

ALLIED RENTAL MODARABA

**QUARTERLY
REPORT
MARCH
2009**

ALLIED



**T H E
Rental
S T O R E .**

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MODARABA INFORMATION

Directors of Modaraba Company

Mr. Khwaja Asif Rahman
Chairman
Mr. Murtaza Ahmed Ali
Chief Executive
Mr. Shams Ghani
Director Finance & Company Secretary
Syed Feisal Ali
Director
Mr. Ali Akbar
Director
Mr. Raees A. Khan
Director
Mr. Tajdar A. Shah
Director

Audit Committee

Syed Feisal Ali (Chairman)
Mr. Ali Akbar (Secretary)
Mr. Murtaza Ahmed Ali (Member)

Auditors

KPMG Taseer Hadi & Co.
(Chartered Accountants)

Bankers/Lending Institutions

Soneri Bank Ltd.
Habib Metropolitan Bank Ltd.
MCB Bank Ltd.
National Bank of Pakistan
Pak Oman Investment Company Ltd.
Standard Chartered Modaraba
First Habib Modaraba
Pakistan Kuwait Investment Co. (Pvt.) Ltd.

Legal Advisor

Mr. Khalil Ahmed Siddiqui, Advocate

Registered & Head Office

21/3 Sector 22, Korangi Industrial Area,
Karachi
UAN 111 250 250

Registrar

Gangjees Registrar Services (Pvt.) Ltd.
516, Clifton Centre, Khayaban-e-Roomi
Block-5, Clifton, Karachi.
Phone: (021) 583 6920

Website

www.arm.com.pk

Directors' Review

For the period ended March 31, 2009

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 the un-audited accounts of the Modaraba for the nine months period ended March 31, 2009.

Financial Highlights	Rs in '000
Investment in Assets	1,001,668
Assets deployed under Ijarah arrangement	128,545
Total Revenue	475,853
Net Profit for the period	131,703
Net Profit Margin	28 %
Return on Equity	35 %
Current Ratio	0.83:1
Earnings per certificate	
Basic	Rs. 2.20
Diluted	Rs. 3.29

Review of Operations

The Fixed Assets of the company have crossed Rs. 1 billion mark. The proceeds from Right Issue are being applied for the acquisition of Rental Equipment and have started yielding results in terms of higher turnover volume and increased profitability. The increase in cost to sales ratio was mainly due to rising costs of parts and services, due to devaluation of the rupee and increase in the cost of salaries and wages to compensate for the inflationary pressures. The Ijarah finance cost also witnessed the upward trend due to increase in the lending rate by the State Bank of Pakistan to curb inflation.

Future Prospects

The Management foresees continuous growth in the demand of Power Generation Rental equipment. Rental business for Construction equipment has stagnated due to limited infrastructure projects running in the country.

Acknowledgement

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

On Behalf of the Board

Date: April 28, 2009

Murtaza Ahmed Ali
Chief Executive

Condensed Interim Balance Sheet (Unaudited)

As at March 31, 2009

	Note	Unaudited March 31, 2009 Rupees	Audited June 30, 2008 Rupees
ASSETS			
Current Assets			
Bank balances		9,755,429	120,054,403
Trade debts - unsecured, considered good		68,617,341	70,084,622
Advances, prepayments and other receivable		10,314,583	6,684,117
Short term investment		100,000,000	-
Current portion of investment in Ijarah finance	4	27,539,756	25,882,285
Total Current Assets		216,227,109	222,705,427
Non-current assets			
Investment in Ijarah finance	4	101,004,806	120,048,977
Long term security deposits		41,930,782	37,051,702
Fixed assets - tangible	5	1,001,667,600	596,157,059
Total Non-current Assets		1,144,603,188	753,257,738
Total assets		1,360,830,297	975,963,165
LIABILITIES			
Current Liabilities			
Trade and other payables		130,035,793	75,709,605
Borrowing from an associated company - unsecured		-	57,323,000
Due to Management Company		-	1,653,949
Current maturity of long term liabilities	6	130,082,476	148,163,306
Total Current Liabilities		260,118,269	282,849,860
Long term and deferred liabilities			
Deferred liabilities		7,041,062	6,223,323
Security deposits from lessees		7,350,000	6,750,000
Liabilities against assets subject to Ijarah finance	6	169,079,308	224,601,338
Total Long term and deferred liabilities		183,470,370	237,574,661
Total liabilities		443,588,639	520,424,521
NET ASSETS		917,241,658	455,538,644
FINANCED BY : CAPITAL AND RESERVES			
Authorised Certificate capital			
75,000,000 Modaraba certificates of Rs.10 each		750,000,000	500,000,000
(2008 : 50,000,000 Modaraba certificates of Rs.10 each)			
Issued, subscribed and paid up		600,000,000	300,000,000
Premium on issue of rights certificates		90,000,000	-
Statutory (mandatory) reserve		89,871,206	89,871,206
Unappropriated profit		137,370,452	65,667,438
		917,241,658	455,538,644
Commitments	7		

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Murtaza Ahmed Ali
Chief Executive

Khwaja Asif Rahman
Chairman

Shams Ghani
Director

ALLIED RENTAL MODARABA

Condensed Interim Profit and Loss Account (Unaudited)

For the nine months period ended March 31, 2009

Note	Nine Months ended March 31, 2009 Rupees	Nine Months ended March 31, 2008 Rupees	Three Months ended March 31, 2009 Rupees	Three Months ended March 31, 2008 Rupees
REVENUE				
Operating lease rentals	349,566,220	221,303,172	128,170,507	72,576,128
Operation & maintenance income	96,190,218	67,791,749	30,158,986	27,257,895
Income from Ijarah finance	18,799,383	16,825,812	5,901,086	7,117,364
Other operating income - net	11,296,825	4,376,548	3,312,112	2,107,658
	<u>475,852,646</u>	<u>310,297,281</u>	<u>167,542,691</u>	<u>109,059,045</u>
EXPENSES				
Direct cost	8 (268,231,085)	(166,384,011)	(101,024,402)	(61,955,788)
Administration and selling cost	9 (39,521,339)	(23,234,129)	(13,195,057)	(6,475,258)
Finance cost	10 (36,397,208)	(21,299,835)	(10,880,105)	(7,319,166)
	<u>(344,149,632)</u>	<u>(210,917,975)</u>	<u>(125,099,564)</u>	<u>(75,750,212)</u>
Modaraba management fee	-	(3,303,524)	-	-
Profit for the period	<u>131,703,014</u>	<u>96,075,782</u>	<u>42,443,127</u>	<u>33,308,833</u>
Earnings per certificate - basic	<u>2.20</u>	<u>3.20</u>	<u>0.71</u>	<u>1.11</u>
Earnings per certificate - diluted	<u>3.29</u>	<u>3.20</u>	<u>0.71</u>	<u>1.11</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Murtaza Ahmed Ali
Chief Executive

Khwaja Asif Rahman
Chairman

Shams Ghani
Director

Condensed Interim Statement of Changes in Equity (Unaudited)
For the nine months period ended March 31, 2009

	Paid up certificate capital Rupees	Premium on right certificates Rupees	Statutory (mandatory) reserve Rupees	Unappropriated profit Rupees	Total Rupees
Balance as at 30 June 2007	300,000,000	-	26,083,048	31,879,280	357,962,328
Total recognised income for the period 1 July 2007 to 31 March 2008 (profit for the period)	-	-	-	96,075,782	96,075,782
Profit distribution for the period ended 30 June 2007	-	-	-	(30,000,000)	(30,000,000)
Balance as at 31 March 2008	300,000,000	-	26,083,048	97,955,062	424,038,110
Total recognised income for the period 1 April 2008 to 30 June 2008 (profit for the period)	-	-	-	31,500,534	31,500,534
Transfer to mandatory reserve	-	-	63,788,158	(63,788,158)	-
Balance as at 30 June 2008	300,000,000	-	89,871,206	65,667,438	455,538,644
Profit distribution for the period ended 30 June 2008 @ Rs. 2 per certificate	-	-	-	(60,000,000)	(60,000,000)
100 % right issue at a premium of Rs.3/- per certificate during the period	300,000,000	90,000,000	-	-	390,000,000
Profit for the period 1 July 2008 to 31 March 2009	-	-	-	131,703,014	131,703,014
	<u>600,000,000</u>	<u>90,000,000</u>	<u>89,871,206</u>	<u>137,370,452</u>	<u>917,241,658</u>

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Murtaza Ahmed Ali
Chief Executive

Khwaja Asif Rahman
Chairman

Shams Ghani
Director

Condensed Interim Cash Flow Statement (Unaudited)

For the nine months period ended March 31, 2009

	March 31, 2009 Rupees	March 31, 2008 Rupees
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period	131,703,014	96,075,782
Adjustments for non-cash and other items:		
Depreciation	78,454,077	48,488,502
Provision against impaired debts	4,407,126	2,000,000
Provision for deferred liabilities	817,739	1,725,675
Finance cost	36,397,208	21,299,835
Profit on disposal of fixed assets	(1,891,238)	-
	249,887,926	169,589,794
Decrease / (increase) in current assets		
Trade debts	(2,939,845)	(12,417,027)
Equipment held for deployment	-	40,911,702
Advances, prepayments and other receivables	(3,630,466)	(3,607,359)
Increase / (decrease) in current liabilities		
Trade and other payables	54,272,998	(21,172,777)
Payable to associated companies	(57,323,000)	(2,677,000)
Payable to Management Company	(1,653,949)	(2,025,664)
Cash generated from operations	(11,274,262)	(988,125)
Financial charges paid	(361,639)	(815,448)
Net cash flows from operating activities	238,252,025	167,786,221
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditure	(500,200,173)	(107,797,534)
Short term Investment	(100,000,000)	-
Investment in Ijarah finance	17,986,700	(108,495,054)
Proceed from disposal of fixed assets	18,126,793	-
Net cash flows from Investing activities	(564,086,680)	(216,292,588)
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit Distribution	(59,946,810)	(18,067,865)
Proceeds from Issue of certificates - net	390,000,000	-
Ijarah financing availed	48,790,797	118,121,738
Musharaka financing repaid	-	(14,400,000)
Lease rentals paid	(163,308,306)	(88,881,300)
Net cash flows from financing activities	215,535,681	(3,227,427)
Net Cash increase/ (decrease) during the period	(110,298,974)	(51,733,794)
Cash and cash equivalents at beginning of the period	120,054,403	78,673,814
Cash and cash equivalents at end of the period	9,755,429	26,940,020

The annexed notes 1 to 12 form an integral part of these condensed interim financial statements.

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

Murtaza Ahmed Ali
Chief Executive

Khwaja Asif Rahman
Chairman

Shams Ghani
Director

Notes to the Condensed Interim Financial Statements (Unaudited)

For the nine months period ended March 31, 2009

1. LEGAL STATUS AND NATURE OF BUSINESS

Allied Rental Modaraba (the Modaraba) was formed under the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 and the Rules framed there under and is managed by Allied Engineering Management Company (Private) Limited. The Management Company is a wholly owned subsidiary of Allied Engineering & Services Ltd. The address of its registered office is 21/3, Sector # 22, Korangi Industrial Area, Karachi, Pakistan.

The Modaraba is a Perpetual Modaraba and is engaged in Ijarah (leasing under operating and finance lease arrangements) and operations & maintenance of Caterpillar and other equipment (i.e. generators, fork lifters, compactors etc.). The registered office of Modaraba is located at 21/3, Sector # 22, Korangi Industrial Area, Karachi, Pakistan. The Modaraba is listed on the Karachi Stock Exchange.

2. BASIS OF PREPARATION

These interim financial statements are un-audited and have been prepared in accordance with the requirements of the Modaraba Companies Modaraba (Flotation and Control) Ordinance 1980, Modaraba Companies and Modaraba Rules, 1981 and directives issued by Securities and Exchange Commission of Pakistan and the International Accounting Standard 34 "Interim Financial Reporting". They do not include all the information required for annual financial statements and should be read in conjunction with the financial statements of the Company for the year ended June 30, 2008.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted by the company in the preparation of these interim financial statements are the same as those used for the preceding annual financial statements for the year ended June 30, 2008.

4. INVESTMENT IN IJARAH FINANCE

	Unaudited March 31, 2009			Audited June 30, 2008				
	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			Rupees				
Minimum lease payments receivable	47,626,776	88,990,414	66,000,000	202,617,190	47,189,572	108,802,788	79,500,000	235,492,360
Residual value of leased assets	-	10,227,101	-	10,227,101	2,500,000	10,227,101	-	12,727,101
Lease contract receivables	47,626,776	99,217,515	66,000,000	212,844,291	49,689,572	119,029,889	79,500,000	248,219,461
Unearned lease income	(20,087,020)	(46,298,353)	(17,914,356)	(84,299,729)	(23,807,287)	(53,588,263)	(24,892,649)	(102,288,199)
	<u>27,539,756</u>	<u>52,919,162</u>	<u>48,085,644</u>	<u>128,544,562</u>	<u>25,882,285</u>	<u>65,441,626</u>	<u>54,607,351</u>	<u>145,931,262</u>

5. Fixed assets (tangible) - at cost less accumulated depreciation

	Unaudited March 31, 2009 Rupees	Audited June 30, 2008 Rupees
Assets in Rental Fleet		
Owned	648,304,446	236,277,262
Subject to Ijarah Finance	321,544,624	335,443,733
	969,849,070	571,720,995
Assets in Own Use	21,767,228	19,128,812
Capital Work in Progress	10,051,302	5,307,252
	<u>1,001,667,600</u>	<u>596,157,059</u>

ALLIED RENTAL MODARABA

6. LIABILITIES AGAINST ASSETS SUBJECT TO IJARAH FINANCING

	Unaudited March 31, 2009			Audited June 30, 2008		
	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	164,095,946	189,396,973	353,492,919	181,138,792	250,576,773	431,715,565
Finance charge for future periods	(34,013,470)	(20,317,665)	(54,331,135)	(32,975,486)	(25,975,435)	(58,950,921)
Principal outstanding	130,082,476	169,079,308	299,161,784	148,163,306	224,601,338	372,764,644

7. COMMITMENTS

7.1 Buy Back commitment of assets under Ijarah Finance amounts to Rs.70 million.

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

	Nine Months Ended		Three Months Ended	
	March 31, 2009	March 31, 2008	March 31, 2009	March 31, 2008
	Rupees	Rupees	Rupees	Rupees
Salaries, wages and other staff benefits	101,079,607	70,801,812	36,149,176	25,029,110
Depreciation expense	76,335,124	46,655,001	31,242,460	15,984,087
Repair and maintenance	80,231,596	38,903,039	28,759,977	17,575,612
Transportation costs	2,108,596	2,485,070	1,646,370	1,230,381
Insurance cost - equipments	8,389,643	7,000,809	3,226,419	2,085,598
Miscellaneous	86,519	538,280	-	51,000
	<u>268,231,085</u>	<u>166,384,011</u>	<u>101,024,402</u>	<u>61,955,788</u>

9. ADMINISTRATIVE AND SELLING COSTS

Salaries, wages and other staff benefits	4,802,067	4,042,200	1,624,970	1,027,000
Commission	6,307,964	4,092,083	2,298,289	1,053,298
Vehicle running costs	5,861,710	3,114,460	2,105,652	1,254,005
Travelling and conveyance	4,195,243	1,626,531	1,440,909	408,484
Provision against impaired debts	4,407,126	2,000,000	-	500,000
Depreciation expense	2,118,953	1,833,501	740,204	652,007
Legal and professional charges	2,212,025	1,125,274	700,836	308,034
Right issue expenses	4,313,828	-	2,438,428	-
Auditors' remuneration	345,215	77,500	143,340	-
Telephone, postage and fax charges	766,247	794,829	283,829	197,676
Repair and maintenance	886,296	1,577,235	-	190,692
Advertisement and sales promotion	974,370	629,775	579,520	298,900
Printing and stationery	748,979	505,358	185,915	172,535
Insurance cost - vehicles	413,662	348,354	159,164	124,753
Rent and Utilities	940,010	664,449	381,631	173,692
Training, meetings and tender participation	58,700	340,057	-	56,137
Miscellaneous	168,944	462,523	112,370	58,045
	<u>39,521,339</u>	<u>23,234,129</u>	<u>13,195,057</u>	<u>6,475,258</u>

Condensed Interim Financial Statements (Unaudited) - March 2009

	Nine Months Ended		Three Months Ended	
	March 31, 2009 Rupees	March 31, 2008 Rupees	March 31, 2009 Rupees	March 31, 2008 Rupees
10. FINANCE COST				
Financial charges on obligation against assets under Ijarah arrangements	36,035,569	21,043,390	10,810,478	7,259,303
Bank charges and commission	361,639	256,445	69,627	59,863
	<u>36,397,208</u>	<u>21,299,835</u>	<u>10,880,105</u>	<u>7,319,166</u>

11. RELATED PARTY TRANSACTIONS

The related parties of the Modaraba comprise associated companies, management company, staff retirement funds, directors and key management personnel. Transactions with related parties are as follows:

	Nine Months ended March 31, 2009 Rupees	Nine Months ended March 31, 2008 Rupees
Allied Engineering Management Company (Private) Limited (the Management Company)		
Modaraba management fee	Nil	3,303,524
Allied Engineering and Services Limited (the holding company of the Management Company)		
Purchase of rental assets	109,075,083	7,568,018
Purchase of parts & services	62,728,266	36,296,297
Invoicing of rental and operation's revenue	6,392,509	2,677,716
Allied Rental Services (Private) Limited (associated company of holding company of the Management Company)		
Purchase of operating fixed assets	Nil	2,040,402
Short term borrowing (net)	(57,323,000)	Nil
Staff Provident Fund (Provident fund of the associated company)		
Contribution to staff provident fund	1,525,540	1,093,504

These transactions are carried out on an arm's length basis as per the contracts entered into between Allied Rental Modaraba and Allied Engineering & Services Ltd. for the purchase of equipments, parts & Services.

12. DATE OF AUTHORISATION

These financial statements were authorised in the meeting of the Board of Directors of the Management Company held on 28 April 2009.

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

Murtaza Ahmed Ali
Chief Executive

Khwaja Asif Rahman
Chairman

Shams Ghani
Director

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ALLIED RENTAL MODARABA

Managed by: Allied Engineering Management Company (Private) Limited

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