. 2.26 million (2010: 1.869 million) to the staff provident fund.

20.2 This includes expenses of Rs. 130.619 million (2010: Rs. 129.904 million) for parts purchased and services availed from Allied Engineering & Services (Private) Limited, an associated company.

21. ADMINISTRATIVE AND SELLING COSTS

Salaries, wages and other staff benefits	21.1	13,197,286	10,517,108
Commission		7,937,599	8,565,137
Vehicle running costs		11,239,593	8,133,547
Travelling and conveyance		6,646,379	5,476,750
Impairment of investment in Ijarah finance		-	4,370,006
Provision against impaired debts		4,338,208	-
Depreciation expense	9.4	4,115,223	3,033,057
Legal and professional charges		3,621,496	3,086,391
Auditors' remuneration	21.2	650,000	612,000
Telephone, postage and fax charges		1,022,651	911,069
Advertisement and sales promotion		839,386	1,160,462
Printing and stationery		1,846,408	1,004,478
Insurance cost - vehicles		1,064,429	669,026
Training, meetings and tender participation		1,120,922	198,014
Donations / Charity	21.3	536,073	-
Miscellaneous		1,287,492	1,460,839
		59,463,145	49,197,884

21.1 This includes contribution of Rs. 0.668 million (2010: 0.596 million) to the staff provident fund.

Notes to the Financial Statements

For the year ended 30 June 2011

21.2 Auditors' remuneration	Note	2011 (Rupees)	2010
Audit fee		340,000	325,000
Fee for review of interim financial information		165,000	150,000
Code of corporate governance		50,000	50,000
Other certifications		45,000	45,000
Out of pocket expenses		50,000	42,000
		650,000	612,000
21.3 None of the directors and employees of the management company had any interest in the Donee / charity fund.			
22. FINANCE COST			
Financial charges on obligation against assets under Ijarah arrangements		6,601,694	18,035,130
Finance cost on Musharakah finance (borrowing)		27,461,641	2,039,961
Exchange loss		144,899	-
Bank charges and commission		431,647	871,933
		34,639,881	20,947,024
23. WORKERS' WELFARE FUND			
This represents accrual for Workers' Welfare Fund liability under the Workers' Welfare Ordinance (WWF), 1971.			
24. OTHER INCOME			
Profit on bank deposits		4,954,371	5,612,626
Profit on Musharakah certificates		1,386,301	2,411,507
Proceeds from disposal of scrap		3,765,341	2,769,987
Gain on disposal of fixed assets	9.3	5,126,354	16,027,488
Gain on Sale of Assets under Ijarah		1,495,187	-
Exchange gain		-	706,779
		16,727,554	27,528,387

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. As the management company of the modaraba, subsequent to the year end, has approved the distribution of dividend as stated above, no provision for taxation has been made in these financial statements. For the details of dividend, please refer note 31 to these financial statements.

The Additional Commissioner of Inland Revenue (CIR) has made an assessment under section 125 (5A) of Income Tax Ordinance 2011 in respect of tax years 2007, 2008 and 2009 where the operational and maintenance income of the Modaraba has been treated as "trading activity" consequently the expenses have been prorated and income has been assessed and accordingly an assessment order is passed in which demand of Rs. 22.876 million was raised.

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The CIR (Appeal-II) vide his order no 41 to 43 dated 9 February 2011 has cancelled the above mentioned order, however the income tax department has filed appeal before the Income Tax Appellate Tribunal against the order of CIR (Appeal-II) which is pending. The management believes that the outcome of pending appeal will be in the favour of the Modaraba and accordingly no provision for Income Tax has been made in these financial statements.

25.2 The income tax returns of the Modaraba have been filed up to the financial year ended 30 June 2010 which is deemed to be an assessment order under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

26. EARNINGS PER CERTIFICATE - basic and diluted	2011	2010
Basic earnings per certificate is worked out as under:		
Profit for the year	Rupees 288,293,514	<u>277,973,164</u>
Number of ordinary certificates at year end	Number 60,000,000	<u>60,000,000</u>
Earnings per certificate - basic	Rupees 4.80	<u>4.63</u>

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

27. REMUNERATION OF OFFICERS AND OTHER EMPLOYEES

	2011			2010		
	Officers (key management personnel)	Other employees	Total	Officers (key management personnel)	Other employees	Total
	(Rupees)			(Rupees)		
Basic salary	6,845,220	24,444,203	31,289,423	3,631,980	21,956,373	25,588,353
Bonus	1,895,357	6,245,494	8,140,851	1,153,143	5,696,982	6,850,125
House rent allowance	3,080,349	10,999,891	14,080,240	1,634,460	9,887,922	11,522,382
Utility allowance	684,522	2,444,420	3,128,942	363,198	2,193,638	2,556,836
Conveyance allowance	514,200	2,406,494	2,920,694	208,362	2,156,467	2,364,829
Provident fund	684,522	2,244,202	2,928,724	363,198	2,101,661	2,464,859
Gratuity	324,804	1,159,872	1,484,676	324,959	2,045,666	2,370,625
Contribution to Employees' Old Age Medical benefits	34,560	909,660	944,220	12,960	720,360	733,320
	829,748	2,963,025	3,792,773	463,987	2,680,992	3,144,979
	14,893,282	53,817,261	68,710,543	8,156,247	49,440,061	57,596,308
	(Number)					
Number of persons	8	217	225	3	173	176

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

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28. FINANCIAL RISK MANAGEMENT

Introduction and overview

The Modaraba has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk
- Operational Risk

This note presents information about the Modaraba's exposure to each of the above risks, the Modaraba's objectives, policies and processes for measuring and managing risk, and the Modaraba's management of capital.

Risk management framework

The Modaraba's objective in managing risk is the creation and protection of certificate holders' value. Risk is inherent in the Modaraba's activities, but it is managed through monitoring and controlling activities which are primarily set up based on limits established by the management company, Modaraba's constitutive documents and the regulations and directives of the SECP.

These limits reflect the business strategy and market environment of the Modaraba as well as the level of the risk that 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.

28.1 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 trade debts, net investment in Ijarah finance, bank balances, deposits and other receivables.

Management of credit risk

The Modaraba's policy is to enter into financial contracts in accordance with internal risk management policies and 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.

Notes to the Financial Statements

For the year ended 30 June 2011

Exposure to credit risk

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

	Note	2011	2010
(Rupees)			
Trade debts-net		130,532,646	78,744,538
Net investment in Ijarah finance / assets under Ijarah arrangements	29.1.1	68,278,327	84,101,595
Bank balances		61,489,976	87,624,137
Deposits		28,051,506	33,339,194
Other receivables		28,000	22,163
Total carrying value (and maximum exposure to credit risk)		288,380,455	283,831,627
28.1.1 Investment in Ijarah finance / assets under Ijarah arrangements			
Security deposits held	7	68,278,327	84,701,595
		-	(600,000)
		68,278,327	84,101,595

28.1.2 The Modaraba's Investment in Ijarah finance are secured against assets leased out.

Credit risk ratings and collaterals held

Credit risk rating of the Bank and balances are given below:

Rating

AAA	82,492	84,350
AA+	1,355,037	621,171
AA-	33,350,785	83,855,274
A	26,432,061	3,063,342
	61,220,375	87,624,137

The assets leased out by the Modaraba (note 7) are secured against the related assets leased out, title to which are held by the Modaraba. Title to the assets under Ijarah arrangements are also held by the Modaraba (note 5).

Impairment losses and past due balances

The age analysis of Ijarah finance and trade debts at the balance sheet date was as follows:

	2011		2010	
	Gross	Impairment loss recognised	Gross	Impairment loss recognised
----- (Rupees) -----				
Not past due	68,278,327	-	84,701,595	-
Past due 1-90 days	127,068,204	2,327,708	73,447,943	-
Past due 91 days - 180 days	6,931,318	3,037,005	4,170,020	1,200,000
Past due 181 days to one year	1,840,338	293,912	3,084,438	1,785,858
Past due one year to two years	702,821	351,410	1,478,971	492,976
More than two years	505,530	505,530	300,760	258,760
Total	205,326,538	6,515,565	167,183,727	3,737,594

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Impairment is recognized by the Modaraba on the basis of provision requirements of Prudential regulations for Modarabas issued by the SECP which includes subjective evaluation of investment portfolio carried by the Modaraba on an ongoing basis (and consideration of forced sales value of properties, where ever 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.

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

	2011		2010	
	(Rupees)	%	(Rupees)	%
Airline	292,803	0.10	336,325	0.12
Automobiles	1,278,367	0.44	177,000	0.06
Banks and development (FI)	91,166,815	31.61	121,627,537	42.85
Cement	72,787,642	25.24	78,437,586	27.64
Chemicals and pharmaceutical	4,170,538	1.45	2,404,036	0.85
Construction	2,162,562	0.75	5,994,711	2.11
Dairy & Poultry	781,235	0.27	186,212	0.07
Education	423,467	0.15	180,400	0.06
Energy, oil and gas	17,714,311	6.14	17,287,997	6.09
Engineering	2,398,751	0.83	1,310,828	0.46
Event Management	652,258	0.23	205,000	0.07
Fast Moving consumer goods	6,344,333	2.20	5,944,741	2.09
Food and beverages	17,229,918	5.97	17,828,963	6.28
Glass and ceramics	2,140,041	0.74	1,010,000	0.36
Health Care	1,655,054	0.57	3,280,890	1.16
Hotels	690,000	0.24	1,016,167	0.36
Information technology and communication	3,423,110	1.19	3,357,738	1.18
Insurance	-	0.00	12,624	0.00
Mining	720,201	0.25	1,038,364	0.37
Others	6,899,547	2.39	872,658	0.31
Packaging	2,049,500	0.71	1,394,795	0.49
Paper and board	545,766	0.19	693,178	0.24
Printing	8,248,483	2.86	1,316,143	0.46
Steel Mills	-	0.00	9,900	0.00
Tannery	406,266	0.14	402,743	0.14
Textile and cotton	41,344,289	14.34	17,077,941	6.02
Transport	2,855,198	0.99	427,150	0.15
	288,380,455	100	283,831,627	100

28.2 Liquidity risk

Liquidity risk is the risk that the Modaraba will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, 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.

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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 getting funds from its related parties and even from other Banks.

Maturity analysis of financial liabilities

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

The amounts in the table are the gross nominal undiscounted cash flows.

Non-derivative Financial liabilities	2011				
	Carrying Amount	Contractual cash flows	Six months or less (Rupees)	Six to twelve months	One to five years
Security deposits	35,275,000	35,275,000	-	-	35,275,000
Creditors, accrued and other liabilities	497,686,477	497,686,477	497,686,477	-	-
Payable to the management company	7,302,054	7,302,054	7,302,054	-	-
Liabilities against assets subject to Ijarah finance	30,419,030	32,495,220	23,898,410	8,596,810	-
Musharakah Finance	192,406,176	234,393,028	70,686,989	47,945,726	115,760,313
	<u>763,088,737</u>	<u>807,151,779</u>	<u>599,573,930</u>	<u>56,542,536</u>	<u>151,035,313</u>
	2010				
Non-derivative Financial liabilities	Carrying Amount	Contractual cash flows	Six months or less (Rupees)	Six to twelve months	One to five years
Security deposits	600,000	600,000	-	600,000	-
Creditors, accrued and other liabilities	95,146,796	95,146,796	95,146,796	-	-
Payable to the management company	8,668,096	8,668,096	8,668,096	-	-
Liabilities against assets subject to Ijarah finance	96,378,932	104,626,416	44,541,647	27,843,460	32,241,309
Current Maturity of Musharakah Finance	113,331,152	130,543,321	7,649,852	122,893,469	-
	<u>314,124,976</u>	<u>339,584,629</u>	<u>156,006,391</u>	<u>151,336,929</u>	<u>32,241,309</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at year end (and includes both principal and profit payable thereon). The rates of mark-up have been disclosed in note 27.3.2 to these financial statements.

28.3 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will effect the Modaraba's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

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For the year ended 30 June 2011

Management of market risks

The Management Company manages market risk by monitoring exposure on securities by following the internal risk management policies and investment guidelines approved by the Board of Directors of the Management company. The maximum risk resulting from financial instruments equals their fair values.

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

28.3.1 Currency risk

Foreign currency risk is the risk that the value of financial liability will fluctuate due to a change in foreign exchange rates. It arises mainly where payables exist due to transactions entered into foreign currencies.

Modaraba uses forward foreign exchange contracts to hedge its foreign currency risk, when considered appropriate. At 30 June 2011, Modaraba's exposure to foreign currency risk in respect of its obligation is Nil (\$ 0) {2010: Rs. 7.120 million (\$ 84,500)}.

Above net exposure was payable by the Modaraba in Rupees at the rate on which these are settled by the Modaraba. Currently, the Modaraba does not have any forward cover against the net exposure.

The following significant exchange rates applied during the year:

	Average rates		Balance sheet date rate	
	2011	2010	2011	2010
Rupees / US Dollars	86.100	84.216	85.950	85.610

Sensitivity risk

A five percent strengthening / (weakening) of the Rupee against US Dollar at 30 June would have increased / (decreased) equity and profit and loss account by Rs. Nil (2010: Rs. 0.356 million). This analysis assumes that all other variables, in particular interest rates, remaining constant. The analysis is performed on the same basis for 2010.

28.3.2 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):

	Effective yield / profit rate	2011							Not exposed to yield / profit rate	Total carrying value
		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		
----- (Rupees) -----										
ASSETS										
Bank balances	5% - 10%	48,763,862	-	-	-	-	-	-	12,456,513	61,220,375
Trade debts		-	-	-	-	-	-	-	130,532,646	130,532,646
Deposits and other receivables		-	-	-	-	-	-	-	28,079,506	28,079,506
Net investment in Ijarah finance / assets under Ijarah arrangement	17.97%	477,597	976,753	1,520,664	3,252,509	16,340,261	23,344,131	22,366,412	-	68,278,327
		49,241,459	976,753	1,520,664	3,252,509	16,340,261	23,344,131	22,366,412	171,068,665	288,110,854
LIABILITIES										
Creditors and other liabilities		-	-	-	-	-	-	-	497,686,477	497,686,477
Payable to the Management Company		-	-	-	-	-	-	-	7,302,054	7,302,054
Security deposit		-	-	-	-	-	-	-	35,275,000	35,275,000
Liabilities against assets										
subject to Ijarah finance	14.13% - 18.76%	2,286,760	4,628,746	7,186,064	16,317,460	-	-	-	-	30,419,030
Musharakah finance	15.02%-15.49%	3,224,524	15,893,311	38,006,361	38,235,670	97,046,310	-	-	-	192,406,176
		5,511,284	20,522,057	45,192,425	54,553,130	97,046,310	-	-	540,263,531	763,088,737
Net assets		43,730,175	(19,545,304)	(43,671,761)	(51,300,621)	(80,706,049)	23,344,131	22,366,412	(369,194,866)	(474,977,883)
Cumulative interest rate gap		43,730,175	24,184,871	(19,486,890)	(70,787,511)	(151,493,560)	(128,149,429)	(105,783,017)	(474,977,883)	-

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Effective yield / profit rate	2010								Total carrying value	
	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 3 to 5 years	More than 5 years	Not exposed to yield / profit rate		
----- (Rupees) -----										
ASSETS										
Bank balances	5% - 10%	70,139,824	-	-	-	-	-	-	17,484,313	87,624,137
Trade debts		-	-	-	-	-	-	-	78,744,538	78,744,538
Deposits and other receivables		-	-	-	-	-	-	-	33,361,357	33,361,357
Net investment in Ijarah finance	3% - 35.71%	5,018,065	6,936,012	1,553,824	4,315,367	13,670,980	19,530,724	35,076,623	-	86,101,595
		75,157,889	6,936,012	1,553,824	4,315,367	13,670,980	19,530,724	35,076,623	129,590,208	285,831,627
LIABILITIES										
Creditors and other liabilities	14.61%	-	-	-	-	-	-	-	95,146,796	95,146,796
Payable to the Management Company		-	-	-	-	-	-	-	8,668,096	8,668,096
Security deposits		-	-	-	-	-	-	-	600,000	600,000
Liabilities against assets subject to Ijarah finance	14.13% - 18.76%	2,203,592	15,028,180	27,311,779	21,492,365	30,343,016	-	-	-	96,378,932
Musharakah finance	13.50%	-	-	-	113,331,152	-	-	-	-	113,331,152
		2,203,592	15,028,180	27,311,779	134,823,517	30,343,016	-	-	104,414,892	314,124,976
Net assets		72,954,297	(8,092,168)	(25,757,955)	(130,508,150)	(16,672,036)	19,530,724	35,076,623	25,175,316	(28,293,349)
Cumulative interest rate gap		72,954,297	64,862,129	39,104,174	(91,403,976)	(108,076,012)	(88,545,288)	(53,468,665)	(28,293,349)	-

Modaraba's interest rate exposure arises on deposits with banks, net investment in Ijarah finance / assets under Ijarah arrangements, Musharakah finance and liability against assets subject to Ijarah finance. At the balance sheet date the interest rate profile of the Modaraba's interest-bearing financial instrument was as follows:

	Carrying amount	
	2011	2010
	(Rupees)	
Fixed rate instruments		
Financial assets (net investment in Ijarah finance)	<u><u>68,278,327</u></u>	<u><u>84,701,595</u></u>
Variable rate instruments		
Financial assets (bank balances)	<u><u>48,763,862</u></u>	<u><u>70,139,824</u></u>
Financial liabilities (Musharakah finance and liabilities against assets subject to Ijarah)	<u><u>222,825,206</u></u>	<u><u>209,710,084</u></u>

Fair value sensitivity analysis for fixed rate instruments

The Modaraba does not account for any fixed rate financial assets at fair value through profit and loss.

Therefore, a change in interest rates at the reporting date would not effect profit and loss account and the equity of the Modaraba.

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Cash flow sensitivity for variable interest rate instruments

A change in interest rates on financial assets at the reporting date would not have had a material effect on equity and profit for the year.

A change of 100 basis points in interest rates on financial liabilities at the reporting date would have increased / decreased equity and profit for the year by Rs. 0.175 million.

28.4 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.

28.5 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 profit paid to certificate holders or issue new certificates.

The Modaraba is not subject to externally imposed capital requirements.

28.6 Fair value of financial assets and liabilities

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

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The carrying amounts of all financial assets and liabilities reflected in the financial statements are expected to approximate their fair values except for advances to employees and net investments in Ijarah finance / assets under Ijarah arrangements at fixed rate of return. The fair value of these financial assets cannot be estimated due to the absence of market for such assets.

29. RELATED PARTY TRANSACTIONS

The related parties comprise of the management company, major certificate holders of the Modaraba 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 and 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, if any, is accrued in accordance with the requirements of Modaraba Regulations. Remuneration of the key management personnel are in accordance with the terms of their employment. 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	11 & 19.1
Allied Engineering & Services (Private) Limited	Holding company of the Management Company	9.1.1, 9.3, 10.1, 10.2 20.2 & 18.1
Staff Provident Fund	Staff provident fund	20.1 & 21.1
Key management personnel	Key management personnel	27 & 15

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30. SEGMENTAL INFORMATION

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

	Profit on Ijarah Finance and Rentals		Operation and Maintenance Income		Total	
	2011	2010	2011	2010	2011	2010
	(Rupees)					
Revenue	875,241,722	678,957,946	158,497,571	150,439,143	1,033,739,293	829,397,089
Costs	650,624,623	477,739,228	111,548,710	101,213,084	762,173,333	578,952,312
Reportable segment profit	224,617,099	201,218,718	46,948,861	49,226,059	271,565,960	250,444,777
Reportable segment assets:						
Trade debts	112,782,938	59,594,939	17,749,708	19,149,599	130,532,646	78,744,538
Net Investment in						
Ijarah Finance	603,636,018	86,101,595	-	-	603,636,018	86,101,595
Spare Parts	12,063,676	-	-	-	12,063,676	-
Security deposits	28,051,506	33,339,194	-	-	28,051,506	33,339,194
Fixed assets	1,266,721,956	1,219,699,585	-	-	1,266,721,956	1,219,699,585
	2,023,256,094	1,398,735,313	17,749,708	19,149,599	2,041,005,802	1,417,884,912
Reportable segment liabilities:						
Creditors, accrued and other liabilities	515,387,773	115,675,182	9,601,020	12,923,560	524,988,793	128,598,742
Security deposits	35,275,000	-	-	-	35,275,000	-
Liabilities against assets subject to						
Ijarah finance	30,419,030	96,378,932	-	-	30,419,030	96,378,932
Musharakah finance	192,406,176	113,331,152	-	-	192,406,176	113,331,152
	773,487,979	325,385,266	9,601,020	12,923,560	783,088,999	338,308,826

30.2 Reconciliation of reportable segments revenues, profit or loss, assets and liabilities is as follow:

	Note	2011	2010
		(Rupees)	
Revenues			
Total revenue for reportable segments	30.1	1,033,739,293	829,397,089
Other revenue	24	16,727,554	16,645,301
Total revenue		1,050,466,847	846,042,390
Profit or loss			
Total profit or loss for reportable segments	30.1	271,565,960	250,444,777
Other profit or loss	24	16,727,554	16,645,301
		288,293,514	267,090,078
Assets			
Total assets for reportable segments	30.1	2,041,005,802	1,417,884,912
Advances and other receivables		8,299,520	6,955,216
Cash and bank balances	4	61,489,976	34,978,716
		2,110,795,298	1,459,818,844
Liabilities			
Total liabilities for reportable segments	30.1	783,088,999	338,308,826
Payable to the Management Company	11	7,302,054	205,904
Deferred staff liability	14	12,878,677	7,858,801
Other long term employee benefits	15	4,579,632	-
		807,849,362	346,373,531

Notes to the Financial Statements
For the year ended 30 June 2011

Segment revenue is based on balances based in Pakistan.

Revenue from one customer in the Modaraba's Operation and Maintenance income segment amounts to Rs. 63.665 million of the Modaraba's total revenue.

The Board of Directors and the Chief Executive Officer of the Management Company are the Modaraba's Chief Operating decision makers.

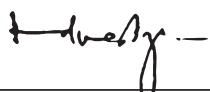
31. NON-ADJUSTING EVENT AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company in its meeting held on 12 September 2011 has approved cash dividend at the rate of Rs. 2.30 per certificate (2010: Rs. 2.25 per certificate) for the year ended 30 June 2011, resulting in distribution of profit amounting to Rs. 138 million (2010: Rs. 135 million), which is more than 90% of the net profit for the year ended 30 June 2011, after appropriation to the statutory (mandatory) reserve as required under Modaraba Regulations. In addition, the Board of Directors of the Management Company also approved the issue of bonus certificates in the proportion of 1 certificate for every 4 certificates held amounting to Rs. 150 million, in its meeting held on 12 September 2011. These financial statements do not reflect these distributions, which shall be recorded in the financial statements for the year ended 30 June 2012 in compliance with Circular No. 6/2006 dated 19 June 2006 of Institute of Chartered Accountant of Pakistan.

32. 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 12 September 2011.

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



 Murtaza Ahmed Ali
 Chief Executive



 Khwaja Asif Rahman
 Chairman



 Syed Feisal Ali
 Director

Certificate Holding Pattern

As at June 30 2011

No. of Certificateholders	Certificate Holding		Total Certificates Held
	From	To	
15	1	100	92
32	101	500	15,500
27	501	1000	25,900
73	1001	5000	199,193
23	5001	10000	190,400
8	10001	15000	99,100
7	15001	20000	138,000
4	20001	25000	95,000
4	25001	30000	115,600
1	30001	35000	31,700
1	35001	40000	36,200
1	40001	45000	43,800
3	45001	50000	147,200
1	50001	55000	52,500
1	55001	60000	60,000
1	80001	85000	82,400
1	115001	120000	117,700
1	155001	160000	160,000
1	160001	161500	161,500
1	610001	615000	612,000
1	920001	925000	922,000
1	11995001	12000000	12,000,000
1	18165001	18170000	18,169,715
1	26520001	26525000	26,524,500
210			60,000,000

Categories of Certificateholders	Number	Certificate Held	Percentage
Individuals	203	2,372,506	3.95%
Management Company	1	12,000,000	20.00%
Joint Stock Companies	2	44,694,215	74.49%
Employees Provident Fund	4	933,279	1.56%
Total	210	60,000,000	100.00%

Certificate Holding Pattern

As at June 30 2011

Categories of Certificateholders	Number	Certificate Held	Percentage
Associated Companies			
Allied Engineering & Services Limited	1	18,169,715	30.28%
Allied Engineering Management Company (Pvt) Limited	1	12,000,000	20.00%
Allied Engineering & Services Limited - Employees Provident Fund	1	922,000	1.54%
		31,091,715	51.82%
Directors,CEO & their Spouses & Minor Children			
1.Mr.Murtaza Ahmed Ali	1	161,500	
2.Syed Feisal Ali	1	612,000	
3.Mr.Ali Akbar	1	30,000	
4.Mr.Tajdar A. Shah	1	60,000	
5.Mr.Raees A. Khan	1	160,000	
6.Mr.Hassan Shahzad Abidi	1	2,000	
		1,025,500	1.71%
Executives	6	67,300	0.11%
Employees Provident Fund	3	11,279	0.02%
Certificateholders holding ten percent or more certificates in the Modaraba			
Magenta International Limited	1	26,524,500	44.21%
General Public	191	1,279,706	2.13%
	<u>210</u>	<u>60,000,000</u>	<u>100.00%</u>

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 I.D. No.
 _____ and Sub Account No. _____ hereby appoint _____
 of _____ or failing him _____
 of _____

as my proxy to vote for me and on my behalf at the 5th annual review meeting of the Modaraba to be held on 28th day of October, 2011 and at any adjournment thereof.

Signed this _____ day of _____ 2011

WITNESSES:

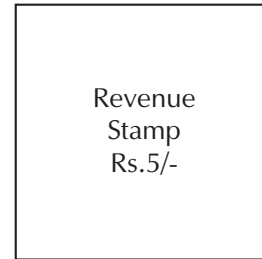
1. Signature: _____
 Name: _____
 Address: _____

 CNIC or _____
 Passport No. _____

2. Signature: _____
 Name: _____
 Address: _____

 CNIC or _____
 Passport No. _____

Signature



(Signature Should agree with the 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.

