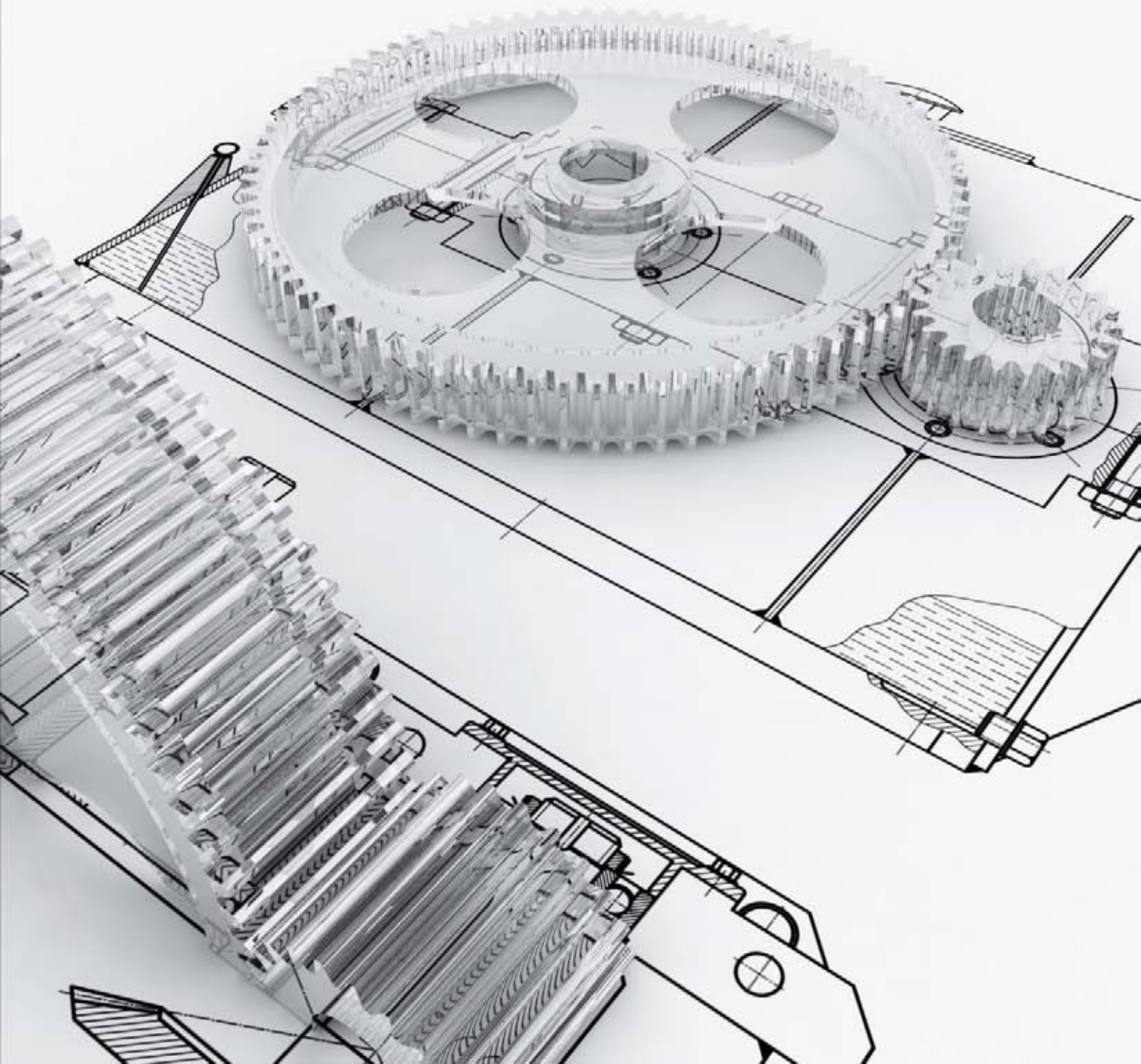




Allied Rental Modaraba

Annual Report 2013



Introduction

When we named our company Allied, we were clearly focused. Our business is to enable other businesses, to unite strengths, resources and vision to achieve a common, progressive and profitable goal. Allied has helped hundreds of companies to achieve their objectives through our acumen in the rental and leasing business and relationship with our customers has grown along with our businesses.

The Allied Advantage:

No maintenance or breakdown costs: Rental fees include full maintenance. No spare parts, no repair shop, no mechanics, are needed.

We'll Store Equipment for You: Spare the warehouse costs.

Bid on Out of Town Contracts: No need to transport equipment hundreds of miles. Renting means equipment is available when and where it's needed.

Track Your Costs Effectively: Know exactly how much you spent using your rented equipment. This provides excellent information when tracking costs of any job.

Inventory Control: Rented equipment is tracked through our billing system. The knowledge that someone is always aware of where tools are, reduces loss due to pilfering, resulting in savings for the contractor.

Top Quality Equipment: The competitive marketplace means manufacturers are turning out faster and better equipment. We must stock the latest and best models to compete in our industry.

The Right Tool for the Right Job: Owning equipment can force you into a "make do" situation if the tool in question doesn't meet specific requirements for the job. Renting means the right equipment is always available.

Own Only What You Need: No contractor wants equipment to lie idle. The availability of top-quality rentals means you can buy the equipment you use most often and more specialized tools can be rented as needed, thus minimizing idle time and cash today.

No Extra Costs: You don't have to pay personal property taxes or license costs attached to rented equipment which add to the price of ownership.

Free Up Capital: Owning equipment ties up a significant amount of capital, renting frees capital for more profitable uses.

Increase Your Borrowing Power: Rented equipment doesn't show up as a liability on a contractor's bottom line. Your banker will love it, and you will have more leverage in securing the bonds necessary for projects.



Allied Rental Modaraba

Managed by: Allied Engineering Management Company (Pvt.) Ltd

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Keeping your company in perfect synchronicity, keeping it in gear, that's the power of Allied, world class equipment for all your requirements, even equipment with a complete 360° solution. Tell us what you need, how many, when and where, and leave the rest to us.







Rental and doing business work together. You know what direction your company is heading towards, you know your requirements, rental allows you the flexibility to change course. No fixed assets to lock up cash flow, just order equipment as your company grows and diversifies.





Fluctuations in market prices don't affect rental and leasing. Once the contract is entered into the rate is fixed for the term of the contract. When making the decision to buy or rent, here's something to consider: renting is more profitable than buying or even leasing. The reason is simple. Profits result from using equipment, not just owning it. The true cost of buying equipment includes maintenance and upgrading outdated equipment, which means what you spend can actually be many times the sticker price in the end.





Our Vision

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

Our Mission

To provide best value to our customers through innovative and reliable power generation, earth moving and material handling equipment rental solutions.

To maintain the market leadership in power generation equipment rental through continuous growth of rental fleet.

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

To pursue profitable growth opportunities in Caterpillar earth moving, material handling and other equipment rental solutions, diversifying our portfolio to other areas of equipment rental solutions.

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





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.



by Hammad Iftikhar
Regional Sales Manager - North

Future Outlook: Changing Scenario of Pakistan's Energy Mix



Pakistan's energy crisis if not tackled at both operating and strategic level in the immediate future might become a national security threat. It has been a major drag on the economy and a serious impediment to growth with an estimated cost of 10% of the GDP during the past five years. The present crisis started around 2006-2007 as a gradual increase in demand outstripped power generation. The installed generation capacity is 23,500 megawatts (MW) but any given time, the actual available capacity has remained below 14,000 MW because the independent power plants (IPPs) have not been able to buy the fuel oil and production of old plants in the public sector has dropped causing shortfall of 4,000 to 7,000 MW. While it is true that the IPPs are not producing enough power to meet the shortfall, it is only part of the problem.

Total electricity generation has virtually remained flat since 2008 despite an increase of 7,827 GWh produced by the IPPs since the generation by old public sector power plants (otherwise known as GENCOs) decreased by 7,647 GWh as shown in the table.

Electricity Generation (Gwh)					
	2008	2009	2010	2011	2012
Hydel	28,667	28,181	28,492	31,990	28,643
Thermal (GENCOs)	20,427	19,520	19,594	13,018	12,753
Thermal (IPPs)	44,241	44,284	48,489	51,603	52,068
Others	3,969	2,627	3,171	3,945	5,168
Total	97,304	94,612	99,746	100,556	98,632

The government's failure to upgrade and make capital investments in old facilities like Jamshoro and Guddu thermal power plants not only caused the production to fall but also contributed to higher cost of generation. Due to poor maintenance of the power stations, public sector power plants lost nearly one-third of their capacity and nearly 17% of their thermal efficiency due to plant degradation. The thermal GENCOs are deteriorating with time creating a negative net impact on the total generation capacity which actually off-sets any increase brought into the system through other generation sources.

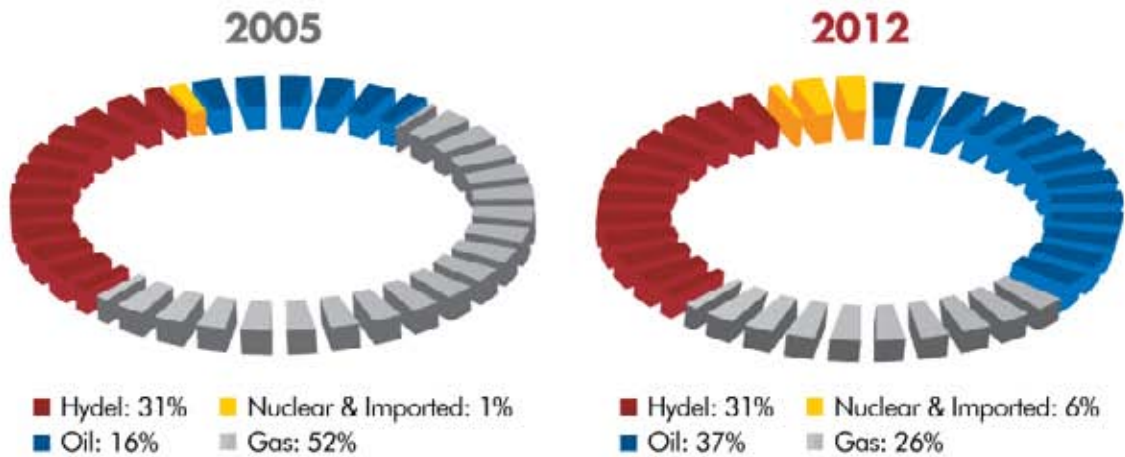
In addition, hydel power plants were mismanaged causing a fall in their output in 2012. Considering the current trend and undue delays in startup of prospective hydel projects, its share in total electricity generation does not portray a positive picture. The past trends clearly depicts that the roll in roll out cycle of old and new projects will actually nullify the net impact of future projects undertaken, unless serious steps are taken by the government. Thus, if the current situation persists then the future outlook will nonetheless be same or even worse than what is today as the demand is continuously increasing and the demand-supply gap is on the rise.

However, the energy crisis is not about the installed generation capacity. While one can blame incompetence of the previous government for the present level of power shortages, the structural reasons go far beyond just the circular debt, bad governance and corruption. Hence, policy prescriptions that remain limited to the revision of tariffs to recover full cost of power generation, phasing out of subsidies, and the removal of the so-called circular debt may buy some time but will ultimately fail to address the fundamental causes of the crisis.

Pakistan's unfavorable high cost energy mix, in contrast to international and Asian norms, lies at the core of the energy crisis. While the IPPs provided much-needed new power generation capacity at the time, the country's generation mix shifted heavily towards Fuel Oil/Furnace Oil (FO). The policy to divert gas to other sectors of the economy, such as domestic consumers, fertilizer producers, and to encourage use of compressed natural gas (CNG) for private vehicles further limited gas supply to the power sector, forcing thermal generators to depend on more expensive fuels. The share of hydel power that accounted for 60% of the power generation during

the 1960s through the 1980s fell to around 30% by 2005. But even in 2005, gas-based (whose costs are lower compared to plants using oil) plants accounted for 52% the power generation. Today, the plants using imported oil represent the single largest source of electricity generation as shown in the figure below.

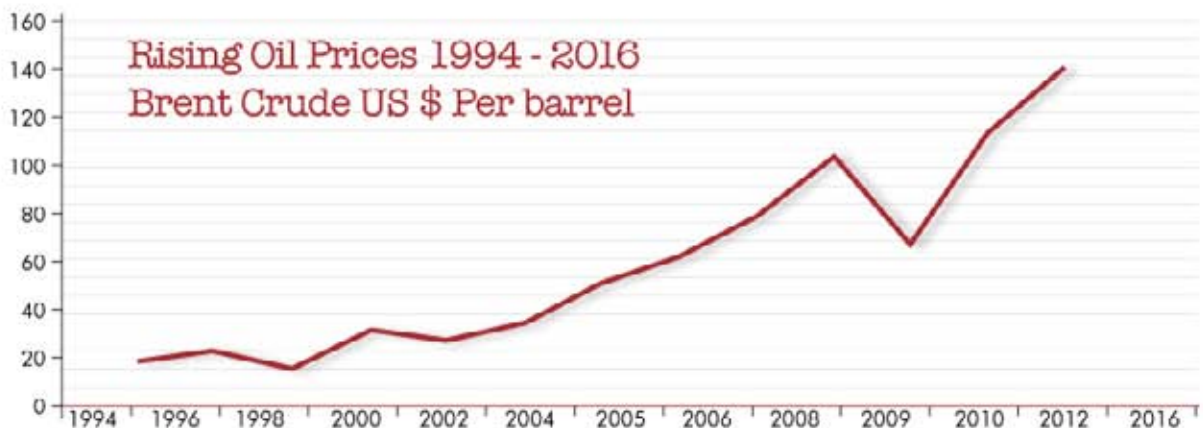
High Cost Unfavourable Energy Mix Electricity Generation by Power Type 2005 vs 2012



If the current scenario persists and new hydel, nuclear sources are not added into the system to off-set the deterioration happening in GENCOs and others sources, the future energy mix will further rely on Imported Oil. Therefore, it is evident considering the current rise in electricity demand; the future energy mix will be mainly reliant on oil with its estimated share going up further. If others factors like devaluation of Rupee and increase in international oil prices is taken into account, this will create a multi-tier impact on the economy which will translate into further crippling of our ailing economy. Therefore, it seems obvious that the major source in future energy mix will be imported oil nearing around half of the total share. All these probable impacts are portrayed and elaborated further with the help of a graphical representation given below.

Moreover the Rupee devaluation scenario cannot be overlooked as it has played a major role in the increased cost of power production. The dollar rate has increased from Rs. 59/- to Rs. 105/- since 2005 which has increased the cost of buying FO respectively.

Take into account the historical perspective of this crippling energy scenario in the macro environment, the international price of oil increased five-fold as depicted since 1994, inflating the cost of generation. The problem of rising oil prices was compounded by the depreciating Pakistani currency. As international oil prices are denominated in US dollars, the cost of imported FO increases as the Pakistani rupee devalues against the dollar. From 2005 to 2011, the cost of FO increased in real terms from \$236 per ton to \$639 per ton. At the same time, the Pakistani rupee depreciated against the dollar such that the cost of imported FO rose from Rs. 21,000 per ton to over Rs. 71,000 per ton. As a result, the cost of power generated from FO grew 236% in just six years.



If we consider the current scenario to persist in coming future, there is a clear depiction of current trend keeping up the pace with time. The Rupee is continuously depreciating against Dollar and will continue to depreciate with the same trend whereas the international oil prices are on the rise again. The current geo-political scenario of OPEC and Middle Eastern countries suggests that the future oil prices will rise to around \$140 per barrel in 2016. If we consider the worst case scenario and take into account the estimates by international agencies the international oil prices will go up further probably touching \$150 mark. These multi-dimensional variables if considered will create an ever increasing impact on our already crippling economy and power sector. The impact will be significant as the oil imports will rise significantly increasing import bill beyond expectation. In 2020, we can expect to have the oil imports more than doubled if the current energy mix continues with the same proportional increase in oil share. The rise in oil prices is depicted in above chart with estimated figures based on historical data and future estimations of market factors.

Given this current scenario, National Transmission and Dispatch Company Limited (NTDC) estimates the shortfall would cross the 12,000 MW level by 2016-17 if remedial measures are not taken now. Moreover, it shows severe shortfall in indigenous gas production is imminent as production growth since 2006-07 has remained negative whereas for 2014, the gas demand is expected to be 6.3 BCFD against a supply of 4.0 BCFD.

The situation is further compounded by the fact that in the country's energy mix, oil has grown at 4.1 percent compounded annual growth rate (CAGR) whereas other sources such as gas, hydro and coal have averaged a CAGR of 1.2 percent in past 6 years – portraying a heavy inclination towards imported oil in the energy mix. The overall contribution of nuclear and hydel generation has also remained relatively constant over the years with excessive dependence on imported oil-based generation that has resulted in mounting cost of generation. Taking the same trend forward, it paints a scary picture referred to as the 'Crunch Scenario' where the total imports required to meet the country's demand in 2020 will reach 65MTOE (Current import is 29 MTOE) resulting in a staggering energy import bill of USD 53 Billion.

It is unlikely that Pakistan's economy can afford this bill which essentially means a huge deficit between the demand and supply. With an average 12 hours of load shedding today and the state of our industry, one can well imagine the consequences in 2020.

Based on the scenario, it is proposed that the government must now take tough calls to avoid energy bankruptcy in the years to come and increase gas tariffs, develop indigenous resources, institute reforms in power sector and exhibit the political will to take unpopular decisions on an immediate basis.

References

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- <http://www.dawn.com>
- Report on National Conference: "Solutions for Energy Crisis in Pakistan"
- Study report by Engro Energy Research Group (EERG) on energy crisis





NBFI & Modaraba Association of Pakistan

First Position
Best Performing Modaraba



Awards & Accomplishments



Syed Feisal Ali Director Allied Rental Modaraba receiving the Award for the Best Performing Modaraba (First Position) from Mr. Shahid Nasim, Executive Director Specialized Companies Division - Supervision Department SECP



Modaraba Information

Board of Directors

Mr. Khwaja Asif Rahman
Chairman

Mr. Murtaza Ahmed Ali
Chief Executive

Syed Feisal Ali
Non - Executive Director

Mr. Raees A. Khan
Non - Executive Director

Mr. Ali Akbar
Non - Executive Director

Mr. Tajdar A. Shah
Non - Executive Director

Mr. Hassan Shehzad Abidi
Non - Executive Director

Audit Committee

Syed Feisal Ali
Chairman

Mr. Ali Akbar
Member

Mr. Murtaza Ahmed Ali
Member

Chief Financial Officer

Mr. Naveed Shaheen

Company Secretary

Mr. Salman Sabir

Head of Internal Audit and Secretary to Audit Committee

Mr. Ilyas Asif

Human Resource and Remuneration Committee

Mr. Khwaja Asif Rahman
Chairman

Syed Feisal Ali
Member

Mr. Murtaza Ahmed Ali
Member

Strategic Management

Mr. Rashid Jehangiri
Head of Operations - Lahore

Mr. Hazoor Bux Memon
Head of Operations - Karachi

Mr. Naveed Akhter
Head of Operations - Islamabad

Mr. Ali Ahsan
Regional Manager Technical - South

Mr. Hammad Ifkhar
Regional Sales Manager - North

Mr. Zeeshan Kazmi
Regional Sales Manager - South

Mr. Ali Ammar
Business Administrator

Bankers & Lending Institutions

Habib Bank Limited

National Bank of Pakistan Limited

Standard Chartered Bank (Pakistan) Limited

BankIslami (Pakistan) Limited

Faysal Bank Limited

Sonari Bank Limited

Habib Metropolitan Bank

MCB Bank Limited

United Bank Limited

Standard Chartered Modaraba

First Habib Modaraba

Auditors

A.F. Ferguson & Co. Chartered Accountants

Credit Rating Appraiser

JCR - VIS Credit Rating Company Limited

Shari'ah Advisor

Mufti Irshad Ahmad Aijaz

Legal Advisor

Mr. Khalil Ahmed Siddiqui, Advocate

Registered & Head office

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

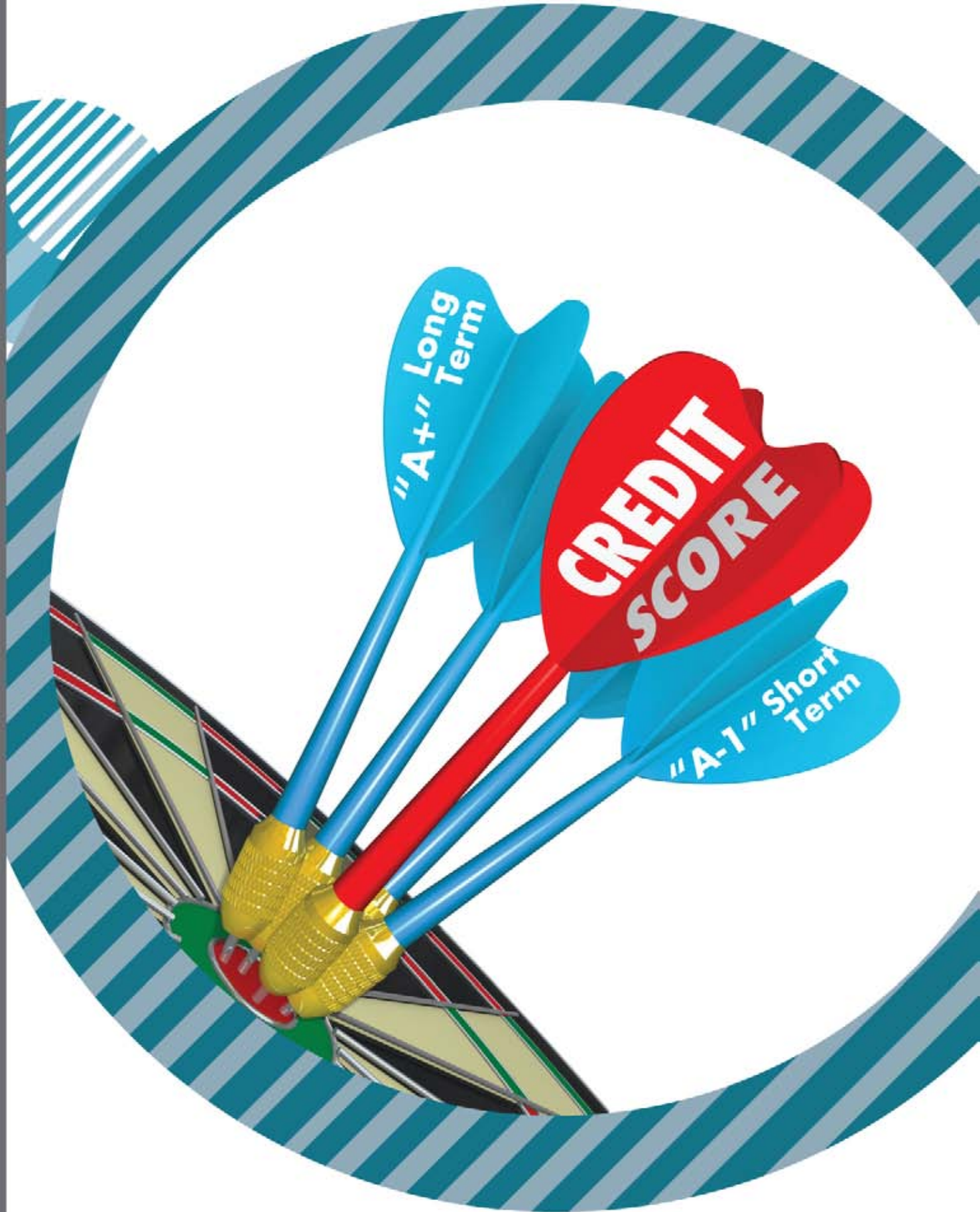
Website: www.arm.com.pk

Registrar & Certificate Transfer Office

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

Tel: 021 - 35643871-72

Fax: 021 - 35643873



JCR-VIS Credit Rating Company Limited

Press Release

JCR-VIS Upgrades Ratings of Allied Rental Modaraba to A+/A-1

Karachi, July 30, 2013: JCR-VIS Credit Rating Company Limited has upgraded the medium to long term entity rating of Allied Rental Modaraba (ARM) from 'A' (Single A) to 'A+' (Single A Plus). Short term rating has also been upgraded from 'A-2' (A-Two) to 'A-1' (A-One). Outlook on the assigned ratings is 'Stable'.

The upgrade takes into account the healthy financial indicators of the Modaraba. ARM has been able to post sustained growth in profitability, in line with increase in its rental fleet. With operating environment supporting the business of ARM, growth momentum in revenue streams is expected to continue, going forward. Liquidity profile of ARM is considered sound, supported by its ability to generate healthy cash flows.

Ratings incorporate the sustained internal capital generation, which has allowed ARM to maintain strong capitalization levels while undertaking regular capex over the years. Given that energy crisis remains unresolved, the Modaraba plans to further expand its rental fleet of diesel and gas generators, in addition to increasing logistics and earth moving equipment in anticipation of higher development expenditure. Diversification in operating assets will continue to be tracked by JCR-VIS. Expansion in operating assets is planned to be funded through a mix of equity injection,

internal capital generation and borrowings. Leverage indicators are projected to remain low.

Given the nature of Modaraba's operations, business risk is considered low. The management may nevertheless consider ways to improve documentation with clients to safeguard its ability to enforce contracts. While credit approval mechanism may also need to be formalized further, the ease of re-possession of assets mitigates the risk of default by clients. Moreover, the Modaraba's assets may be readily re-deployed at alternate sites.

Ratings derive strength from sponsor support received by ARM. The Modaraba is managed by Allied Engineering Management Company (Private) Limited, which is a wholly owned subsidiary of Allied Engineering & Services (Private) Limited (AESL). AESL is the dealer for Caterpillar products in Pakistan. AESL is also an authorized distributor of MCF Material Handling Equipment, Sany Cranes, Ingersoll Rand Compressors, Broad Chillers and IMW CNG Equipments in Pakistan.

For further information on this rating announcement, please contact the undersigned (Ext: 501) or Ms. Sobia Maqbool, CFA (Ext: 604) at 35311861-70 (10 lines) or fax to 35311873.

Javed Callea
Advisor

Product Profile

Power Generation Equipment

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





Lighting Towers

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



Powerhouse Operation and Maintenance (O&M Contracts)

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

Trucking Logistics Solution

ARM offers a wide array of freight services and logistics solutions through Rigid Trucks and Prime Movers with Semi Trailers for Long and Short hauling. Customized design and Vehicle selection is Hallmark of our Logistics business. Our dedicated workforce continuously strives for on-time delivery in the most cost efficient manner. Our professional teams can evaluate logistics requirements and recommend the optimal strategy for business and timeframes. All of our trucks have state of the art satellite equipment which allows complete tracking of freight from the time it is loaded until it reaches the final destination.



Inbound Logistics / Material Handling Solutions

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

Crane Services

Our Cranes Fleet comprises of quality equipment from world renowned crane manufacturers. Specially designed dual purpose 10 tons Crane mounted Trucks not only lift load, but also transport the load to desired location providing one window solution for both lifting and transportation jobs. Our Brand new 25 tons Sany Truck Cranes enhance our operation capabilities in Logistics business enabling us providing superior Crane services through "Certified" and "Reliable" equipment.



Construction Machines Rental

Caterpillar machines are leaders in Earth moving applications. The construction machines fleet includes Wheel Loaders, Soil Compactors and Motor Graders. Robustness, fitness and reliability are the hallmarks of our machines rental services. These are ensured by strict compliance of manufacturer's recommendations regarding operation and maintenance of machines by our technical experts.



Load Bank Rental

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

Staff Activities



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Allied Rental Modaraba



Allied Annual Function 2013



Allied Premier League 2012 - 13



Allied Table Tennis Championship 2013

Key Financial Data

		2013	2012	2011	2010	2009	2008
Total Assets	Rs. in million	4,440	2,711	2,111	1,511	1,273	976
Current Assets	Rs. in million	587	353	228	205	183	223
Current Liabilities	Rs. in million	1,353	645	658	317	203	283
Paid-up Capital	Rs. in million	975	750	600	600	600	300
Reserves	Rs. in million	1,378	913	703	550	178	90
Stock Holders' Equity	Rs. in million	2,353	1,663	1,303	1,150	962	456
Gross Profit	Rs. in million	808	595	379	338	253	188
Net Profit	Rs. in million	632	499	288	278	176	128
Profit after Tax Ratio	%	30	32	28	34	28	28
Return on Asset	%	18	21	16	20	16	15
Return on Equity	%	31	34	24	26	25	31
Return on Capital Employed	%	20	24	20	22	17	18
Expense Ratio	%	67	66	70	66	72	72
Debt / Equity Ratio	%	33 : 67	24 : 76	15 : 85	15 : 85	19 : 81	45 : 55
Current Ratio	Ratio	0.43 : 1	0.55 : 1	0.35 : 1	0.65 : 1	0.90 : 1	0.79 : 1
Price Earning Ratio	times	6.18	5.87	4.56	3.24	3.75	5.04
Earning per Certificate - basic and diluted	Rs.	6.72	5.49	3.84	4.63	3.60	3.37
Dividend Yield Ratio	%	7	9	13	15	11	12
Dividend Pay out Ratio	%	45	55	60	49	42	59
Cash Dividend	%	30	30	23	23	15	20
Stock Dividend	%	5	10	25	-	-	-
Cash Dividend per Certificate	Rs.	3.00	3.00	2.3	2.25	1.50	2.00
Book Value per Certificate	Rs.	24.13	22.17	21.72	19.16	16.03	15.18
Market Value per Certificate	Rs.	41.53	32.25	17.50	15.00	13.50	17.00

Summary of Cash Flows

	2013	2012	2011	2010	2009	2008
	(Rupees in '000)					
Profit for the year	631,865	498,792	288,294	277,973	176,141	127,576
Adjustments For Non-Cash and Other Items	440,837	252,092	236,098	157,643	153,218	131,254
Decrease / (increase) in Operating Assets	(159,074)	(91,255)	(582,063)	39,157	(1,429)	(101,500)
Increase / (decrease) in Operating Liabilities	386,728	(71,862)	430,299	55,322	(52,742)	39,884
Cash Generated from Operations	227,654	(163,117)	(151,764)	94,479	(54,171)	(61,616)
Cash Flows From Operating Activities	1,300,356	587,767	372,628	530,095	275,188	197,214
Cash Flows From Investing Activities	(1,913,279)	(696,388)	(241,358)	(366,131)	(490,899)	(193,155)
Cash Flows From Financing Activities	700,360	164,743	(157,404)	(111,319)	130,636	37,321
Net Cash increase/ (decrease) during the period	87,437	56,122	(26,134)	52,645	(85,075)	41,380
Cash and Cash Equivalents at beginning of the period	117,612	61,490	87,624	34,979	120,054	78,674
Cash and Cash Equivalents at end of the period	205,049	117,612	61,490	87,624	34,979	120,054



Value Added Statement

VALUE ADDED

Revenue from Operation
Less: Operating Expenses
Other Income

2013		2012	
(Rupees in '000)	(%)	(Rupees in '000)	(%)
2,139,199	98%	1,543,919	98%
(472,507)		(373,880)	
32,867	2%	27,996	2%
1,699,559	100%	1,198,034	100%

VALUE ALLOCATED

To Employees
As Remuneration
To Providers of Finance
As Ijarah Rentals
As Profit on Diminishing Musharakah
To Modarib
As Management Company's Remuneration
To Certificate Holders'
As Profit on Modaraba Certificates
To National Exchequer
As Workers' Welfare Fund
Retained in the Business
As Depreciation
As Reserve and Retained Earnings

367,755	22%	292,351	24%
205,313	12%	111,207	9%
83,988	5%	38,797	3%
6,319	1%	4,988	0%
225,000	13%	138,000	12%
12,895	1%	10,179	1%
410,638	23%	256,888	21%
387,651	23%	345,624	29%
1,699,559	100%	1,198,034	100%

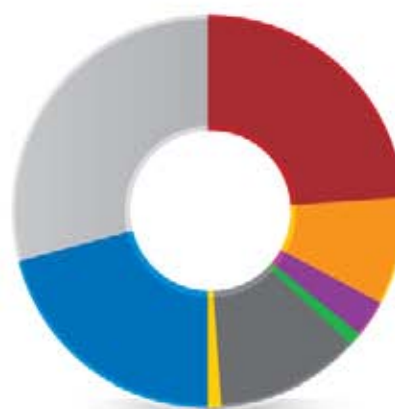
Value Allocated

2013



■ Employees	22%
■ Providers of Finance (Ijarah Rentals)	12%
■ Providers of Finance (Profit on D. M.)	5%
■ Management Company Remuneration	1%
■ Certificate Holders	13%
■ National Exchequer (WWF)	1%
■ As Depreciation	23%
■ As Reserve and Retained Earnings	23%

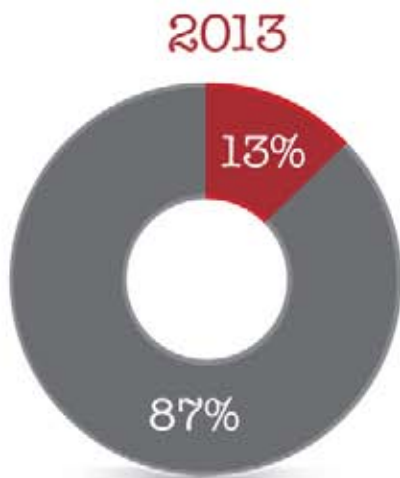
2012



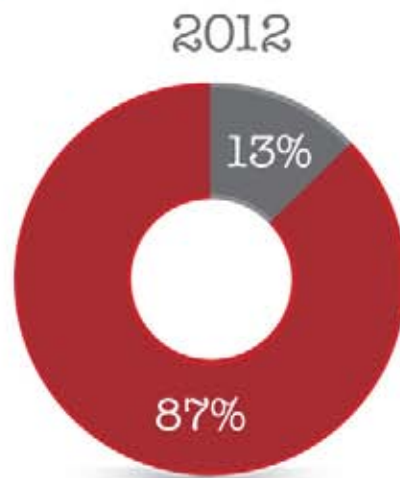
■ Employees	24%
■ Providers of Finance (Ijarah Rentals)	9%
■ Providers of Finance (Profit on D. M.)	3%
■ Management Company Remuneration	1%
■ Certificate Holders	12%
■ National Exchequer (WWF)	1%
■ As Depreciation	21%
■ As Reserve and Retained Earnings	29%

Balance Sheet Composition

Assets

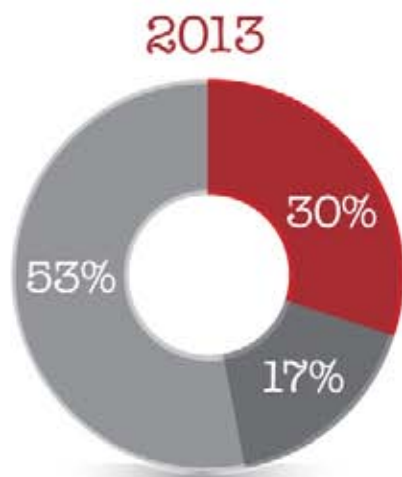


- Total Current Assets
- Total Non - Current Assets

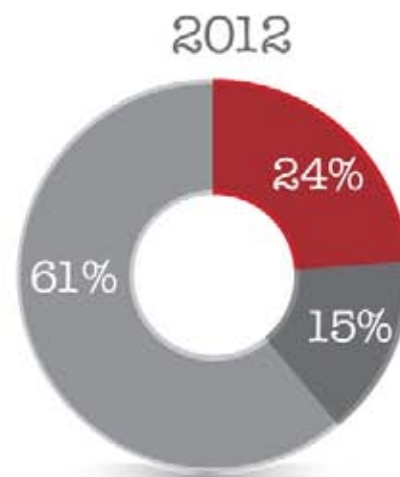


- Total Current Assets
- Total Non - Current Assets

Equity & Liabilities



- Total Current Liabilities
- Total Long Term Liabilities
- Certificate holders' Equity



- Total Current Liabilities
- Total Long Term Liabilities
- Certificate holders' Equity

Vertical Analysis

BALANCE SHEET

ASSETS

Current assets

	2013	2012	2011	2010	2009	2008
Cash and bank balances	5%	3%	3%	6%	3%	12%
Short-term investments	0%	1%	0%	0%	0%	0%
Ijarah rentals receivable	7%	6%	5%	4%	5%	6%
Operation and maintenance income receivable	0%	1%	1%	1%	1%	1%
Advances, deposits, prepayments and other receivable	1%	1%	1%	1%	2%	1%
Spare parts	1%	1%	1%	0%	0%	0%
Current portion of net investment in Ijarah finance	0%	0%	0%	1%	4%	3%
	13%	13%	11%	14%	14%	23%

Non-current assets

Net investment in Ijarah finance	0%	2%	3%	5%	7%	12%
Long-term security deposits	1%	2%	1%	1%	2%	4%
Fixed assets in own use - tangible	1%	2%	2%	1%	2%	2%
Ijarah assets	83%	79%	84%	78%	74%	59%
Capital work-in-progress	2%	3%	0%	1%	1%	1%
	87%	87%	89%	86%	86%	77%
	100%	100%	100%	100%	100%	100%

LIABILITIES

Current liabilities

Creditors, accrued and other liabilities	19%	16%	25%	9%	6%	8%
Borrowing from an associated company - unsecured	0%	0%	0%	0%	0%	6%
Payable to the Modaraba Management Company	0%	0%	0%	1%	0%	0%
Current portion of Diminishing Musharakah financing payable	11%	7%	5%	8%	0%	0%
Current portion of liabilities against assets subject to finance lease	0%	0%	1%	4%	10%	15%
Current portion of security deposits	1%	0%	0%	0%	0%	0%
	30%	24%	31%	21%	16%	29%

Non-current liabilities

Diminishing Musharakah financing payable	15%	12%	5%	0%	0%	0%
Liabilities against assets subject to finance lease	0%	0%	0%	2%	8%	23%
Deferred liabilities	0%	1%	1%	1%	1%	1%
Other long-term employee benefits	0%	0%	0%	0%	0%	0%
Security deposits	1%	2%	2%	0%	0%	1%
	17%	15%	7%	3%	8%	24%

FINANCED BY : CAPITAL AND RESERVES

Issued, subscribed and paid-up certificate capital	22%	28%	28%	40%	47%	31%
Premium on issue of right certificates	5%	3%	4%	6%	7%	0%
Statutory (mandatory) reserve	18%	21%	22%	21%	14%	9%
Unappropriated profit	8%	10%	7%	9%	7%	7%
	53%	61%	62%	76%	76%	47%
	100%	100%	100%	100%	100%	100%

PROFIT AND LOSS ACCOUNT

Ijarah rentals	93%	87%	82%	77%	74%	71%
Operation and maintenance income	6%	10%	15%	18%	21%	23%
Profit on Ijarah finance	0%	1%	1%	2%	3%	5%
Other income	2%	2%	2%	3%	3%	1%
Gross Revenue	100%	100%	100%	100%	100%	100%

Operating expenses	61%	60%	62%	57%	58%	58%
Administrative and distribution expenses	3%	4%	5%	5%	7%	6%
Provision against potential Ijarah losses and operation and maintenance income	1%	0%	0%	1%	0%	0%
Finance costs	4%	3%	3%	2%	7%	7%
Workers' welfare fund	1%	1%	1%	1%	0%	0%
Total Expenses	71%	68%	72%	67%	73%	72%
Modaraba Management Company's remuneration	0%	0%	1%	1%	0%	0%
Sindh Sales Tax on Management Company's remuneration	0%	0%	0%	0%	0%	0%
Profit Margin	30%	32%	27%	32%	27%	28%

Horizontal Analysis

BALANCE SHEET

ASSETS

Current assets

	2013	2012	2011	2010	2009	2008
Cash and bank balances	148%	34%	-30%	151%	-71%	53%
Short-term investments	100%	100%	0%	0%	0%	0%
Ijarah rentals receivable	93%	33%	89%	-12%	12%	137%
Operation and maintenance income receivable	-10%	-3%	-7%	103%	0%	-7%
Advances, deposits, prepayments and other receivable	122%	32%	-17%	-5%	242%	71%
Spare parts	-36%	192%	100%	0%	0%	0%
Current portion of net investment in Ijarah finance	-100%	20%	-62%	-66%	84%	199%
	66%	55%	13%	12%	-18%	33%

Non-current assets

Net investment in Ijarah finance	-100%	-12%	-11%	-17%	-30%	319%
Long-term security deposits	17%	148%	8%	-35%	-29%	134%
Fixed assets in own use - tangible	4%	44%	76%	-4%	9%	52%
Ijarah assets	72%	21%	49%	25%	66%	19%
Capital work-in-progress	-2%	2491%	-82%	21%	141%	200%
	63%	25%	44%	20%	45%	40%
	64%	28%	40%	19%	30%	38%

LIABILITIES

Current liabilities

Creditors, accrued and other liabilities	87%	-15%	308%	57%	8%	12%
Borrowing from an associated company - unsecured	0%	0%	0%	0%	-100%	187%
Payable to the Madaraba Management Company	60%	-37%	-16%	4110%	-88%	-77%
Current portion of Diminishing Musharakah financing payable	151%	106%	-16%	100%	0%	0%
Current portion of liabilities against assets subject to finance lease	0%	-100%	-54%	-46%	-18%	79%
Current portion of security deposits	100%	0%	0%	0%	0%	0%
	110%	-2%	108%	56%	-28%	55%

Non-current liabilities

Diminishing Musharakah financing payable	105%	240%	100%	0%	0%	-100%
Liabilities against assets subject to finance lease	0%	0%	-100%	-69%	-56%	45%
Deferred liabilities	29%	28%	30%	26%	26%	1350%
Other long-term employee benefits	30%	35%	6%	100%	0%	0%
Security deposits	-45%	43%	100%	-100%	-82%	382%
	82%	169%	236%	-59%	-55%	43%

FINANCED BY : CAPITAL AND RESERVES

Issued, subscribed and paid-up certificate capital	30%	25%	0%	0%	100%	0%
Premium on issue of right certificates	150%	0%	0%	0%	100%	0%
Statutory (mandatory) reserve	43%	22%	45%	78%	98%	245%
Unappropriated profit	34%	73%	6%	52%	43%	106%
	41%	28%	13%	20%	111%	27%
	64%	28%	40%	19%	30%	38%

PROFIT AND LOSS ACCOUNT

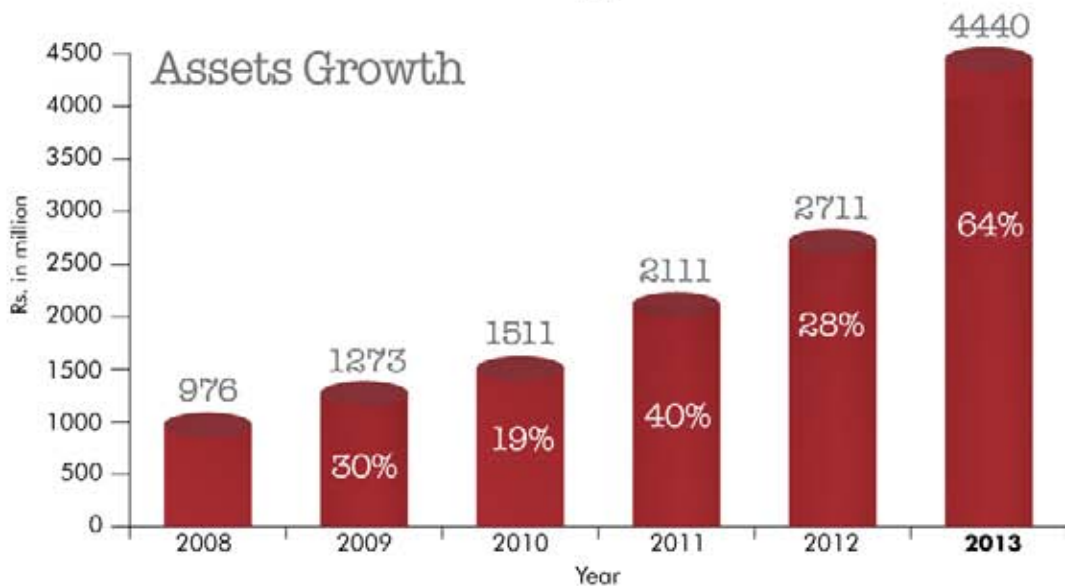
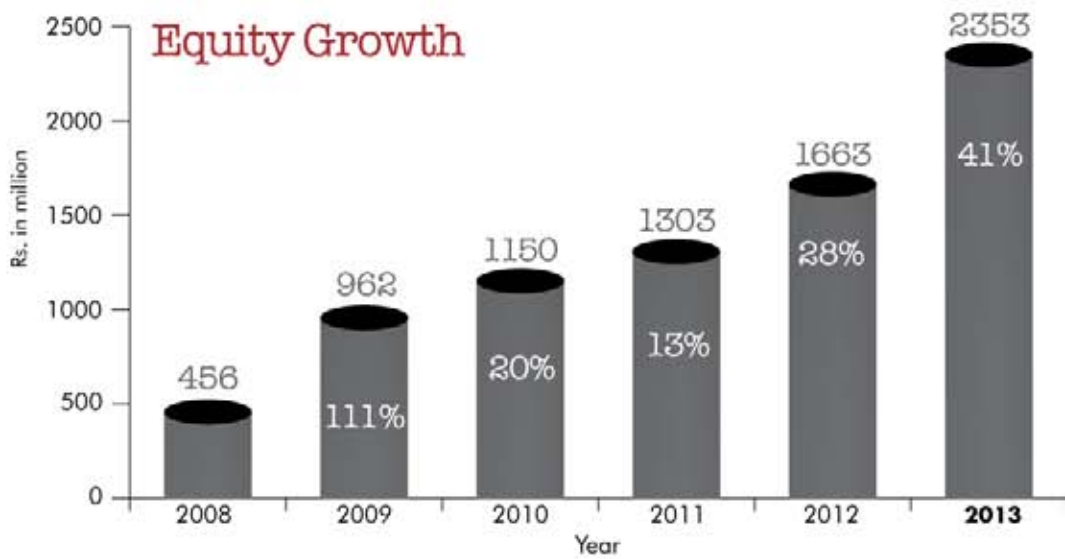
Ijarah rentals	46%	59%	30%	38%	47%	131%
Operation and maintenance income	-22%	1%	5%	12%	25%	238%
Profit on Ijarah finance	-61%	-9%	-18%	-19%	-21%	1158%
Other income	17%	67%	-39%	65%	304%	-62%
Gross Revenue	38%	50%	23%	32%	41%	149%

Operating expenses

Administrative and distribution expenses	40%	45%	33%	29%	41%	201%
Provision against potential Ijarah losses and operation and maintenance income	28%	7%	23%	-5%	59%	30%
Finance costs	322%	2%	-1%	46%	50%	55%
Workers' welfare fund	109%	31%	65%	-52%	32%	212%
	27%	77%	-36%	100%	0%	0%
Total Expenses	44%	41%	32%	20%	42%	169%
Madaraba Management Company's remuneration	27%	-33%	-14%	100%	0%	-100%
Sindh Sales Tax on Management Company's remuneration	100%	100%	0%	0%	0%	0%
Profit Margin	27%	73%	4%	58%	38%	120%



Financial Summary at a Glance



Annual Review Meeting 2012



Notice of Annual Review Meeting

Notice is hereby given that the 7th Annual Review Meeting of the Certificate Holders' will be held on Thursday, October 31, 2013 at 06:00 PM at the registered office 21/3, sector 22, Korangi Industrial Area, Karachi, to review the performance of the Modaraba for the year ended June 30, 2013.

The Certificate Holders' whose names appear on the Register of Certificate Holders' of Allied Rental Modaraba as on October 22, 2013 will be eligible to attend the Annual Review Meeting.

By order of the Board

Salman Sabir Advocate
Company Secretary
September 30, 2013

Note:

1. The Certificate Transfer Book will remain closed from October 23, 2013 to October 31, 2013 (both days inclusive) for the purpose of above entitlement and attending Annual Review Meeting. All transfer received in order up to close of business on October 22, 2013 at our Registrar's office M/s JWAFS Registrar Services (Pvt) Limited, Room No.505, Kashif Centre, 5th floor, main Shakra-e-Faisal, Karachi, will be considered in time.
2. CDC Certificate Holders desiring to attend the meeting are requested to bring their original CNIC, Account and participant's ID number for identification purpose.

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

Shari'ah Review Report

for the year ended June 30, 2013

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

I have conducted the Shari'ah review of Allied Rental Modaraba managed by Allied Engineering Management Company (Pvt.) Ltd. for the year ended 30 June, 2013 in accordance with the requirements of the Shari'ah Compliance and Shari'ah Audit Mechanism for Modarabas and report that in my opinion:

1. the systems, procedures and policies adopted by the Modaraba are in line with the Shari'ah principles;
2. the agreement(s) entered into by the Modaraba are Shari'ah compliant and the financing agreement(s) have been executed in accordance with the formats approved by the Religious Board and all the related conditions have been met;
3. to the best of my information and according to the explanation given to me, the business transactions undertaken by ARM and all other matters incidental thereto are in conformity with the Shari'ah requirement as well as the requirement of the prospectus, Islamic Financial Accounting Standards as applicable in Pakistan and the Shari'ah Compliance and Shari'ah Audit Regulation for Modarabas;
4. the earnings that have been realized from the sources or by means prohibited by Shari'ah have been credited to charity accounts.

Conclusion:

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

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

وَصَلَّى اللَّهُ عَلَى نَبِيِّنَا مُحَمَّدٍ وَبَارَكَ وَسَلَّمَ



Irshad Ahmad Aijaz

Dated: 26 September, 2013



Directors' Report

for the year ended June 30, 2013

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, 2013.

Financial Highlights	Rs. in '000
Sales Revenue	2,139,199
Profit for the year	631,865
Un-appropriated profit brought forward	35,395
Available for Appropriation	667,260
Transfer to Statutory Reserve @ 50% of profit for the year	315,932
Proposed cash dividend @ 30% (Rs. 3 per certificate)	292,500
Proposed Bonus issue @ 5% (1 certificate for every 20 certificates held)	48,750
Right Issue @ 20% (1 certificate for every 5 certificates held)	195,000
Premium on issue of Right certificates	214,500
Un-appropriated profit carried forward	58,828
Net profit margin	30%
Return on equity	31%
Earning per certificate	Rs. 6.72
Break-up value per Certificate	Rs. 24.13
Price Quoted on Karachi Stock Exchange on June 30, 2013	Rs. 41.53

Business Review

The Management is again pleased to report that this year also witnessed remarkable growth in terms of revenue, profits, investment in the Rental Assets and expansion of the Rental business to other growth sectors of the country.



Modaraba is continuously achieving new heights of growth and crossed sales revenue of Rs. 2.1 billion, 39% plus compared to previous year and consistent double digit growth recorded since its floatation in 2007. The investment in the Rental Assets also

touched a new peak of Rs. 3.7 billion during this year. This investment in the Rental Fleet partially reaped benefits in the current year, but its total year effects will come in the coming years in terms of increased revenue and profitability. The market capitalization of the Modaraba now stands at over Rs. 4 billion as compared to NET WORTH of Rs. 2.4 billion of the Modaraba as per books of accounts at June 30, 2013 closing. 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 payouts since its floatation.

The profit for the year also registered growth of 27% from Rs. 499 million of last year to Rs. 632 Million in the current year. The growth in profits was made possible due to continuous investment in the Rental Fleet, premium pricing compared to our competitors due to new and reliable CAT Equipment, diversification to other sectors of the economy and better and effective control over expenditure despite inflationary pressures. The operating expenses include Rs. 205 million charges of Ijarah rentals

compared to Rs. 111 million charged to Profit and Loss Account last year. The depreciation charge also went up from Rs. 257 million in previous year to Rs. 411 million in the current year. The charge for Staff costs went up by 26% in line with growth of Rental business; however efforts are made to maintain strict control and strong monitoring to control staff costs despite inflationary pressures. The financial costs doubled from Rs. 39 Million of last year to Rs. 84 Million in the current year. This is again mainly due on account of borrowings for expansion of the Rental Fleet.

The Administrative and distribution costs went up to Rs. 75 Million as compared to Rs. 59 Million of the last year. However, the overall percentage of the cost compared to Sales declined from 3.8% to 3.5% of Sales during the current year. The addition in the costs is mainly attributable to inflationary pressures plus increased cost of litigation and advisory costs due to non clarity in the legislation pertaining to duties and levies, specially on account of multiple tax regimes at Federal and Provincial Government levels.

Other Income of the Modaraba consists of Net Gain on disposal of its assets of Rs. 18 Million, Proceeds from sale of Scrap of Rs. 5.8 Million and Profits on its savings with Islamic Banks of Rs. 8.7 Million. The Modaraba Management Company has also kindly agreed to charge only 1% of Modaraba's Net Income which works out to Rs. 6.3 Million as compared to Rs. 4.9 Million of the prior year. As a matter of prudence, the Management has charged Rs. 12.9 Million for the levy of WWF, despite non clarity according to the provisions of the Constitution of the Islamic Republic of Pakistan as to its chargeability by either Federal or Provincial Government after the 18th Constitutional Amendment.

During the year, the Gas Engine Rental segment continuously remained below expectations due to

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

Rental Power remains the main engine of growth, both in the Diesel and Gas Engine Power Rental business. The Modaraba is continuously expanding its Fleet by inducting new CATERPILLAR ENGINES, offering fuel efficiencies and compliance to better environmental standards. The fuel efficiency is crucial due to rising fuel prices for both Gas and Diesel. This fuel efficiency gives competitive edge to the Modaraba and generates premium on its price offering to its customers.

The construction rental business continues to remain low due to lower investment in the infrastructure projects. With the new Government in place after the elections of 2013, we expect that investment in infrastructure projects will be made as per the previous record of the governing political party in the province of Punjab. However, we feel that there is excess capacity of construction equipment available in the country, both with the construction companies and investor cum operator unorganized sector. Therefore, presently the Management has no immediate plans to make any new investment in this sector of its Rental portfolio. However, this does not mean that we let any such investment opportunity let go. As soon as any viable profitable opportunity comes, the Modaraba has the required skill set available to immediately induct equipment to cater to the market demands.

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

The Management feels that logistics is the future potential area of investment and growth for the Modaraba. Pakistan is still in the primitive age when road logistics are concerned. The lack of investment in the sector, roadside engineering practices and overall lack of infrastructure have created many inefficiencies resulting into higher transportation costs. With the rising fuel prices, time has come to make new investment and implement good



engineering practices to ensure better fuel economies and as such reduce our overall fuel import bill for the country. Modaraba has entered into rental agreements for the transportation contracts with leading FMCG brands, which portrays the confidence of our customers on our ability to deliver on our commitments despite being new in the business. To qualify as compliant with HSE standards, the Modaraba got certification of its Logistics business for Compliance of Responsible Sourcing Audit conducted under the guidelines of SMETA by Bureau Veritas Pakistan. We see huge potential for growth in the sector with some leading FMCG brands, where we have developed our relationship by offering rental solutions to them, both in the Power Rental and Logistics Rental businesses.

Dividend

The Board is pleased to announce a cash dividend of 30% i.e. Rs. 3 per certificate of Rs. 10/- each. In addition, the Board is also pleased to declare bonus issue of 5 % i.e. one certificate for every twenty certificates (1:20) held.

Rights Issue

The Management is continuously expanding its Rental Fleet, both in Power Generation Rental business and logistics business, where it sees potential for investment and growth. This is evident of the investment made in 2012 -13 whereby initially the management projected to invest. Rs. ONE BILLION, but ended up investing double the amount to Rs. 2.1 billion in new Rental Assets to ensure that Modaraba remains the leader in Rental Power segment and catches on the opportunity in the logistics business with blue chip companies. The growth was financed from strong internal cash generation by way of profits retention, financing from Islamic Banks, Modarabas and Islamic window of the conventional banks. This year again, the Management feels that its investment volume will INSHALLAH cross Rs. 1.5 billion mark. Therefore, we feel that there is an opportunity for our certificate holders' to invest in this growth of the Modaraba and accordingly board has decided to issue 20% Right Certificates i.e. one Right certificate for every five Certificates held at a premium of Rs. 11 per Certificate. The premium is worked out based on the Break-up Value of the Certificate as at June 30, 2013 as per audited financial statements less Cash dividend declared for the year.

Keeping in view the fact that presently the investment opportunities are limited in the country these days, this Rights Issue offers excellent opportunity to our

certificate holders'. The track record of the Modaraba itself depicts the potential benefit that the Rights issue offers to certificate holders' compared to its price at the Stock Exchange. In addition, the Rights



Issue will also qualify for investment rebate in terms of section 62 of the Income Tax Ordinance, 2001

Credit Rating

The Management of the Modaraba is pleased to inform that JCR-VIS Credit Rating Company Limited has improved the entity ratings of Allied Rental Modaraba (ARM) to "A +" (Single A Plus) for long term & "A-1" (Single A-One) for short term. This again depicts the confidence of the rating agency on the performance of the Modaraba and its capacity to meet its financial obligations.

Five Star Operational Excellence Program

The Modaraba has volunteered to go through with the rigorous program of development, compliance and audit of its Operational parameters and processes to ensure its compliance to best practices in all areas of its function, including Sales, marketing, finance, operations, IT and Health and Safety. Subsequent to the year end, the audit was conducted by Caterpillar Six Sigma Black Belt team and accordingly rated the Modaraba as FOUR STAR compliance to best practices. The Management is now working to further improve the areas identified to achieve FIVE STAR STATUS and hopes that its review in future will help in further streamlining its processes and functions to ensure sustained growth.

Future Outlook

The phenomenal strength of Caterpillar brand name and our strategies makes us feel proud and confident to achieve our plans for 2014 and onwards. By applying prudent policies and disciplines in our business operations, we are confident that the targets sets for the year will be achieved. We see year 2014 as an opportunity to increase our market share in the Power Rental business however, we are quite aware of the challenges ahead because uncertainty still persists about the economic scenario of the country.

Despite the challenges facing the country, we feel that our country is blessed with resources, all the way from Karakoram mountains to the hilly areas of Baluchistan. We are a country rich in natural resources, have vast agricultural resource able to grow Cotton, Rice, Wheat, Maize, Potato, Fruits and Vegetables. With over 180 million population, we see our country as big market for all sorts of investment, whether industrial investment for rising Power Generation demand or investment in the logistics sector by partnering with leading FMCG brands.

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

Our Commitment to Regulator and Certificate Holders'

As a responsible corporate entity, we shall continue to conduct our business in a transparent way, working closely with the regulator to ensure compliance in all discipline of our business including complete Shari'ah compliance.

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

- complying with Islamic Shari'ah principles in all our business areas;
- generate fair returns on their investment through cash dividends, bonus issues and offering of Rights Certificates; and
- develop long term growth for the business which is reflected in the continuous upward revision in the TOTAL VALUE OF THE MODARABA through continuous increase in the value of the Modaraba Certificates at the Stock Exchange.

Governance Framework

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

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

Control Activities

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

Review

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



Audit

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

Whistle Blower Mechanism

The Board has developed the Whistle Blower Mechanism in line with the requirements of the new Code of Corporate Governance. There may sometimes be circumstances in which people feel uncomfortable raising issues directly with their managers. Hence we plan to provide a confidential "whistle blowing" mechanism throughout the Modaraba which the employees will be able to use.

The policy encourages open discussion of these issues and no one will be disadvantaged as a result of informing in good faith any concerns about compliance with the Modaraba's Code of Conduct. Under the policy, all disclosures are kept confidential and the identity of the individual making the allegation may be kept confidential so long as it does not hinder or aggravate any investigation. However, the investigation process may reveal the source of the information and the individual making the disclosure may need to provide a statement as part of the evidence required. If an employee needs to make a disclosure he/she should first raise the issue to his/her Department Head (unless he/she is the potential transgressor), in which case he/she can write to the Audit committee in the following format for the purpose of recording and monitoring.

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

Alternative Complaint Methods:

Independent Hotline:

An independent compliance hotline, operated by an external agency gives employees the opportunity to

report potential improprieties in financial reporting or other matters. The hotline is available to all and callers can remain anonymous if they wish.

Directors

The Structure of the Board of Directors

The Board of Directors consists of qualified individuals possessing knowledge, experience, and skill in various professions, with the leadership and vision necessary to act in the best interests of the Modaraba and its certificate holders. The Board of Directors has



a major role to play in deciding corporate policy, and with senior executives making plans for the short term and long-term operations of the Modaraba.

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

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

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

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

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

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

Development of Directors

It is the management policy to encourage directors, executives, and personnel concerned with corporate governance to take part in seminars and courses that could aim them in the performance of their duties and enhance their effectiveness. During the year, myself attended the CCG program organized by the Institute of Chartered Accountants of Pakistan. Subsequently, Syed Feisal Ali also attended the CCG program in August 2013. As of today, there are 3 directors out of 7, who qualify themselves under the CCG directive.

The Management plans to induct an independent director as required under CCG when the next elections of the directors will take place in October 2013. Though there was no new induction during the year, but newly appointed directors are given induction training that introduces them to their role, duties, and responsibilities, as well as knowledge of the Modaraba, their legal obligations, and the regulations that apply to them as directors of a listed entity.

Compliance with Corporate Governance

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

The Board of Directors is pleased to report that:

- The financial statements prepared by the management of the Modaraba, present fairly its state of affairs, the result of its operations, cash flows and changes in equity.
- Proper books of accounts of the Modaraba have been maintained.
- Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable to Modarabas in Pakistan, have been followed in preparation of financial statements.
- The system of internal control, which is in place, is being continuously reviewed by internal audit and other such procedures. The process of review will continue and any weakness in controls will be removed.
- There are no significant doubts upon the Modaraba's ability to continue as a going concern.
- Summary of key operating and financial data for the last six years is included in this annual report.
- There are no statutory payments on account of taxes, duties, levies and charges which are outstanding as on June 30, 2013 except for those disclosed in the financial statements.
- The trading in certificates carried out by the Directors, CEO, CFO, Company Secretary, their spouses and minor children is reported as under.

Name	Designation	Purchase/ Rights	Bonus	Sale
		Number of Certificates		
Mr. Murtaza Ahmed Ali	Chief Executive Officer	40,850	20,425	-
Syed Feisal Ali	Non-Executive Director	158,500	76,500	-
Mr. Ali Akbar	Non-Executive Director	7,500	3,750	-
Mr. Tajdar. A. Shah	Non-Executive Director	15,000	7,500	-
Mr. Raees A. Khan	Non-Executive Director	40,000	20,000	-
Mr. Hassan Shahzad Abidi	Non-Executive Director	500	249	-
Mr. Naveed Shaheen	Chief Financial Officer	17	-	-
Mr. Salman Sabir	Company Secretary	3,300	1,650	-

- The value of investments in Employees' Provident Funds based on the audited financial statements of the fund as at December 31, 2012 is Rs. 28,560,033/- (2011: Rs. 23,564,428/-)
- The pattern of holding of certificates by the certificate holders' is included in this annual report
- The Board has formed a Human Resource Committee in compliance with the requirements of the Code of Corporate Governance. The Committee makes recommendations to the Board for maintaining
 - (i) a sound organizational plan of the Company,
 - (ii) an effective employee development program and;
 - (iii) sound compensation and benefit plans, policies and practices designed to attract and retain high caliber personnel for effective management of business with a view to achieve set objectives.

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

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

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

Name of Member	No. of meetings attended
Syed Feisal Ali	4
Mr. Murtaza Ahmed Ali	4
Mr. Ali Akbar	3

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

Auditors

On the recommendation of the Audit Committee, the Board has approved the reappointment of the present auditors Messrs. A. F. Ferguson & Co. Chartered Accountants as auditors for the year ending June 30, 2014 subject to the approval of Registrar of Modaraba Companies & Modarabas.

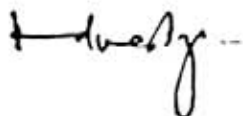
Shari'ah Audit Report

The Modaraba continues to seek guidance from its Shari'ah Advisor, Mufti Irshad Ahmed Aijaz as and when required to ensure full compliance to Sharia'h Audit mechanism developed in consultation with Registrar Modarabas. The internal audit department has also been trained to handle the day to day affairs of the Modaraba ensuring complete adherence to Shari'ah policies and principles. The Sharia'h Audit Report issued for the affairs of the Modaraba for the year ended June 30, 2013 is attached in the Annual Financial Statements.

Acknowledgement

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

On behalf of the Board



Murtaza Ahmed Ali
Chief Executive
September 30, 2013

Statement of Compliance

with the best practices of the Code of Corporate Governance

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of Chapter XI 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 CCG in the following manner:

1. The Management Company encourages representation of non-executive directors on its board of directors. At present, the board includes:

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

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

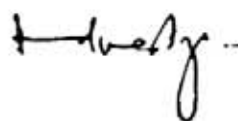
2. The directors have confirmed that none of them is serving as director in more than seven listed companies, including this Management Company.
3. All the resident directors of the Modaraba Management Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a Stock

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

4. During the year, no casual vacancy occurred on the Board of Directors.
5. The Modaraba has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Modaraba along with its supporting policies and procedures.
6. The Board has developed a vision / mission statement, overall corporate strategy and significant policies of the Modaraba. A complete record of the particulars of these significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer of the Modaraba Management Company and other executive and non-executive directors have been taken by the Board.
8. The meetings of the board were presided over by the Chairman and, in his absence, by a director elected by the board for this purpose and the board met at least once in every quarter. Written notices of the board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year ended June 30, 2013, Mr. Murtaza Ahmed Ali attended the CCG training program organized by the Institute of Chartered Accountants of Pakistan. Subsequently, Syed Feisal Ali also attended the CCG training program in August 2013. As of today, there are 3 directors out of 7, who meet the training requirements under the CCG directive.
10. No appointments of CFO, Company Secretary and Head of Internal Audit during the year.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Modaraba were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the certificates of the Modaraba other than that disclosed in the pattern of holding of certificates.
14. The Modaraba has complied with all the corporate and financial reporting requirements of the CCG.
15. The Board has formed an Audit Committee. It presently comprises of three members only two of which are non-executive directors including Chairman of the Committee.
16. The meetings of the Audit Committee were held at least once every quarter prior to the approval of interim and final results of the Modaraba as required by the CCG. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The board has formed an HR and Remuneration Committee. It comprises of three members, of whom being two are non-executive directors and the Chairman of the Committee is a non-executive director.
18. The Board has set-up an effective internal audit function including Shari'ah compliance mechanism as required under circular 8 of 2012 issued by Registrar Modarabas, Securities and Exchange Commission of Pakistan. They are considered suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Modaraba and are involved in the internal audit function on a full time basis.
19. The statutory auditors of the Modaraba have confirmed that they have been given a satisfactory rating under the Quality Control Review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold certificates of the Modaraba and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the person associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. The related party transactions have been placed and approved by the Audit Committee and the Board of Directors on quarterly basis.
24. We confirm that all other material principles enshrined in the CCG have been complied with.

On behalf of the Board



Murtaza Ahmed Ali
Chief Executive
September 30, 2013



A. F. FERGUSON & CO.

Review Report to the Certificate Holders

on the Statement of Compliance with the Best Practices of the Code of Corporate Governance

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

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

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

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

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Modaraba, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Modaraba for the year ended June 30, 2013.

We draw attention to the matter highlighted in paragraph 15 of the annexed statement. As per the requirement of the Code of Corporate Governance all members of the Audit Committee should be non-executive directors.



A. F. FERGUSON & CO.

Auditors' Report to the Certificate Holders

We have audited the annexed balance sheet of Allied Rental Modaraba as at June 30, 2013 and the related profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof (hereinafter referred to as the financial statements), for the year then ended and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit.

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

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

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

of 1980) and the Modaraba Companies and Modaraba Rules, 1981;

(b) in our opinion:

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

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

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

(c) in our opinion and to the best of our information and according to the explanations given to us, the balance sheet, profit and loss account, statement of comprehensive income, cash flow statement and statement of changes in equity together with the notes forming part thereof conform with approved accounting standards as applicable in Pakistan, and, give the information required by the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) and the Modaraba Companies and Modaraba Rules, 1981, in the manner so required and respectively give a true and fair view of the state of the Modaraba's affairs as at June 30, 2013 and of the profit, comprehensive income, its changes in equity and cash flows for the year then ended; and

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

Chartered Accountants
Rashid A. Jafer
Engagement Partner

Date: September 30, 2013
Karachi

Balance Sheet

as at June 30, 2013

	Note	2013	2012
(Rupees)			
ASSETS			
Current assets			
Cash and bank balances	3	205,048,935	82,611,666
Short-term investments	4	-	36,031,718
Ijarah rentals receivable	5	291,008,820	150,563,401
Operation and maintenance income receivable	5	15,506,250	17,214,164
Advances, deposits, prepayments and other receivable	6	53,145,791	23,956,150
Spare parts		22,487,148	35,172,863
Current portion of net investment in Ijarah finance	7	-	7,443,457
		587,196,944	352,993,419
Non-current assets			
Net investment in Ijarah finance	7	-	54,607,348
Long-term security deposits	8	52,563,565	45,110,757
Fixed assets in own use - tangible	9	52,347,976	50,570,080
Ijarah assets	10	3,677,543,177	2,136,652,576
Capital work-in-progress	11	69,925,080	71,135,902
		3,852,379,798	2,358,076,663
Total assets		4,439,576,742	2,711,070,082
LIABILITIES			
Current liabilities			
Creditors, accrued and other liabilities	12	831,019,502	444,060,796
Payable to the Modaraba Management Company	13	7,315,759	4,580,860
Current portion of Diminishing Musharakah financing payable	14	492,435,571	196,267,028
Current portion of security deposits	17	22,500,000	-
		1,353,270,832	644,908,684
Non-current liabilities			
Diminishing Musharakah financing payable	14	676,365,991	330,201,803
Deferred liabilities	15	21,171,193	16,450,329
Other long-term employee benefits	16	8,038,987	6,171,651
Security deposits	17	28,000,000	50,500,000
		733,576,171	403,323,783
Total liabilities		2,086,847,003	1,048,232,467
NET ASSETS		2,352,729,739	1,662,837,615
FINANCED BY : CAPITAL AND RESERVES			
Authorised certificate capital			
125,000,000 (2012: 75,000,000) Modaraba certificates of Rs. 10 each	18	1,250,000,000	750,000,000
Issued, subscribed and paid-up certificate capital	18	975,000,000	750,000,000
Premium on issue of right certificates		225,000,000	90,000,000
Statutory (mandatory) reserve	19	801,402,963	560,470,691
Unappropriated profit		351,326,776	262,366,924
		2,352,729,739	1,662,837,615
CONTINGENCIES AND COMMITMENTS	20		

The annexed notes from 1 to 40 form an integral part of these financial statements.

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


Murtaza Aminu Ali
Chief Executive


Khwaja Asif Rahman
Chairman


Syed Feisal Ali
Director

Profit & Loss Account

for the year ended June 30, 2013

	Note	2013	2012
		(Rupees)	
Ijarah rentals		2,009,836,666	1,371,942,711
Operation and maintenance income		124,803,537	160,203,765
Profit on Ijarah finance		4,558,996	11,772,477
		<u>2,139,199,199</u>	<u>1,543,918,953</u>
Operating expenses	21	(1,331,441,120)	(948,701,267)
Gross profit		<u>807,758,079</u>	<u>595,217,686</u>
Administrative and distribution expenses	22	(75,134,124)	(58,867,229)
Provision against potential Ijarah losses and operation and maintenance income	5.3	(18,628,717)	(4,412,591)
Finance costs	23	(94,773,321)	(45,442,461)
Other income	24	32,867,450	27,995,657
		<u>(155,668,712)</u>	<u>(80,726,624)</u>
		<u>652,089,367</u>	<u>514,491,062</u>
Modaraba Management Company's remuneration	13	(6,318,645)	(4,987,917)
Sindh Sales Tax on Management Company's remuneration	25	(1,010,983)	(532,044)
		<u>644,759,739</u>	<u>508,971,101</u>
Workers' welfare fund	26	(12,895,195)	(10,179,422)
Profit for the year before taxation		<u>631,864,544</u>	<u>498,791,679</u>
Taxation	27	-	-
Profit for the year after taxation		<u>631,864,544</u>	<u>498,791,679</u>
			(Re-stated)
Earnings per certificate - basic & diluted	28	<u>6.72</u>	<u>5.49</u>

The annexed notes from 1 to 40 form an integral part of these financial statements.

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


MUTAZU AMINU ALI
Chief Executive


Khwaja Asif Rahman
Chairman


Syed Feisal Ali
Director

Statement of Comprehensive Income

for the year ended June 30, 2013

	2013	2012
	(Rupees)	
Profit for the year after taxation	631,864,544	498,791,679
Other comprehensive income for the year	-	-
Total comprehensive income for the year	631,864,544	498,791,679

The annexed notes from 1 to 40 form an integral part of these financial statements.

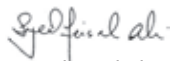
**For Allied Engineering Management Company (Private) Limited
(Management Company)**



Muraza Aminu Ali
Chief Executive



Khwaja Asit Rahman
Chairman



Syed Feisal Ali
Director

Cash Flow Statement

for the year ended June 30, 2013

Note	2013	2012
(Rupees)		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the year	631,864,544	498,791,679
Adjustments for non-cash charges and other items:		
Depreciation	9.3 410,638,384	256,887,704
Provision for potential Ijarah losses	5.3 18,628,717	4,412,591
Provision for deferred liabilities - gratuity	15.5 4,720,864	3,653,470
Provision for compensated absences	1,985,083	1,774,812
Financial charges including bank charges	23 94,773,321	45,442,461
(Profit) / loss on disposal of fixed assets in own use	24 3,810	(567,135)
Profit on disposal of Ijarah assets	24 (31,964,151)	(10,093,888)
Unrealized profit on short term investment	24 -	(31,718)
Profit on disposal of short term investment	(47,599)	-
	1,130,602,973	800,269,976
(Increase) / decrease in assets		
Ijarah rentals receivable	(158,751,136)	(42,193,054)
Operation and maintenance income receivable	1,384,914	535,544
Advances, deposits and other receivable	(29,189,641)	(5,810,081)
Spare parts	12,685,715	(23,109,187)
Net investment in Ijarah finance	62,050,805	6,227,522
Long-term security deposits	(7,452,808)	(26,905,800)
	(119,272,151)	(91,255,056)
Increase / (decrease) in liabilities		
Creditors, accrued and other liabilities (excluding accrued financial charges)	383,992,675	(84,366,050)
Payable to the Modaraba Management Company	2,734,899	(2,721,194)
Security Deposits	-	15,225,000
	386,727,574	(71,862,244)
Cash generated from / (utilised in) operations		
Gratuity paid	267,455,423	(163,117,300)
Compensated absence paid	-	(81,818)
Financial charges paid	(117,747)	(182,793)
	(91,807,290)	(42,004,408)
Net cash flows from operating activities	1,306,133,359	594,883,657
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(2,015,468,308)	(768,149,603)
Short term investment	-	(1,000,000)
Proceeds from disposal of Ijarah assets	10.5 87,861,574	62,326,200
Proceeds from disposal of fixed assets in own use	9.2 7,471,016	3,317,811
Proceeds from disposal of short term investment	1,079,317	-
Net cash flows from investing activities	(1,919,056,401)	(703,505,592)
CASH FLOWS FROM FINANCING ACTIVITIES		
Profit paid to certificate holders'	(225,000,000)	(138,000,000)
Proceeds from issue of certificates	285,000,000	-
Diminishing Musharakah financing availed	944,804,092	422,624,677
Expenses against issuance of bonus / right certificates	(1,972,420)	(900,000)
Repayment of Diminishing Musharakah financing	(302,471,361)	(88,562,022)
Repayment of liabilities against assets subject to finance lease	-	(30,419,030)
Net cash flows from financing activities	700,360,311	164,743,625
Net increase in cash and cash equivalents	87,437,269	56,121,690
Cash and cash equivalents at the beginning of the year	117,611,666	61,489,976
Cash and cash equivalents at the end of the year	29 205,048,935	117,611,666

The annexed notes from 1 to 40 form an integral part of these financial statements.

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


Muzazu Aminu Ali
Chief Executive


Khwaja Asif Rahman
Chairman


Syed Feisal Ali
Director

Statement of Changes in Equity

for the year ended June 30, 2013

	Paid up Certificate Capital	Premium on Issue of right certificates	Statutory (Mandatory) reserve	Un-appropriated profit	Total
(Rupees)					
Balance as at June 30, 2011	600,000,000	90,000,000	461,074,852	151,871,084	1,302,945,936
Profit distribution for the year ended June 30, 2011 @ Rs. 2.30 per certificate declared subsequent to year end	-	-	-	(138,000,000)	(138,000,000)
Bonus issue for the year ended June 30, 2011 @ 25% i.e. 1 certificate for every 4 certificates held, made subsequent to the year end	150,000,000	-	(150,000,000)	-	-
Expenses against issuance of bonus certificates	-	-	-	(900,000)	(900,000)
Total comprehensive income for the year ended June 30, 2012	-	-	-	498,791,679	498,791,679
Transfer to statutory (mandatory) reserve	-	-	249,395,839	(249,395,839)	-
Balance as at June 30, 2012	750,000,000	90,000,000	560,470,691	262,366,924	1,662,837,615
Profit distribution for the year ended June 30, 2012 @ Rs. 3 per certificate declared subsequent to year end	-	-	-	(225,000,000)	(225,000,000)
Bonus issue for the year ended June 30, 2012 @ 10% i.e. 1 certificate for every 10 certificates held, made subsequent to the year end	75,000,000	-	(75,000,000)	-	-
20 % right issue at a premium of Rs.9 per certificate during the period	150,000,000	135,000,000	-	-	285,000,000
Expenses against issuance of bonus / right certificates	-	-	-	(1,972,420)	(1,972,420)
Total comprehensive income for the year ended June 30, 2013	-	-	-	631,864,544	631,864,544
Transfer to statutory (mandatory) reserve	-	-	315,932,272	(315,932,272)	-
Balance as at June 30, 2013	975,000,000	225,000,000	801,402,963	351,326,776	2,352,729,739

The annexed notes from 1 to 40 form an integral part of these financial statements.

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


Murtaza Arif Ali
Chief Executive


Khwaja Asif Rahman
Chairman


Syed Feisal Ali
Director

Notes to The Financial Statements

for the year ended June 30, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

2.1 Basis of preparation

2.1.1 Statement of compliance

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

2.1.2 Accounting convention

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

2.1.3 Functional and presentation currency

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

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

The following amendments to approved accounting standards have been published and are mandatory for the Modaraba's accounting period beginning on or after July 1, 2012:

- Amendments to IAS 1, 'Presentation of financial statements' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not have any significant impact on these financial statements as no amounts are currently reported under 'other comprehensive income'.

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

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

The following are some amendments that have been published and are mandatory for the Modaraba's accounting period beginning on or after July 1, 2013:

- Amendments to IFRS 7, 'Financial Instruments: Disclosures', (effective January 1, 2013). These contain new disclosure requirement for financial assets and liabilities that are offset in the balance sheet or are subject to master netting or similar arrangement. The amendments will not have any impact on the Modaraba's financial statements.
- IAS 19, 'Employee benefits' was amended in June 2011 applicable for periods beginning on or after January 1, 2013. The amendment has resulted in the following changes: eliminate the corridor approach and recognise all actuarial gains and losses in other comprehensive income as they occur to immediately recognise all past service costs; and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability / asset. The management is in the process of assessing the impact of the amendments.

There are certain other new and amended standards and interpretations that are mandatory for the Modaraba's accounting periods beginning on or after July 1, 2013 but are considered not to be relevant or do not have any material effect on the Modaraba's operations and are, therefore, not detailed in these financial statements.

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

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

2.3 Islamic Financial Accounting Standard 2 'Ijarah' issued by the Institute of Chartered Accountants of Pakistan was adopted by the Securities and Exchange Commission of Pakistan (the SECP) vide SRO 431(1)/ 2007 dated May 5, 2007. During the year ended June 30, 2010, SECP vide its letter no. SC/M/RW/SC/2009 dated March 9, 2009, directed that the Modaraba Management Companies may apply the accounting treatment of IFAS-2, only to the leasing (Ijarah) transactions entered on or after July 1, 2008. Under the above IFAS 2, the 'Ijarah' transactions are accounted for in the following manner:

- Muj`ir (lessors) shall present the assets subject to Ijarah in their balance sheet according to the nature of the asset, distinguished from the assets in own use.

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

Consequently, in preparation of these financial statements the Modaraba has accounted for leasing transactions executed before July 01, 2008 as finance leases consistent with prior years and has treated the leasing transactions executed on or after July 01, 2008 in accordance with the requirements of IFAS 2.

2.4 Critical accounting estimates and judgments

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

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

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

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

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

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

iii) Staff retirement benefits (notes 2.20 and 15);

The Modaraba has post retirement benefit obligations, which are determined through actuarial valuations carried out by an independent actuary using various assumptions as disclosed in note 15 to these financial statements. Changes in these assumptions in future years may affect the liability under these schemes in those years.

iv) Provision for taxation (notes 2.16 and 27);

No provision has been made in these financial statements for income taxes (both current and deferred) as the Modaraba expects to distribute at least 90% of its profits (after appropriation to mandatory reserves as required under the Modaraba Ordinance) to the certificate holders in current and future years.

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

v) Spare parts (note 2.12)

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

2.5 Cash and cash equivalents

Cash flow statement cash and cash equivalents include cash and balances with banks in current and savings accounts, cash in hand and other short-term highly liquid investments with original maturities of three months or less.

2.6 Financial instruments

2.6.1 Financial assets

2.6.1.1 Classification

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

a) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

b) Held-to-maturity

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

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

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

d) Available for sale financial assets

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

2.6.1.2 Initial recognition and measurement

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

2.6.1.3 Subsequent measurement

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

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

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

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

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

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

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

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

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

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

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

2.6.1.5 Collateral

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

2.6.2 Financial liabilities

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

2.6.3 Derecognition

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

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

2.6.4 Offsetting of financial assets and financial liabilities

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

2.7 Derivative financial instruments and hedge accounting

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

Fair value hedge

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

Cash flow hedge

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

2.8 Ijarah rental and operation and maintenance income receivable

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

2.9 Net investment in Ijarah finance

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

2.10 Receivable from terminated / matured contracts

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

2.11 Advances, deposits and other receivables

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

2.12 Spare parts

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

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

2.13 Ijarah assets

2.13.1 Owned assets

Assets leased out under Ijarah arrangements on or after July 1, 2008 are recorded as Ijarah assets and are stated at cost less accumulated depreciation and accumulated impairment losses. The residual values,

useful lives and depreciation method are reviewed and adjusted, if appropriate, at each reporting date. Depreciation is charged to income applying the straight line method whereby the cost of an asset less salvage value is written off over the lease period, which is considered to be the estimated useful life of the asset.

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

2.13.2 Leased assets

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

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

2.13.3 Change in accounting estimate

During the year the Modaraba has reviewed the residual values of generators as required by International Accounting Standard 16 "Property, Plant and Equipment" (refer note 2.13.1). This review has resulted in upward revision of the residual value of the generators. This revision has been accounted for as a change in accounting estimate in accordance with the requirements of International Accounting Standard 8, "Accounting Policies, Changes in Accounting Estimates and Errors". Accordingly, the effect of this change in accounting estimate has been recognised prospectively in the profit and loss account from the current year. Had there been no change in the accounting estimate, the carrying amount of these assets, profit for the year and equity as at June 30, 2013 would have been lower by Rs. 14.255 million (2012: Rs. 27.068 million).

2.14 Fixed assets in own use - tangible

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

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

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

2.15 Capital work-in-progress

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

2.16 Taxation

2.16.1 Current

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

The income of non-trading Modarabas is exempt from tax subject to the condition that not less than ninety per cent of its total profits in the year as reduced by the amount transferred to a mandatory reserve, required under the provisions of the Modaraba Companies and Modaraba (Floatation and Control) Ordinance, 1980 (XXXI of 1980) are distributed amongst the shareholders. The Modaraba intends to continue availing the tax exemption by distributing its profit on the above mentioned basis.

2.16.2 Deferred

Deferred tax is recognised using the balance sheet liability method, on all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts appearing in the financial statements. Deferred tax liability is recognised for all taxable temporary differences. Deferred tax asset is recognised for all deductible temporary differences to the extent that it is probable that the temporary differences will reverse in the future and taxable income will be available against which the temporary differences can be utilised.

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

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

2.17 Creditors, accrued and other liabilities

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

2.18 Compensated absences

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

2.19 Provisions

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

2.20 Staff retirement benefits

2.20.1 Unfunded gratuity scheme

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

2.20.2 Staff provident fund - defined contribution plan

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

2.21 Diminishing Musharakah financing payable

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

2.22 Revenue recognition

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

The Modaraba follows the finance method for recognising income on Ijarah contracts commencing prior to July 1, 2008 (accounted for as finance lease). Under this method the unearned income i.e. the excess of aggregate lease rentals (including residual value) over the net investment (cost of finance lease) outstanding is deferred and then amortised over the term of the lease, so as to produce a constant periodic rate of return on net investment in the lease. Documentation charges, front-end fee and other lease income are recognised as income on receipt basis.

2.22.2 Ijarah rentals (under IFAS 2)

For Ijarah arrangements commencing on or after July 1, 2008, Ijarah rentals are recognised as income on an accrual basis. In case of Ijarah arrangements with staggered rentals, the income is recognised on a straight line basis over the Ijarah term.

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

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

2.22.4 Operation and maintenance services

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

2.22.5 Income on savings accounts with banks

Return on savings accounts is recognised on accrual basis.

2.23 Impairment on non-financial assets

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

2.24 Foreign currency transactions

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

2.25 Segment reporting

As per IFRS 8, "Operating Segments", operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

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

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

2.26 Earnings per certificate

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

2.27 Proposed profit distribution to certificate holder

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

3 CASH AND BANK BALANCES

	Note	2013	2012
(Rupees)			
Cash with banks in:			
- current accounts		8,460,027	1,036,110
- savings accounts	3.1	195,802,063	81,156,725
		204,262,090	82,192,835
Cash in hand		786,845	418,831
		205,048,935	82,611,666

3.1 These accounts carry profit at rates ranging from 5% to 8% (2012: 6% to 10%).

4 SHORT-TERM INVESTMENTS

Financial assets 'at fair value through profit or loss' - held for trading

- Open ended mutual fund units	4.1	-	1,031,718
Loans and receivables - fixed rate			
- Certificate of Musharakah		-	35,000,000
		-	36,031,718

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

Name of Investee	Number of units					Balance as at June 30, 2013		
	As at July 1, 2012	Purchase during the year	Bonus units	Redemption / sale during the year	As at June 30, 2013	Cost	Carrying value	Market value
(Rupees)								
UBL Islamic Sovereign fund	10,289	-	-	10,289	-	-	-	-

5 IJARAH RENTALS AND OPERATION AND MAINTAINANCE INCOME RECEIVABLE

	Note	2013	2012
(Rupees)			
Ijarah rentals receivables - considered good		172,777,238	120,372,520
Ijarah rentals receivables - considered doubtful (classified portfolio)		139,443,249	39,612,473
	5.2	312,220,487	159,984,993
Less: Provision against potential Ijarah losses		(21,211,667)	(9,421,592)
		291,008,820	150,563,401
Operation and maintenance income receivable - considered good		10,252,737	17,214,164
Operation and maintenance income receivable - (classified portfolio)		5,576,513	-
		15,829,250	17,214,164
Less: Provision against Operation and maintenance income receivable		(323,000)	-
		15,506,250	17,214,164
		306,515,070	167,777,565

5.1 Category of classification

	2013		2012	
	Balance outstanding	Provision held	Balance outstanding	Provision held
(Rupees)				
OAEM	58,864,607	-	10,155,646	-
Substandard	71,809,701	14,361,940	18,517,851	3,703,570
Doubtful	14,345,454	7,172,727	10,441,909	5,220,955
Loss	-	-	497,067	497,067
	145,019,762	21,534,667	39,612,473	9,421,592

5.2 The Ijarah financing is secured by way of cash deposits amounting to Rs. 50.500 million (2012: Rs. 50.500 million).

5.3 Provision against potential Ijarah losses and operation and maintenance income receivable

	2013	2012
(Rupees)		
Opening balance	9,421,592	6,515,565
Charged during the year	18,628,717	4,412,591
Write-offs during the year	(6,515,642)	(1,506,564)
Closing balance	21,534,667	9,421,592

6 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

	Note	2013	2012
		(Rupees)	
Income tax recoverable	6.1	11,789,963	15,216,001
Advances (unsecured)			
- to contractor		791,790	774,758
- to suppliers		2,244,111	687,252
- to employees against salary		832,243	587,836
- to employees and others for expenses	6.2	3,918,091	549,407
		19,576,198	17,815,254
Insurance claim receivable		13,522,647	681,104
Security deposit	6.3	17,837,117	2,814,242
Accrued income	6.4	813,572	441,060
L/C margin and others	6.5	1,396,257	2,204,490
		53,145,791	23,956,150

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

6.2 This represents advance given to employees for expenses. The maximum amount receivable at the end of any month during the year was Rs. 3.918 million (2012: Rs. 0.549 million).

6.3 This includes current portion of long-term security deposits (note 8) amounting to Rs. 7.250 million (2012: Rs. 2.078 million) paid against Ijarah finance contracts (IFAS - 2) and are refundable / adjustable on the expiry of lease period which is within one year.

6.4 The details of accrued income are as follows:

Term Deposit Receipt	15,612	34,334
Certificate of Musharakah	-	326,507
Savings accounts	797,960	80,219
	813,572	441,060

6.5 This includes Rs. 0.813 million (2012: Rs. 1.872 million) provided as cash collateral against bank guarantee and carries profit at the rate of 7.25% (2012: 7.5%) with maturity of 12 months (2012: 6 months).

7 NET INVESTMENT IN IJARAH FINANCE

Ijarah contracts commencing up to June 30, 2008 accounted for as finance lease under IAS 17	-	62,050,805
Current portion of net investment in Ijarah finance	-	(7,443,457)
	-	54,607,348

7.1 Investment in Ijarah finance

	2013			
	Due within one year	Due after one year but within five years	Due after five years	Total
	(Rupees)			
Minimum lease payments receivable	-	-	-	-
Residual value of leased assets	-	-	-	-
Lease contract receivables	-	-	-	-
Unearned lease income	-	-	-	-
	-	-	-	-

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

7.2 The Modaraba had entered into lease agreement at profit rate of 17.97% (2012: 17.97%) per annum. The agreement was for a period of 10 years and would have matured in November 2017. The counterparty to the agreement had an option to purchase the leased asset at 50% of the original cost on completion of five years of the lease term. No security deposit was held against this Ijarah finance. During the year, the counterparty has exercised the option and the Modaraba has recorded loss of Rs. 13.770 million on premature termination of the agreement.

8	LONG-TERM SECURITY DEPOSITS	Note	2013	2012
			(Rupees)	
	Security deposits receivable in respect of assets obtained under Ijarah arrangements (IFAS - 2)		59,764,006	47,139,197
	Others		50,000	50,000
	Repayable / adjustable within one year	6.3	(7,250,441)	(2,078,440)
			<u>52,563,565</u>	<u>45,110,757</u>
9	FIXED ASSETS IN OWN USE - TANGIBLE	9.1	<u>52,347,976</u>	<u>50,570,080</u>

9.1 Fixed assets in own use - tangible

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

	2013		
	Furniture, fixtures and office equipment	Vehicles	Total
	(Rupees)		
At July 01, 2012			
Cost	5,382,007	59,624,882	65,006,889
Accumulated depreciation	(2,049,099)	(12,387,710)	(14,436,809)
Net book value	3,332,908	47,237,172	50,570,080
Additions	2,146,704	13,905,049	16,051,753
Disposals			
Cost	(864,472)	(10,087,224)	(10,951,696)
Depreciation	683,226	2,793,644	3,476,870
	(181,246)	(7,293,580)	(7,474,826)
Depreciation charge for the year	(958,221)	(5,840,810)	(6,799,031)
Closing net book value	4,340,145	48,007,831	52,347,976
At June 30, 2013			
Cost	6,664,239	63,442,707	70,106,946
Accumulated depreciation	(2,324,094)	(15,434,876)	(17,758,970)
Net book value	4,340,145	48,007,831	52,347,976
Life (Years)	3 to 8	6 to 8	
	2012		
	Furniture, fixtures and office equipment	Vehicles	Total
	(Rupees)		
At July 01, 2011			
Cost	3,917,404	41,841,625	45,759,029
Accumulated depreciation	(1,564,291)	(9,050,568)	(10,614,859)
Net book value	2,353,113	32,791,057	35,144,170
Additions	1,540,463	22,123,307	23,663,770
Disposals			
Cost	(75,860)	(4,340,050)	(4,415,910)
Depreciation	60,688	1,604,546	1,665,234
	(15,172)	(2,735,504)	(2,750,676)
Depreciation charge for the year	(545,496)	(4,941,688)	(5,487,184)
Closing net book value	3,332,908	47,237,172	50,570,080
At June 30, 2012			
Cost	5,382,007	59,624,882	65,006,889
Accumulated depreciation	(2,049,099)	(12,387,710)	(14,436,809)
Net book value	3,332,908	47,237,172	50,570,080
Life (Years)	3 to 8	6 to 8	

9.2

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

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
(Rupees)							
Vehicles - Car							
	1,921,200	189,897	1,731,303	1,567,575	(163,728)	Insurance claim	M/s Adamjee Insurance
	1,100,000	275,000	825,000	1,100,000	275,000	Company's policy	Mr. Salman Sabir (Employee)
	560,000	224,000	336,000	232,086	(103,914)	Company's policy	Mr. Haroon Ifrikhar (Employee)
	349,000	279,200	69,800	330,000	260,200	Company's policy	Mr. Navaid Alam (Employee)
	701,000	17,525	683,475	701,000	17,525	Insurance claim	M/s Adamjee Insurance
	590,000	255,667	334,333	212,880	(121,453)	Company's policy	Mr. Muhammad Anwar (Employee)
	654,000	261,600	392,400	241,008	(151,392)	Company's policy	Mr. Ali Ammar (Employee)
	811,225	189,286	621,939	529,212	(92,727)	Company's policy	Mr. Ali Ahsan (Employee)
	1,055,000	237,375	817,625	756,605	(61,020)	Company's policy	Mr. Raghbir Waqas (Employee)
	910,000	121,333	788,667	910,000	121,333	Company's policy	Mr. Yousuf Shoaib (Employee)
	1,161,600	658,240	503,360	580,000	76,640	Negotiation	Mr. Muhammad Farooq (Karachi)
Vehicles - Motor Cycle							
	67,000	6,700	60,300	83,630	23,330	Insurance claim	M/s Adamjee Insurance
	45,700	11,425	34,275	45,000	10,725	Insurance claim	M/s Adamjee Insurance
	53,900	22,458	31,442	19,872	(11,570)	Company's policy	Mr. Ramzan (Employee)
	53,900	22,458	31,442	19,872	(11,570)	Company's policy	Mr. Barkat Ali (Employee)
	53,699	21,480	32,219	19,776	(12,443)	Company's policy	Mr. Khalid Masood (Employee)
Office equipment - Computers and accessories							
	289,260	223,056	66,204	6,500	(59,704)	Through tender	Various
	575,212	460,170	115,042	116,000	958	Through tender	Various
2013	10,951,696	3,476,870	7,474,826	7,471,016	(3,810)		
2012	4,415,910	1,665,234	2,750,676	3,317,811	567,135		

9.3 The depreciation charge has been allocated as under:

	Note	2013	2012
(Rupees)			
Operating expenses (representing depreciation on Ijarah assets - note 10.1)	21	403,839,353	251,400,520
Administrative and distribution expenses (representing depreciation on fixed assets in own use - note 9.1)	22	6,799,031	5,487,184
		<u>410,638,384</u>	<u>256,887,704</u>

10 IJARAH ASSETS

Ijarah assets at cost less accumulated depreciation	10.1	<u>3,677,543,177</u>	<u>2,136,652,576</u>
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10.1 Ijarah assets - at cost less accumulated depreciation

The following is a statement of Ijarah assets:

	2013		
	Generators, forklifts and related parts	Machines	Total
(Rupees)			
At July 01, 2012			
Cost	2,671,975,106	192,071,349	2,864,046,455
Accumulated depreciation	(693,781,590)	(33,612,289)	(727,393,879)
Net book value	1,978,193,516	158,459,060	2,136,652,576
Additions	2,000,184,901	442,476	2,000,627,377
Disposals			
Cost	(130,706,961)	-	(130,706,961)
Depreciation	74,809,538	-	74,809,538
	(55,897,423)	-	(55,897,423)
Depreciation charge for the year	(393,006,432)	(10,832,921)	(403,839,353)
Closing net book value	3,529,474,562	148,068,615	3,677,543,177
At June 30, 2013			
Cost	4,541,453,046	192,513,825	4,733,966,871
Accumulated depreciation	(1,011,978,484)	(44,445,210)	(1,056,423,694)
Net book value	3,529,474,562	148,068,615	3,677,543,177
Life (Years)	1 to 9	4 to 7	

2012		
Generators, forklifts and related parts	Machines	Total
(Rupees)		

At July 01, 2011

Owned assets

Cost	1,986,559,452	188,843,211	2,175,402,663
Accumulated depreciation	(452,874,288)	(26,014,181)	(478,888,469)
Net book value	1,533,685,164	162,829,030	1,696,514,194

Leased assets

Cost	96,740,620	-	96,740,620
Accumulated depreciation	(29,064,596)	-	(29,064,596)
Net book value	67,676,024	-	67,676,024
	1,601,361,188	162,829,030	1,764,190,218

Additions - owned assets

	668,667,052	7,428,138	676,095,190
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Transferred from leased assets

Cost	96,740,620	-	96,740,620
Depreciation	(29,945,331)	-	(29,945,331)
	66,795,289	-	66,795,289

Owned assets

Disposals

Cost	(79,992,018)	(4,200,000)	(84,192,018)
Depreciation	27,759,706	4,200,000	31,959,706
	(52,232,312)	-	(52,232,312)

Leased assets

Transferred to owned assets

Cost	(96,740,620)	-	(96,740,620)
Depreciation	29,945,331	-	29,945,331
	(66,795,289)	-	(66,795,289)

Depreciation charge for the year - owned

(238,721,677)	(11,798,108)	(250,519,785)
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Depreciation charge for the year - leased

(880,735)	-	(880,735)
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(239,602,412)	(11,798,108)	(251,400,520)
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Closing net book value

1,978,193,516	158,459,060	2,136,652,576
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At June 30, 2012

Owned assets

Cost	2,671,975,106	192,071,349	2,864,046,455
Accumulated depreciation	(693,781,590)	(33,612,289)	(727,393,879)
Net book value	1,978,193,516	158,459,060	2,136,652,576

Leased assets

Cost	-	-	-
Accumulated depreciation	-	-	-
	-	-	-

Net book value

1,978,193,516	158,459,060	2,136,652,576
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Life (Years)

1 to 9

4 to 7

10.2 During the year, the Modaraba acquired certain equipment and parts amounting to Rs. 322.753 million (2012: Rs. 84.389 million) from Allied Engineering & Services (Private) limited (a related party). Out of the total assets acquired from AESL during the year, assets for Rs. 96.649 million (2012: Rs. 41.897 million), have been hypothecated with banks and Modarabas as security for Diminishing Musharakah financing payable (note 8) in favour of banks and Modaraba (note 14).

10.3 Additions to Ijarah assets during the year include assets amounting to Rs. 1,251.922 million (2012: Rs. 443.851 million) acquired under Diminishing Musharakah financing. The Modaraba holds title to these assets. As at June 30, 2013 total assets acquired by the Modaraba under Diminishing Musharakah financing payable amounts to Rs. 1,586.728 million (2012: Rs. 624.987 million).

10.4 As at June 30, 2013, cost of total assets acquired under Ijarah arrangements (IFAS - 2) amounts to Rs. 679.044 million (June 30, 2012 : Rs. 517.788 million) which do not form part of the assets of the Modaraba in accordance with the requirements of IFAS - 2. These assets have been sub-let by the Modaraba under Ijarah arrangements (IFAS - 2). During the year assets amounting to Rs. 179.791 million (2012: Rs. 278.565 million) have been acquired under Ijarah arrangements.

During the year, assets acquired under Ijarah arrangements (IFAS - 2) amounting to Rs. 10.562 million (2012: Rs. 4.356 million) have been transferred / sold to the Modaraba after expiry of the respective Ijarah agreement and are included in additions during the year.

10.5 Details of disposal of Ijarah assets are as follows:

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
(Rupees)							
Gensets							
	10,287,840	3,537,840	6,750,000	8,500,000	1,750,000	Negotiation	Stallion Textiles (Pvt) Limited Suit # 4, Plot # 41-C, Badar Commercial Street 7-A, D.H.A Phase V Ext. Karachi.
	4,594,000	2,440,118	2,153,882	4,200,000	2,046,118	Negotiation	Popular Spinning Mills (Pvt) Limited 3rd Floor Chapal Plaza Hasrat Muhani Road Off I.I.Chundrigar Road, Karachi.
	5,400,200	3,102,986	2,297,214	2,050,000	(247,214)	Negotiation	Carrcarate (Maqbool Bukhari) P.E.C.H.S. Karachi.
	3,407,069	1,350,925	2,056,144	3,975,000	1,918,856	Negotiation	Siddiqsons Denim Mills Limited 14/1-M, H.I.T.E, Baluchistan.
	2,584,096	810,720	1,773,376	3,250,000	1,476,624	Negotiation	Mr. Atta Ur Rehman Karachi.
	3,365,000	1,160,245	2,204,755	2,040,000	(164,755)	Negotiation	Iqbal Engineering Works Plot # D-9, Hafiz Textile Nauras Chowrangji, S.I.T.E, Karachi.
	3,399,118	1,337,385	2,061,733	3,060,000	998,267	Negotiation	Iqbal Engineering Works Plot # D-9, Hafiz Textile Nauras Chowrangji, S.I.T.E, Karachi.
	1,565,622	605,622	960,000	1,550,000	590,000	Negotiation	Zealcon Engineering (Pvt) Limited 130 - CCA, Phase IV, DHA, Lahore Cantt.
	1,645,095	565,095	1,080,000	1,525,000	445,000	Negotiation	Zealcon Engineering (Pvt) Limited 130 - CCA, Phase IV, DHA, Lahore Cantt.
	777,815	253,358	524,457	600,000	75,543	Negotiation	Zealcon Engineering (Pvt) Limited 130 - CCA, Phase IV, DHA, Lahore Cantt.
	3,419,741	1,365,494	2,054,247	4,400,000	2,345,753	Negotiation	Printing Services (Pvt) Limited F-142, S.I.T.E, Karachi.
	1,534,845	619,853	914,992	1,600,000	685,008	Negotiation	Friends Ice Factory & Oil Mills Near Asia Ghee Mills, Hospital Road, Sama Satta, Ahmed Pur Road, Bahawalpur.

Particulars	Cost of assets	Accumulated depreciation	Carrying value	Sales proceeds	Gain / (loss) on disposal	Mode of disposal	Purchaser
(Rupees)							
Canopies	904,238	304,238	600,000	900,000	300,000	Negotiation	Suzuki Central Motors Sowan camp,G.T Road Rawalpindi
	386,120	159,492	226,628	383,500	156,872	Negotiation	Mr. Abdullah Super General Goudam, Shershah Karachi.
	3,646,771	1,766,771	1,880,000	3,200,000	1,320,000	Negotiation	AR Central Marquee Sowan Camp, G.T Road, Rawalpindi-46000
	3,685,065	2,165,065	1,520,000	2,566,500	1,046,500	Negotiation	Mr. Abdullah Super General Goudam, Shershah Karachi.
	16,513,386	9,566,877	6,946,509	15,630,787	8,684,278	Negotiation	Fazal Cloth Mills Limited 129-1, Old Bahawalpur Road, Multan
	16,513,387	9,566,878	6,946,509	15,630,787	8,684,278	Negotiation	Fazal Cloth Mills Limited 129-1, Old Bahawalpur Road, Multan
	134,609	-	134,609	500,000	365,391	Negotiation	Harram Cable Lahore
	106,087	-	106,087	900,000	793,913	Negotiation	AR Central Marquee Sowan Camp, G.T Road, Rawalpindi-46000
	42,319,750	32,319,750	10,000,000	10,000,000	-	Negotiation	Anoud Power Generation Ltd. Plot # 7-B/1, NRL, K.I.A, Karachi
	877,500	248,625	628,875	-	(628,875)	Disposed with Genset	Stallion Textiles (Pvt) Limited Suit # 4, Plot # 41-C, Badar Commercial Street 7-A, D.H.A Phase V Ext. Karachi.
	440,000	324,704	115,296	-	(115,296)	Disposed with Genset	Carrarate (Maqbool Bukhari) P.E.C.H.S, Karachi.
	363,000	269,561	93,439	-	(93,439)	Disposed with Genset	Popular Spinning Mills (Pvt) Limited 3rd Floor Chapal Plaza Hasrat Muhani Road Off I.I.Chundrigar Road, Karachi.
	155,250	93,150	62,100	-	(62,100)	Disposed with Genset	Friends Ice Factory & Oil Mills Near Asia Ghee Mills, Hospital Road, Sama Satta, Ahmed Pur Road, Bahawalpur.
	133,400	68,923	64,477	-	(64,477)	Disposed with Genset	Suzuki Central Motors Sowan camp, G.T Road, Rawalpindi.
415,350	173,063	242,287	-	(242,287)	Disposed with Genset	AR Central Marquee Sowan Camp, G.T Road, Rawalpindi-46000	
152,000	68,400	83,600	-	(83,600)	Disposed with Genset	AR Central Marquee Sowan Camp, G.T Road, Rawalpindi-46000	
Forklifts	460,607	-	460,607	700,000	239,393	Negotiation	Zealcon Engineering (Pvt) Limited 130 - CCA, Phase IV, DHA, Lahore Cantt.
	1,520,000	564,400	955,600	700,000	(255,600)	Negotiation	Cherat Cement Co. Ltd. Modern Motors House, Beaumont Road, Karachi.
2013	130,706,961	74,809,538	55,897,423	87,861,574	31,964,151		
2012	84,192,018	31,959,706	52,232,312	62,326,200	10,093,888		

11 CAPITAL WORK-IN-PROGRESS

	Note	2013	2012
(Rupees)			
Advance for equipment	11.1	7,624,136	1,637,920
Assets under installation	11.2	62,300,944	69,497,982
		<u>69,925,080</u>	<u>71,135,902</u>

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

11.2 Generators	59,705,244	62,969,218
Machines	2,595,700	6,528,764
	<u>62,300,944</u>	<u>69,497,982</u>

12 CREDITORS, ACCRUED AND OTHER LIABILITIES

Creditors for goods	12.1	653,377,849	231,334,590
Creditors for expenses		45,866,476	34,323,277
Due to an associated company		-	100,000,000
Advances from customers		43,249,308	20,338,268
Security deposit	12.2	200,000	200,000
Employee car scheme - deductions	12.3	8,626,952	7,600,181
Dividend payable		438,686	298,872
Accrued expenses			
- commission		1,273,055	1,414,968
- bonus		15,830,018	11,458,289
- auditors' remuneration		495,005	415,455
- financial charges	12.4	9,058,283	6,092,252
- charity payable	12.6	-	165,000
- miscellaneous		2,778,734	27,572
		<u>29,435,095</u>	<u>19,573,536</u>
Tax deducted at source from			
- employees		157,505	315,149
- supplier		4,910,893	2,246,976
Ijarah rentals payable	12.5	31,861,543	17,650,525
Workers' Welfare Fund		12,895,195	10,179,422
		<u>831,019,502</u>	<u>444,060,796</u>

12.1 This includes Rs. 307.488 million (2012: Rs. 166.171 million) payable to Allied Engineering & Services (Private) Limited (an associated company) for various purchases and services availed by the Modaraba.

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

12.3 This represents amount deducted from monthly salary of those employees who are given vehicles by the Modaraba and is adjustable at the end of four years against the sale of the respective vehicles.

12.4 This represents accrual of financial charges in respect of Diminishing Musharakah financing.

12.5 This represents Ijarah rentals payable to various banks and Modarabas in respect of asset obtained under Ijarah arrangements (IFAS - 2).

12.6	Reconciliation of charity payable	Note	2013	2012
			(Rupees)	
	Opening balance		165,000	-
	Additions during the year	22	127,000	255,000
	Paid during the year	12.7	(292,000)	(90,000)
	Closing balance		-	165,000

12.7 Charity was paid to the following individuals / organisations.

Zafar & Atia Foundation Charitable Trust	75,000	50,000
Burhani Blood Bank & Thalassaemia Centre	-	40,000
Islamic Educational & Welfare Society	25,000	-
Burhani Medical Welfare Association	75,000	-
SOS Children's Village of Sindh	72,000	-
Markaz-e-Umeed	25,000	-
St. Patricks High School	20,000	-
	<u>292,000</u>	<u>90,000</u>

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

13 PAYABLE TO THE MODARABA MANAGEMENT COMPANY

Remuneration payable to Management Company - net	6,304,776	4,048,816
Sindh Sales Tax payable on remuneration of Management Company	1,010,983	532,044
	<u>7,315,759</u>	<u>4,580,860</u>

13.1 The Modaraba Management Company is entitled to a remuneration for services rendered to the Modaraba under the provisions of the Modaraba Companies and Modarabas (Floatation and Control) Ordinance, 1980 up to a maximum of 10% per annum of the net annual profits of the Modaraba. The remuneration for the year ended June 2013 has been recognised at 1% (2012: 1%) of profit for the year.

14 DIMINISHING MUSHARAKAH FINANCING PAYABLE - SECURED

Musharakah financing	14.1	1,168,801,562	526,468,831
Due within one year		(492,435,571)	(196,267,028)
		<u>676,365,991</u>	<u>330,201,803</u>
14.1 Financing from banking and financial institutions		989,973,391	480,659,210
Financing from modarabas		178,828,171	45,809,621
		<u>1,168,801,562</u>	<u>526,468,831</u>

14.2 These facilities have maturities from June, 2014 to November, 2016 (2012: September, 2014 to June, 2015) and are secured against hypothecation of Ijarah assets amounting to Rs. 2,237.888 million (2012: Rs. 783.120 million) and demand promissory notes. The share of profit payable on these facilities ranges from 10.61% to 12.50% (2012: 13.33% to 13.76%).

15	DEFERRED LIABILITIES	Note	2013	2012
			(Rupees)	
	Deferred liability for staff gratuity		21,171,193	16,450,329

15.1 Defined benefit plan - gratuity

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

	2013	2012
	%	
Valuation discount rate	13.5	13.5
Salary increase rate	13.5	13.5

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

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

15.2	Amount recognised in the balance sheet		2013	2012
			(Rupees)	
	Present value of defined benefit obligation	15.4	19,210,735	14,386,227
	Unrecognised actuarial gain / (loss)	15.6	1,960,458	2,002,385
	Unrecognised negative past service cost		-	61,717
	Net liability recognised in the balance sheet		21,171,193	16,450,329

15.3 Movement in amount payable to the defined benefit plan

Opening balance		16,450,329	12,878,677
Charge for the year	15.5	4,720,864	3,653,470
Payments to members during the year		-	(81,818)
Closing balance		21,171,193	16,450,329

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

Present value of defined benefit obligation - opening		14,386,227	13,030,892
Current service cost		2,705,050	2,135,083
Mark-up cost		2,119,458	1,671,832
Actuarial (gain) / loss for the year		-	(2,369,762)
Payments to members during the year		-	(81,818)
Present value of defined benefit obligation - closing		19,210,735	14,386,227

15.5 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:

	2013	2012
	(Rupees)	
Current service cost	2,705,048	2,135,083
Mark-up cost	2,119,460	1,671,832
Amortization of (gain) / loss	(41,927)	(91,728)
Amortization of non-vested negative past service cost	(61,717)	(61,717)
	<u>4,720,864</u>	<u>3,653,470</u>

15.6 Movement of unrecognised actuarial gain / (loss)

Opening unrecognised actuarial gain / (loss)	2,002,385	(275,649)
Actuarial gain / (loss) for the year	-	2,369,762
	<u>2,002,385</u>	<u>2,094,113</u>
Annual amortization	(41,927)	(91,728)
Unrecognised actuarial gain / (loss)	<u>1,960,458</u>	<u>2,002,385</u>

15.7 Historic Information

	2013	2012	2011	2010	2009
	(Rupees)				
Present value of defined benefit obligation	<u>19,210,735</u>	<u>14,386,227</u>	<u>13,233,012</u>	<u>9,999,824</u>	<u>7,170,500</u>
Experience gain / (loss) on obligation	<u>-</u>	<u>(2,369,762)</u>	<u>-</u>	<u>(292,618)</u>	<u>-</u>

16 OTHER LONG-TERM EMPLOYEE BENEFITS

8,038,987 6,171,651

This represents accrual for staff compensated absences and includes liability in respect of key management personnel amounting to Rs.1.904 million (2012: Rs. 0.524 million) (refer note 2.18).

17 SECURITY DEPOSITS

Security deposits payable in respect of assets given under Ijarah arrangements (IFAS - 2)	50,500,000	50,500,000
Repayable / adjustable within one year	(22,500,000)	-
	<u>28,000,000</u>	<u>50,500,000</u>

18 AUTHORISED, ISSUED, SUBSCRIBED AND PAID-UP CERTIFICATE CAPITAL

Authorised certificate capital

2013		2012	
Number of certificates		(Rupees)	
125,000,000	75,000,000	1,250,000,000	750,000,000
Modaraba Certificates of Rs. 10 each			

Issued, subscribed and paid-up capital

75,000,000	60,000,000	750,000,000	600,000,000
Modaraba Certificates of Rs. 10 each fully paid in cash			
22,500,000	15,000,000	225,000,000	150,000,000
Modaraba Certificates of Rs. 10 each issued as fully paid bonus certificates			
97,500,000	75,000,000	975,000,000	750,000,000

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

	2013		2012	
	Number of Certificates	(Rupees)	Number of Certificates	(Rupees)
Allied Engineering & Services (Private) Limited	29,525,785	295,257,850	22,712,143	227,121,430
Allied Engineering Management Company (Private) Limited	19,500,000	195,000,000	15,000,000	150,000,000
	49,025,785	490,257,850	37,712,143	377,121,430

19 STATUTORY (MANDATORY) RESERVE

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

During the current year the Modaraba has transferred an amount of Rs. 315.932 million (2012: Rs. 249.396 million) which represents 50% (2012: 50%) of the profit after tax.

20 CONTINGENCIES AND COMMITMENTS

20.1 Contingencies

20.1.1 There were no contingencies outstanding as at June 30, 2013 other than as explained below and in note 27.1.

20.1.2 Sindh Sales Tax on operations & maintenance services of the Modaraba

During the year, the Sindh Revenue Board (SRB) has issued a showcause notice regarding the non levy of sindh sales tax of Rs. 25,632,602 @ 16% on total Operation & Maintenance income of the Modaraba for the year ended June 30, 2012 amounting to Rs. 160,203,765.

Considering the geographical limitations and method of computation relating to levy of provincial Sales Tax on services as envisaged in the Sindh Sales Tax on Services Act 2011, the Modaraba has filed an appeal to the Commissioner Appeals - SRB and a Constitutional Petition in the Honorable High Court of Sindh regarding this levy of Sindh Sales Tax, the outcome of which is pending. The Management believes that the outcome of pending appeals will be in favour of the Modaraba and, accordingly, no provision has been made in these financial statements.

20.2 Commitments

20.2.1 Contractual rentals receivable on Ijarah contracts

	2013				2012			
	Due within one year	Due after one year but within five years	Due after five years	Total	Due within one year	Due after one year but within five years	Due after five years	Total
	(Rupees)							
Rentals receivable in future	382,380,400	336,768,000	-	719,148,400	429,292,664	621,673,999	-	1,050,966,663

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

20.2.2 Ijarah rentals payable

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

	2013			2012		
	Due within one year	Due after one year but within five years	Total	Due within one year	Due after one year but within five years	Total
	(Rupees)					
Future Ijarah rentals payables	159,545,799	273,269,908	432,815,707	172,455,758	277,216,927	449,672,685

Assets acquired under the above arrangements have been further sub-let under Ijarah arrangements (IFAS - 2). During the year, an expense of Rs. 205.313 million (2012: Rs. 111.207 million) and income of Rs. 265.303 million (2012: Rs. 150.639 million) was recognised under the above Ijarah arrangements and as at the year end Rs. 30.252 million (2012: Rs. 17.037 million) was due under these arrangements. The cost of assets acquired under Ijarah arrangements as at June 30, 2013 is Rs. 679.044 million (2012: Rs. 517.788 million), (note 10.4).

20.2.3 Commitments in respect of outstanding letter of credit and registered import contracts amount to Rs. Nil (2012: Rs. 66.517 million).

21 OPERATING EXPENSES

	Note	2013	2012
		(Rupees)	
Salaries, wages and other staff benefits	21.1	332,125,163	262,695,032
Depreciation expense	9.3	403,839,353	251,400,520
Repairs and maintenance cost	21.2	322,392,129	271,099,035
Ijarah rentals		205,313,453	111,206,640
Fleet vehicles running cost		13,699,420	13,959,944
Vehicles running cost		15,927,137	7,626,730
Insurance cost - equipments		19,813,134	18,628,412
Travelling and conveyance		10,309,036	5,891,811
Transportation costs		-	3,150,250
Rent expense		8,022,295	3,042,893
		<u>1,331,441,120</u>	<u>948,701,267</u>

21.1 This includes contribution of Rs. 3.766 million (2012: Rs. 2.881 million) to the staff provident fund and charge in respect of unfunded gratuity scheme amounting to Rs. 3.843 million (2012: Rs. 2.832 million).

21.2 This includes expenses of Rs. 245.527 million (2012: Rs. 215.893 million) for parts purchased and services availed from Allied Engineering & Services (Private) Limited, an associated company.

	Note	2013	2012
		(Rupees)	
22	ADMINISTRATIVE AND DISTRIBUTION EXPENSES		
Salaries, wages and other staff benefits	22.1	24,087,548	19,434,069
Commission		11,542,086	10,222,086
Vehicle running costs		5,618,812	2,872,399
Travelling and conveyance		3,903,180	4,607,838
Depreciation expense	9.3	6,799,031	5,487,184
Legal and professional charges		8,724,597	6,542,308
Auditors' remuneration	22.2	733,000	658,060
Telephone, postage and fax charges		1,696,886	1,385,705
Advertisement and sales promotion		1,838,094	905,268
Printing and stationery		2,538,481	1,956,394
Insurance cost - vehicles		1,363,478	1,390,568
Training, meetings and tender participation		978,481	699,525
Charity	12.6	127,000	255,000
Donation		-	20,000
Entertainment		2,074,261	1,997,918
Miscellaneous		3,109,189	432,907
		75,134,124	58,867,229

22.1 This includes contribution of Rs. 1.307 million (2012: Rs. 1.016 million) to the staff provident fund and charge in respect of unfunded gratuity scheme amounting to Rs. 0.878 million (2012: Rs. 0.822 million).

22.2 Auditors' remuneration

Audit fee	400,000	350,000
Fee for the review of the condensed interim financial information	180,000	165,000
Fee for the review of the statement of compliance with the best practices of the Code of Corporate Governance	50,000	50,000
Other certifications	45,000	45,000
Out of pocket expenses	58,000	48,060
	733,000	658,060

23 FINANCE COSTS

Financial charges on obligation against assets under finance lease arrangements	-	1,813,494
Financial cost on Diminishing Musharakah financing	83,988,012	38,797,145
Exchange loss	10,073,489	4,125,738
Bank charges and commission	711,820	706,084
	94,773,321	45,442,461

24	OTHER INCOME	Note	2013	2012
			(Rupees)	
	Profit on savings accounts		8,704,248	8,128,223
	Profit on short term investments		195,414	2,057,578
	Unrealised gain on revaluation of investments 'at fair value through profit or loss'		-	31,718
	Proceeds from disposal of scrap		5,777,747	7,117,115
	Gain on disposal of Ijarah asset	10.5	31,964,151	10,093,888
	(Loss) / gain on disposal of fixed assets in own use	9.2	(3,810)	567,135
	Loss on transfer of assets under Ijarah finance	7.2	(13,770,300)	-
			<u>32,867,450</u>	<u>27,995,657</u>

25 SINDH SALES TAX ON MANAGEMENT COMPANY'S REMUNERATION

The Sindh Revenue Board (SRB) has imposed Sindh Sales Tax on Management Company's Remuneration w.e.f November 01, 2011. Considering the view that the amount is a profit sharing rather than a fixed fee against rendering of management services by the Modaraba Management Company, the NBF and Modaraba Association, on behalf of a number of Modarabas, has filed a constitutional petition in the Honourable High Court of Sindh, the outcome of which is pending. However, considering a prudent view, provision for Sindh sales tax has been made in the financial statements.

26 WORKERS' WELFARE FUND

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

27 TAXATION

27.1 The income of non-trading Modarabas is exempt from tax provided that not less than ninety percent of their profits for the year as reduced by the amount transferred to mandatory reserves are distributed to the certificate holders. As the Management Company of the Modaraba, subsequent to the year end, has approved the required distribution as detailed in note 38, no provision for taxation has been made in these financial statements.

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

The CIR (Appeal-II) vide his order no 41 to 43 dated February 9, 2011 has cancelled the above mentioned order. However, the income tax department has filed appeal before the Income Tax Appellate Tribunal against the order of CIR (Appeals-II). During the year, the Appellate Tribunal Inland Revenue of Pakistan has passed an order in favour of the Modaraba stating that there is no merit in the appeals of Income Tax Department. However, the Income Tax Department has filed appeal during the year before the Honourable High Court of Sindh, which is pending. The management believes that the outcome of the appeal will be in favour of the Modaraba and accordingly no provision has been made in these financial statements.

27.2 The income tax returns of the Modaraba have been filed up to the financial year ended June 30, 2012 which are deemed assessed under the Income Tax Ordinance 2001, unless selected for audit by the taxation authorities.

28	EARNINGS PER CERTIFICATE - basic and diluted	Note	2013	2012
			(Rupees)	
	Basic earnings per certificate is worked out as under:			
	Profit for the year		631,864,544	498,791,679
	Weighted average number of ordinary certificates outstanding during the year		93,978,905	90,909,232
				(Re-stated)
	Earnings per certificate - basic & diluted	28.1	6.72	5.49

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

29 CASH AND CASH EQUIVALENTS

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

Cash and bank balances	3	205,048,935	82,611,666
Certificate of Musharakah	4	-	35,000,000
		205,048,935	117,611,666

30 REMUNERATION OF EXECUTIVES AND OTHER EMPLOYEES

	2013			2012		
	Executives (Key management personnel)	Other employees	Total	Executives (Key management personnel)	Other employees	Total
	(Rupees)					
Basic salary	13,713,300	38,802,398	52,515,698	10,003,740	31,852,350	41,856,090
Bonus	6,125,288	17,331,776	23,457,064	2,918,171	21,693,974	24,612,145
House rent allowance	6,171,024	17,461,937	23,632,961	4,501,683	14,332,683	18,834,366
Utility allowance	1,371,330	3,880,224	5,251,554	1,000,374	3,185,041	4,185,415
Conveyance allowance	806,172	3,832,608	4,638,780	497,154	3,142,075	3,639,229
Provident fund	1,371,330	3,701,434	5,072,764	1,000,374	2,898,551	3,898,925
Gratuity	1,232,748	3,488,116	4,720,864	873,191	2,780,279	3,653,470
Contribution to Employees' Old Age Benefit	80,640	1,529,509	1,610,149	50,400	1,207,004	1,257,404
Medical benefits	1,691,229	4,961,753	6,652,982	907,865	4,198,475	5,106,340
	32,563,061	94,989,755	127,552,816	21,752,952	85,290,432	107,043,384
Number of persons	14	318	332	10	283	293

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

	2013				Total
	Loans and receivables	Assets at 'fair value through profit & loss'	Available for sale	Held-to-maturity	
ASSETS	(Rupees)				
Cash and bank balances	205,048,935	-	-	-	205,048,935
Short-term investment	-	-	-	-	-
Ijarah rental receivable	291,008,820	-	-	-	291,008,820
Operation and maintenance income receivable	15,506,250	-	-	-	15,506,250
Advances, deposits and other receivables	41,355,828	-	-	-	41,355,828
Net investment in Ijarah finance	-	-	-	-	-
Long-term security deposits	52,563,565	-	-	-	52,563,565
	605,483,398	-	-	-	605,483,398

	2013		Total
	Liabilities 'at fair value through profit or loss'	Other financial liabilities	
LIABILITIES	(Rupees)		
Creditors, accrued and other liabilities	-	813,055,909	813,055,909
Payable to the Modaraba Management Company	-	7,315,759	7,315,759
Diminishing Musharakah financing payable	-	1,168,801,562	1,168,801,562
Deferred liabilities	-	21,171,193	21,171,193
Other long-term employee benefit	-	8,038,987	8,038,987
Security deposits	-	50,500,000	50,500,000
	-	2,068,883,410	2,068,883,410

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

	2012		
	Liabilities 'at fair value through profit or loss'	Other financial liabilities	Total
LIABILITIES	(Rupees)		
Creditors, accrued and other liabilities	-	431,319,249	431,319,249
Payable to the Modaraba Management Company	-	4,580,860	4,580,860
Diminishing Musharakah financing payable	-	526,468,831	526,468,831
Deferred liabilities	-	16,450,329	16,450,329
Other long-term employee benefit	-	6,171,651	6,171,651
Security deposits	-	50,500,000	50,500,000
	-	1,035,490,920	1,035,490,920

32 FINANCIAL RISK MANAGEMENT

Risk management framework

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

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

32.1 Market risk

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

Management of market risks

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

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

32.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates. The Modaraba primarily has foreign currency exposure in US Dollars (USD). At June 30, 2013, the Modaraba's exposure to foreign currency risk in respect of its obligation is USD 3,390,000 (2012: USD 704,510). Net exposure is payable by the Modaraba in Rupees at the rate on which these are settled by the Modaraba.

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

The following significant exchange rates were applied during the year:

	Average rates		Balance sheet date rate	
	2013	2012	2013	2012
Rupees / US Dollars	96.85	91.31	99.66	94.48

Sensitivity risk

A five percent strengthening / (weakening) of the Rupee against USD at June 30, 2013 would have increased / (decreased) equity and profit by Rs. 16.892 million (2012: Rs. 3.328 million) mainly as a result of foreign exchange gains / losses on translation of USD denominated bills payable. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis has been performed on the same basis as for 2012.

32.1.2

Interest rate risk

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

		2013									
		(Rupees)									
Effective yield / profit rate	Up to one month	Over 1 to 3 months	Over 3 to 6 months	Over 6 months to 1 year	Over 1 to 3 years	Over 3 to 5 years	Over 5 years	Not exposed to yield / profit	Total Carrying		
On-balance sheet financial instruments											
Financial assets											
	195,802,063	-	-	-	-	-	-	9,246,872	205,048,935		
Cash and bank balances	-	-	-	-	-	-	-	-	-		
Short-term investment	-	-	-	-	-	-	-	-	-		
Net investment in Ijarah finance / assets under Ijarah arrangements	-	-	-	-	-	-	-	-	-		
Ijarah rentals receivable	-	-	-	-	-	-	-	291,008,820	291,008,820		
Operation and maintenance income receivable	-	-	-	-	-	-	-	15,506,250	15,506,250		
Advances, deposits and other receivables	-	-	-	812,505	-	-	-	40,543,323	41,355,828		
Long-term security deposits	-	-	-	-	-	-	-	52,563,565	52,563,565		
Sub total	195,802,063	-	-	812,505	-	-	-	408,868,830	605,483,398		
Financial liabilities											
Creditors, accrued, and other liabilities	-	-	-	-	-	-	-	813,055,909	813,055,909		
Payable to the Modaraba Management Company	-	-	-	-	-	-	-	7,315,759	7,315,759		
Diminishing Musharakah financing payable	24,321,308	84,128,285	137,768,189	246,217,789	656,514,180	19,851,811	-	-	1,168,801,562		
Deferred liabilities	-	-	-	-	-	-	-	21,171,193	21,171,193		
Other long-term employee benefit	-	-	-	-	-	-	-	8,038,987	8,038,987		
Security deposits from lessee	-	-	-	-	-	-	-	50,500,000	50,500,000		
Sub total	24,321,308	84,128,285	137,768,189	246,217,789	656,514,180	19,851,811	-	900,081,848	2,068,883,410		
On-balance sheet gap	171,480,755	(84,128,285)	(137,768,189)	(245,405,284)	(656,514,180)	(19,851,811)	-	(491,213,018)	(1,463,400,012)		
Off-balance sheet financial instruments											
Financial assets											
Rentals receivable in future	-	-	-	-	-	-	-	719,148,400	719,148,400		
Financial liabilities											
Future Ijarah rentals payable	15,729,350	42,399,124	41,454,444	59,962,881	268,113,012	5,156,896	-	-	432,815,707		
Off-balance sheet gap	(15,729,350)	(42,399,124)	(41,454,444)	(59,962,881)	(268,113,012)	(5,156,896)	-	719,148,400	286,332,693		
Total interest rate sensitivity gap	155,751,405	(126,527,409)	(179,222,633)	(305,368,165)	(924,627,192)	(25,008,707)	-	227,935,382	(1,177,067,319)		
Cumulative interest rate sensitivity gap	155,751,405	29,223,996	(149,998,637)	(455,366,802)	(1,379,993,994)	(1,405,002,701)	(1,405,002,701)	(1,177,067,319)	(2,354,134,638)		

2012

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

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

	Note	Carrying amount	
		2013	2012
(Rupees)			
Fixed rate instruments			
Financial assets			
Short-term investments - Certificate of Musharakah		-	35,000,000
Term deposit receipt	6.5	812,505	1,872,750
Net investment in Ijarah finance		-	62,050,805
		812,505	98,923,555
Financial liabilities			
		-	-
Variable rate instruments			
Financial assets			
Savings account with banks	3	195,802,063	81,156,725
Financial liabilities			
Diminishing Musharakah financing payable	14	1,168,801,562	526,468,831
		1,168,801,562	526,468,831

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity for variable interest rate instruments

In case of 100 basis points increase / decrease in KIBOR on the last repricing date of variable rate instruments, (other than savings accounts) with all other variables held constant, the profit and loss account and equity of the Modaraba would be higher / lower by Rs. 1.194 million (2012: Rs. 0.613 million). The sensitivity of savings account has not been presented as the impact would not be material.

32.1.3 Price risk

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

32.2 Credit risk

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

Management of credit risk

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

Exposure to credit risk

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

	Note	2013	2012
(Rupees)			
Bank balances	3	204,262,090	82,192,835
Short-term investments		-	36,031,718
Net investment in Ijarah finance			
Ijarah arrangements	32.2.1	-	62,050,805
Ijarah rental receivable		291,008,820	150,563,401
Operation and maintenance income receivable		15,506,250	17,214,164
Long-term security deposits		52,563,565	45,110,757
Advances, deposits and other receivables		41,355,828	8,740,149
Total carrying value (and maximum exposure to credit risk)		604,696,553	401,903,829
32.2.1 Investment in Ijarah finance / assets under Ijarah arrangements	7	-	62,050,805
		-	62,050,805

32.2.2 Credit risk ratings and collaterals held

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

Rating

AAA	124,633,538	51,519,318
AA+	3,886,819	1,062,901
AA	852,559	17,305,093
AA-	65,069,472	-
A+	-	-
A	9,819,702	12,305,523
A-	-	-
	204,262,090	82,192,835

32.2.2.2 Collaterals

The Modaraba does not hold any collateral from the counter parties against Term Deposit Receipts and balances with banks and these are unsecured. The Modaraba's Investment in Ijarah finance are secured against assets leased out. Furthermore, the assets leased out by the Modaraba under Ijarah arrangements are secured as the title to asset is held by the Modaraba. An amount of Rs. 50.500 million (2012: Rs. 50.500 million) is also kept as security deposits against these arrangements. For these receivables, other collaterals held by the Modaraba are title documents and promissory notes etc.

32.2.3 Impairment losses and past due balances

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

	2013		2012	
	Gross	Impairment loss recognised	Gross	Impairment loss recognised
(Rupees)				
Not past due	-	-	62,050,805	-
Past due 1-90 days	183,029,975	-	137,586,684	-
Past due 91 days to 180 days	58,864,607	-	10,155,646	-
Past due 181 days to one year	71,809,701	14,361,940	18,517,851	3,703,570
Past due one year to two years	14,345,454	7,172,727	10,441,909	5,220,955
More than two years	-	-	497,067	497,067
Total	328,049,737	21,534,667	239,249,962	9,421,592

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

32.2.4 Concentration of credit risk

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

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

	2013		2012	
	(Rupees)	%	(Rupees)	%
Airline	580,000	0.10%	420,000	0.10%
Automobiles	-	0.00%	5,998,355	1.49%
Banks and development financial institutions (DFI's)	292,306,892	48.00%	167,894,166	41.77%
Cement	2,419,600	0.40%	67,200,776	16.72%
Chemicals and pharmaceuticals	11,230,300	2.00%	4,059,775	1.01%
Construction	607,120	0.10%	8,118,395	2.02%
Dairy & poultry	170,000	0.03%	525,250	0.13%
Education	961,661	0.20%	712,877	0.18%
Energy, oil and gas	35,549,358	6.00%	9,339,260	2.32%
Engineering	25,294,225	4.00%	2,798,906	0.70%
Event management	-	0.00%	1,160,567	0.29%
Fast moving consumer goods (FMCG)	21,247,856	4.00%	15,242,341	3.79%
Food and beverages	45,832,190	8.00%	27,398,155	6.82%
Glass and ceramics	3,287,995	1.00%	2,213,549	0.55%
Healthcare	1,420,433	0.20%	2,538,650	0.63%
Hotels	1,085,550	0.20%	632,533	0.16%
Information technology and communication	7,789,267	1.00%	1,076,454	0.27%
Packaging	19,372,767	3.00%	3,779,917	0.94%
Paper and board	1,869,892	0.30%	1,240,082	0.31%
Printing	307,833	0.10%	7,867,078	1.96%
Tannery	-	0.00%	40,000	0.02%
Textile and cotton	116,848,552	18.17%	52,609,131	13.09%
Transport	1,310,651	0.20%	2,102,083	0.52%
Others	15,204,411	3.00%	16,935,529	4.21%
	604,696,553	100%	401,903,829	100%

32.3 Liquidity Risk

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

Management of liquidity risk

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

Maturity analysis of financial liabilities

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

	2013				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years
	(Rupees)				
Non-derivative financial liabilities					
Creditors, accrued and other liabilities	813,055,909	813,055,909	797,225,891	15,830,018	-
Payable to the Modaraba Management Company	7,315,759	7,315,759	7,315,759	-	-
Diminishing Musharakah financing payable	1,168,801,562	1,349,643,787	307,068,337	293,039,780	749,535,670
Deferred liabilities	21,171,193	-	-	-	21,171,193
Other long-term employee benefit - compensated absences	8,038,987	-	-	-	8,038,987
Security deposits	50,500,000	50,500,000	-	22,500,000	28,000,000
	<u>2,068,883,410</u>	<u>2,220,515,455</u>	<u>1,111,609,987</u>	<u>331,369,798</u>	<u>806,745,850</u>

	2012				
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months	One to five years
	(Rupees)				
Non-derivative financial liabilities					
Creditors, accrued and other liabilities	431,319,249	431,319,249	419,860,960	11,458,289	-
Payable to the Modaraba Management Company	4,580,860	4,580,860	4,580,860	-	-
Diminishing Musharakah financing payable	526,468,831	630,000,885	132,721,195	124,734,599	372,545,091
Deferred liabilities - staff gratuity	16,450,329	-	-	-	16,450,329
Other long-term employee benefit - compensated absence	6,171,651	-	-	-	6,171,651
Security deposits	50,500,000	50,500,000	-	-	50,500,000
	<u>1,035,490,920</u>	<u>1,116,400,994</u>	<u>557,163,015</u>	<u>136,192,888</u>	<u>445,667,071</u>

The contractual cash flows relating to the above financial liabilities have been determined on the basis of mark-up rates effective as at the year end (and includes both principal and profit payable thereon). The rates of mark-up have been disclosed in note 32.1.2 to these financial statements.

33

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.

34 CAPITAL RISK MANAGEMENT

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

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

The Modaraba is not subject to externally imposed capital requirements.

35 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

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

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

	2013			
	Level 1	Level 2	Level 3	Total
ASSETS	(Rupees)			
Investment in securities				
- financial assets 'at fair value through profit or loss'	-	-	-	-
- Mutual fund units	-	-	-	-

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

36 RELATED PARTY TRANSACTIONS

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

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

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

	2013	2012
	(Rupees)	
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)		
Modaraba Management Company's remuneration	6,318,645	4,987,917
Sindh sale tax on management company's remuneration	1,010,983	532,044
Issue of 1,500,000 bonus certificates	15,000,000	30,000,000
Issue of 3,000,000 right certificates (including premium of Rs. 9 per certificate)	57,000,000	-
Dividend paid	45,000,000	27,600,000

	2013	2012
	(Rupees)	
Allied Engineering & Services (Private) Limited (holding company of the Modaraba Management Company)		
Purchase of assets	322,752,951	84,389,178
Purchase of parts and services	302,062,914	241,634,961
Rental revenue	887,470	2,143,000
Issue of 2,271,214 bonus certificates	22,712,140	45,424,280
Issue of 4,542,428 right certificates (including premium of Rs. 9 per certificate)	86,306,132	-
Dividend paid	68,136,429	41,790,345
Allied Engineering & Services (Private) Limited - Staff Provident Fund		
Contribution to the staff provident fund	5,072,764	3,897,713
Issue of 115,250 bonus certificates	1,152,500	2,305,000
Issue of 270,224 right certificates (including premium of Rs. 9 per certificate)	5,134,256	-
Dividend paid	3,457,500	2,120,600
Allied Engineering Management Company (Private) Limited (Modaraba Management Company)		
Outstanding certificates 19,500,000 (June 30, 2012: 15,000,000)	195,000,000	150,000,000
Payable to the Modaraba Management Company	7,315,759	4,580,860
Allied Engineering & Services (Private) Limited (the holding company of the Modaraba Management Company)		
Outstanding certificates 29,525,785 (June 30, 2012: 22,712,143)	295,257,850	227,121,430
Payable against purchase of parts and services	307,487,951	266,170,955
Allied Engineering & Services (Private) Limited - Staff Provident Fund		
Outstanding certificates 1,537,974 (June 30, 2012: 1,152,500)	15,379,740	11,525,000

36.1 The status and details of outstanding balance with associated undertakings / related parties as at June 30, 2013 are included in the respective notes to the financial statements.

37 SEGMENT INFORMATION

As per IFRS 8, "Operating Segments", Operating segments are reported in a manner consistent with the internal reporting used by the chief operating decision-maker. The Chief Executive Officer of the Management Company has been identified as the chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments.

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

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

The internal reporting provided to the Chief Executive Officer for the Modaraba's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

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

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

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

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

	Profit on Ijarah Finance and rentals		Operation and maintenance income		Total	
	2013	2012	2013	2012	2013	2012
	(Rupees)					
Revenue	2,014,395,662	1,383,715,188	124,803,537	160,203,765	2,139,199,199	1,543,918,953
Costs	1,456,637,818	966,944,192	83,564,287	106,178,739	1,540,202,105	1,073,122,931
Reportable segment profit	<u>557,757,844</u>	<u>416,770,996</u>	<u>41,239,250</u>	<u>54,025,026</u>	<u>598,997,094</u>	<u>470,796,022</u>
Reportable segment assets:						
Rental receivable	291,008,820	150,563,401	15,506,250	17,214,164	306,515,070	167,777,565
Net investment in Ijarah finance	-	62,050,805	-	-	-	62,050,805
Security deposits	59,764,006	47,189,197	-	-	59,764,006	47,189,197
Spare parts	22,487,148	35,172,863	-	-	22,487,148	35,172,863
Ijarah assets	3,677,543,177	2,136,652,576	-	-	3,677,543,177	2,136,652,576
Fixed assets in own use - tangible	52,347,976	50,570,080	-	-	52,347,976	50,570,080
Capital work-in-progress	69,925,080	71,135,902	-	-	69,925,080	71,135,902
	<u>4,173,076,207</u>	<u>2,553,334,824</u>	<u>15,506,250</u>	<u>17,214,164</u>	<u>4,188,582,457</u>	<u>2,570,548,988</u>
Reportable segment liabilities:						
Creditors, accrued and other liabilities	828,809,776	439,043,586	2,209,726	5,017,210	831,019,502	444,060,796
Diminishing Musharakah financing payable	1,168,801,562	526,468,831	-	-	1,168,801,562	526,468,831
Security deposits	50,500,000	50,500,000	-	-	50,500,000	50,500,000
	<u>2,048,111,338</u>	<u>1,016,012,417</u>	<u>2,209,726</u>	<u>5,017,210</u>	<u>2,050,321,064</u>	<u>1,021,029,627</u>

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

	Note	2013	2012
(Rupees)			
Revenues			
Total revenue for reportable segments		2,139,199,199	1,543,918,953
Other revenue	24	32,867,450	27,995,657
Total revenue		<u>2,172,066,649</u>	<u>1,571,914,610</u>
Profit or loss			
Total profit or loss for reportable segments		598,997,094	470,796,022
Other profit or loss		32,867,450	27,995,657
		<u>631,864,544</u>	<u>498,791,679</u>
Assets			
Total assets for reportable segments		4,188,582,457	2,570,548,988
Short term investment		-	36,031,718
Advances and other receivables (other than security deposit)		45,895,350	21,877,710
Cash and bank balances		205,048,935	82,611,666
Long term security deposit - Others		50,000	-
		<u>4,439,576,742</u>	<u>2,711,070,082</u>
Liabilities			
Total liabilities for reportable segments		2,050,321,064	1,021,029,627
Payable to the Modaraba Management Company		7,315,759	4,580,860
Deferred staff liability		21,171,193	16,450,329
Other long term employee benefit		8,038,987	6,171,651
		<u>2,086,847,003</u>	<u>1,048,232,467</u>

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

38 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The Board of Directors of the Management Company has approved dividend at the rate of Rs. 3 per certificate (2012: Rs. 3 per certificate) for the year ended June 30, 2013, resulting in a total distribution of profit amounting to Rs. 292.50 million (2012: Rs. 225 million), in its meeting held on September 30, 2013, which is more than 90% of the net profit for the year ended June 30, 2013, after appropriation to the statutory (mandatory) reserve as required under the Modaraba Regulations. In addition, the Board of Directors of the Management Company also approved the issue of bonus certificates in the proportion of 1 certificate for every 20 certificates held amounting to Rs. 48.75 million, in its meeting held on September 30, 2013. These financial statements do not reflect this proposed distribution which will be incorporated in the financial statements for the year ending June 30, 2014.

39 CORRESPONDING FIGURES

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

40 GENERAL

40.1 Date of authorisation for issue

These financial statements were authorised for issue by the Board of Directors of the Management Company in its meeting held on September 30, 2013.

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


Murtaza Anisur Ali
Chief Executive


Khwaja Asit Rahman
Chairman


Syed Feisal Ali
Director

Certificate Holding Pattern

as at June 30, 2013

No. of Certificate Holders	Certificate Holding		Total Certificates Held
	from	To	
72	1	100	1,122
20	101	500	6,269
47	501	1000	34,284
95	1001	5000	239,350
28	5001	10000	201,223
11	10001	15000	141,286
7	15001	20000	122,100
5	20001	25000	112,000
4	25001	30000	107,487
2	30001	35000	65,000
2	35001	40000	73,450
3	40001	45000	125,775
2	45001	50000	97,500
1	50001	55000	54,707
2	55001	60000	118,825
2	70001	75000	142,425
1	75001	80000	76,700
1	95001	100000	97,500
1	110001	115000	113,264
1	120001	125000	124,150
1	140001	145000	140,600
1	170001	175000	173,387
1	195001	200000	200,000
1	265001	270000	265,525
1	995001	1000000	1,000,000
1	1535001	1540000	1,537,974
1	19495001	19500000	19,500,000
1	29525001	29530000	29,525,785
1	43100001	43105000	43,102,312
316			97,500,000

Categories of Certificate Holders	Number	Certificates Held	Percentage
Individuals	311	3,832,304	3.93%
Management Company	1	19,500,000	20.00%
Joint Stock Companies	2	72,628,097	74.49%
Employees Provident Fund	2	1,539,599	1.58%
Total	316	97,500,000	100.00%

Certificate Holding Pattern

as at June 30, 2013

Categories of Certificate Holders	Number	Certificates Held	Percentage
Associated Companies			
Allied Engineering & Services (Private) Limited	1	29,525,785	30.28%
Allied Engineering Management Company (Pvt.) Limited	1	19,500,000	20.00%
Allied Engineering & Services (Private) Limited - Employees' Provident Fund	1	1,537,974	1.58%
		50,563,759	51.86%
Directors, CEO & their Spouses & Minor Children			
1. Mr. Murtaza Ahmed Ali	1	265,525	
2. Syed Feisal Ali	1	1,000,000	
3. Mr. Ali Akbar	1	48,750	
4. Mr. Tajdar A. Shah	1	97,500	
5. Mr. Raees A. Khan	1	260,000	
6. Mr. Hassan Shahzad Abidi	1	3,249	
		1,675,024	1.72%
Executives			
	7	262,778	0.26%
Employees' Provident Fund	1	1,625	0.01%
Certificate holders' holding five percent or more certificates in the Modaraba			
Magenta International Limited	1	43,102,312	44.21%
General Public	298	1,894,502	1.94%
	316	97,500,000	100.00%

Offices Across Pakistan

Registered & Head Office - Karachi

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

UAN : +9221 111 250 250 **Tel:** +9221-35066901-13, +9221-335113621-25

Fax: +9221-35066915-16 **E-mail:** rental@aesl.com.pk **Web:** www.arm.com.pk

Lahore

16 KM, Multan Road, Lahore P.O.Box 288

Tel : +9242 - 37512971, 37511618-23

Fax : +9242 - 37511617

Email : rental_lahore@aesl.com.pk

Islamabad

Allied Centre, Peshawar Road, 2Km Tarnol,

Railway Crossing

Tel : +9251 - 217521-25

Fax : +9251 - 2217527

Email : rental.isb@aesl.com.pk

Multan

Hamid Pur Kenora, Sher Shah By Pass Road,

Opp. Industrial Estate

Tel : +9261 - 4590701-4

Fax: +9261 - 4590709

Email: amultan@aesl.com.pk

Peshawar

Address Plot No 55-A Main Industrial Estate,

Jamrud Road Hayatabad

Tel : +9291 - 5830445 - 6

Fax : +9291 - 5830445

Email : pesh@aesl.com.pk

Quetta

Address 1st Floor, Burger Inn Building,

Suraj Ganj Bazar

Tel : +9281 - 822196

Email: admin@aesl.com.pk

Faisalabad

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

Gulistan Colony, Millat Chowk

Tel : +9241 - 8784643

Fax: +9241 - 8784643

Email: faisalabad@aesl.com.pk

Proxy Form

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

As my proxy to vote for me and on my behalf at the 7th Annual Review Meeting of the Modaraba to be held on 31st day of October 2013 and at any adjournment thereof.

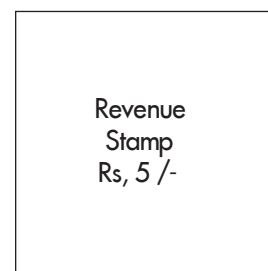
Signed this _____ day of _____ 2013

WITNESSES:

1. Signature: _____
Name: _____
Address: _____

CNIC / or _____
Passport No. _____

Signature



2. Signature: _____
Name: _____
Address: _____

CNIC / or _____
Passport No. _____

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

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



ALLIED  Rental STORE

Allied Rental Modaraba

Managed by: Allied Engineering
Management Company (Private) Limited

21/3 Sector 22, Korangi Industrial Area,
Karachi-74900

UAN: (021) 111-250-250

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

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Email: rental@aesl.com.pk

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